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Oracle ERP Applications and Oracle Hyperion Financial Management

Choosing the Right Financial Consolidation Solution for
Your Organization

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Executive Overview

Every organization has unique issues with their financial consolidation process. What are your challenges?

- Are you coping with numerous transactional systems from several vendors, or do you have single or multiple instances of the same system across your organization?
- If you have a single ERP/GL system, can you meet financial reporting deadlines with a transactional-based consolidations solution, or do you need a solution that handles the extended close and reporting process with speed and flexibility?
- Do you need insight into results for performance management and what-if scenario modeling? Are you able to get the information you need easily to make informed decisions?

Oracle gives you a choice of financial consolidation solutions. Oracle's ERP solutions provide transactional-based consolidation functionality, while Oracle Hyperion Financial Management is a purpose-built, independent application that is focused on addressing more demanding financial consolidation, closing and reporting requirements. The following table will help you determine which application is best suited to meet your needs. For more specific information, please contact your Oracle representative.

	Oracle ERP/GL	Oracle Hyperion Financial Management (HFM)
Data Sources	<p>Single ERP/GL Instance: Organizations using a single ERP/GL instance can use the consolidation capabilities within the respective GL to perform consolidations where the environment is less complex and demanding.</p>	<p>Single ERP Instance: Organizations should consider using HFM to perform consolidations if there is a need for “extended corporate close” and reporting process, including what-if analysis, construction of pro-forma financial statements, and support for multiple hierarchies: corporate tax/legal analysis, management and local reporting analysis, and disclosure management activities leading to financial statement publishing and XBRL-based filings. These more demanding requirements are typical in larger corporations.</p>
	<p>Multiple ERP/GL instances: Where there is a mix of ERP/GL instances and differing charts of accounts, GL-based approaches to financial consolidation and reporting are not recommended.</p>	<p>Multiple ERP/GL instances: Organizations that have heterogeneous data sources and/or multiple instances of Oracle solutions should use HFM. HFM was designed to import and consolidate data from any source—PeopleSoft, JDE, Oracle, legacy, Microsoft Excel, SAP and other ERP/GL systems. HFM also has the capability to gather data used for financial reporting not traditionally managed in the GL (i.e., Headcount, Lease information, Plan and Forecast data, etc.).</p>
Consolidation Processing	<p>If the customer has a single instance of an Oracle ERP system, Oracle ERP/GL solutions offer important features that can help with the period-end close process. General Ledgers use standard ledger functionality to create a consolidated ledger rather than using a packaged application for consolidations. Debit/Credit entries are posted from subledgers to a consolidation ledger to aggregate results and perform elimination entries. Audit trails and supporting detail are stored relationally. Customers who desire a “single book of record” that includes both original and adjusting entries will typically take this approach.</p>	<p>HFM is a packaged application that aggregates data in multidimensional “cubes,” with audit trails and supporting detail stored relationally. Upon consolidation, aggregation occurs for any scenario or hierarchy in the application and rules for eliminations, foreign currency translations, minority interests, etc. are executed automatically upon consolidation. Complete debit/credit audit trails are created automatically when consolidations are run. Customers who desire a “single system of record” that includes ERP/GL systems plus an independent financial consolidation and reporting system will typically take this approach.</p>

	<p>Features to support alternative (what-if) scenarios are not native to GL/ERP systems.</p>	<p>Alternative (what-if) scenarios and financial statements can be easily created to evaluate the financial impact of different roll-ups and hierarchies, or incremental adjustments. For example, a typical requirement is the need to see actual results at constant dollar, or budgeted exchange rates in addition to the actual rates so that operational variances can be evaluated net of exchange differences. Another typical requirement is the need to see consolidated financial statements using different standards (IFRS, US GAAP, etc.). Customers often use HFM to restate prior period results in new management or legal hierarchies, while keeping as-reported results whole. The tax department can also have independent consolidation hierarchies, differing from management or legal hierarchies, but sharing the same base input data.</p>
	<p>Since consolidations functionality exists within General Ledger applications, consolidations processing is handled as part of the transactional system. Transaction systems must remain open for the period until final adjustments are posted.</p>	<p>Because all data is managed in a separate application, customers can “offload” the consolidations process to this application, and it will not interfere with ongoing GL/ERP activity. For example, late/topside adjustments for the period can be posted in HFM so that transaction systems can remain closed for the period. This can avoid iterative cycles that can occur when GL/ERP systems are open for the period while consolidating entries are being processed.</p>
<p>Visibility into Consolidation Process and Results</p>	<p>Users can review the system-generated consolidation entries through reports or online inquiries. To view combined results/final balances, an applicable reporting tool can be used.</p>	<p>There is a purpose-built workflow component in HFM that gives visibility to all financial close and consolidation processes. For example, customers can see which aggregations and adjustments have been completed and which are still underway. Automatic emails can be generated as data gets consolidated/ reviewed/approved or rejected. Audit trails and SOX certifications are available for system generated/manual entries, including those for transformations and currency translations. Users can perform on-line inquiries to see consolidations results and drill down all the way to the source ERP/GL. All information is easily available real-time in purpose-built web pages or via MS-Office tools (spreadsheets, Word, PPT etc).</p>

<p style="text-align: center;">Intercompany Processing</p>	<p>In E-Business Suite Release 12, Advanced Global Intercompany (AGIS) has out-of-balance control and reconciliation features. AGIS performs reconciliation at the transaction level, facilitating the identification and correction of any intercompany out of balance situations.</p>	<p>During consolidation processing, intercompany eliminations and matching checks are run to identify any variances. Any issues can be resolved in a collaborative fashion via the web during the financial close, or can be “tagged” by a comment to explain why a variance may not have been addressed. Intercompany matching and elimination is typically handled at a “balance-level” with automatic eliminations at the first common parent based on the organization hierarchy.</p>
<p style="text-align: center;">Complex Ownership</p>	<p>For companies that have direct and indirect ownership (partial or total) of multiple organizations, General Ledger can manage the applicable consolidation entries – e.g., minority interest calculations. However, effective ownership calculations may require additional configuration.</p>	<p>HFM manages the consolidation entries necessary for organizations that have direct and indirect interests in multiple organizations and complex cross-ownership situations through multiple organization hierarchies and predefined business rules. In addition, the process of determining effective ownership, ultimate percent control, and proper consolidation method is done automatically – no manual intervention is required.</p>
<p style="text-align: center;">Currency</p>	<p>Oracle provides choices in currency processing and management that allows an organization to match their system to their needs, and to vary the arrangement by the different circumstances at different locations.</p> <p>Accounting standards generally specify translation principles at the level of financial statements, suggesting a statement based approach. Alternatively, many companies will need an approach based on individual or summarized transactions, either for detailed management or to comply with historic rate requirements.</p> <p>Governance issues also dictate where best to do currency translation. Many companies prefer to control the translation in a corporate context, while others prefer to associate it with local controllers familiar with historical rate data.</p> <p>In all cases, it is recommended that local books are kept in the local economy’s currency (accounting currency) and translated using the available product features to FAS 52 / IAS 21 Functional and / or to Reporting currency.</p>	
	<p><i>Statement Level Translation (at current rates):</i> General Ledger Translation facilitates balance level translation and remeasurement. In E-Business Suite Release 12, for example, the associated functionality is grouped under the “Balance Level Translation”.</p>	<p><i>Statement Level Translation (at current rates):</i> HFM translates the functional currency financial statements to the reporting currency upon consolidation in accordance with FAS52, IAS21, etc. including complex revaluation translations for hyperinflationary countries, cumulative translation adjustments (CTA) in the equity section of the balance sheet.</p>

	<p><i>Statement Level Remeasurement (including items at historical rates):</i> ERP based translation functions facilitate the use of historic rates or actual target currency balances when executing a “remeasurement” type translation, normal for manufacturing and exporting companies.</p>	<p><i>Statement Level Remeasurement (including items at historical rates):</i> HFM facilitate the use of historic rates or actual target currency balances when executing a “remeasurement” type translation, normal for manufacturing and exporting companies.</p>
	<p><i>Activity Level Translation or Remeasurement:</i> E-Business Suite Release 12 General Ledger includes functionality to execute a translation or historic-rate remeasurement at the activity level, converting each posted journal entry to the target currency.</p>	<p><i>Activity Level Translation or Remeasurement:</i> HFM facilitates the importation of Activity Level Translated balances, and includes it in the extended close and reporting.</p>
	<p><i>Transaction Level Translation or Remeasurement:</i> In certain circumstances, it is useful to translate and remeasure every transaction entered into by a foreign operation, whether incorporated or not. ERP/GL supports transaction level translation, which can be subsequently revalued to month-end current, average and historical rates as the currency markets and your reporting requirement require.</p>	<p><i>Transaction Level Translation or Remeasurement:</i> HFM does not support transaction-level translation or remeasurement.</p>
	<p><i>Secondary Accounting Ledgers:</i> In addition to the three levels (balance, activity, transaction) of reporting currency in E-Business Suite, you can create Secondary Ledgers in target currencies. Secondary Ledgers are ledgers populated by an alternative set of Subledger Accounting rules, and accommodate compliance with different accounting conventions. A Secondary ledger has its own accounting currency, and also supports the three levels of reporting currencies.</p>	<p><i>Secondary Accounting Ledgers:</i> HFM facilitates the importation of Secondary Ledger balances, and includes it in the extended close and reporting.</p>

Management Reporting	<p>Standard financial reporting is performed using Financial Statement Generator (FSG) and BI Publisher (for EBS), nVision (for PSFT), and Financial Report Writer or FRW (JDE). Management Reporting typically requires additional attributes and/or dimensions not stored within traditional ERP/GL systems; therefore, data is often exported to an environment where additional manipulation of the data can be performed. The data becomes “offline” from the book of record and may need to be refreshed periodically as new entries are made in the ledger.</p>	<p>With HFM, customers can perform robust multi-dimensional reporting and analysis in real-time using best-in-class reporting tools. Hyperion Financial Management includes a multidimensional OLAP dashboarding tool, a purpose-built financial reporting tool for construction of 10k’s/10q’s that includes XBRL support, and a market-leading MS-Office add-in that can act as a “front-end” to HFM, providing real-time consolidation and reporting functionality to the system of record in an Excel environment, MS-Word integration, and support for Powerpoint and MS-Outlook as well. Because HFM is built to handle additional data elements not in the GL, the reports are never “offline” from HFM.</p>
	<p>If a management reporting structure is different than legal reporting structure, users need to create different ledger sets/groups with the appropriate reporting structure and generate a consolidation for each respective ledger set/group.</p>	<p>HFM can maintain different reporting structures using scenario-based reporting and multiple hierarchies. In addition, completely separate applications can be easily created to test different operating assumptions and evaluate alternatives. With HFM, it’s easy to model organizational change to answer questions like “What will the net tax impact be of changes in my legal structure?” or “What will trends be in my key performance indicators with and without discontinued operations?”</p>
IFRS	<p>Oracle recommends using HFM together with your ERP and GRC systems to adopt IFRS. Parts of the process are ideally suited to topside analysis and processing, and others require a transactional approach. Unlike certain countries where local compliance requirements impeded pushing IFRS accounting to subledgers and the General Ledger, the US and Canadian adoption should be taken to the subledger systems.</p>	

	<p>Top-side reporting during and after comparative reporting period is possible in the ERP/GL, but if the transactions are not within the GL/ERP system itself, special adjustment entities will need to be set up for the manual postings required. Pro-forma and trend reporting with/without IFRS adjustments can be difficult.</p>	<p>Because many of the IFRS impacted accounts are “headquarters-only” accounts - for example share options, intangibles, tax reserve accounts, pensions, financial instruments, etc., Oracle/Hyperion customers can handle a majority of IFRS accounting on a “top-end” basis.</p> <p>Given the probable requirement for 2011 IFRS closing balances, the best practice recommendation for Top-End reporting is to run parallel throughout 2010 so that IFRS financial statements can be reviewed and approved internally prior to 2011.</p> <p>Starting in 2011, companies would then start building their prior year IFRS history so that when the predicted 2014 first reporting date arrives, they are ready to go with all prior periods under IFRS. HFM custom dimensions, document attachments, topside journal entries and multidimensional reporting are all helpful features for transitional and post-IFRS reporting.</p>
	<p>Oracle’s ERP/GL systems offer multi-GAAP features for transaction-based support. For example, Oracle E-Business Suite Release 12 Subledger Accounting can support multiple recognition and measurement methods for the same transaction.</p> <p>Customers will use ERP/GL systems to track such diverse IFRS to GAAP differences as inventory costing (no LIFO), componentized assets, asset impairments, and revenue recognition differences.</p>	<p>If multi-GAAP subledger accounting is used, the differing results can be loaded to Hyperion Financial Management’s custom dimensions for pro-forma reporting and trending, with and without IFRS adjustments. In addition, these trends are combined with the top-end adjustments noted above.</p>
<p>Extended Financial Close</p>	<p>ERP/GL systems can provide consolidated balance sheet and profit/loss statements using their respective reporting tools.</p>	<p>Customers often use HFM to collect the following types of information: standard financial statements (Balance Sheet, Profit and Loss), intercompany accounts, and detailed analysis for management or regulatory reporting. Some examples include analysis of change of sales and operating profit, volume, price, mix, analysis, currency impacts, cash flow analysis, deferred tax detail, intercompany profit in Inventory, dividend income, pension and other post employment benefits data, intangible assets detail, forecasted income taxes, explanatory commentaries, and specific 10q and 10-k disclosure information (Leases, contingencies, etc.).</p>

	<p>The ERP/GL does not have a MS-Word addin which could be used for 10k/10q and other regulatory filings.</p>	<p>HFM's Smart View addin supports dynamic calls from MS-Word into HFM. Customers typically set up a MS-Word doc for the 10k/10q with live calls for the financial statements plus backing detail for notes and disclosures in the 10k/10q. Once you set it up the first time, it's easy to advance the point of view to future periods as quarters roll by to pull in the latest results, notes and disclosures.</p>
	<p>Current US GAAP XBRL specification is not supported. Oracle ERP/GL systems supported prior taxonomies but are not current.</p>	<p>As part of the Financial Reporting Studio that is included with HFM, there is an XBRL module. This module can generate XBRL Instance Documents that are fully compliant with the latest taxonomy specifications (USGAAP 1.0, etc). Also, Oracle just completed a technology licensing agreement with the leading XBRL reporting vendor, UBmatrix. We will be enhancing our support for XBRL with this new technology in the coming months by embedding XBRL in our financial close solutions.</p>
<p>Performance Management</p>	<p>Traditional transaction-based systems (ERP or GL systems) were not designed to support performance management processes.</p>	<p>HFM consolidated results can be easily linked to other Enterprise Performance Management (EPM) products, such as strategic planning and operational budgeting and forecasting applications to track progress against targets, identify problems, and take action quickly. In addition, the application metadata can be maintained in a single, consistent fashion across all products, common reporting tools can be used across all EPM products, and common installer and common workspace technologies are provided.</p>
<p>Scenario Modeling</p>	<p>Traditional transaction-based systems (ERP or GL systems) were not designed to perform what-if scenario modeling for decision making.</p>	<p>HFM can perform what-if scenario modeling using different hierarchies, rules, ownership percentages, etc. Scenarios also allow for financial restatements while preserving historical results.</p>

More Information

For more information about Oracle's solutions, please visit the following sites:

- [Hyperion Financial Management](#)
- [E-Business Suite Financials](#)
- [PeopleSoft Enterprise Financial Management](#)
- JD Edwards [EnterpriseOne Financial Management](#) and [World Financial Management](#)

You may also contact your Oracle account representative or send an email to info@oracle.com



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