

**Oracle® Fusion Applications Financial Control and Reporting,
Accounting Transactions, Tax Transactions, and Reporting Guide**

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Oracle® Fusion Applications Financial Control and Reporting, Accounting Transactions, Tax Transactions, and Reporting Guide

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Preface

This Preface introduces the guides, online help, and other information sources available to help you more effectively use Oracle Fusion Applications.

Oracle Fusion Applications Help

You can access Oracle Fusion Applications Help for the current page, section, activity, or task by clicking the help icon. The following figure depicts the help icon.



With a local installation of help, you can add custom help files to replace or supplement the provided content. Help content patches are regularly made available to ensure you have access to the latest information. Patching does not affect your custom content.

Oracle Fusion Applications Guides

Oracle Fusion Applications guides are a structured collection of the help topics, examples, and FAQs from the help system packaged for easy download and offline reference, and sequenced to facilitate learning. You can access the guides from the **Guides** menu in the global area at the top of Oracle Fusion Applications Help pages.

Note

The **Guides** menu also provides access to the business process models on which Oracle Fusion Applications is based.

Guides are designed for specific audiences:

- **User Guides** address the tasks in one or more business processes. They are intended for users who perform these tasks, and managers looking for an overview of the business processes. They are organized by the business process activities and tasks.
- **Implementation Guides** address the tasks required to set up an offering, or selected features of an offering. They are intended for implementors. They are organized to follow the task list sequence of the offerings, as displayed within the Setup and Maintenance work area provided by Oracle Fusion Functional Setup Manager.
- **Concept Guides** explain the key concepts and decisions for a specific area of functionality. They are intended for decision makers, such as chief financial officers, financial analysts, and implementation consultants. They are organized by the logical flow of features and functions.

- **Security Reference Manuals** describe the predefined data that is included in the security reference implementation for one offering. They are intended for implementors, security administrators, and auditors. They are organized by role.

To supplement these guides, which cover specific business processes and offerings, the following guides address common areas:

Guide	Intended Audience	Purpose
Common User Guide	All users	Explains tasks performed by most users.
Common Implementation Guide	Implementors	Explains tasks within the Define Common Applications Configuration task list, which is included in all offerings.
Information Technology Management, Implement Applications Guide	Implementors	Explains how to use Oracle Fusion Functional Setup Manager to plan, manage, and track your implementation projects, migrate setup data, and validate implementations.
Technical Guides	System administrators, application developers, and technical members of implementation teams	Explain how to install, patch, administer, and customize Oracle Fusion Applications.

For guides that are not available from the Guides menu, go to Oracle Technology Network at <http://www.oracle.com/technetwork/indexes/documentation>.

Other Information Sources

My Oracle Support

Oracle customers have access to electronic support through My Oracle Support. For information, visit <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=info> or visit <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=trs> if you are hearing impaired.

Use the My Oracle Support Knowledge Browser to find documents for a product area. You can search for release-specific information, such as patches, alerts, white papers, and troubleshooting tips. Other services include health checks, guided lifecycle advice, and direct contact with industry experts through the My Oracle Support Community.

Oracle Enterprise Repository for Oracle Fusion Applications

Oracle Enterprise Repository for Oracle Fusion Applications provides visibility into service-oriented architecture assets to help you manage the lifecycle of your software from planning through implementation, testing, production,

and changes. In Oracle Fusion Applications, you can use the Oracle Enterprise Repository for Oracle Fusion Applications for:

- Technical information about integrating with other applications, including services, operations, composites, events, and integration tables. The classification scheme shows the scenarios in which you use the assets, and includes diagrams, schematics, and links to other technical documentation.
- Publishing other technical information such as reusable components, policies, architecture diagrams, and topology diagrams.

The Oracle Fusion Applications information is provided as a solution pack that you can upload to your own deployment of Oracle Enterprise Repository for Oracle Fusion Applications. You can document and govern integration interface assets provided by Oracle with other assets in your environment in a common repository.

Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at <http://www.oracle.com/us/corporate/accessibility/index.html>.

Comments and Suggestions

Your comments are important to us. We encourage you to send us feedback about Oracle Fusion Applications Help and guides. Please send your suggestions to oracle_fusion_applications_help_ww@oracle.com. You can use the **Send Feedback to Oracle** link in the footer of Oracle Fusion Applications Help.

Overview

Financial Control and Reporting: Overview

The business process of financial control and reporting enables you to control your enterprise financial management activities. It provides you with better visibility of the entire process from capturing transactions and closing subledgers to financial consolidation and reporting processes. The business process provides efficiency in updating and reconciling general ledger accounts, with checks and balances across all subledger systems.

Transactional business processes within Financial Control and Reporting include:

- Capture transactions
- Close accounting period
- Manage transaction taxes

Capture Transactions

Within the capture transaction business process you can:

- Efficiently capture transactions in your financial system
- Record accounting entries according to appropriate accounting standards and principles for management reporting, audit, and statutory compliance
- Define transaction processing rules, manage ledgers and subledgers, record and edit standard and periodic entries, record allocations, manage intercompany transactions, post entries, and update ledger balances

In addition, you can process accounting for subledger transactions, create adjustment entries, periodically post summarized entries in general ledger, maintain subledger account balances, and report on subledger accounting activity.

Close Accounting Period

Use the close accounting period transaction business process to finalize accounting entries for the period and provide a complete picture of your company's financial activities. Manage the close process, including defining

closing configuration, revaluing and translating account balances, reconciling accounts, consolidating financial information, and closing ledgers and subledgers.

Manage Transaction Taxes

Use the manage transaction taxes transaction business process to identify and control procedures required to accurately calculate tax liabilities for your company. Comply with global tax regulations, manage transaction tax configuration and rules, calculate transaction taxes, and monitor and analyze transaction taxes.

Preview the workings of your tax configuration using the Tax Simulator before transactions are entered in an application. Simulate transactions such as a purchase or sales invoice, to ensure that the tax configuration, including any rules that you set up, provide the expected results. Simulate the effect of a new rule or new incremental setup data such as a new tax or tax rate. Create transactions manually or query and copy existing subledger transactions. Review taxes for a copied simulator transaction and the impact to the tax calculation when you change certain parameters.

Tax is automatically calculated on transactions based on the document details and the relevant tax configuration and tax content. Modify document details and related tax information manually to change the tax calculation.

Transaction tax reporting provides you with legal, business, and reconciliation reports. Produce reports and returns to meet tax reporting requirements for specific countries and those required for reconciliation and audit of tax calculated on transactions. Generate registers with comprehensive information of transactions with tax impact, which you can use as a basis for creating tax reports required by tax authorities and meeting the internal reporting needs of your organization.

Capture Transactions

Capturing Journal Transactions: Points to Consider

The ledger and subledger transactions are captured in four ways: entering journals manually, entering journals in spreadsheets, importing journals, and creating journals automatically. Use of these methods varies depending on the application providing the data, the reason for the entry, such as error correction versus monthly entries, and the tools available, such as the calculation engine used in the automation of journal entries.

Entering Journals Manually

Enter journals manually that occur once or infrequently, such as journals to correct errors, reclassify account balances, or accrue balances for unusual transactions. This method requires the most time and is open to errors from human intervention.

Entering Journals in Spreadsheets

Enter manual and recurring journal entries through a spreadsheet interface. Load the completed spreadsheet into the import interface. Schedule or manually submit the Journal Import program to import the data into the ledger. Working in spreadsheets adds functionality such as the use of macros, formulas, and links to existing documents. Spreadsheets are created as templates for recurring entries and then each month, simply update the data and upload.

Importing Journals

Use Oracle Fusion Subledger Accounting to submit journal entries from the subledger applications, both Oracle and non-Oracle, to the import interface to prepare for transfer of the data into the ledger. Schedule or manually submit the Journal Import program to perform the import. Verify that the data is transferred completely and accurately. This method efficiently and correctly populates the bulk of the data in the ledger.

Creating Journals Automatically

In Oracle Fusion General Ledger, create journal entries automatically to automate processes and reduce both errors and data entry time. For example:

- Define allocation rules and rule sets in the Oracle Fusion Calculation Manager. Generate your defined allocation formulas to automatically populate the allocated data to the import interface. Schedule or manually submit the Journal Import program to import the journal lines into the general ledger to create unposted allocation batches. Post automatically during the generate process or manually to allocate data from amounts or accounts to other accounts on a periodic basis.
- Define journal reversal criteria sets for specific journal categories to automatically create reversal journal entries. Schedule or manually submit the AutoReverse program. The program creates new journal entries when it reverses the journals that match the criteria specified.
- Define revaluation definitions to properly account for unrealized gains and losses on currency exchange fluctuations. Schedule or manually submit the Revaluation program. Post the revaluation journal batch. The program adjusts the respective foreign currency denominated asset or liability to its current accounted value and offsets this to the unrealized gain or loss account.
- Use the Balances Transfer process for generic cross ledger balance transfers. These processes transfer copies of the data from your source ledgers to your target ledgers. Initiate this process at periodic intervals as needed. The result of a balances transfer is an automatically created, postable journal entry that updates account balances in the target ledger. The resulting journal in the target ledger is marked with the journal source of Balance Transfer. Also use the Balances Transfer process to transfer specifically from the primary ledger to its balance level secondary ledger. The journal source for these journals is Primary Ledger.

Accounting Cycle: Example

This example demonstrates the steps in completing the accounting cycle to achieve successful financial reporting for your enterprise. These steps may vary based on your business processes and enterprise structure.

Scenario

Your company, InFusion Corporation, is a multinational conglomerate that operates in the United States (US) and the United Kingdom (UK). InFusion Corporation uses Oracle Fusion General Ledger and all of the Oracle Fusion subledgers. Your product line includes all the components to build and maintain air quality monitoring (AQM) systems for homes and businesses. Your financial services organization provides funding to your customers for the start up costs of these systems. You have three subsidiaries, InFusion Financial Services, InFusion UK Services, and InFusion America. Your parent, InFusion Corporation consolidates financials with all its subsidiaries monthly. Your company purchases raw materials from other countries, which requires you to record foreign currency transactions. The following are the tasks that your staff performs to complete the accounting cycle and ensure accurate capturing of your accounting transactions.

- Open the accounting period.

- Enter manual journal entries: standard, statistical, and intercompany balancing journal entries between your parent company and your three subsidiaries.
- Import journals from your subledgers. Correct or delete journal entries that failed the import process. If necessary, run the import process again.
- Define journals that occur periodically and allocation journal formulas for transactions that have a common format, require allocation of amounts or accounts to other accounts, or that are entered frequently.
- Generate recurring and allocation journal batches based on your defined formulas.
- Review the details of the unposted journal batches.
- Edit unposted journals to change or correct information, including the batch period and the journal currency.
- Post journal batches manually or automatically.
- Check for posting errors. Use the Posting Execution Report and the Automatic Posting Execution Report to check the results of your posting. These reports are created automatically when the posting programs are completed.
- Reverse posted journals as needed. Assign a reversing period to the journal, generate the journal, and post the reversing batch.

Note

Journals can be set to automatically reverse when you open the period. Subsequent adjustments to the accounts are then based on balances net of those reversals.

- Revalue foreign currency denominated balances to reflect conversion rate fluctuations at the end of the accounting period.
- Translate actual account balances in your UK subsidiary to US dollars to report to your US parent. You consolidate the ledgers for all your subsidiaries in US dollars.
- Consolidate ledgers by defining and running a consolidation for all your subsidiaries.
- Produce financial reports and perform online inquiries to review current account balances.
- Close the current accounting period.
- Open the next accounting period.

Record and Edit Standard Journal Entries

Journal Entries: How Creating, Posting, and Editing Work Together

Journal entries are posted to the ledger to record data from accounting transactions that reflect your entity's business events. Journal creation, posting,

and editing work together in the recording process to produce accurate financial records.

Creating Journal Entries

The process begins with creating journals. You can create journals in several ways:

- Enter manually directly in the ledger
- Use a spreadsheet interface
- Import journals into the ledger
- Create automatically from formulas or processes

All methods produce a journal entry consisting of:

- A batch that determines the accounting period of all journals associated with the batch
- One or more journals, with a category and a currency assigned to each.

Note

For cross currency journals, the currency is assigned at the line level.

- Lines that contain the accounting for the transaction

Save to create the journal entry. Complete the journal to submit it for posting. After creation, apply an optional journal approval process to the entry.

A journal entry that has been saved, completed, and, if necessary, approved, is available for posting.

Posting Journal Entries

You can post journal entries only in open accounting periods. Keep all but the current periods closed to prevent posting of amounts in incorrect periods. During the posting process, the journal entry is validated and, if successful, the credit and debit amounts are updated to their respective accounts in the ledger. You can not change a journal entry that is posted.

Once posting has finished successfully, run reports and performs queries on the updated account balances in the ledger.

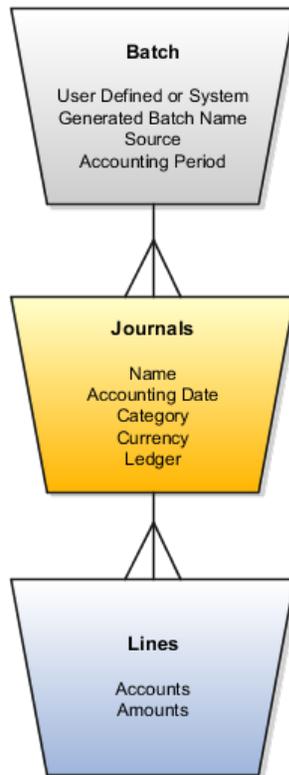
Editing Journal Entries

Edit journal entries as needed before they are posted. After posting, either reverse and enter the journal again or enter a new journal to correct the amounts in question.

Journal Entry Components: How They Fit Together

Journal entries post accounting balances to the ledger for reporting and analysis. Journal entries have three components: batch, journals, and lines. Journals with

common attributes can be organized into batches. The journal information identifies common details for a single journal entry. The lines specify the accounting information for the journal entry.



Batch

A batch can contain multiple journals, each of which can belong to a different ledger, but all of the ledgers within a batch must have the same accounting calendar and chart of accounts. All journal entries in a batch must share the same period. Create a journal batch by entering a user-defined name in an open or future enterable accounting period. Batches are posted only in open accounting periods. If you do not want to enter the batch information, start by entering data in the Journals region. The batch name is created automatically, using the source of manual combined with a unique batch ID and the system date.

Journals

The journal requires ledger, name, accounting date, source, category, and currency. The description and control total are optional. Your data access set must provide read and write access to the ledger, or read and write access to one or more of the balancing segment values or management segment values to select the ledger from the list of values. If you use reporting currencies or secondary ledgers set to journal or subledger conversion level, select a secondary ledger or reporting currency for your journal.

Note

Creating manual journals is an exception for secondary and reporting ledgers because in general, their journals are propagated directly from their primary ledger.

And if so, these would be exceptions to make direct entries to such ledger because in general, their journals should be propagated instead from their primary ledger?

Lines

The lines require accounts and amounts. Total debits must equal total credits for all journal entries except for statistical journal entries.

Single or Multiple Journal Batches: Points to Consider

Entering journal batches is optional. If you do not enter the batch name, the application creates a batch for each entry automatically; using the journal entry name combined with the system date and time to create a unique batch ID. All journal entries in a batch must share the same accounting period. Enter journals only in a current or future enterable accounting period. Batches can contain one or an unlimited number of journal entries. When you post one journal entry, the entire batch posts. Posting is always done at the batch level.

Using a Single Batch

You can record a set of journal entries in a single batch. For example, all of your statistical entries or monthly accruals can be entered in one batch for easy reference, querying, and posting.

Using Multiple Batches

Use multiple batches when it is important for each journal entry to be reversed separately or to document a specific transaction or adjustment in a separate journal entry.

Entering a Statistical Journal Entry: Example

This example uses headcount to illustrate how a company can record statistical information in a journal entry. The posted statistical balances can then be used as an input for allocation journal entries.

Scenario

Infusion America Incorporated hires thirty new employees and assigns them to the sales, accounting, and purchasing departments. To allocate expenses properly, Infusion America Incorporated needs to track headcount for each department.

Transaction Details

The thirty new employees are assigned as follows:

- Twelve to the sales department
- Ten to the accounting department
- Eight to the purchasing department

Analysis

The sales department has expanded its territory and needs twelve new employees to cover the new areas. The sales force works in the field and has travel expenses.

The accounting department has lost four employees to retirement which requires four new employees to fill those vacated positions. The accounting department also added six new positions to handle the expected increase in sales. Accounting employees work in a central office, and the department allocates expenses across other departments.

The purchasing department has added four new buyer positions and four new warehouse positions to handle the expected increase in orders. Purchasing employees work in the warehouse and participate in Infusion America Incorporated's health insurance plan.

Based on the analysis, select STAT as the journal currency and enter the following to capture the statistical information:

Department	Department Value	Debits	Credits	Description
Sales	200	12		Sales force addition due to territory expansion.
Accounting	300	10	4	Addition of six new positions and the loss of four due to retirement which requires four new employees.
Purchasing	500	8		Addition of four buyers and four warehouse positions.
Total		30	4	

Note

Debits are not required to equal credits in statistical entries.

Entering Foreign Currency Journals: Worked Example

This example demonstrates how to create a journal entry in a foreign currency. Your company, InFusion America, has purchased a new truck from a company located in the United Kingdom. The price is in British pounds (GBP) and your ledger currency is United States dollars (USD). When the cost was booked in purchasing, the freight costs were not included. You need to enter a manual journal entry for the missing freight costs.

Use the following steps to enter a manual journal entry using a foreign currency. A currency is classified as foreign if it is not your ledger currency or a reporting currency you are using with the journal or subledger level reporting currency functionality.

Entering a Foreign Journal Entry

1. Navigate to the **Manage Journals** page.
2. Select the **Create Journal** link from the Task panel.
3. Enter the information listed in the following table. Accept the application entered values in the other fields.

Field	Data
Batch Name	UK Sales Adjustment
Batch Description	Freight costs on purchase of a truck
Journal Name	UK Sales Adjustment
Journal Description	Freight costs on purchase of a truck
Category	Adjustment
Currency	GBP
Conversion Rate Type	User
Conversion Rate	1.59
Debit Account	Your purchase account
Debit Amount	500
Credit Account	Your payables account
Credit Amount	-500

4. Click the **Post** button.

The application saves, completes, and posts the entry.

Note

In this example, the conversion rate type of User was selected, which requires you to enter the conversion rate. Other conversion rate types are Spot, Corporate, or user-defined. These other conversion rate types can automatically enter the conversion rate based on the data in the daily rates tables and the conversion date. Select a conversion date within the accounting period that you defined for the journal entry. The conversion date field allows you to select other dates if you want to use a different daily rate. The default conversion date is equal to the journal accounting date.

Reversing Journal Entries: Points to Consider

Consider which reversal method is best to reverse batches containing accruals, estimates, errors, or temporary adjustments and reclassifications. Reversing journals saves time and prevents data entry errors.

Journal batches and entries that have already been reversed once cannot be reversed again. This is true even if the original journal reversal was deleted and

never posted. In Oracle Fusion General Ledger, edit capability is allowed on unposted reversal journals by default. If a journal was reversed in error, copy the original journal entry and then edit it, as needed.

Use one of the following three methods to reverse your journal entries.

1. Manually select for reversal and generate in the current period
2. Manually select for reversal and generate in a later period
3. Automatically using Journal Reversal Criteria Sets

Manually Reverse Journal Entries in the Current Period

Enter the **Reversal Period** and **Reversal Method** for the journal entry in the **Reversal** tab on the **Create or Edit Journal** pages. Reverse a journal or batch from the **Manage Journals or Edit Journal** page using the **Reverse Batch** or **Reverse Journal** buttons or **Action** menu options. Use this reversal method for error correction in the current period.

Manually Reverse Journal Entries in a Later Period

Assign a **Reversal Period** and **Reversal Method** for the journal entry in the **Reversal** tab on the **Create or Edit Journal** pages. Enter a reversal period and method at any time, even after the journal is posted. Generate the reversal using **Reverse Batch** or **Reverse Journal** buttons or **Action** menu options. When the AutoReverse program runs, it reverses all journals selected for reversal. Run the AutoReverse program manually from the **Launch AutoReverse** link on the **Task** panel located on the journal pages. Use this reversal method for one time accruals entered in the current period, but scheduled to reverse in a future period.

Automatically Reverse Journal Entries Using Journal Reversal Criteria Sets

Automatically reverse journals with defined criteria sets for specific journal categories by running the AutoReverse program. When the AutoReverse program runs, it reverses journals that match the criteria specified and any journals that were manually selected for reversal. The AutoReverse program can be run manually from the **Launch AutoReverse** link on the **Task** panel located on all the journal pages or scheduled to run when the accounting period is opened or at other times.

Journal reversal criteria sets specify the reversal period and method for each journal category. You assign journal reversal criteria sets to ledgers. The same set can be shared and assigned to multiple ledgers. Use this reversal method for reoccurring accrual entries that are enter each period and scheduled to reverse in a future period. Use definition access set security to secure journal reversal criteria set definitions and prevent unauthorized users from modifying them.

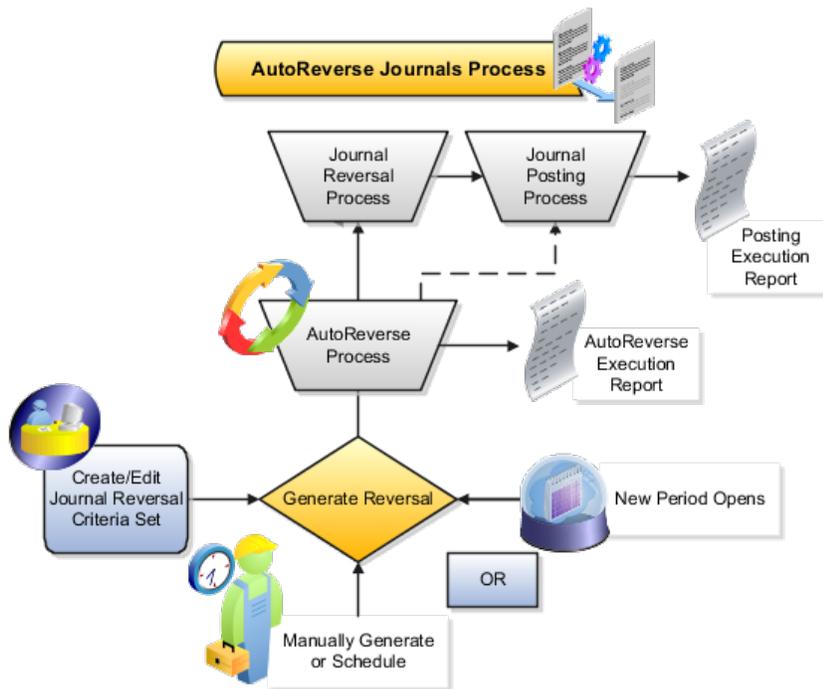
Note

When using a secondary ledger for additional reporting purposes, such as statutory reporting, journals entered directly into the primary ledger are automatically replicated to one or more secondary ledgers in a separate batch.

However when you reverse the original journal in the primary ledger, the corresponding secondary ledger journal is not reversed. Reverse the secondary ledger journal separately, either manually or by using reversal criteria sets.

Automatic Journal Reversals: How They Are Processed

The ability to submit journal reversals automatically allows you to automate and streamline your journal reversal process. If you routinely generate and post a large number of journal reversals as part of your month end closing and opening procedures, using the automatic reversal functionality saves you time and reduces entry errors.



Settings That Affect Journal Reversals

The journal must meet the following criteria to be automatically reversed:

- Balance type is Actual.
- Category is enabled to be automatically reversed.
- Reversal period is open or future enterable.
- Posted but not yet reversed.
- Not a reversal journal. Reversal journals cannot be reversed in Oracle Fusion General Ledger.
- Not a posted journal for a reporting currency that was replicated from its source journal. Reporting currency journals that were replicated from a source journal will be reversed when the source journal is reversed.

- Not a posted journal that originated from Oracle Fusion Subledger Accounting with a frozen source.

There is a new ledger option called **Launch AutoReverse After Open Period** that you can enable to have journal reversals automatically generated when an accounting period is first opened for the ledger. This ledger option replaces the former profile option called GL: Launch AutoReverse After Open Period. If you prefer to reverse your journals on the last day of every month, disable the ledger option to automatically launch reversals when the period is opened. Then schedule the AutoReverse process to run on the last day of every month.

How Automatic Journal Reversals Are Processed

Define Journal Reversal Criteria Sets to automatically reverse and optionally post journals using the following criteria:

Criteria	Functionality	Options
Category	Required. The journal category you set as the reversal option. Journals entered with this category are chosen for reversal and optionally, posting.	All journal categories are listed.
Reversal period	Required. The accounting period of the reversal journal. The Next day option is only applicable to average daily balance ledgers. Nonaverage daily balance ledgers and consolidation average daily balance ledgers treat the Next day option in the same manner as the No default option.	<ul style="list-style-type: none"> • No default • Same period • Next period • Next nonadjusting • Next day
Reversal day	Required for average daily balance ledgers only. The day of the period on which to reverse the journal.	<ul style="list-style-type: none"> • First day • Last day • Next day
Reversal method	Required. The method for changing the amounts in the reversal entry.	<ul style="list-style-type: none"> • Change sign • Switch debit or credit
Automatic reversal option	Required. The option to reverse and post journals automatically. Journals are posted after they are reversed.	<ul style="list-style-type: none"> • None • Reverse automatically • Reverse and post automatically

After creating your journal reversal criteria sets, assign them to ledgers. Journal reversal criteria set can be shared and assigned to multiple ledgers. Also secure journal reversal criteria set definitions using definition access set security to prevent unauthorized users from using, viewing, or modifying the journal reversal criteria.

If the automatic reversal option is set to reverse and post automatically, the AutoPost process posts all the reversal journals that were generated by the AutoReverse process. The process does not pick up other journals. You manually post reversal journals that were generated outside of the AutoReverse process.

Note

Journals posted by the AutoReverse process always bypass approval.

General Ledger automatically creates the AutoReverse Execution report when the AutoReverse process completes successfully. The report prints the journal name and reversal period for each journal that is successfully reversed and whether the reversal journal is submitted for posting. The AutoPost Execution report is created automatically when the AutoPost process finishes. These reports help you diagnose any problems and verify that all journals were processed properly.

Note

The AutoReverse process does not check that the reversal date is a valid business day for an average balance ledger. The journal validation in the journal pages or import process does the check and if necessary, rolls the date to the next business day.

Journal Import: How It Is Processed

Oracle Fusion Financials reflect the traditional segregation between the Oracle Fusion General Ledger and associated subledgers. Detailed transactional information is captured in the subledgers and periodically imported and posted in summary or detail to the General Ledger. You import from the subledgers to the General Ledger in real time or you can import and post automatically based on a defined schedule. Once the data is posted in the General Ledger, it is available for balance inquiry and reporting.

Use journal import to integrate transactions from other applications such as payroll, accounts receivable, accounts payable, and fixed assets with your General Ledger. For each accounting period, you import accounting data from these subledger systems, then review, update, and post the journal entries. You can also use journal import to import historical data from your previous accounting system. Import data from multiple interface tables by entering a particular source and group ID combination for the data in each interface table. Journal Import processes data from one table at a time.

Settings That Affect Journal Import

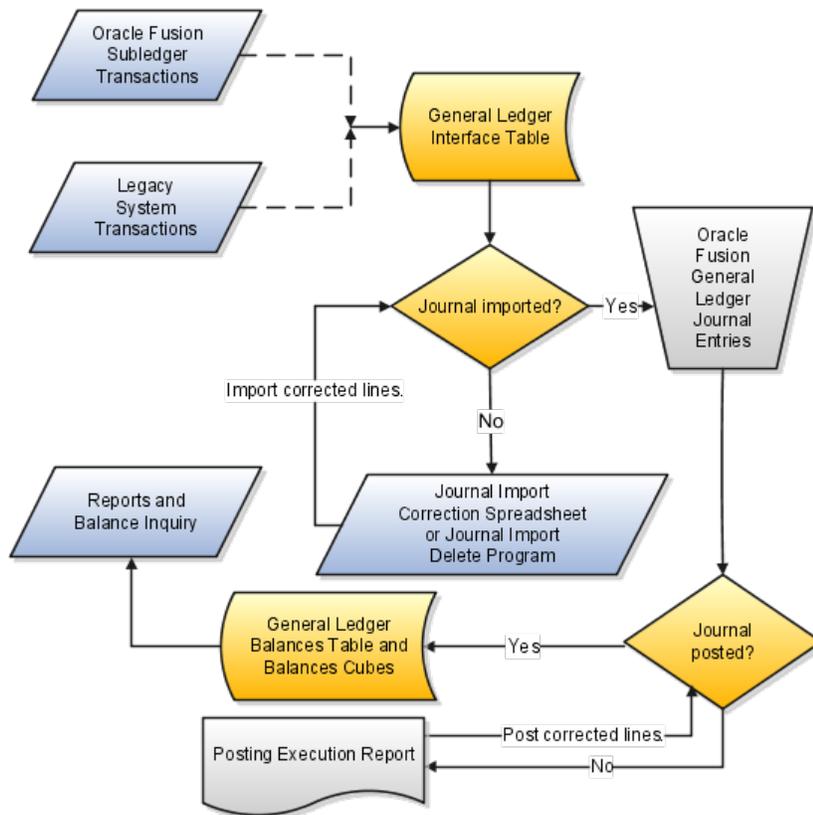
Configure the following settings before running the Journal Import process.

- Set up your General Ledger to accept journal import data by defining your ledger, currencies, accounts, journal sources, and categories.
- Optionally, run the Optimizer program to ensure optimal system performance.

- Define your import program parameters and schedule if using automatic processing.
- Set the period status to either future enterable or open. Journals can be created by the Journal Import process in a future enterable period, but not posted. Posting requires an open period.
- Export data from your subledgers and populate the General Ledger Interface table.

How Journal Import Is Processed

The following diagram outlines the accounting data flow between the subledgers and the General Ledger.



The General Ledger process contains the following steps:

- The transaction data entered in both Oracle Fusion and legacy system subledgers is imported into the General Ledger Interface table. Errors during the import process are available in a spreadsheet interface. After correcting the errors or deleting the error lines, run the Journal Import process again.
- Once the journal entries are created in the General Ledger from the imported data, post them. The Posting process validates the data and records it in both the General Ledger Balances table and the balances cube. Posting errors are listed in the Posting Execution report. The errors are also viewable in the Journals dashboard and the Manage Journals page. After correcting errors, run the Posting process again.

- Once posting is completed, data is available for reporting and balance inquiry.

Note

The Journal Import process described above is also used to import data and create journals for several General Ledger processes, for example, allocations, revaluations, and balance transfers.

FAQs for Record and Edit Standard Journal Entries

How can I copy a journal entry?

Begin by opening an existing journal entry from the **Manage Journals** page. Select the **Copy** action in the **Batch Actions** drop down on the Journal Batch region to copy the entire journal batch. You can then delete any journals you do not need and modify the new journal batch, including the batch name, period, and accounting date, as needed. When you save, an unposted journal batch is created, that you complete, approve, and post following your standard procedures. The copied journal has a source of **AutoCopy** instead of **Manual**.

What happens if I change the currency on a journal entry?

If the currency is not the ledger currency, enter the currency conversion information at the journal level for a single currency journal or at the journal line level for a cross currency journal. The default conversion date is the journal accounting date. You can override the defaulted conversion date but the conversion date must be within the accounting period that you defined for the journal entry.

Enter a conversion rate, if you enter User as the conversion rate type. If you specify a conversion rate type other than User, for example, Spot or Corporate, the daily conversion rate entered in the daily rates table for that conversion rate type automatically populates the conversion rate field. The journal entered and accounted amounts are recalculated to reflect the new currency amounts.

Note

Currency can only be changed on an unposted journal entry.

How can I add the Inverse Conversion Rate field to the Journal pages?

Use the Personalization functionality to add the Inverse Conversion Rate field to the Journal and Journal Lines regions of the Create and Edit Journal pages. The Inverse Conversion Rate field appears automatically on pages displaying a completed Conversion Rate field.

What happens if a cross currency journal is unbalanced?

When the **Balancing Threshold Percent** is entered on the Specify Ledger Options page and the unbalanced foreign currency journal amounts are greater than the threshold percent, the posting process tries to use the **Default Suspense**

Account entered on the Specify Ledger Options page. If the unbalanced amounts on the journal entry are within the threshold percent, the posting process tries to call other types of balancing methods and posts differences to the **Entered Currency Balancing Account** on the Specify Ledger Options page.

A **Balancing Threshold Percent** that is not entered, is equivalent to a 0 percent threshold and the posting process tries to post the differences to the **Default Suspense Account** on the Specify Ledger Options page.

How can I prevent editing of journal entries created from journal imports?

Select the value of Yes in the **Freeze Journals** field for the desired source in the **Manage Journal Sources** page. This ensures that the subledger and general ledger balances reflect the same data. The value of Partial - Allow Import Correction Only prevents edits in the journal pages, but allows edits in the journal import correction spreadsheet.

Post Journal Entries and Update Ledger Balances

Journal Posting: Explained

Journal posting is a process that updates balances in general ledger accounts to reflect an entity's business transactions and provides data for financial reporting.

There are two aspects to consider in journal posting:

- Functionally
- Timing

Functionality

Posting is done from the journals pages by selecting journal entries and clicking the **Post** button. Automate your posting process by scheduling the AutoPost program to periodically select and post batches. You can also initiate posting from the journal creation spreadsheet in Oracle Fusion Application Development Framework Desktop Integration (ADFdi) through the **Import and Post** option, which imports the data in the spreadsheet and then launches the posting process. Once you post a journal batch, you cannot modify its contents, including additional descriptive information. You cannot delete posted journals but you can copy or reverse them. To reverse a posted journal, modify the reversal information within a posted, but not reversed, journal batch or journal entry or use the AutoReverse functionality.

Timing

Journal entries can be posted to a current or prior accounting period, as well as to a prior fiscal year, as long as the prior period is open. When you post to a prior period, the general ledger automatically updates the beginning balances of all subsequent periods, even if the period is closed. In addition, if you post a journal entry into a prior year, the retained earnings balance is adjusted for the effect on the income and expense accounts. When you finalize the activity for an accounting period, close the period to prevent the entry or posting of additional journal entries.

Note

Enable the ledger option **Notify When Prior Period Journal** to display a warning when you create a journal in an open prior period.

Posting Journal Batches: Points to Consider

There are two methods for posting journal batches:

- Manually from the **Manage Journals** or **Create Journal** pages
- Automatically using criteria sets, spreadsheet creation, allocation and revaluation processes, or propagation to secondary ledgers

Manually Posting

From the journal pages, click the **Post** button during the creation process or at a later time. Use this method for manually created journals and other types of journals that are infrequent and unscheduled. Use manual posting after error correction when the initial posting, either manual or automatic, fails to post the journal entry.

All Oracle Fusion General Ledger job roles, except the financial analyst, have seeded function security privileges to enter and post journals. Use journal approval to provide a layer of security for posting, if needed. For example, construct approval rules to require a manager or senior accountant, rather than the accountant who created the manual journal entry, to approve the journal entry before posting is permitted.

Automatically Posting

Select options to automatically post journal entries when using spreadsheet creation, defining allocation and revaluation processes, importing subledger transactions, transferring balances, or propagating journal entries to secondary ledgers.

Create AutoPost criteria sets in advance to automatically post journal entries. These posting criteria sets use the period, source, and category to select the journal entries for posting. Automatic posting is especially important for journal imports because it prevents editing of the journal import data. Editing of such data causes permanent out-of-balance situations between the subledger and the general ledger. Schedule the AutoPost program after journal import processes for increased efficiency.

Unposted Journal Batch Statuses: Explained

All batches that are not in a **Posted** status are considered unposted batches. These unposted batches have various statuses, including the following:

- **Incomplete:** Batch has been saved but not completed.

- Selected for Posting: Batch was selected but that the posting process has not begun.
- Processing: Posting process is currently running.
- Error: Statuses assigned to journal batches at the end of the posting process to indicate problems preventing posting. Error statuses are displayed on the Journals work area landing page and General Accounting dashboard, as well as on the Posting Execution report.

Completing a Journal

Incomplete journals are listed on the **Incomplete** tab of the Journals work area landing page and General Accounting dashboard. You can manually enable the **Complete** status by clicking the **Complete** button or by clicking the **Post** button while the journal is still in an incomplete status. Completed journals that are not posted are listed on the **Requiring Attention** tab of the Journals work area landing page and the General Accounting dashboard.

Using the Incomplete Status

Use the **Incomplete** status to prevent posting of your journal batch when you are waiting on more information or have not completed all the entries within the batch. For example, you need to verify the amounts or accounts entered on the journal entries or you were interrupted and have additional journal entries or lines to add to the batch. The **Incomplete** status also prevents the journal batch from being selected for posting by the AutoPost program.

Account Balances: How They Are Calculated

Account balances, when correctly calculated, create accurate financial statements that an entity can use to report its transactions.

Settings That Affect Account Balances

The initial ledger setup of the primary ledger controls how account balances are calculated. If implemented, accounting representations for secondary ledgers and currency conversion levels for reporting currencies are settings that affect account balances.

How Account Balances Are Calculated

When a journal entry is posted, the application updates the general ledger balances table and the balances cubes, which are based on the chart of accounts and hierarchies, known as trees. In the balances cubes, balances are preaggregated at every level in the account hierarchy for each chart of accounts segment. Balances cubes store both detail and aggregated balances. For each chart of accounts segment, balances are preaggregated at every level in the account hierarchy. A separate cube is created for each combination of chart of accounts and accounting calendar. A separate cube is also created for each combination of chart of accounts and accounting calendar with an average balances enabled ledger.

During posting, foreign currency journal entries update account balances for both the foreign currency that is entered and the amount in the ledger currency that is accounted for during journal entry.

If you enable journal or subledger level options for reporting currencies or secondary ledgers, posting and subledger accounting will replicate the journals to the reporting currency or secondary ledger. You configure these options by deciding on a combination of source and category, and for secondary ledgers, whether or not to automatically post the replicated journal.

Reporting currencies offer accounting representations that differ by currency from the source ledger, either primary or secondary. Suspense, rounding imbalances, and intracompany balancing lines are generated independently for each reporting currency at the journal and subledger level by the posting process.

Secondary ledgers are additional accounting representations that differ from primary ledgers in either the chart of accounts, accounting calendar, currency, accounting method, or ledger options. For instance, a secondary ledger may be required for local government compliance and reporting. Suspense, rounding imbalances, and intracompany balancing lines are generated independently for each secondary ledger at journal and subledger level by the posting process.

Creating an AutoPost Criteria Set: Worked Example

This example shows how to create an AutoPost Criteria Set to post your general ledger journal entries that were created by the journal import process for your subledger transactions. Your enterprise, InFusion Corporation, implemented Oracle Fusion General Ledger and the following Oracle Fusion subledgers: Payables and Receivables. You use a non-Oracle subledger called Fast Assets for fixed asset tracking and depreciation. You want to automate posting of your general ledger journal batches created by the journal import process to protect the subledger sourced journal entries from edits or deletion that might inadvertently happen and cause an out-of-balance situation between your subledgers and general ledger.

Consider the following points while creating your criteria set:

- Use the **All** option for category and accounting period to reduce maintenance and ensure that all journal imports are included in the posting process.
- Create a criteria set that includes all your subledger sources. Create multiple criteria sets by source only if you need to schedule different posting times to balance close activities or reduce processing time.

Creating an AutoPost Criteria Set

Create your AutoPost Criteria Set to automatically post journal entries from both Oracle and non-Oracle subledgers.

1. On the Manage AutoPost Criteria Sets page, click the **Create** icon to open the Create AutoPost Criteria Set page.
2. Enter the set name: All Journal Imported Entries
3. Select the **Enable** check box.

4. Enter the description: Posting journals imported from the subledgers.
5. Click the **Add Row** icon to add each new line.
6. Complete the fields, as shown in the table below:

Priority	Ledger or Ledger Set	Source	Category	Accounting Period
1	InFusion Corporation Ledger	Payables	All	All
2	InFusion Corporation Ledger	Receivables	All	All
3	InFusion Corporation Ledger	Fast Assets	All	All

7. For all three sources, select **Yes** for the **process all criteria** option and enter 30 as the number of days before and after submission date.

Setting the before and after days with a wide range of days enables the process to run less often.

8. Click the **Save and Close** button.
9. Schedule the process to run daily at 3:00 a.m.

Schedule the process immediately after the journal imports to prevent changes to the journals. Run the process during nonpeak times to save resources.

Manually Generating the AutoPost Process: Examples

Create an AutoPost criteria set and schedule the AutoPost process to run on a regular basis following your scheduled journal imports from your subledgers. When errors occur that prevent posting of the journal imports, you must correct the errors and manually run the AutoPost process. The following scenarios illustrate the kinds of errors that could occur and how you can resolve these errors.

Scenario

The following errors occurred and prevented the journal batches from posting when the scheduled AutoPost process ran.

Error	Cause	Solution
Error - Unopened accounting period	The journal import was imported into a future period. An error arises when the AutoPost process runs on a schedule because journals cannot be posted in a future period.	Open the period.

Error - Invalid or no journals	Journal import fails to import transactions from the general ledger interface table. The AutoPost process runs on schedule but finds no batches to post. The Posting process does not run and the AutoPost Execution report shows that no batches matched the criteria.	Correct the error that caused the journal import to fail.
Error - Invalid or no journals	No journals were selected based on the posting criteria. Journal batches are available for posting. The Posting process does not run and the AutoPost Execution report shows that no batches matched the criteria.	Revise the criteria set.

After you correct the errors, manually run the AutoPost process by selecting the **Launch AutoPost** option from the Tasks panel on the journal pages or by clicking the **Generate** button on the AutoPost criteria set pages. Verify that the process ran successfully by reviewing the AutoPost Execution report.

Journal Batch Summary Report

Use the Journal Batch Summary report to review your posted journal batches for a particular ledger, balancing segment value, currency, or date range.

The report provides data on:

- Actual balances for your journal batches, sources, and posting dates
- Total entered debits and credits
- Journal batches within each journal entry category

Run the report from the **Manage Journal Task Panel** and optionally schedule the report to run periodically.

Before running this report, you must:

- Approve all journals batches
- Post all journals batches
- Optionally, close the accounting period to ensure no further journal batches are entered

Report Across All Ledgers

Ledger Set

To obtain a consolidated report across all ledgers, you must enter a ledger set representing all ledgers.

Balancing Segment Value

Leave the Balancing Segment Value parameter blank.

Currency

Enter a currency.

Start and End Date

Enter the accounting period date range.

Report on a Specific Ledger

Ledger Set

To obtain a report on a specific ledger or entity, you must enter the value for that ledger.

Balancing Segment Value

Leave the Balancing Segment Value parameter blank.

Currency

Enter a currency.

Start and End Date

Enter the accounting period date range.

Report on a Specific Entity

Ledger Set

To obtain a report on a specific ledger or entity, you must enter the value for that ledger.

Balancing Segment Value

Enter the value representing the entity in the Balancing Segment Value parameter.

Currency

Enter a currency.

Start and End Date

Enter the accounting period date range.

The report provides data on Actual balances for your journal batches by sources, batches, posting dates, and total entered debits and credits. The report sorts the data by journal batch within each journal entry category. In addition, totals are provided for each journal category and a grand total for each ledger and balancing segment value combination selected.

Note

This report does not report on budget or encumbrance balances.

FAQs for Post Journal Entries and Update Ledger Balances

What's the difference between incomplete and unposted batch statuses?

All batches that are not in a **Posted** status are considered unposted batches. These unposted batches have various statuses, including **Incomplete, Selected for Posting, Processing, or Error**.

A journal batch that is in an incomplete status has been saved, but is not completed. Incomplete journals are listed on the **Incomplete** tab of the Journals work area landing page and General Accounting dashboard.

What happens if I use suspense posting or other options to post an unbalanced journal entry?

If you enabled suspense posting when you define the ledger or any time after the creation of the ledger, Oracle Fusion General Ledger automatically creates additional journal lines using the suspense account you specify to balance your journal entries. You can optionally specify a threshold at which journal entries for monetary amounts will be balanced.

General Ledger analyzes the journal entry and creates the additional balancing journal lines for the following situations in the order listed.

1. Suspense posting of unbalanced journals when suspense posting is enabled. If suspense posting happens, then the remaining balancing options do not occur.
2. Rounding differences at the journal level when journals are unbalanced because of rounding differences on currency conversion.
3. Intercompany or intracompany balancing for journals that are not balanced by ledger or balancing segment value combination.
4. Entered currency balancing for journals that are unbalanced by the entered currencies. This option is only used on multicurrency journals.
5. Rounding differences by balancing segment when journals are unbalanced because of rounding differences on currency conversion and more than one balancing segment is effected.

Note

Note: Statistical entries post without balancing debits and credits.

Why didn't my journal batch post?

Common reasons why a journal batch does not post are the following:

- Account is disabled or not valid as of the accounting date.
- Period is not open for the ledger or for its secondary ledger or reporting currency.
- Journal is imported into future-enterable period and the AutoPost program tries to post in an unopened period.
- Journal is unbalanced and suspense balancing is turned off or not set up properly.
- Journal is unbalanced by balancing segment value, and intercompany balancing is turned off or not set up properly.

The unposted journals with their error status are displayed on the Requiring Attention tab of the Journals work area and the General Accounting Dashboard,

as well as on the Posting Execution report. The Posting Execution report is created automatically when the Posting process completes. Use these sources to help in the error correction process.

How can I correct errors that occur during the posting process?

Identify the error using the Posting Execution report or clicking the Show Errors button when querying the journal in the journal pages. The Posting Execution report lists the batches that are successfully posted and the batches that encounter posting errors. The Show Errors button appears when errors are detected during journal batch posting process. Clicking on the Show Errors button displays a dialog box with an error message. The following methods are used to correct the error:

If it's an unopened accounting period for the ledger, the reporting currency, or the secondary ledger, the accounting period must be open.

If it's a disabled or invalid account combination, that combination must be enabled or made valid, or changed to a valid one.

If it's an unbalanced journal, the corresponding balancing method, suspense, rounding, entered currency, or intercompany, must be set up correctly and enabled with valid, related accounts.

Note

You are continually informed of posting validation errors on the Journal pages until the batch is corrected and posted.

How can I run the AutoPost process?

After you define an automatic posting criteria set, run the AutoPost process by clicking the **Generate** button on the Manage AutoPost Criteria Sets page or the **Launch AutoPost** link from the Journals task pane. The AutoPost process posts the journal batches that meet the criteria defined. Optionally, schedule the AutoPost process for specific automatic posting criteria sets through the Enterprise Scheduler to run at specific times and submission intervals.

How can I confirm that my journal entries were automatically posted?

Review the AutoPost Execution report. This report is created when the AutoPost program completes and contains the batch name, accounting period, and balance type for each batch posted, as well as error codes for those batches that failed to post. The posting status of journal batches is also listed on the Journals work area and the General Accounting Dashboard.

Why didn't the AutoPost process post journal batches as expected?

Verify that the posting criteria set specifies the precise criteria needed to post the desired journals. If the criteria is correct, then verify the following:

- Journal imports completed successfully.
- Journal batches are error free and ready to post.
- Desired accounting period is open.

How can I identify errors that occurred during my AutoPost process?

Review the AutoPost process results on the AutoPost Execution report. This report is automatically created when the process completes successfully. The report contains the batch name, accounting period, and balance type for each posted journal batch, and lists error statuses for batches that failed to post. The unposted journals with their error status are also displayed on the Requiring Attention tab of the Journals work area and the General Accounting Dashboard.

Approve Journals

Approving Journals: Points to Consider

Journal approval in Oracle Fusion applications uses Oracle Fusion Approvals Management (AMX) to merge the functionality of Oracle Approvals Management (AME) and PeopleSoft Approvals (AWE). In addition, Oracle Business Process Execution Language (BPEL) has replaced Oracle Workflow.

Rule Definition Consideration

There is one predefined approval rule. If you enable the ledger and the source for approval, then the journal entry is sent for one level of approval by default. You must configure the approval rules in the AMX Rules Setup user interface. For a simple approval scenario, start by defining one or all of the following rules.

- Journal approval based on the highest journal line amount per ledger per batch.
- Journal approval based on the highest journal amount per ledger per batch.
- Journal approval behavior based on where you are in the period close process. For example, are you in the beginning, middle, or end of the month, or in pre-close, close, post close, or quarter close process?

For example, after your ledger is enabled for approval, enter the following approval rules to apply when your maximum journal line amount is:

- Less than 50,000 United States dollars (USD), then there is no approval required
- Between 50,000 to 100,000 USD, then the journal batch requires one level of approval
- Greater than 100,000 USD, then the journal batch requires two levels of approval

Build your rules for every combination of ledger, entered amount, approval level, or other needed scenarios by using the pattern in the suggested rules. In addition, the Oracle Fusion functionality allows you to further define your own rules based on attributes from the different parts of your journal, including the ledger, batch, header, or line level. For example, use category, source, account, or descriptive flexfield information as selection criteria for the journals to be sent for approval.

The ledger is included in the rules because you typically define approval rules per ledger. Set the options that enable journal approval at the ledger level and by journal source. This allows the approval process to determine which journals to send for approval.

AMX List Builder Considerations

Use the following AMX List Builder to build your approval list.

List Builder	Functionality	Additional Information
Human Resources (HR) Supervisory	This method uses the HR Supervisory hierarchy levels and specifies the number of levels available for approval.	This method is most effective when the General Accountant enters the journals. For example, if an accountant enters a journal, he needs approval from his manager. If his manager enters a journal he needs approval from his manager and so on up the hierarchy for the specified number of levels. Self approval can be set at any levels in the hierarchy.
Job Level	A relative dollar amount can be attached to a job. The approval list moves up the HR Supervisory hierarchy to the point it finds a job with the necessary approval amount.	Enable self-approval to allow approval of journals created within your authority limit.
Position	A relative dollar amount can be attached to a position.	This is effective if you need a hierarchy different than the HR Supervisory hierarchy. It is also effective when there are multiple hierarchies that need to be selected based on different attributes.
Approval Group	Approver groups represent functional or subject matter experts outside the transaction's managerial chain of authority, such as Legal or HR personnel.	
Dual Chain	Dual chains can be processed at the same time.	

Note

Best practices are to select Job Level, HR Supervisory, or Position list builders for your journal approval rules.

Other Considerations

Other functionality to consider before defining approval rules include:

- Approval is for the entire journal batch regardless of the attributes used in the approval rules.
- For the job and position level approvals, the approval list continues up hierarchy until it finds the approver with the correct approval authority.

- If the journal requires approval, submitting a journal for posting automatically routes the journal for approval before posting.
- A journal can be escalated to a new approver by the administrator.
- The **Withdraw Approval** button on the Journals page is used at anytime in the approval process to withdraw journals from the process. Clicking this button allows you to edit to the journal. After your changes are made, submit the entry for approval again. When a journal is withdrawn, the completion status is set to Incomplete.
- Approval notifications display a table of key journal attributes for each journal and a list of past, current, and future approvers.
- The Journals region of the dashboard displays the journals requiring your approval (if you have the privilege to approve journals) and journals with pending approval from others.
- The Journals page allows you to approve or reject journals if you are the current approver.
- Allocation journals are not routed through the approval process.

Note

Approval is enabled at the ledger and source level. Both the ledger and journal source need to be enabled for the approval process.

Define and Record Allocations and Periodic Entries

Allocation and Periodic Entries: Overview

In Oracle Fusion General Ledger, use the Allocation Manager to create allocations and other formulaic journal templates for generating periodic journal entries automatically. Base formulas on multiple criteria. For example, use account balances or statistical amounts to allocate shared revenue or costs across multiple organizational units and ledgers. Define complex computations based on variables from different charts of accounts. Group journal formulas together and execute sequentially to update account balances in a step-by-step process.

The Allocation Manager provides flexibility, automation, intelligence, and control in distributing costs and revenues across the enterprise. In addition, the Allocation Manager:

- Distributes revenues or costs with recursive allocation rules
- Creates complex formula rules using formula components
- Contains an Allocation Wizard to define allocation and formula rules
- Uses real time checking of rule definitions to validate correctness of rules
- Minimizes setup and maintenance time with reusable components
- Simplifies allocation generation mechanism by integrating with enterprise scheduler

- Groups rules together in rule sets and cascading allocations for processing efficiencies
- Creates primary, statistical, or foreign currency allocation and formula rules

Access the Allocation Manager from the **Tasks** pane of the **General Accounting** dashboard or **Journals** work area by clicking on the:

- **Define Allocation Rules** link to define or modify allocation definitions
- **Generate Allocations** link to run the allocation process

Note

For more information, see:

- Hyperion Allocation Manager Release 11.1.2.1 Designer's Guide
-

Allocation Manager: Overview

The Allocation Manager creates, validates, deploys, and administers sophisticated allocation rules. In the Allocation Manager:

- Base formulas on multiple criteria, such as account balances or statistical amounts, to allocate shared revenue or costs across multiple organizational units.
- Use complex computations based on different variables to automatically calculate allocated amounts.
- Group journal formulas together and executed sequentially to update account balances step-by-step.

There are three types of objects that can be created in Allocation Manager:

- **Components:** Contain formulas, points of view, or allocation objects.
- **Rules:** Contain components such as points of view, formulas, and templates, which are used to create allocation calculations.
- **Rule Sets:** Contain sets of rules that can be calculated sequentially

Allocation Security: Explained

The following privileges and permissions are associated with the Allocation Manager:

- **Generate General Ledger Allocation Formula - Generate Allocation and Periodic Entries:** Permits generation of allocation and periodic entries.
- **Define General Ledger Allocation Formula - Manage Allocation Rules or Rulesets via Allocation Manager:** Grants the ability to update allocation rules or rulesets owned by the user with view access to all allocation rules or rulesets regardless of their ownership.
- **Define Self Managed General Ledger Allocation Formula - Manage Allocation Rules or RuleSets via Allocation Manager:** Grants the ability to

update allocation rules or rulesets, but limited to the ones owned by the user.

- Administer General Ledger Allocation Formula - Administer Allocation Rules or RuleSets via Allocation Manager: Grants the ability to update all aspect of allocation rules or rulesets including the ownership attribute, regardless of the original definition's ownership.

Allocation Manager Toolbar: Explained

In addition to the Oracle Hyperion Enterprise Performance Management Workspace buttons, the Allocation Manager toolbar displays buttons that are specific to the Allocation Manager. Not all buttons display in all the views and designers within the Allocation Manager.

The Allocation Manager toolbar consists of the following buttons:

- Home: Displays the default startup option for the content area.
- System View: Displays the main view within the Allocation Manager. (This is the default view).
- List View: Displays a list of objects that you can filter by application type, application, object or database type, deployment status, and validation status.
- Custom View: Displays a view you can customize with folders you create and objects you drag and drop into them.
- Filter Options: Opens the Filter dialog that you can use to filter objects in the List View.
- Refresh: Refreshes the view with your latest changes.

The Allocation Manager toolbar adds the following buttons when you open a rule:

- Save: Saves the object with which you are working.
- Validate: Validates the object with which you are working.
- Validate and Deploy: Validates and deploys the object with which you are working.

Allocation Manager Menus: Explained

Allocation Manager menus and menu options display in addition to Oracle Hyperion Enterprise Performance Management Workspace menus and menu options. The menus and options vary depending on the view you are using and the object with which you are working. The default view of the Allocation Manager displays the following menus when you launch Allocation Manager, System View.

Note

This topic describes the Allocation Manager menu options only.

File Menu

Enables you to create new objects, open and close objects, import and export objects, print rules, and log off.

Note

Not all of these file menu options are available for the products that use Allocation Manager.

- New, Rule: Creates a new rule
- New, Ruleset: Creates a new rule set

Edit Menu

Enables you to edit objects you select. It is available from most of the views and from within the Rule and Component definition pages.

- Edit, Delete: Deletes an object selected in the System, List, or Custom View
 - Edit, Copy: Copies selected text
 - Edit, Paste: Pastes text copied to the clipboard to the right of the cursor
 - Edit, Copy Group: Copies a component group
-

Note

The Edit menu is not available within the Deployment View.

View Menu

Enables you to open different views.

- View, View Pane: Displays or hides a list of existing and/or new objects that you can add to rules, rule sets, components, and templates by dragging and dropping them.
-

Note

This is the only View menu option available from within the Rule Designer and Ruleset Designer.

- View, List View: Displays a list of the objects you select on the Filter dialog. The filter dialog enables you to create a filtered list, by application type of applications, databases, and objects.
- View, System View: Displays a list of the Essbase applications, databases, and objects to which you have access. This is the default view.
- View, Custom View: Displays a view that you can customize with folders you create and drag and drop objects into them. This view enables you to organize objects in a way that is meaningful to you.
- View, Deployment View: Displays a list, by application type and application, of the rules and rule sets that are deployed and not deployed with their deployment and validation status.

Tools Menu

Enable you to install other products, search for objects, create a filtered list of objects for the List View, edit the caption of an object, and access the Variable Navigator and Variable Designer.

- **Tools, Filter:** Opens the Filter dialog from which you can filter by application type, application, object type (rule, rule set, formula or script component, or template), calculation type, plan type, database, deployment status, and validation status. You can also select All to display all application types, applications, objects, and databases, regardless of their deployment and validation status.
- **Tools, Variables:** Opens the Variable Navigator in which you can navigate to a location for which you want to create, edit, copy, or delete a variable. From the location you select in the Variable Navigator, you can display the Variable Designer in which you can create, edit, copy, and delete variables for components.

Note

The two menu option listed above are not available within the Deployment View.

Actions Menu

Enables you to validate and deploy objects you select in the views and from within the Rule and Ruleset Designers. Not all of the Actions menu options are available from within the views and designers.

- **Actions, Validate:** Validates the rule, rule set, and formula component you selected

Note

This is the only Actions menu option available from within the Deployment View.

- **Actions, Deploy:** Deploys the rules or rulesets you selected.
- **Actions, Quick Deploy:** Deploys the rule in fewer steps than regular deployment by using a shortcut to one or more applications.

Note

This feature is available only from within the Rule Designer for Essbase business rules.

Using Flow Charts: Explained

View rules and templates, and the components that comprise them, in a flow chart within the Rule Designer. When you open a rule, move amongst the components that comprise it, for example, formulas, ranges, and loops, by

selecting them in the flow chart. Increase or decrease the size of the flow chart to view or hide details of the components.

When you select a component in the flow chart, its properties, usages, and other information are displayed in tabs below the flow chart. As you move among the components, the tabs below the flow chart change. For example, if you open an allocation rule that contains a formula component, and select the formula component in the flow chart the following properties are displayed:

- Properties of the formula, such as name, description, application, and application type to which it belongs
- Usages of the formula, such as which rules and templates it is used in
- Text of the formula, such as the variables, members, and functions, that are displayed in the tabs below the flow chart

Views: Explained

Views enable you to see Allocation Manager objects in different contexts. For example, the Deployment View displays objects according to whether they are deployed or not deployed. The Custom View displays objects according to filters and criteria that you select.

The Allocation Manager contains the following views:

- List View
- System View
- Custom View
- Deployment View
- View Pane

List View

The List View contains a filtered list of Essbase applications, or databases, and objects, rule sets, rules, or formula components, according to filter criteria you specify.

System View

The System View is the default view that is displayed when you launch the Allocation Manager. It contains a list of all of the applications and objects to which you have access. Your access privileges are determined by the role you are assigned in Shared Services. For each object, the owner, the user who made the last change, and the date the changes were last made are listed.

Custom View

The Custom View enables you to create folders and drag and drop objects into them to create a view that contains only the objects you want. This view enables you to organize objects in a way that is meaningful to you.

Deployment View

The Deployment View contains a list, by application type and application, of the rules and rule sets that are deployable with their deployment and validation

status. From this view, select rules and rules sets in an application to make them deployable. Then deploy one or more rules or rule sets (known as a partial deployment), or you can deploy all rules and rule sets in an application (known as a full deployment).

View Pane

The View Pane enables you to create or open an object. Display the View Pane in the left frame of the window. Depending on whether you are working in a rule or a rule set, the Rule or Ruleset Palette, is displayed in the View Pane. In the Palette, drag new and existing objects and drop them into the rule, rule set, or flow chart.

When working with views, display or hide the View Pane using the View menu. In the Custom View, drag and drop new and existing objects from the View Pane into the custom folders you create. In the System and List views, the View Pane is hidden by default. In the Deployment View, the View Pane is not available.

Note

The content of the View Pane varies depending on which view you are in and whether you are working with a rule set, a rule, a template, or a component.

The following table lists the tasks that can be performed from the various views in the Allocation Manager.

Tasks	List View	System View	Custom View	Deployment
Create, open, rename, delete, refresh, and close objects	Yes	Yes	Yes	Yes
Set preferences	Yes	Yes	Yes	Yes
Import and export objects	Yes	Yes	Yes	Yes
Show the usages of objects	Yes	Yes	Yes	Yes
Create a copy of objects	Yes	Yes	Yes	Yes
Print a business rule	Yes	Yes	Yes	Yes
Select views	Yes	Yes	Yes	Yes
Exit or log off Workspace	Yes	Yes	Yes	Yes
Work with favorites	Yes	Yes	Yes	Yes
Perform an advanced search	Yes	Yes	Yes	Yes
Access help	Yes	Yes	Yes	Yes
Filter objects in the view according to criteria you specify	Yes			
Work with variables	Yes	Yes		Yes

Validate objects	Yes			Yes
Create a shortcut to a business rule		Yes		
Import and export business rules and other objects		Yes	Yes	
Validate and migrate objects		Yes	Yes	
Change the owner of an object			Yes	Yes
Deploy objects				Yes

Filtering Objects in the List View: Examples

You can use filters in the List View to filter objects according to:

- Application Type that is populated by default with the application type, such as Essbase, your application or database, in which you are creating the new rule.
- Object type, such as allocation rules, allocation rule sets, and formula components
- Deployment or validation status

Scenario

To create a filtered list of objects in the List View:

1. From the System View, select View, List View.

The Filter dialog is displayed the first time you open the List View. If you select filtering options, then close the List View to work in the System or Custom View. When you reopen the List View, the filter dialog is not displayed. If you want to change the filtering options when you reopen the List View, select Tools, Filter to open the Filter dialog.

2. In the Filter dialog, on Filter Options, under Application Type, select Essbase.
3. Do one of these tasks:
 - For Essbase: In the Application and Object Type fields, select the applications and object types you want to display in the List View. The default is All.
 - Under Deployed Status and Validated Status, clear any check boxes of selections you do not want to display. All check boxes are selected by default.

Tip

Click Reset to reset the dialog with default values.

- On Advanced Options, for Object Label, select one of these options to display only objects whose names match the criteria:
 - Starts With, to display only objects whose names start with characters you specify.
 - Ends With, to display only objects whose names end with characters you specify.
 - Contains, to display only objects whose names contain characters you specify.
 - Matches, to display only objects whose names match characters you specify.
- Enter the characters that are common to the names of the objects you want to display.
- Select Ignore case, if you want to display objects whose names contain characters in either upper or lower case, even if the case does not match the case of the text you entered in step 6.
- In Created By, enter the name of the user who created objects you want to display.
- In Modified By, enter the name of the user who modified objects you want to display.
- For Created Date, select After, Before, or Between to display only objects that were created after, before, or between dates you specify. Between is the default. Click the drop down arrows to display calendars from which you can select dates.
- For Modified Date, select After, Before, or Between to display only objects that were modified after, before, or between dates you specify. (Between is the default.) Click the dropdown arrows to display calendars from which you can select dates.
- For **Any Text**, select an option to display only objects containing text that starts with, ends with, contains, or matches text that you enter. To display objects that include this text regardless of its case, select **Ignore case**.

4. Click OK.

Generating Allocations and Periodic Entries Manually: Worked Example

This example demonstrates how to generate an allocation or periodic entry manually from the Oracle Fusion General Ledger.

You are the General Accountant for Infusion America Inc. You have created allocation and periodic journal entry definitions for several monthly entries. You now generate these entries.

Note

Schedule allocations and periodic entries in the Journals work area for automatic generation.

Prior to generating the allocation and periodic entries, the following tasks must be completed:

- The period is set to **Open or Future Enterable**. You post in open periods, but generation can take place in either an open or future enterable period.
- The rules or rules sets have been defined, validated, and deployed successfully from the Allocation Manager.
- The journal balances, that are inputs for the allocation or periodic rules, are entered and posted in the proper period.

Generating Allocations and Periodic Entries Manually

1. From the Navigator, click the **Journals** link to open the Journals work area.
2. In the task pane of the Journals page, click the **Generate Allocations** link to open the Submission page.
3. Optionally select one or all of the following options:
 - Print Output
 - E-mail me the output
 - Notify me when this process ends
4. Select a rule or rule set from the list of values.
5. Enter the submission parameters, including **Ledger, Balancing Segment Value, and Period**. The application automatically sets the last day of the submission period as the Accounting Date and Calculation Effective Date.
6. Accept the selected check box for the **Post Allocations** option to enable the process to post the journal entries.

If you deselect the check box for the Post Allocations option, you must post the entry manually or define an AutoPost Criteria Set to automatically post the journal entries.

7. Click **Submit**.

After the generation process is complete, the journal entries created by the process are available for inquiry on the Journals page.

FAQs for Define and Record Allocations and Periodic Entries

How can I access the Allocation Manager?

Login into the Oracle Fusion General Ledger application and navigate to the **Journals** work area. From the **Journals** work area select the **Create Allocation**

Rules link and automatically log into the Allocation Manager in Workspace to create new allocation rules or rule sets.

Note

The application or the balances cube that is currently selected in the General Ledger Data Access Set is automatically selected in the Allocation Manager.

How can I create a folder in the Custom View?

In the Custom View, create folders that contain only the allocation rules, allocation rule sets, and formulas you want to view and work with. To add objects to your folders, drag them from the Existing Objects pane and drop them into the folders.

To create a folder in the **Custom View**:

1. In the **System View**, select **View, Custom View**.
2. In the **Custom View**, right-click the **Essbase** application type, and select **New Folder**.
3. In **New Folder**, enter a name for the folder.
4. Click **OK**.

Tip

You can create nested folders by right-clicking the folder you want to create a folder in and selecting **New Folder**.

How can I rename a folder in the Custom View?

Rename the folders you create in the Custom View.

To rename a folder in the Custom View:

1. In the **System View**, select **View, Custom View**.
2. In the **Custom View**, expand the **Essbase** application type.
3. Right-click the folder you want to rename, and select **Rename**.
4. In the **Rename Folder**, enter a new name for the folder.
5. Click **OK**.

Manage Intercompany Transactions

Generating Intercompany Receivables and Intercompany Payables Accounts for Manual Transactions: Examples

The receivables (AR) and payables (AP) accounts for manual intercompany transactions are generated automatically by Oracle Fusion Intercompany. Enter

distributions for the transaction and intercompany generates the receivables and payables accounts, based on the intercompany balancing rules setup.

Intercompany uses the attributes of the batch, such as transaction type, provider and receiver legal entities, to ascertain which rule to use. Intercompany then uses the rule, and the segment details of the first distribution account for the provider, to build the intercompany account combination for the provider side of the transaction. Similarly, intercompany builds the intercompany account for the receiver side of the transaction, based on the first receiver distribution account.

Intercompany will evaluate the rules in the following order.

1. Primary balancing segment rules
2. Legal entity level rules
3. Ledger level rules
4. Chart of accounts rules

If there is no matching rule at the lower levels, then intercompany will use the chart of accounts rule. It is therefore recommended that you set up a chart of accounts rule for every chart of accounts structure you have. This will ensure that intercompany will always find a rule to use to generate the intercompany receivables and intercompany payables accounts for transactions.

Intercompany will then evaluate the transaction type in determining which rule to use to generate the receivables or payables account. A rule with a specific transaction type takes precedence over a rule defined for the All Other transaction type.

Generating Intercompany Receivables and Intercompany Payables Accounts for Manual Transactions Example

In this scenario you choose to track your intercompany sales for the farming and textile companies separately from other intercompany activities. Separate intercompany accounts are used for these two companies. A chart of accounts rule is created for all other intercompany activity.

Setup

InFusion USA Chart of Accounts

Segment Qualifier	Primary Balancing Segment	Balancing Segment 2	Segment	Segment	Intercompany Segment
Segment Name	Company (CO)	Cost Center (CC)	Product (PROD)	Account (ACCT)	Intercompany (IC)

Ledger, Legal Entity, and Primary Balancing Segment Value Assignments

Ledger	Legal Entity	Primary Balancing Segment Value
InFusion USA	Infusion Farms	3100, 3200, 3300, 3400, 3500
InFusion USA	InFusion Textiles	4000

InFusion USA	InFusion Production	5000
InFusion USA		1000, 9000

Chart of Accounts Rule

Rule No. 1

- Chart of Accounts: InFusion USA
- Source: None
- Category: None
- Transaction Type: All Other

IC Account	CO	CC	PROD	ACCT	IC
AR Account	1000	000	0000	13020	0000
AP Account	1000	000	000	21020	000

Legal Entity Rules

Rule No. 2

- From Ledger and To Ledger: InFusion USA
- From Legal Entity: InFusion Farms
- To Legal Entity: InFusion Textiles
- Source: None
- Category: None
- Transaction Type: Intercompany (IC) Sales

IC Account	CO	CC	PROD	ACCT	IC
AR Account	1000	000	0000	13011	0000
AP Account	1000	000	0000	21011	0000

Rule No. 3

- From Ledger and To Ledger: InFusion USA
- From Legal Entity: InFusion Farms
- To Legal Entity: InFusion Production
- Source: None
- Category: None
- Transaction Type: Intercompany Sales

IC Account	CO	CC	PROD	ACCT	IC
AR Account	1000	000	0000	13012	0000

AP Account	1000	000	0000	21012	0000
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Rule No. 4

- From Ledger and To Ledger: InFusion USA
- From Legal Entity: InFusion Textiles
- To Legal Entity: InFusion Farms
- Source: None
- Category: None
- Transaction Type: Intercompany Sales

IC Account	CO	CC	PROD	ACCT	IC
AR Account	1000	000	0000	13013	0000
AP Account	1000	000	0000	21013	0000

Rule No. 5

- From Ledger and To Ledger: InFusion USA
- From Legal Entity: InFusion Textiles
- To Legal Entity: InFusion Production
- Source: None
- Category: None
- Transaction Type: Intercompany Sales

IC Account	CO	CC	PROD	ACCT	IC
AR Account	1000	000	0000	13014	0000
AP Account	1000	000	0000	21014	0000

Intercompany Accounts Generated for Intercompany Debit Transactions

Transaction Type	Provider LE	Receiver LE	Provider Distribution	Provider AR Account Generated	Uses Rule No.
IC Sales	InFusion Farms	InFusion Textiles	3100- 100- 1200- 52330- 0000	3100- 100- 0000- 13011- 4000	2
IC Adjustments	InFusion Farms	InFusion Textiles	3100- 100- 1200- 52330- 0000	3100- 100- 0000- 13020- 4000	1
IC Sales	InFusion Production	InFusion Farms	5000- 120- 1300- 52345- 0000	5000- 120- 0000- 13020- 3200	1

This table displays the Receiver side of the transaction.

Transaction Type	Provider LE	Receiver LE	Receiver Distribution	Receiver AR Account Generated	Uses
IC Sales	InFusion Farms	InFusion Textiles	4000- 110- 1200- 41111- 0000	4000- 110- 0000- 21013- 3100	4
IC Adjustments	InFusion Farms	InFusion Textiles	4000- 110- 1200- 41111- 0000	4000- 110- 0000- 21020- 3100	1
IC Sales	InFusion Production	InFusion Farms	3200- 130- 1200- 41112- 0000	3200- 130- 0000- 21012- 5000	3

Intercompany Accounts Generated for Intercompany Credit Transactions

Transaction Type	Provider LE	Receiver LE	Provider Distribution	Provider AP Account Generated	Uses Rule No.
IC Sales	InFusion Farms	InFusion Textiles	3100- 100- 0000- 52330- 0000	3100- 100- 0000- 21011- 4000	2
IC Adjustments	InFusion Farms	InFusion Textiles	3100- 100- 1200- 52330- 0000	3100- 100- 0000- 21020- 4000	1
IC Sales	InFusion Production	InFusion Farms	5000- 120- 1300- 52345- 0000	5000- 120- 0000- 21020- 3200	1

This table displays the Receiver side of the transaction.

Transaction Type	Provider LE	Receiver LE	Receiver Distribution	Receiver AP Account Generated	Uses Rule No.
IC Sales	InFusion Farms	InFusion Textiles	4000- 100- 1200- 41111- 0000	4000- 100- 0000- 13013- 3100	4
IC Adjustments	InFusion Farms	InFusion Textiles	4000- 100- 1200- 41111- 0000	4000- 100- 0000- 13020- 3100	1
IC Sales	InFusion Production	InFusion Farms	3200- 130- 1200- 41112- 0000	3200- 130- 0000- 13012- 5000	3

Capture Transactions: Manage Subledgers

Manage Subledgers: Overview

In the Manage Subledgers activity, you can generate journal entries for Oracle Fusion subledger transactions, create adjustment entries, and review accounting results using a standard set of features.

You can:

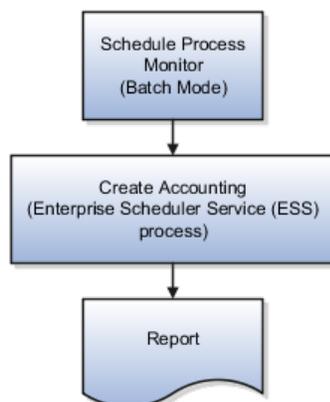
- Create accounting entries online for a specific transaction from a transaction view.
- Create accounting for a batch of transactions by submitting an offline process.
- Create manual adjustment entries.
- Review generated journal entries and projected balances on views and reports.

Create Accounting

Submitting the Create Accounting Process: Explained

The Create Accounting process is an Enterprise Scheduler Service (ESS) process. It can be submitted as a request from the Scheduled Processes Monitor window to create journal entries for a batch of events. It has input parameters that determine the execution mode and the selection criteria for events.

The figure below shows the submission of the Create Accounting process.



The following table describes the parameters for the Create Accounting process as submitted in the Scheduled Processes Monitor window.

Prompt	Description
Subledger Application	Source system for which the Create Accounting process is being executed.
Ledger	Ledger name for which the Create Accounting process is being executed.
Process Category	Selecting a process category indicates that all associated accounting event classes and their assigned accounting event types are selected for processing.
End Date	End date puts a filter on the selection of events. Only events having event date before the end date are selected for accounting. Defaults to SYSDATE.
Accounting Mode	Accounting mode; Draft or Final Default value is Final.
Process Events	Adds other filter criteria for the Create Accounting process to select events. All: Process all events. Errors: Process only those events that have previously been processed in error. Invalid Accounts: Process only those events that have previously been processed in error. Replace any invalid accounts with the suspense account. Default value is All.
Report Style	Users can choose to decide on the details of the report. The report can be printed in Summary,, Detail, or No report. Default value is Summary.
Transfer to General Ledger	Indicates whether the Create Accounting process should submit the Transfer to GL process; Yes, No. Default value is Yes.
Post in General Ledger	Indicates if users want to submit General Ledger posting; Yes or No. Default value is No.
Journal Batch	Batch name used by Transfer to GL to decide on the batch name for the batch created in Oracle Fusion General Ledger. When a value for the batch name is not provided, journal import defaults will be used. This is a free text field.
Include User Transaction Identifiers	Default value is No.

Accessing the Create Accounting Execution Report: Explained

When you submit the Create Accounting process, the Create Accounting Execution Report is submitted automatically upon the completion of the Create Accounting process in success or in warning status. The Create Accounting process output will contain a message with the Create Accounting Execution Report request identifier. Use this request identifier to access the execution report output.

Create Accounting Execution Report

This report can be recreated as needed by running the process, Create Accounting Report, using the request identifier of the desired Create Accounting process run previously.

If you choose to transfer the entries to Oracle Fusion General Ledger when submitting the Create Accounting process, the report indicates if accounting entries have been transferred or not transferred.

You may also run the Post Journal Entries to General Ledger process to transfer and post the journal entries to General Ledger at a later time, as a separate process. When you use this method, you can view the output of the Post Journal Entries to General Ledger process to view the summary of the transfer process.

Create Subledger Journal Adjustment

Subledger Journal Adjustments: Points to Consider

Subledger journal entries decrease audit and reconciliation costs, because you can store transaction information directly with journal entries. Using the subledger journal entry validations for online transactions ensures that your user provides the required information in the subledger journal entry header and subledger journal entry lines. The subledger journal entries, combined with accounting rules, offer full disclosure of how the accounting was created for each subledger transaction, and provide assurance that the accounting was done correctly.

You can perform the following actions on your subledger journal entries, depending on their status:

- Edit
- Duplicate
- Reverse
- Delete
- Complete

Editing a Subledger Journal Entry

When editing a subledger journal entry, you can perform the following tasks:

- Edit the journal header information, if the status is not Final.
- Enter new journal lines, including accounts.
- Enter the debit, and credit amounts.
- Enter the accounting class.
- View the impact on general ledger account balances should the entry be completed.
- Post the journal.

You can also edit incomplete manual subledger journal entries.

- Examples of header information which can be updated:
 - Ledger
 - Accounting date
 - Category
 - Description
- Examples of journal entry line information which can be updated:
 - Account
 - Accounting class
 - Entered amount
 - Journal entry lines
- Edit default currency options to be assigned to a manual subledger journal entry.
- Select supporting references and assign values to them.
- Edit or redefine the subledger journal entry description.

Duplicating Subledger Journal Entries

As a time saving feature, you may copy an existing entry.

The duplication feature is enabled for all existing subledger journal entries, regardless of status, and includes the ability to copy complete information required for a manual subledger journal entry header and line.

Note

All fields can be edited when a manual journal is duplicated.

Reversing Subledger Journal Entries

You may reverse manual subledger journal entries in Final status. Reversal options are defaulted from accounting options.

- Switch debit and credit
- Change sign

Deleting Subledger Journal Entries

Oracle Fusion Subledger Accounting provides the ability to delete a manual subledger journal entry that is not in Final status. The ability to delete manual journal entries ensures that users have the flexibility to correct errors without technical support.

Completing Subledger Journal Entries

You can complete manual subledger journal entries in Final and Post to General Ledger status.

Creating a Manual Subledger Journal: Points to Consider

The application enables the user to create manual subledger journal entries online.

Creating a Manual Subledger Journal Entry

This includes the ability to:

- Enter the complete information required for a manual subledger journal entry.
- Enter subledger journal entry descriptions.
- Select a supporting reference and supply the supporting reference value to a subledger journal entry or subledger journal entry line.
- Assign a descriptive flexfield to a subledger journal entry or subledger journal entry line.
- Populate default values for an entered currency for new subledger journal entry line.
- Enter default conversion type, date, and rate information to establish a default currency for the journal that is different than its associated ledger currency.
- View projected balances of entered and accounted journal line amounts.
- Complete and post subledger journal entries.

Supporting Reference Assignments: Points to Consider

You may want to analyze account balances and financial results by different transaction attributes. However, transaction information such as sales

representative, customer, or vendor are typically not stored in the Oracle Fusion General Ledger because of the volume of general ledger balances it would create, so you are not able to analyze general ledger data categorized by transaction attributes.

You can perform this type of reporting and analysis using supporting reference information from subledger transactions. This feature enables you to create balances based upon transaction attributes not typically stored as segments in the general ledger chart of accounts. For example, you can report on receivables balances by sales representative, customer, credit risk category, item, or any other combination of transaction attributes.

Supporting references can be used to:

- Provide additional information about a subledger journal entry at the header or line level.
- Establish a subledger balance for a particular supporting reference segment value.
- Assist with reconciliation of account balances.
- Provide for financial managerial analysis.

You can assign supporting references at either the subledger journal entry header or the subledger journal entry line.

Assigning Supporting References at the Subledger Journal Entry Header

Assigning supporting references at the subledger journal entry header level does not keep any balances.

Assigning Supporting References at the Subledger Journal Entry Line

Assigning supporting references to subledger journal entry lines enables you to maintain detailed balances, by supporting reference value, for general ledger accounts.

Validating a Third Party Control Account: Examples

If third party control accounts are enabled for the application, and the account entered is a third party control account, you must enter third party information in the journal entry.

Scenario

For example, if an account is defined as a third party control account with a type of Supplier, then the subledger journal entry lines which use that account must include supplier information. When a valid third party control account is assigned to a journal line, you are required to provide third party information, such as name and site.

Submit the Third Party Balances Report to display subledger balance and account activity information for suppliers and customers. The Customer or

Supplier subledger third party balances will be updated when the journal is completed to a Final status.

Review Subledger Journal Entry

Subledger Journal Entry: Overview

You can create subledger journal entries by using one of two methods:

- Use the Create Accounting process to process accounting events using accounting rules.
- Create manual subledger journal entries.

Subledger journal entries are always created in a given subledger application context. When the subledger journal entry is complete, the appropriate sequence names and numbers are assigned, and the corresponding secondary ledger and reporting currency journal entries are created if applicable.

Manual journal entries can be entered for primary ledgers or for secondary ledgers. Manual journals for primary ledgers are automatically created only for associated reporting currencies, not secondary ledgers.

Reviewing a Subledger Journal Entry: Points to Consider

You have the ability to review subledger journal entries, whether they were created from processing accounting events, or manually entered. You may query subledger journal entries directly, or locate them via searches for journal entries with a specific status, unprocessed accounting events, or subledger journal entry lines. Advanced search functionality, including the ability to use multiple search criteria is available.

Review Subledger Journal Entries

Perform an inquiry on unprocessed accounting events, subledger journal entries and subledger journal entry lines based on multiple selection criteria.

- Create, edit, duplicate, reverse or delete a manual subledger journal entry
- View detailed information about the subledger journal entry
- View a subledger journal entry in the T-Accounts format
- View transactions underlying the accounting event or the subledger journal entry
- View supporting references associated with the subledger journal entry and lines
- View tagged subledger journal entries or create a tag on the subledger journal entry

Viewing Projected Balances: Points to Consider

Use the projected balances feature to view the impact on account balances for selected subledger journal entry lines.

The projected balances flow has the following business benefits:

- Creation and validation of unposted manual journal entries by providing knowledge users with immediate and relevant information about the account balances for the selected journal lines.
- Validation and reconciliation of posted journal entries by providing immediate and relevant information about the account balances for the selected journal lines.

Projected Balances

Oracle Fusion Subledger Accounting manual journal entry and Oracle Fusion General Ledger manual journal entry, approval, and inquiry pages display projected or current balances including the current journal entry line amounts. Depending on whether the journal is posted or not, the current balance (for the period of the journal) is displayed or calculated.

The projected balance region in the contextual area is display the projected balances for the account that includes the amounts of the selected journal entry line. Additionally, if more than one journal line for same account of the selected journal line exists, then the projected balance amount will include the impact from each journal line. The Period To Date, Quarter To Date, and Year To Date balances are also available.

- For unposted journals, the period balance is projected by summing the current balance with the subledger journal entry line amounts
- For posted journals, the opening balance and the period activity is calculated using the current balance and journal line amount

Projected balances increases accuracy when booking entries to reconcile accounts.

Close Accounting Period

Opening First Period: Overview

For all ledgers, primary, secondary, and journal and subledger level reporting currencies, open the first period of the ledger when you are ready to transact in that period.

To open the first period of your ledgers, navigate to the Open First Period task in the primary ledger task list and click the **Go to Task** icon. On the submission page, select the ledger and the period to open. Click the **Submit** button to launch the open period process.

There are other ways to open the first period or subsequent periods without going into the Setup and Maintenance work area. You can maintain the ledgers' period statuses from the:

- Close Status region in the General Accounting Dashboard. The Close Status region provides real time visibility into the period close process from your subledgers to your General Ledger across the entire enterprise.
- Manage Accounting Periods task in the Period Close work area.
- Process Monitoring work area, which provides a framework for launching, monitoring and maintaining processes across Oracle Fusion Financials.

Period Close Components: Explained

While implementing your accounting configuration, optionally define and maintain the period close components to customize your accounting configurations setup.

Period close components include allocations, period entries, revaluation, and historical rates.

If you use allocations, revaluation, or translation, configure the following tasks under the Define Period Close Components parent task in your implementation project:

- Manage Allocations and Period Entries
- Manage Revaluations

- Manage Historical Rates

Manage Allocations and Period Entries

Manage Allocations and Period Entries is a manual task in the implementation project. Use the Allocation Manager to create allocations and other formulaic journal templates for generating periodic journal entries automatically. Base formulas on multiple criteria.

You must perform an external procedure outside the Setup and Maintenance work area to complete this task. In order to setup your allocations rules, navigate to the Journals work area and click the Create Allocations Rules task from the Tasks pane. This task navigates you to Allocation Manager, a framework that enables you define your allocation rules and formulas using a graphical interface and intuitive step-by-step wizards.

Manage Revaluations

Defines currency revaluation options, such as the range of accounts to revalue and the gain or loss accounts. Revaluation is done to adjust foreign entered amounts due to currency fluctuations. Navigate to the Manage Revaluations page, and define and generate your revaluation definitions.

Manage Historical Rates

Historical rates are the weighted average rate for transactions that occur at different points in time. Used by the system to calculate the conversion rate on equity account balances during foreign currency translation of the balance sheet.

Navigate to the Currency Rates Manager page to define and maintain your historical rates that are used in the translation process. In Oracle Fusion General Ledger, you can currently define historical rates using an ADF Desktop Integrator spreadsheet.

To create new historical rates, specify the required Ledger and the other optional fields, as needed. Click the **Create in Spreadsheet** button to open the spreadsheet for uploading.

To update the existing historical rates for your ledgers, click the Edit in Spreadsheet button, the spreadsheet is prepopulated with the existing historical rates.

Note

Before using the historical rates spreadsheet, install the ADF Desktop Integrator client as an add on to Microsoft Excel.

Manage Currency Rates

Entering Daily Rates Manually: Worked Example

You are required to enter the daily rates for currency conversion from Great Britain pounds sterling (GBP) to United States dollars (USD) each day for your company InFusion America Inc.

Oracle Application Development Framework (ADF) Desktop Integration is an Excel add-in that must be loaded onto each client. Because ADF Desktop Integration is an add-in to Microsoft Office products, you can use this feature only if they have Microsoft Excel 2007 or above, Internet Explorer 7 or above, and Microsoft Windows 7, XP Professional SP2, or Vista. Users must download the installation files from **Navigator - Tools - Download Desktop Integrator Installer**.

Entering Daily Rates

1. Navigate to the Period Close work area.
Use the Period Close work area to link to close processes and currency process.
2. Click the Manage Currency Rates link.
Use the Currency Rates Manager page to create, edit, and review currency rate types, daily rates, and historical rates.
3. Click the Daily Rates tab.
Use the Daily Rates tab to review and enter currency rates.
4. Click the Create in Spreadsheet button.
Use the Create Daily Rates spreadsheet to enter daily rates in a template that you can save and reuse.
5. Click in the From Currency field. Select the GBP - Pound Sterling list item.
6. Click in the To Currency field. Select the USD - US Dollar list item.
7. Click in the Conversion Rate field. Select the Spot list item
8. Click in the From Conversion field. Enter the desired information into the From Conversion field. Enter a valid value e.g. "8/1/2011".
9. Click in the To Conversion Date field. Enter the desired information into the To Conversion Date field. Enter a valid value e.g. "8/1/2011".
10. Click in the Conversion Rate field. Enter the desired information into the Conversion Rate field. Enter a valid value e.g. "1.33225".
11. Click the Submit button. Click the OK button twice.
12. Review the Record Status column to verify that all rows were loaded successfully.
13. Save the template to use to enter daily rates frequently. You can save the spreadsheet to either a local drive or a shared network drive.

Updating Currency Rates: Worked Example

You are required to change today's daily rates that were already entered. The rates you are changing are for currency conversion from Great Britain pounds sterling (GBP) to United States dollars (USD) for your company InFusion America Inc.

Currency conversion rates were entered by an automatic load to the Daily Rates table. They can also be entered through a spreadsheet.

Updating Currency Rates

1. Navigate to the Period Close work area.
Use the Period Close work area to link to close processes and currency process.
2. Click the Manage Currency Rates link.
Use the Currency Rates Manager page to create, edit, and review currency rate types, daily rates, and historical rates.
3. Click the Daily Rates tab.
Use the Daily Rates tab to review and enter currency rates.
4. Click the From Currency list. Select the GBP - Pound Sterling list item.
5. Click the To Currency list. Select the USD - US Dollar list item.
6. Enter the dates for the daily rates that you are changing. Enter today's date.
7. Click the Rate Type list. Select the Spot list item.
8. Click the Search button.
9. Click in the Rate field. Enter the new rate of 1.7 in the Rate field.
10. Click in the Inverse Rate field. Enter the new inverse rate of 0.58822 in the Inverse Rate field.
11. Click the Save button.

Define Revaluations and Revalue Account Balances

Revaluation Process: Explained

The revaluation process is used to adjust account balances denominated in a foreign currency. Revaluation adjustments represent the difference in the value of the balance due to changes in conversion rates between the date of the original journal entry and the revaluation date. These adjustments are posted through journal entries to the underlying account with the offset posted to an unrealized gain or loss account. All debit adjustments are offset against the unrealized gain account and all credit adjustments are offset against the unrealized loss account. If the same account is specified in the **Unrealized Gain Account** and **Unrealized Loss Account** fields, the net of the adjustments is derived and posted.

For balance sheet accounts, the revaluation journal entries are reversed in the next period. AutoReverse can be used to automate the reversals. For income statement accounts that use the PTD method of revaluation, the revaluation journal entries aren't reversed since each period's revaluation adjustment is just for that period.

In Oracle Fusion General Ledger, the revaluation functionality provides the following advantages:

- Full multicurrency functionality to eliminate currency barriers across a global business

- Predefined revaluation rules to ensure consistency in generation of revaluation entries each period
- Usage of prevailing currency normalization accounting standards including:
 - US Financial Accounting Standards Board (FASB) Financial Accounting Statement No. 52 (FAS 52), Foreign Currency Translation
 - International Financial Reporting Standards (IFRS) International Accounting Standard No. 21 (IAS 21), The Effects of Changes in Foreign Exchange Rates
- Support for multiple balancing segments to provide clarity in tracking the profitability and performance for more distinct segments of the your enterprise in any currency

Definition

When defining your revaluations, perform the following:

- Include accounts for tracking gains and losses, currency conversion rates, and the number of transaction currencies to revalue.
- Define separate revaluation definitions for each class of accounts, using a different rate type for each class.
- Choose various conversion types and methodologies for different account ranges, such as current rates and year-to-date (YTD) method for balance sheet accounts, and average rates and period-to-date (PTD) method for income statement accounts.

Note

Income statement accounts can also be revalued using YTD method.

Hierarchies and flexible account selection criteria, such as usage of parent values from your account hierarchy, streamlines maintenance of revaluation definitions. Leveraging hierarchy versions extends your revaluation definitions during organizational changes. Adjust account selection criteria monthly to retrieve the accounts that need to be revalued for the current accounting period.

Share revaluation definitions across ledgers that have the same chart of accounts to reduce maintenance.

Generation

Generating revaluations include:

- Using defined revaluation criteria and automatically generating entries to shorten your close process.
- Selecting automatic posting as part of the generate revaluation criteria to help you to achieve processing efficiency.
- Scheduling revaluations to run during off peak hours to save your system resources.
- Utilizing date effective account hierarchies to generate revaluations to keep results in line with your current organization structures.

Always run revaluation to bring monetary balances to current rates before performing currency translation or remeasurement.

Revaluation Execution Report

The Revalue Balances process automatically generates the Revaluation Execution report when you run revaluation. This report shows the details of your account balance revaluation and the journal batches created after running revaluation. The report includes the currencies and revaluation rates used to revalue your accounts, the unrealized gain or loss account in which you recorded net gains and losses, and the range of accounts revalued. The report also prints the names of your batch and journals that the revaluation process creates for each foreign currency, as well as the total debits and credits of the created entries.

If the Revaluation process cannot locate rates for one or more currencies, balances are not revalued for those currencies. In this case, the Revaluation process completes with a warning and the execution report lists which currencies are missing rates.

Accounting for Unrealized Gain or Loss on Revaluation: Explained

Revaluation launches a process that revalues the ledger currency equivalent balances for the accounts and currencies you select, using the appropriate current rate for each currency. Resulting unrealized gain or loss amounts are posted to the unrealized gain or loss accounts or to the cumulative translation adjustment (CTA) account you specify, and are balanced by balancing segment values. This process creates a revaluation journal which can be posted automatically.

Oracle Fusion General Ledger creates journal entries to adjust the ledger currency balances for conversion rate fluctuations, in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation and International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates.

The revaluation journal entries generated and posted in the primary ledger are automatically generated, converted, and posted to each of their reporting currencies. Define the CTA account for unrealized gains or losses in the reporting currency prior to running revaluation.

Income Statement Accounts Revaluation Rule: Explained

Revaluation is the process which adjusts asset or liability accounts that may be materially understated or overstated due to a fluctuation in the conversion rate between the time the transaction was entered and the time revaluation takes place. You may want to revalue income statement accounts as well. The Income Statement Accounts Rule indicates whether period-to-date (PTD) or year-to-date (YTD) method is to be used when revaluing income statement accounts.

Click the **Income Statement** radio buttons on the **Create Revaluation** page to specify whether you want to revalue income statement accounts using PTD or YTD balances. There are two radio buttons, one for PTD and one for YTD.

If you select to revalue PTD balances for income statement accounts, the process continues to appropriately revalue YTD balances for balance sheet accounts. In the revaluation definition if the range of accounts consists of both income statement and balance sheet accounts and you select PTD as an option for income statement account revaluation rule, a separate revaluation journal is created for the income statement accounts. Revaluing the PTD balance of your income statement accounts creates weighted average YTD balances using period rates from each corresponding period against the PTD account balance in compliance with the Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation.

To summarize, when you run revaluation on your income statement accounts, the process produces two separate journal entries; one that revalues your balance sheet accounts and another for your income statement accounts. You do not need to reverse the PTD revaluation journal entry for your income statement accounts in the subsequent period since that revaluation only applies to last period's activity.

Note

This functionality only applies when the range of accounts to be revalued in the revaluation definition consist of income statement accounts in addition to balance sheet accounts. Normally only balance sheets accounts are revalued.

Revaluing Across Multiple Balancing Segments: Worked Example

This example demonstrates how to revalue foreign currency balances across multiple balancing segments. Your company, InFusion America, Inc. has three lines of business. You revalue your foreign currency account balances for two of your divisions, Air Components and Repair Parts. Your Installation Services line of business does not have foreign currency transactions. Your company is your primary balancing segment and your lines of business are represented in your secondary balancing segment.

Note

Enable up to three balancing segments to use the multiple balancing segment feature.

The following are points to consider in running the revaluation process.

- Revaluation posts the resulting gain or loss amounts against the unrealized gain or loss accounts, substituting the balancing segment values appropriately for all balancing segments.
- Gain or loss accounts and revaluation account ranges are not validated against your data access set security when the revaluation definition is created because the ledger context is not known at the time of definition.
- Data access set security is enforced when the Revalue Balances process is executed. Limited write access to the gain or loss accounts due to inadequate access results in an error.

- Segment value security rules are enforced when you enter the account ranges and the unrealized gain and loss accounts. Only segment values you have access to are available in the list of values.
- Account ranges you have read and write access to are revalued. Account combinations that you do not have access to are ignored.
- Revaluation expands all parent balancing segments to the child values. Data access set security applies to the child values only, not the parent value.
- Posting supports multiple balancing segments for calculating the entry to the Cumulative Translation Adjustment accounts when replicating revaluation journals to reporting currencies.

Defining Revaluations

1. From the **Manage Revaluations** page, click the **Create** icon.
2. Enter the values in the following table in the correct fields.

Field	Value
Name	InFusion America Revaluation
Description	Revaluation for all foreign currency balances.
Chart of Accounts	InFusion America Chart of Accounts
Currency	Leave blank Note If left blank, all currencies are revalued and after saving, the field automatically displays: All currencies.
Conversion Rate Type	Daily
Days to Roll Forward	5
Unrealized Gain Account	011-00-96600000-0000-000-000
Unrealized Loss Account	011-00-96700000-0000-000-000
Income Statement Account Basis	PTD
Post Automatically	Yes

3. In the **Revaluation Accounts** region, click the **Add Row** icon.
4. Click the **Change filter conditions** icon to enter the filter used to select the accounts to revalue.
5. Click the **Add Field** drop down arrow and select your company, InFusion America Inc. from the list.

Field	Value
Equals	011

- Click the **Add Field** drop down arrow and select your two Lines of Business: 30 for Air Components and 40 for Repair Parts.

Note: Your Installation Services line of business, 50, is not included because it does not have foreign currency transactions.

Field	Value
Between	30
	40

- Click the **Add Field** drop down arrow and select Account from the list.

Field	Value
Between	10000000
	29999999

- Click OK to accept your filters.
- Click the **Save and Close** button to save your revaluation.

Optionally, select the **Save** and **Generate** buttons to run the revaluation immediately.

Reconcile Accounts

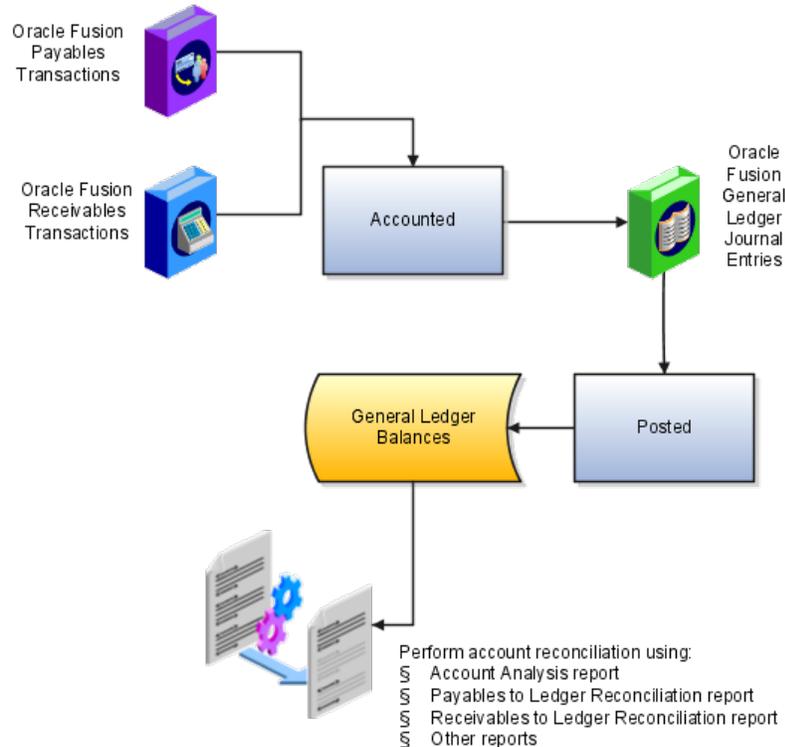
Reconciling Accounts: How It Works with the Subledgers

With Oracle Fusion General Ledger functionality, you reconcile account balances online or via reports using integrated inquiry, reporting, and analysis tools. Drill down from account balances to journals and underlying subledger transactions through a single drill path. Run the following types of predefined standard reports: subledger to general ledger reconciliation, intercompany reconciliation, trial balance, journals, and account analysis reports, to reconcile account balances.

Powerful account reconciliation tools provide the following benefits:

- Quicker period close to expedite managerial decision making
- Reliability of published financial results to support execution of informed and sound business strategies
- Automated reconciliation of key payables and receivables subledger balances to the general ledger
- Identification and tracing of reconciling items with insightful account analysis reports

As the figure shows, the subledger transactions must be accounted and posted to the General Ledger as a prerequisite to the reconciliation process. The posting process updates the General Ledger balances after which reconciliation reports can be run to start the reconciliation process.



Reconcile Subledger Accounts

Payables and Receivables enable you to quickly reconcile these subledgers to your General Ledger. Compare the open payables and receivables balances in the subledger modules to their corresponding account balance in your general ledger for a given accounting period. If discrepancies exist, the process of matching each transaction to its respective accounting entry is automatically performed, finding all transactions and accounting entries that contributed to the out-of-balance situation.

Exceptions are automatically identified. For example:

- Transactions that do not have complete accounting
- Amounts that do not tie to the accounting entry amount
- Manually entered journals that posted to the general ledger account
- Journals that did not come from the subledger modules

Reconcile subledger and other balances with comprehensive Account Analysis reports and Payables and Receivables to Ledger Reconciliation reports to streamline reconciliation and increase productivity. These reports:

- Automatically match payables and receivables transactions to subledger accounting entries
- Provide direct drill down to supporting journals and transactions for increased visibility
- Identify reconciliation exceptions for the user to take action, increasing worker productivity

- Permit analysis of report output in a spreadsheet, with all the conveniences and efficiencies of spreadsheet functionality

Account Analysis Report

Reconcile subledger and other balances with comprehensive Account Analysis reports that:

- Include beginning and ending account balances along with all journal entries that constitute the account's activities
- Contain activity source, category, and references, which are fully documented to easily trace back to the origin of the balance
- Identify reconciling items with amount or origin mismatches

Payables and Receivables to Ledger Reconciliation Reports

Leverage the Payables to Ledger Reconciliation and the Receivables to Ledger Reconciliation reports using the interactive Oracle Transactional Business Intelligence (OTBI) reporting technology to:

- Expand account balance information from summarized to detail data for optimal reconciliations
- Facilitate manageability and clarity for the reconciliation process

Note

The Receivables to Ledger Reconciliation report and the Payables to Ledger Reconciliation report are delivered OTBI reports that cannot be modified by an end user using the Answers reporting tool like most of the other OTBI reports delivered in Oracle Fusion Applications. If you want to change the report format or output, create your own report using the underlying subject areas from Receivables, Payables, Subledger Accounting, and General Ledger.

Other Reports

There are other reports that aid in the reconciliation process:

- Trial balance reports: Review summarized actual account balances and activity by ledger, balancing segment, and account segment value. Run this report for balances and activity imported from your subledgers or entered in your ledger currency, foreign currency, or statistical currency.
- General ledger reports: Review beginning and ending account balances, and all journal entry lines, including those from your subledgers, affecting each account balance in your ledger currency and foreign currencies.
- Journal reports: Review journal information in your ledger currency and foreign currencies, including posted, unposted and error journals. You can also review journal activity, including activity from your subledgers, for particular periods and balancing segments.

Best Practices

Account reconciliation best practices include the following:

- Run the Payables and Receivables to Ledger Reconciliation reports only after the Receivables and Payables periods are closed to additional subledger transactions.
 - The summary level of the reconciliation reports contain data that is aggregated at the point in time the data extraction program is run.
 - The detail level of the reconciliation reports reflects real time data in the transaction and accounting applications. To minimize discrepancies between the summary and detail levels of the report, it is preferable to run the data extraction program and report after the periods are closed so that further activity does not take place.
 - If further activity does take place after the data extraction program is run, the activity will be included in the Detail level of the report, but not in the Summary level.
- Reconcile receivables or payables accounts in one of these ways:
 - For the entire ledger, by running the reports for your ledger
 - For more control, by individual primary balancing segment values within the ledger, if your primary balance segments are implicitly mapped to your payables and receivables business units in your enterprise
- Restrict receivables and payables accounts in your general ledger by designating a control account and not allowing other sources to post to them.
- Review warnings raised in the general ledger close period request log files. Verify that exceptions flagged, such as unposted journals, are intended to be left out for the period.
- Run your reconciliation reports with general ledger, receivables, or payables access. The responsibility for reconciling your receivables or payables to your general ledger and running the reports is done by your personnel in your accounting, receivables, or payables departments, depending on your corporate policies.

Note

The Payables to Ledger Reconciliation report integrates with the AP Trial Balance report. Use the AP Trial Balance report to obtain the beginning and ending payables accounting balances and drill down to the details.

Intercompany Reconciliation: Explained

Intercompany reconciliation provides you with reports to assist you with reconciling your intercompany receivables and intercompany payables accounts, and to identify any differences.

The main goal of the reports is to make it easy for you to identify either the receiver side or provider side of a transaction that has not been posted to the intercompany receivables or intercompany payables account.

The reports show the following intercompany lines:

- Intercompany receivables and intercompany payables lines generated by the intercompany balancing feature
- Intercompany receivables and intercompany payables lines generated for the provider and receiver of each intercompany transaction

The following are not included on the intercompany reconciliation reports:

- Ledger balancing lines generated when the primary balancing segment value is in balance but either the second balancing segment or the third balancing segment is out of balance
- Clearing company balancing lines

Reconciliation Reports

The reconciliation reports show the Entered or Transaction amount of the accounting entries booked to the intercompany receivables and payables accounts for a pair of provider and receiver legal entities. Since the accounted amounts may be different if the conversion rates used for the intercompany receivables and intercompany payables are different, you can choose to run the reports using an additional currency and conversion rate that will convert all amounts into a common currency for comparison.

The intercompany reconciliation process starts with running the Extract Intercompany Reconciliation Data process. Choose from a variety of parameters to determine what data will appear on your reports. For example, choose the provider legal entity and receiver legal entity for which you want to run reconciliation.

Once the Extract Intercompany Reconciliation Data process has completed successfully, choose your request from the Oracle Business Intelligence Publisher (BI Publisher), BI Publishing Options list of values and view the Reconciliation Period Summary report. This report displays the intercompany receivables and intercompany payables balances in summary for a period, and any differences between them. Drill down on the hyperlinks to view the balances by source and then by journal lines. You have full drill down capabilities to the general ledger journal, subledger accounting entry and source receivables or payables transaction.

Extract Intercompany Reconciliation Data

This process extracts data used to generate reports that can be viewed and utilized to assist with reconciliation.

You can run the report from the Intercompany Reconciliation task, and optionally schedule the report to run periodically.

Extract Intercompany Reconciliation Data Parameters

Ledger

Ledger associated with the provider organization. Exclude secondary and reporting currency ledgers.

Legal Entity

Legal entity of the provider organization.

Accounting Period

Accounting period of the provider ledger.

Ledger

Ledger associated with the receiver organization.

Legal Entity

Legal entity of the receiver organization.

Accounting Period

Accounting period of the receiver ledger.

Currency

Currency for converting the accounted amount.

Conversion Rate Type

Conversion rate type for the additional currency.

Conversion Rate Date

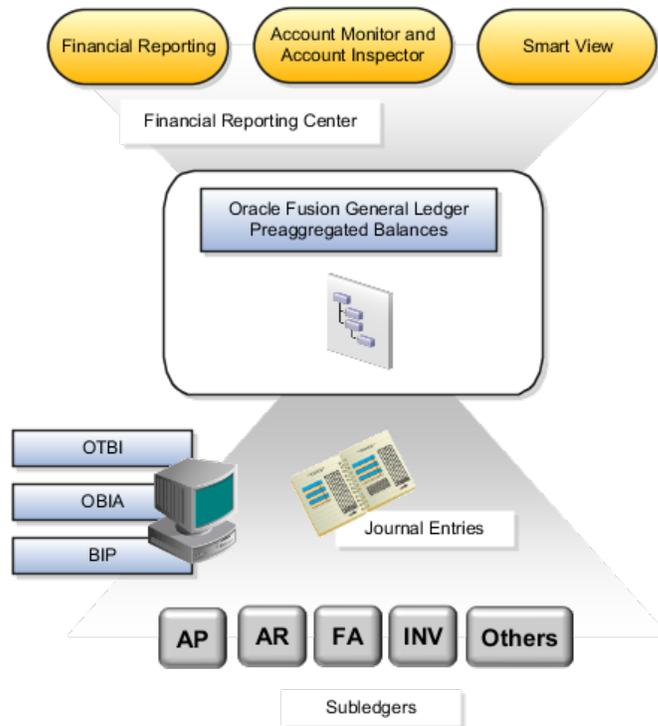
Conversion rate date for the additional currency.

Prepare and Analyze Financial Performance

Reviewing Financial Reporting Solutions: Points to Consider

Use Oracle Fusion financial reporting and analysis solutions to meet your reporting requirements. The Oracle Fusion General Ledger posting process updates your balances in real time and stores these balances in both balances cube for efficient multidimensional analysis and relational tables for transaction processing. The financial reporting functionality enables:

- Analysis of your financial and management information, reports, and key performance indicators (KPIs)
- Ad hoc inquiry and analysis of your real time transactional data
- Analysis of past, present, or future data with date-effective hierarchies
- Preaggregated balances for every parent level in your chart of account segments
- Drill down from any parent level to the next parent or child level
- Drill down from any child level to detail balances, journal lines, and subledger transactions



The following table lists your reporting needs and the solutions you can use in Oracle Fusion to meet those needs:

Reporting Need	Solution
Boardroom ready financial statements with live drill down to your source transactions	Financial Reporting in the Financial Reporting Center
Exception based account monitoring with multidimensional analysis and drill down capability	Account Monitor and Account Inspector in the Financial Reporting Center and from the General Accounting Dashboard
Spreadsheet financial reports with multidimensional analysis, pivoting, and drill down capability	Oracle Hyperion Smart View
High volume operational reporting with configurable templates	Oracle Business Intelligence Publisher (BI Publisher)
Ad hoc queries of transactions	Oracle Transaction Business Intelligence (OTBI)
Key performance indicators (KPIs), metrics, and highly summarized queries from a data warehouse	Oracle Business Intelligence Analytics (OBIA)

Financial Reporting

In Oracle Fusion, the Financial Reporting Center provides inquiry and reporting through the Financial Reports functionality and the Account Monitor. The Financial Reports functionality includes:

- Running live reports and books in various formats
- Published snapshot reports and books from previously defined and scheduled batches in various formats
- Creating embedded charts and graphs

- Refreshing report data using run time points of view or parameters
- Expanding or drilling down from any parent to the next parent or child level
- Expanding or drilling down from any child level to detail balances, journal lines, and subledger transactions
- Building multidimensional reports, with multiple hierarchies, using a client based tool, Oracle Hyperion Financial Reporting Studio
- Distributing reports automatically across your organization using e-mail
- Storing reports in a repository folder structure, using various formats, including PDF, HTML, and spreadsheets

Note

When patches are applied to the Business Intelligence (BI) domain, existing financial report definitions will be removed. Backup the financial report definitions by exporting the reports, batches, or folders of reports and then reimporting them after the patch has been applied.

Account Monitor and Account Inspector

With the financial reporting solution, you define tolerance rules in order to create self-monitoring accounts. Tolerance rules can optionally be set using a criteria of a comparative measurement between two selected balances for a balance increase or decrease that is above or below a percentage or constant amount. Only when the criteria is met will the Account Monitor display the balance information for the account specified. The output from your rules is displayed on the Financial Reporting Center and General Accounting Dashboard in a region called the Account Monitor. Any accounts that exceed your tolerance limits are automatically displayed, and can therefore, eliminate the surprise of account anomalies during your close process. With the Account Monitor:

- Automatically monitor your key accounts in real time on an exception or permanent basis
- Review both current and comparative balance, including comparisons with your budget numbers and across different time frames, such as PTD, YTD, QTD, or same period last year
- Analyze change percentages based on your defined rules and thresholds to assess whether your balance variances are favorable or unfavorable
- Define account groups and arrange accounts to be monitored on a regular basis into different account groups to meet your business requirements

In addition, there is full integration with the online multidimensional analysis tool called the Account Inspector from the Account Monitor. With the Account Inspector:

- Perform ad hoc multidimensional pivot table analysis
- Review charts based on the Account Monitor data

- Use drill down from the Account Monitor from any parent to the next parent or child level
- Perform drill down from any child level to detail balances, journal lines, and subledger transactions

Smart View

Smart View provides the ability to create and refresh spreadsheets to access real time account balance information. Use Smart View to:

- Perform ad hoc multidimensional pivot analysis with full spreadsheet functionality
- Drill down from any parent to the next parent or child level
- Perform drill down from any child level to detail balances, journal lines, and subledger transactions
- Analyze actual, budget, and forecast information
- Increase visibility with charts and graphs
- Apply date effective hierarchies to past, present, or future hierarchies to change the financial data reported in your financial reports. For example, to compare 2010 to 2011 results, realign the data in your 2010 reports by applying the 2011 organization hierarchy.

Oracle Fusion Business Intelligence Publisher (BI Publisher)

For frequent and high volume reports, BI Publisher provides:

- Report layouts using familiar desktop tools, such as Adobe Acrobat PDF, Microsoft Word, and Excel
- Ability to create one template to provide reports in up to 185 languages and 244 territorial dialects
- Reports published in various outputs such as Word, Excel, PDF, RTE, and HTML
- Scheduled reports for delivery to a wide range of destinations

Oracle Transaction Business Intelligence (OTBI)

OTBI is a reporting tool that provides embedded analytics. With OTBI there is no need to build and maintain customized reports because it provides online inquiry for nearly every transactional object. OTBI also provides:

- Ability to perform ad hoc queries directly from transactional tables
- Drag and drop functionality to build the report layout, and immediately run the report to obtain real time results
- Shared queries and reports using the Report Catalog, a reporting option used to view or save specific definitions

Oracle Business Intelligence Analytics (OBIA)

OBIA in Oracle Fusion:

- Supports real time, ad hoc queries from a data warehouse
- Contains prebuilt key performance indicators (KPIs) and metrics that deliver information throughout all levels of the organization
- Preaggregates data to summarize information across multiple data sources for faster queries

Financial Reporting Center: Explained

The Financial Reporting Center is a point of entry to General Ledger balances financial reporting functions. It provides secure, self-service access to reports that use real time account information.

The Financial Reporting Center provides integrated access to both live and prepublished reports and books, which are collections of reports. You can view:

- Prepublished snapshot reports for point-in-time reporting
- Multiple output formats
- Live financial statements

The Financial Reporting Center also facilitates efficient, secure distribution of reports to authorized individuals. You can perform multidimensional analysis and drill down from any of the live reports.

You can choose to review reports in your preferred format such as, HTML, PDF, or Microsoft Excel.

The Financial Reports functionality includes:

- Running live reports and books in various formats
- Viewing published snapshot reports and books from previously defined and scheduled batches in various formats
- Creating embedded charts and graphs
- Refreshing report data using runtime points of view or parameters
- Expanding or drilling down from any parent value to the next parent or child value
- Expanding or drilling down from any child value to detail balances, journal lines, and subledger transactions
- Building multidimensional reports, with multiple hierarchies, using a client based tool, Oracle Hyperion Financial Reporting Studio, Fusion Edition

- Distributing reports automatically across your organization using e-mail or other distribution mechanisms
- Storing reports in a repository folder structure, using various formats, including PDF, HTML, and spreadsheets

Account Monitor and Account Inspector

Account Monitor provides Oracle Fusion General Ledger users with a tabulation of self-selected accounts and balances, with self-defined deviances from standards for those balances. The users can see anomalies against the thresholds that they define. Account Monitor provides efficient monitoring and tracking of key account balances in real time and is continually updated, at every level of the dimension and hierarchy. It is a powerful tool for real time, multidimensional account analysis. It is available in the General Accounting Dashboard and in the Financial Reporting Center.

A user defines tolerance rules in order to create self-monitoring accounts. The output from the rules is presented in a tabulation with various options as to what is shown or hidden. Any accounts that exceed the tolerance limits are automatically displayed, and therefore, eliminate the surprise of account anomalies during your close process and enable your accountant to initiate an appropriate business or accounting response to the implicit situation.

When you select a balance, you can drill down through the multilevel hierarchies, or up to the next parent value level. You can navigate directly to any level in the hierarchy and to any detail.

Account Monitor is fully integrated with the online multidimensional analysis tool called the Account Inspector. With the Account Inspector, the user can:

- Perform ad hoc multidimensional pivot table analysis
- Review charts based on the Account Monitor data
- Use drill down from the Account Monitor from any parent value to the next parent or child value
- Perform drill down from any child value to detail balances, journal lines, and subledger transactions

Configuring Account Groups for Account Monitor: Example

Oracle Fusion Financial Reporting Center is a powerful tool for accessing, designing, and presenting financial reports and analytic data. To analyze your data, define specific account groups in the Account Monitor.

Scenario

In this example you define account groups to organize key accounts by purpose, category, and comparison criteria. Steps to define account groups are:

1. From **Financial Reporting Center -> Account Monitor** region select **View -> Account Group -> Create**

2. Enter the Account Group name and determine if the account group should be used for the default view for Account Monitor
3. Enter the accounts to be monitored, the threshold options, and the comparison options

Oracle Hyperion Smart View: Explained

Oracle Hyperion Smart View for Office, Fusion Edition provides common Word, PowerPoint, and Excel interfaces designed specifically for Oracle Hyperion Enterprise Performance Management, Oracle Business Intelligence Enterprise Edition, and Oracle Fusion General Ledger. Using Smart View, you can view, import, manipulate, distribute, and share data in Excel, Word, and PowerPoint interfaces. It is a comprehensive tool for accessing and integrating Enterprise Performance Management, Business Intelligence, and General Ledger content from Microsoft Office products.

Smart View provides the ability to create and refresh spreadsheets to access real time account balances and activity. You can use the Smart View for:

- Ad hoc or free form analysis
- Predefined form interaction
- Report design

Ad Hoc or Free-Form Analysis

Smart View uses the Excel environment to interactively investigate the data contained in the sources. Users start with templates that begin the process or a blank sheet where they begin shaping and altering the grids of data as they use the exposed functionality.

Predefined Form Interaction

As an Oracle Fusion user who executes predefined input or reporting forms, you will find Smart View a convenient way of completing tasks within the Microsoft Office environment. Use Smart View if you have a desire to work in the Excel environment either for consistent experience compared to the web application or to tie other spreadsheet-based models into your process. For example, use Smart View with Oracle Hyperion Planning, Fusion Edition in order to incorporate data that is still housed in spreadsheet and workbook based models.

Report Design

Report design is another dimension of Smart View, which leverages the capabilities of Oracle Fusion General Ledger data. Once the data is available within Smart View you can create reports as needed based on a combination of data sources. For example, planning and financial management data can be used to compare actual to budget. Reports can be made more complex by providing the ability to compare multiple scenarios for different periods. The power of Smart View is used to create reports and is refreshed periodically, as needed.

Smart View provides the ability to create and refresh spreadsheets to access real time account balance information. You can use Smart View to:

- Perform ad hoc multidimensional pivot analysis with full spreadsheet functionality
- Drill down from any parent value to the next parent or child value
- Perform drill down from any child value to detail balances, journal lines, and subledger transactions
- Analyze actual, budget, and forecast information
- Increase visibility with charts and graphs
- Apply date effective hierarchies to past, present, or future hierarchies to change the financial data reported in your financial reports. For example, to compare 2010 to 2011 results, realign the data in your 2010 reports by applying the 2011 organization hierarchy.

Manage Transaction Taxes: Verify Tax Configuration

Tax Simulator: Explained

The Tax Simulator is a tool for simulating the tax determination process in your tax setup. The Tax Simulator lets you preview the workings of your tax configuration before you perform tax calculations on live transactions in a subledger application. The Tax Simulator also allows you to test new tax configuration in conjunction with existing tax configuration to preview the resulting tax calculation. The Tax Simulator is a useful tool to identify the root cause when tax calculation is not what is expected on live data.

Run taxes from all applicable tax regimes against a sample transaction to verify that your tax configuration and tax rules were created and applied according to your requirements. You can either create a sample transaction within Tax Simulator or copy an existing transaction. The simulated tax calculations do not affect live data.

Principle aspects of the Tax Simulator include:

- Functions and verifications
- Analysis tools
- Restrictions

Tax Simulator Functions and Verifications

The Tax Simulator lets you simulate the tax determination process on transactions without creating live data.

The Tax Simulator enables you to complete these functions:

- Enter transactions to simulate tax calculation based on various scenarios.
- Simulate the characteristics of the Payables, Purchasing, and Receivables transactions and create the tax line for each type of operation.
- View the detail tax lines generated for each transaction line.
- View the tax rules that were applied to a tax calculation and the processed result for each rule type.

The Tax Simulator provides these verifications:

- How the tax rules that you have defined for one or more taxes work in conjunction with the defaults that you have set for them.
- Whether a tax rule that you expected to have a successful evaluation for a given set of transaction conditions achieved the desired result.
- How the options that you have set at various levels are reflected in the results of tax determination processing. If a certain transaction does not process taxes as you predicted, then you can use the simulated result to troubleshoot the cause. For example:
 - You thought that there were product tax exceptions, but they were not used on a transaction as expected. You then discover that the **Allow tax exceptions** option was not enabled on the applicable tax rate record.
 - Your supplier record has the option enabled to use offset taxes, but the offset taxes do not appear. You then discover that the tax rate record does not have an offset tax rate associated with it.

Tax Simulator Analysis Tools

The Tax Simulator provides these pages to analyze the tax calculations on simulated transactions:

- Simulator Transaction page: View the details of the simulated transaction.
- Tax Line Details page: View the calculated tax lines for the simulated transaction. The page displays, for each transaction line, the applicable tax and tax configuration details, as well as if the result was determined by a tax rule or the default value. If a tax rule was applied, the page also displays the associated tax condition set.
- Rule Type page: View details of all enabled rules for a rule type. The page displays the processed result for each rule. The page also displays the associated tax condition sets and their processing details and results.

Tax Simulator Restrictions

The following restrictions apply when using the Tax Simulator:

- Payables tax recovery processing cannot be simulated.
- Application-specific actions on transactions or transaction lines, such as canceling, deleting, and reversing, are not tested.
- User control settings are not tested or verified.

Simulating Subledger Transactions: What Is Copied

Copy transactions from Oracle Fusion Payables, Oracle Fusion Purchasing, and Oracle Fusion Receivables and use them to test the entire tax and related configuration. Once the Tax Simulator copies data into the simulated transaction, you can update and delete lines as needed.

Settings That Affect Subledger Transactions

Oracle Fusion Tax uses your search criteria defined for the application, legal entity, and business unit to provide a listing of subledger transactions. The Tax

Simulator copies the attributes of the selected transaction and populates them on the Create Simulator Transaction page.

What Subledger Data Is Copied

The Tax Simulator copies the following data from the subledger transaction:

- Transaction header information, including supplier and customer information
- Tax lines with a line type of line or freight
- Calculated tax amount if you use an external service provider for tax calculation
- Line-level tax attributes
- Discounts and exceptions for Receivables transactions
- Ship-to information for Receivables transactions

The system does not copy:

- Any referencing, applied, or adjusted documents
- Tax-only lines
- Canceled lines

Changing Transaction Attributes

Update and delete lines and attributes as needed. The only fields that you cannot update are the document event class and source document number.

Simulating Tax on Transaction Data: Explained

The Tax Simulator allows you to validate new and existing tax setup for procure-to-pay and order-to-cash transactions. The format of the Tax Simulator interface is a lightweight version of the procure-to-pay and order-to-cash respective work areas allowing ease of data entry and flow of item lines to tax calculation and tax lines. In addition to the required transaction attributes the additional tax attributes that drive tax calculation are highly visible and available for your entry and update. Simulated transactions do not impact live data and you can purge them from the application using a process request.

Use the Tax Simulator to create, duplicate, and simulate transactions. The interface also supports associating adjusting, referencing, and applied documents on applicable event classes. In addition to simulating tax output for live transactions you can test the tax calculation of taxes that are not yet active and see the standalone tax calculation or the impact of this tax with taxes that are active. The Tax Simulator provides comprehensive information and a view into the tax processing logic to help you implement and troubleshoot tax setup. One of the critical uses of the Tax Simulator is for you to be able to safely trigger transactions without having a detailed knowledge of the core transaction systems or having to create transactions in these applications that impact the core applications.

Using the Tax Simulator

The Tax Simulator allows ease of data entry. The flow of transaction entry is similar to the respective work area so you are familiar with the flow. There is partial page rendering for procure-to-pay and order-to-cash event classes to expose the appropriate attributes. For example, when you enter a purchase order you are prompted for a supplier. When you populate the supplier information, the Tax Simulator populates the default ship to and bill to information. When you enter a Receivables sales invoice event class you are able to enter customer bill to and customer ship to details in a format similar to the Receivables Invoice work area. Other attributes include warehouse, discounts, and exemptions for Receivables event classes and line classes for Payables event classes.

The data you enter in the Tax Simulator is not live data, it is not accounted, reported, or visible from other product interfaces. In addition to manual entry of transaction data, you can copy live data to view or modify in the Tax Simulator. The Manage Tax Simulator Transactions page allows you to choose a source of Payables, Purchasing, Receivables, or Tax Simulator. Search on the source of Tax Simulator for transactions entered or copied into the Tax Simulator. The other product sources allow you to query and copy transactions from the respective subledgers.

For example, you have a Payables invoice where the tax calculation is not what you expect. Use the Tax Simulator to:

1. Search in the Manage Simulator Transactions page for a source of Payables, an event class of Purchase invoice, and respective business unit, document number, and date information.
2. View the applicable transaction in the Search Results table. If needed there is **Query by Example** available in the table for you to further identify the desired transaction.
3. Select the Purchase invoice and click **Simulate Transaction** to copy this transaction into the Tax Simulator.
4. Review the information on the Create Simulator Transaction page. The application populates the transaction details.
5. Populate the document number with the new number. The source document number is populated with the original document number. You can update all attributes except the document event class and source document number.
6. Save the document and click **View Tax Lines** to view the tax output.

If you want to test multiple variations of the same transaction you can query the transaction with a source of Tax Simulator in the Manage Tax Simulator Transactions page. Select the transaction in the search results and click the **Duplicate** action to duplicate the transaction details into a new document leaving the previous transaction details intact.

Using Additional Tax Attributes

In addition to the required fields for transaction entry and tax calculation, such as **Document Event Class**, **Document Date**, **Legal Entity**, **Business Unit**, **Currency**, **Supplier**, **Customer**, and **Line Amount**, the Tax Simulator gives you visibility into additional tax attributes that are commonly used to drive tax calculation based on tax rules. The Tax Simulator removes many of the attributes

that do not impact tax calculation to simplify the page and let you focus on the needed elements.

At the header level the **Taxation Country** is visible for entry and update. At the line level you can enter and update attributes such as **Line Class, Line Type, Item, and Product Type**. Additional tax attributes, such as **Tax Inclusive, Transaction Business Category, Assessable Value, Tax Classification, Product Category, Intended Use, Product Fiscal Classification, User-Defined Fiscal Classification, and Account**, are organized in a tabbed region. All of these attributes can drive tax determination or tax calculation directly based on tax rules and tax formulas. Almost every additional tax attribute on the Tax Simulator interface directly impacts tax determination and tax calculation in a format that resembles the work areas so it is easy for you to understand and navigate.

Using Reference, Adjusted, and Applied Documents

Reference, adjusted, and applied documents can have tax calculation impacted by the documents they are associated with. The Tax Simulator presents information on some of the impacts. Others, such as variances in distributions, are not presented since accounting is not part of the Tax Simulator functionality. Also, when a document is simulated or copied in the Tax Simulator, the application does not copy referencing, adjusted, and applied documents. You must copy each document separately and associate them in the Tax Simulator.

The following is a list of the available event classes and associations that can be made in the Tax Simulator:

Application	Header Level Document Event Class	Item Line Attribute Line Class	Reference, Adjusted, and Applied Tab: Document Event Class	Reference, Adjusted, and Applied Tab: Document Number	Reference, Adjusted, and Applied Tab: Document Date	Reference, Adjusted, and Applied Tab: Document Line Number
Payables	Standard Invoice	Invoice	Purchase Order (not required)	Select the purchase order document number.	Populated when the document number is selected and it is read-only.	When you enter the document number of the purchase order this list is available with the respective invoice lines.
Payables	Standard Invoice	Prepayment	Prepayment Invoice	Select the prepayment invoice number.	Populated when the document number is selected and it is read-only.	When you enter the document number of the prepayment invoice this list is available with the respective prepay invoice lines.

Payables	Standard Invoice	Credit Memo	Standard Invoice	Select the credit memo document number.	Populated when the document number is selected and it is read-only.	When you enter the document number of the invoice this list is available with the respective invoice lines.
Payables	Prepayment Invoice	Column not displayed	Tab not displayed	Tab not displayed	Tab not displayed	Tab not displayed
Purchasing	Purchase Order	Column not displayed	Tab not displayed	Tab not displayed	Tab not displayed	Tab not displayed
Receivables	Invoice	Column not displayed	Tab not displayed	Tab not displayed	Tab not displayed	Tab not displayed
Receivables	Credit Memo	Column not displayed	Invoice	Required	Populated when the document number is selected and it is read-only	When you enter the document number of the invoice this list is available with the respective invoice lines.

An example of an applied document that impacts tax calculation is that of a Receivables credit memo that references an invoice. In Receivables there can be standalone credit memos that drive tax calculation based on the tax attributes entered on the credit memo and there are applied credit memos that drive tax calculation based on the referenced document; the invoice. If there is a credit memo that is not calculating what you expected in Receivables, you can:

1. Copy the transaction into the Tax Simulator.
2. Simulate each document independently and associate them in the user interface. The Tax Simulator does not copy associated documents
3. Review the credit memo tax lines independently before the transaction association and see that the tax calculation is based on the attributes entered on the credit memo.
4. Associate the invoice in the Reference, Adjusted, and Applied tab with the appropriate document number and line and drill to the tax lines. See that the result type value for the rule results is derived from the reference document. This is indicating that the tax is not based on the credit memo attributes but those of the invoice.

Enabling Taxes for Transactions and Simulation: Explained

A feature of the Tax Simulator is the option for you to choose the status of the taxes to consider for evaluation. The transaction header region in the Tax Simulator includes an **Evaluate Taxes** attribute. The options are: **Enabled for simulation**, **Enabled for transactions**, and **Enabled for transactions and simulation**.

When you define a tax there are two different statuses the tax can have when the setup is complete. When you select **Enable tax for simulation** the tax is available only for processing on Tax Simulator transactions and is not calculated on live transactions. When you select **Enable tax for simulation** and **Enable tax for transactions** then the tax is considered active and is available for processing on both live transactions and Tax Simulator transactions.

When you create a Tax simulator transaction and the evaluate taxes status is set to:

- **Enabled for simulation:** Only taxes with the status **Enable tax for simulation** are selected for processing.
- **Enabled for transactions:** Only taxes that are live or have both **Enable tax for simulation** and **Enable tax for transactions** selected on the tax record are considered for processing.

This mimics the behavior of the processing for active taxes in the subledgers and is the default value when simulating or copying subledger transactions in the Tax Simulator.

- **Enabled for transactions and simulation:** Both taxes that have a status of **Enable tax for simulation** and taxes that have a status of **Enable tax for simulation** and **Enable tax for transactions** selected are processed.

This allows you to see behavior of both active and not active taxes on the same transaction. This is a useful tool when the calculation of one tax can impact another such as in the case of compounding tax formulas for tax calculation.

Example

You have two taxes defined that both evaluate to true for a particular Purchase invoice.

The first tax, FUS_CA, is defined for the sales tax for the state of California. The tax status is set to **Enable tax for simulation** and **Enable tax for transactions**. The second tax, FUS_ENV, is defined for an environmental tax. The tax status is set to **Enable tax for simulation**.

Simulate a live transaction in the Tax Simulator with the **Evaluate Taxes** option set to **Enabled for transactions**. In this case only taxes enabled for transactions are processed so the FUS_CA is the only tax calculated.

Next, update the **Evaluate Taxes** option set to **Enabled for simulation**. In this scenario only taxes that are enabled for simulation are processed so FUS_ENV is the only tax calculated.

Finally, update the **Evaluate Taxes** option set to **Enabled for transactions and simulation**. In this scenario both taxes enabled for simulation and enabled for both simulation and transactions are selected so both FUS_CA and FUS_ENV are calculated.

Tax Rules Evaluation in the Tax Simulator: Explained

Transactions pass key tax drivers relating to parties, products, places, and processes captured on the transaction to Oracle Fusion Tax for tax determination.

Using these tax driver values as input, the tax determination process performs a series of process steps utilizing the defined tax configuration, including various tax rules defined for each rule type and calculates the taxes that are applicable on the transaction. Use the Tax Simulator to preview the workings of your tax configuration before you perform tax calculations on live transactions in a subledger application.

From the transaction tax details it might not be clearly evident as to which tax rule from your defined tax setup got processed or if the calculated tax is the result of the relevant rule condition. Using the Tax Simulator you can verify the tax determination process breakdown, the details of the tax rules that are evaluated for each rule type, and other key factors that are analyzed and applied during the tax determination process. The Tax Simulator is a tool that allows you to replicate the transaction details directly or as a copy from the source transaction. The Tax Simulator provides a detailed analysis of the decision criteria applied in the tax determination process, with reference to the defined tax configuration and displays the corresponding results for each rule type.

The Tax Line Details page within the Tax Simulator captures and lists out the following key process results that the tax determination process considers for each tax applied on the transaction:

- The tax determination methodology applied, such as regime determination or standard tax classification codes
- The rounding criteria applied, including rounding rule, rounding level, minimum accountable unit, and tax precision
- The types of taxes evaluated, for example, those enabled for transactions or enabled for simulation
- The rule evaluation details for each rule type, such as:
 - Result type, default or rule-based
 - Rule result
 - Sequence of the rule evaluation, the successful, unsuccessful and not evaluated tax rules and their corresponding determining factor sets, condition sets, and detailed condition elements

This abstract gives you a snapshot of the key results returned from each tax determination process step and provides pointers to validate it against the available tax setup. You can modify the tax setup if the key result areas are not as per the requirements.

Details for Simulated Transaction Lines: Explained

Use the Tax Line Details page to review the transaction level details that influence all tax lines and view the calculated tax lines for your simulated transaction. Each tax line for each transaction line number is listed in the Tax Line Details table with the corresponding tax configuration details.

Attributes in tax line details include:

- Configuration owner, document event class, and source

- Allow tax applicability
- Regime determination set
- Default rounding level

Configuration Owner, Document Event Class, and Source

The configuration owner identifies the business unit or legal entity on the transaction that owns the tax configuration. For example, if the business unit is subscribing to the legal entity's data, the legal entity is identified, rather than the business unit. In order for a tax regime to be applicable on the transaction the configuration owner identified has to subscribe to the applicable tax regime.

The source attribute can have a value of **Event class** or **Configuration owner tax options**. This indicates if the application derives the event class-specific tax options from a configuration owner tax option that is defined for the combination of configuration owner, event class, and date range or if the application derives the options from the default predefined values for the event class. These tax options include the option to calculate tax, the regime determination set, options to allow manual entry and override, rounding defaults, and details regarding tax calculation on referencing documents. If the value is **Event class** then there are no configuration owner tax options defined for this combination of configuration owner, event class, and date and the predefined values are used including the predefined value of **TAXREGIME** for the regime determination set.

Allow Tax Applicability

The two allow tax applicability attributes identify whether the tax configuration setup provides for the calculation of taxes on this transaction. Both attributes must be set to **Yes** to calculate tax.

The two occurrences indicate the following:

- The first occurrence indicates if **Allow Tax Applicability** is selected on the predefined event class or applicable configuration owner tax options setup. If you do not set up configuration owner tax options, then the default value is set to **Yes** based on the event class mapping. A value of **No** appears if configuration owner tax options are set up and the **Allow Tax Applicability** option is not selected.
- The second occurrence of **Allow Tax Applicability** validates the hierarchy of tax applicability from the supplier and supplier site definitions for procure-to-pay transactions, to the party tax profile, and finally to the default option for the predefined event class. If the **Allow Tax Applicability** option is not selected at any of the applicable levels then tax is not calculated. If the **Allow Tax Applicability** option is selected at a lower level and not selected at a higher level then tax is not applicable. If the **Allow Tax Applicability** option is set to **No** then you can drill down on the link to see where this option is not selected.

Regime Determination Set

The regime determination set indicates how the application determines the tax regimes to use for this transaction.

There are two values for this attribute:

- When the regime determination set is a value other than **STCC** (standard tax classification code) it is a determining factor set of type regime determination that includes transaction input factors of location types to derive the owning country on the transaction for tax purposes. Tax regimes that you defined for the derived country have taxes evaluated for calculation. The predefined regime determination set is **TAXREGIME** and this value always populates if the source is **Event class**. Use the drill down to the regime determination set details to identify the precedence of locations to determine the tax regime country.
- When the regime determination set is set to **STCC**, the additional tax attribute of **Tax Classification** set at the Line Level Tax Attributes tab drives tax calculation either directly or based on the Tax Classification Based Direct Rate Rules.

For example, if your simulated transaction does not have any tax lines, check the regime determination set value. If it is set to **STCC** and the **Tax Classification** field on the Line Level Tax Attributes tab is blank, tax is not calculated. Review your application tax options to verify that the defaulting hierarchy that specifies both the sources to use for tax classification codes and the order in which the application searches these sources to find a valid tax classification code at transaction time.

Default Rounding Level

The default rounding level shows in order of precedence, the party type, source, and rounding level value. At a minimum, a default value is set. The options are header level or line level rounding. Header level rounding applies rounding to calculated tax amounts once for each tax rate per invoice. Line level applies rounding to the calculated tax amount on each invoice line. The rounding rule is the method used to round off taxes to the minimum accountable unit. If there is any concern as to how rounding is determined or if setup needs to be modified you can use the dialog details in conjunction with party information to determine where the setup needs to be modified.

For example, on the Rounding Level dialog box for a purchase invoice you see the following:

Rounding Precedence	Party Type	Source	Rounding Level
1	Bill-from party	Supplier site	
1	Bill-from party	Party tax profile	Header
2	Bill-to party	Supplier site	
2	Bill-to party	Party tax profile	Line
3	Ship-from party	Supplier site	
3	Ship-from party	Party tax profile	Line
4	Ship-to party	Supplier site	
4	Ship-to party	Party tax profile	Header
Default			Header

The lowest level of 1 takes precedence over all other levels. The application uses, the default precedence only if none of the other levels are populated. If the value is blank then there is no attribute set at this level. If the you determine that in

this example the bill-from party tax profile rounding level of **Header** is incorrect you can identify the bill-from party from the Tax Line Details header information and query the appropriate party tax profile to modify the setup. This example is simple in that the header level is the level used for rounding. If the value was **Line** there is more derivation logic starting with the party type derived for the Determine Tax Registration rule.

Line Level Details for Simulated Transaction Lines: Explained

Use the Tax Line Details page to review the calculated tax lines with the corresponding tax configuration details for each transaction line.

Details include:

- Tax regime, tax, tax jurisdiction, tax status, tax rate code, and tax rate
- Tax amount and taxable amount
- Tax enabled status
- Indicators such as: inclusive, self-assessed, manually entered, and tax only line
- Calculated tax amount and tax base modifier rate
- Legal justification text
- Place of supply

For the tax lines associated with each transaction line, you can review the attributes that are specific to each tax line, such as:

- Rounding rule
- Inclusive
- Minimum accountable unit and tax precision
- Tax rate modification

Rounding Rule

The Rounding Rule dialog box shows the rounding details for the transaction line. The rounding rule is the method used to round off taxes to the minimum accountable unit. The rounding rule is derived based on the rounding level specified in the hierarchy visible in the dialog box with level one taking precedence over level 2 and so on. If the rounding level is at the header level then rounding is applied to calculated tax amounts once for each tax rate per invoice. If the rounding level is at the line level then rounding is applied to calculated tax amounts on each invoice line.

Inclusive

The Inclusive dialog box shows the setup related to enforcing inclusiveness or exclusiveness of tax on a transaction line by order of precedence. The level 0

precedence is the highest overriding all other values with the level 5 precedence being the lowest or the default if none others are populated. The values are **Yes** or blank with blank meaning an option was not selected for inclusive handling.

In the scenario represented in the following table, tax is calculated as inclusive based on the setting for the tax rate. If you needed to modify this you can update the inclusive handling on the appropriate tax rate. If the transaction input value tax inclusive is set to **Yes** this means this option was overridden directly on the transaction.

Precedence	Source	Inclusive
0	Transaction input value tax inclusive	
1	Tax rate	Yes
2	Tax registration	
3	Site party tax profile	
4	Party tax profile	Yes
5	Tax	

Minimum Accountable Unit and Tax Precision

The Minimum Accountable Unit and Tax Precision dialog box shows the derivation of these values by precedence. The minimum accountable unit is the smallest unit a tax amount can have. Tax precision is a one-digit number that indicates the number of decimal places to which to calculate a tax.

For example, a precision of 0 rounds to a whole currency. To round off a calculated tax amount of 1.366 to 1.37, define a tax precision of **2**, a rounding rule of **Up** or **Nearest** and a minimum accountable unit of **.01**. If the results are not what you expected the dialog window gives you more information as to the source of the definitions. The precedence of 1 is the highest with the definition at the currency level superseding the definition at the tax level.

The following table illustrates this example:

Precedence	Source	Minimum Accountable Unit	Precision
1	Currency		2
2	Tax	.01	2

Tax Rate Modification

The Tax Rate Modification dialog box identifies if any applicable rate exceptions have been applied, and, in the case of Receivables, if any exemptions are applicable. The rates before and after any modifications are also shown. The tax rate modification value is **Yes** or **No** with a link for you to drill down to detail information. If the tax rate modification value is **Yes** then there is a modification to the tax rate either from an exception or an exemption. The dialog box detail shows the tax rate name, the tax rate before modification, attributes to identify if exemptions or exceptions or both are applied, and the tax rate after each of these modifications.

In the following table the original tax rate was 5 percent with an exemption applied that reduced the tax rate to 2 percent.

Attribute	Value
Tax Rate Name	VAT 5%
Tax Rate Before Modification	5%
Exception Applied	No
Tax Rate after Exception	5%
Exemption Applied	Yes
Tax Rate after Exemption	2%

Tax Rule Details for Simulated Transaction Lines: Explained

For the tax lines associated with each transaction line, you can review the tax rule details that are specific to each tax line, such as:

- Rule results
- Rule conditions
- Tax rules process results

Rule Results

Use the Rule Results table to view the tax rules that are applied to each tax line for each tax calculation process. For each rule type, you can view the processed result and verify whether the result was determined by a tax rule or the default value.

For example, the following table shows the attributes displayed in the Rule Results table:

Rule Type	Result Type	Result	Rule Code	Rule Order
Determine Place of Supply	Default	Ship to		
Determine Tax Applicability	Default	Applicable		
Determine Tax Registration	Rule based	Ship-to party	REGRULE2	20

Where a tax rule is applied, you can determine the associated tax rule from the Rule Results table. In the previous example, the tax determination process uses defaults to determine the place of supply and tax applicability. However, the tax determination process determines the tax registration based on a tax rule. The applicable tax rule code is REGRULE2.

Rule Conditions

By selecting the Determine Tax Registration row, you can review the rule conditions that are successfully evaluated in the Determine Tax Registration: Rule Conditions table. The following table shows the attributes displayed:

Determining Factor Class	Class Qualifier	Tax Determining Factor Name	Operator	Value or From Range	To Range
Registration	Ship-from party	Registration Status	Equal to	Not Registered	

For example, if your transaction is calculating tax lines for a tax that should not be applicable, review the Determine Tax Applicability rule values in the Rule Results table for that tax line. If the Result Type is **Default** with a result of **Applicable**, verify that you have a Determine Tax Applicability tax rule that evaluates your transaction as not applicable.

Tax Rules Process Results

Use the Tax Rules Process Results table to view the processing and evaluation of the rules associated with a rule type. For each associated rule, the process result consists of one of the following:

- **Failed**
- **Successful**
- **Not evaluated**

For example, the Determine Tax Registration rule type may have 3 associated tax rules as represented in the following table:

Rule Code	Process Result	Evaluation Order	Rule Order
REGRULE1	Failed	1	10
REGRULE2	Successful	2	20
REGRULE3	Not evaluated	3	30

In this example, the tax rule with the highest rule order priority failed, while the rule with the next highest rule order priority is successful. In this case of 3 associated tax rules, the tax determination process does not evaluate the remaining tax rule.

For each rule in the Tax Rules Process Results table, you can also review the following:

- **Rule information:** Provides a summary of details associated with the tax rule, such as configuration owner, tax regime, tax, effectivity, rule order, and tax determining set code.
- **Event information:** Provides additional information for the event class if this rule was defined as applicable to a specific event class.
- **Geography information:** Provides additional parent geography and geography details defined for a specific tax rule if the rule is geography specific.

For each tax rule listed in the Tax Rules Process Results table, you can drill down to the associated rule conditions to review the condition details.

For example, if your transaction is correctly using tax rules to calculate taxes but is applying an incorrect tax rule, use the Tax Rules Process Results table to review the rule order and the associated rule conditions for each tax rule.

Using the Tax Simulator to Analyze Tax Not Calculating as Expected: Example

Use the Tax Simulator to create a simulated transaction and analyze the tax calculations of your transaction before you enable your setup for live data or to troubleshoot existing tax setup. Use the header level details in the Tax Simulator to troubleshoot issues where tax is not calculated as expected.

The following scenario illustrates when you might want to use the Tax Simulator to evaluate a Payables invoice where you expect tax to be calculated and it is not.

Scenario

If there is a transaction in the subledger work area that is not calculating tax you can simulate this transaction in the Tax Simulator.

Note

The transaction date in the Tax Simulator is updated to the system date so modify the transaction date to the expected date of tax calculation.

The following represents each of the attributes in order to assist you in determining what information they can provide to identify the issue:

- **Document Date:** Ensure that the document date is correct and that the regime to rate setup and applicable tax rules are effective as of this date?
- **Configuration Owner:** Determine if the configuration owner is the legal entity or the business unit. Does the respective configuration owner have a subscription definition to the tax regime where you are expecting tax to calculate? Is the subscription effective on the document date?
- **Document Event Class and Source:** Determine if the source is accurately reflected. The source identifies if the tax options are derived from the predefined event class or if they are derived from the configuration owner tax options that are defined. If they are derived from the configuration owner tax options you can query the configuration owner tax option definition by the configuration owner and document event class and view options based on transaction date effectivity. Other attributes and options, such as **Allow Tax Applicability**, **Tax Regime Determination**, and **Enforce tax from reference document** are included in configuration owner tax options. Issues with tax calculation may stem from the regime determination definition not being what is expected either the standard tax classification code and not the TAXREGIME determination or the reverse. If these are intercountry transactions ensure that the precedence of regime determination points to the expected country of taxation.
- **Allow Tax Applicability:** Ensure that this option is set to **Yes** for tax to calculate. This is the value defined on the source value in the previous

attribute. There is another **Allow Tax Applicability** attribute in this region that checks the value from the applicable party.

- **Regime Determination Set:** Ensure that the regime determination set is accurately specified. This attribute indicates if tax calculation is determined by the standard tax classification code or if country of regime is evaluated as in the case of the predefined TAXREGIME regime determination set.
- **Default Rounding Level:** This does not impact tax calculation but identifies the rounding derivation.
- **Third party location:** Determine if the third party locations are accurately reflected. These attributes help identify locations on this transaction that may influence regime determination and tax calculation based on location. There may be other locations set at a line level that may impact tax calculation as well.
- **Allow Tax Applicability:** Ensure that this option is set to **Yes** for tax to calculate. This option is derived from the supplier, supplier site, third party, and third party site tax profile depending on the event class. Tax applicability must be set to **Yes** for all relevant party tax profiles in order for tax to calculate. If tax applicability is set to **No** for either attribute then tax is not processed.
- **Evaluate Taxes:** Ensure the status of the tax you are expecting to calculate. Is it **Enabled for transactions**, **Enabled for simulation**, or **Enabled for transactions and simulation**? This identifies what status of taxes is evaluated for calculating tax.

FAQs for Verify Tax Configuration

When do I create a simulated transaction and when do I copy a subledger transaction in the Tax Simulator?

Create a simulated transaction when you want to control the testing of specific transaction attributes or when you do not have transaction data available, such as for a new tax regime.

Copy a subledger transaction to examine either the transaction itself or your tax configuration. For example, the tax calculation on a transaction may have yielded correct but unexpected results. Or you may want to evaluate variations of a transaction to see the tax impact, or you may want to evaluate major changes to your tax configuration.

What's the difference between taxes enabled for transactions and taxes enabled for simulation?

On a tax record, you specify whether the tax is enabled for transactions, simulation, or both. During testing, enable a tax for simulation to ensure the setup is correct. When setup is complete and tested, enable the tax for actual transaction tax processing.

When you create a simulator transaction, you can select which types of taxes to evaluate for applicability: taxes enabled for simulation only, taxes enabled for transactions only, or both.

Manage Transaction Taxes: Calculate Transaction Taxes

Tax Calculation on Transactions: Explained

Taxes for a transaction are determined by evaluating the transaction information in the context of applicable tax configuration.

Note

The default rule type values you assign to the tax as a part of the minimum tax configuration requirements are used as a basis. You can define tax rules to vary the tax determination and calculation.

Following are the four broad processes involved in determination of taxes and are listed in the order in which they are evaluated:

- Determine applicable tax regimes and taxes
- Tax status and rate
- Tax calculation
- Tax recovery

Determine Applicable Tax Regimes and Taxes

The first step is to determine the first party for the transaction. It is usually the first party legal entity for the transaction, but can also be a business unit. The first party legal entity generally subscribes to several tax regimes of which some may apply to the transaction. The tax regimes applicable depend on the configuration owner tax options created for the first party and the transaction event class. You assign a regime determination template to the tax options, which lists the tax locations for the transactions.

Of the tax regimes to which the first party subscribes, the tax determination process selects those with countries matching the countries assigned to the relevant transaction location. The tax determination process considers all taxes for these tax regimes that are enabled and effective as of the transaction date as candidates for further evaluation.

For the candidate tax, if the default value for tax applicability is set to Applicable then it is considered to be applicable.

For each applicable tax, the tax determination process determines the location type assigned for the default place of supply and the geography type. The tax determination process determines the transaction location address for the location type. The relevant information on the address is the geography value for the geography type assigned to the tax. For the tax, the tax determination process

determines if a tax jurisdiction is defined for the geography value. If there is one, then the tax and the relevant tax jurisdiction is applicable to the transaction.

For each applicable tax, a valid tax registration that is used for reporting is determined. The tax determination process determines this based on the party type assigned to the default tax registration for the tax. For this party on the transaction, determine the most specific tax registration for tax regime, tax, and tax jurisdiction combination, effective as of the transaction date. The tax and tax jurisdiction are optional for defining registrations.

Tax Status and Rate

For the tax, the tax determination process selects the tax status that has default effectivity as of the transaction date. For this tax status the default tax rate that is applicable as of the transaction date is determined. You can optionally define tax rates for tax jurisdictions. You usually define these for state, provincial, and city taxes where tax rates vary by the tax jurisdiction. If there is a tax rate defined then this takes precedence over the default tax rate defined for the tax status. If applicable, the tax rate is then modified by any exception rate or tax exemption that applies.

Tax Calculation

The tax determination process applies the tax rate on a taxable basis. The default taxable basis formula assigned to the tax is used for tax calculation. This is usually the line amount. However, the formula can include other elements that alter the taxable basis.

The default tax calculation formula assigned to the tax is used for tax calculation. The tax determination process performs tax rounding for the calculated taxes as applicable.

Tax Recovery

Taxes for a purchase transaction can be recovered fully or partially. This is dependant on the default tax recovery rate assigned to the transaction. The tax determination process applies the recovery rate on the tax amount (calculated in the tax calculation step) to determine recoverable and nonrecoverable tax amounts.

Tax Determination: Explained

Taxes are levied on transactions as per the legislations in a country or region. They are seldom uniformly applied on all transactions and tax legislation may seek differential levy, treatment, and administration of taxes based on various transaction attributes. Configure Oracle Fusion Tax to evaluate transactions based on transaction attributes to determine which taxes apply to a transaction and how to calculate tax amount for each tax that applies to the transaction.

The tax determination process evaluates transaction header and line information to derive tax lines for taxes applicable to the transactions. The evaluation process is subdivided into the following processes:

- Determine Applicable Tax Regimes and Candidate Taxes
- Determine Place of Supply and Tax Jurisdiction
- Determine Tax Applicability
- Determine Tax Registration
- Determine Tax Status
- Determine Tax Rate

- Determine Taxable Basis
- Determine Tax Calculation
- Determine Tax Recovery

The tax determination process utilizes the tax foundation configuration in conjunction with configuration options and tax rules to process transactions for tax applicability and calculation. Tax configuration ranges from simple models that make use of default values without extensive processing to complex models that consider each tax requirement related to a transaction before making the final calculation.

When setting up a tax examine the regulations that govern the determination of the tax amount, from identifying applicability drivers to how the tax is calculated. Organize the regulations into one or more rule types for each tax. When the regulations indicate that more than one result is possible for a given rule type, then you need to define rules within that rule type. Otherwise you can defer to a default value for that rule type associated to the tax.

The complexity of setup can be classified as follows:

- No tax rules required: Oracle Fusion Tax uses the default tax status, tax rate, and tax recovery rate defined for the tax. Tax rules are not required but tax rates can vary by class of products set up using tax exceptions, location set up using tax jurisdictions, and party set up using exemption definitions. In addition, applicability can still be controlled without the use of tax rules such as through the party tax profile that you define for a supplier.
- Simple tax rule regimes: The tax authority levies tax on your transactions at the same rate, with a simple set of identifiable exceptions. The exceptions either apply to one part of the transaction only, such as to certain parties, or to a combination of parties, products, and transaction processes that you can summarize in a simple way. In such cases, use a simple set of tax rules, for example, to identify place of supply and tax registration, and use default values for other processes.
- Complex tax regimes: Tax regimes in certain countries require a complex logic to determine the applicable taxes and rates on a transaction. Both tax applicability and tax rates can vary, for example, by place of origin and place of destination, party registration, status, service, or a combination of factors. In some cases, the taxable amount of one tax may depend upon the amount of another tax on the same transaction. And in rare cases, the tax amount itself may depend on the tax amount of another tax. For all of these and similar situations, you set up tax rules to define the logic necessary to identify each step of the tax determination process.

Tax Determination Steps

The first step of the determination process is to identify the first party of the transaction. The tax determination process looks to the business unit on the transaction and identifies whether it is pointing to the configuration owner of the business unit or legal entity depending on the **Use subscription of the legal entity** option on the party tax profile definition of the business unit. The tax determination process checks to determine if there are configuration owner tax options associated to this party or if the predefined event class option should be used.

The Determine Applicable Tax Regimes process can be the predefined TAXREGIME, STCC (standard tax classification code), or another regime

determination set that is user-defined. TAXREGIME or user-defined regime determination sets derive the applicable tax regimes or tax regime through country or zone of the location identified in the processing of the regime determination determining factor set location values. STCC determination is typically used for purposes of migrated data and has a different processing logic driven by tax classification code. A third option of determination is third party integration.

Determine Applicable Tax Regimes and Candidate Taxes

Tax regimes are considered based on geography and subscription. Either a country or zone associated to the tax regime definition must be the same as the country or zone identified via the location that evaluates to true on the regime determination set of the first party of the transaction. In addition, the tax regime must have a subscription to the applicable configuration owner. Once the tax determination process identifies the tax regimes the list of candidate taxes can be evaluated based on the configuration option setting of the first party in the tax regime subscription definition:

- **Common Configuration:** Consider all taxes with the configuration owner of global configuration owner.
- **Party Specific Configuration:** Consider all taxes with the first party as configuration owner.
- **Common Configuration with Party Overrides:** Consider all taxes with the first party and the global configuration owner as configuration owner. If a tax is defined by both the first party and the global configuration owner, then the application only uses the tax defined by the first party.
- **Parent First Party Configuration with Party Overrides:** Consider all taxes with the first party and the parent first party as configuration owner. If a tax is defined by the first party and the parent first party then the application only uses the tax defined by the first party.

Determine Tax Applicability and Place of Supply and Tax Jurisdiction

This process determines the tax applicability of each candidate tax based on direct rate determination, place of supply, tax applicability, and tax jurisdiction. The first step in tax applicability is to process any direct rate rules defined for a tax regime, configuration owner, and candidate taxes. If a direct rate rule evaluates to true then place of supply is processed for this transaction tax. If successful the tax is applicable and the tax status and tax rate defined for the direct rate rule are used in the tax calculation. If a direct rate rule does not evaluate to true for this tax regime, configuration owner, and tax the tax applicability rules are processed next. After a tax is found applicable based on an applicability rule or a default value the process verifies the place of supply and associated tax jurisdiction. This is required except in the cases of migrated taxes.

The place of supply process identifies the applicable location type and associated tax jurisdiction where the supply of goods or services is deemed to have taken place for a specific tax. If the tax determination process cannot find a tax jurisdiction for the location that corresponds to the place of supply location type, then the tax does not apply and it is removed as a candidate tax for the transaction.

For example, the place of supply for UK value-added tax (VAT) on goods is generally the ship-from country. Thus, the place of supply of a sale or purchase within the UK is the UK itself. However, if a UK legal entity supplies goods from its French warehouse to a German customer, then the place of supply will not find a jurisdiction for UK VAT in France, and therefore UK VAT does not apply.

Determine Tax Registration

This process determines the party whose tax registration is used for each tax on the transaction, and, if available, derives the tax registration number.

Determine Tax Status

This process determines the tax status of each applicable tax on the transaction. If the process cannot find a tax status for an applicable tax, then Tax raises an error.

Determine Tax Rate

This process determines the tax rate code for each tax and tax status derived from the previous process. First the application looks for a rate based on rate code and tax jurisdiction. If this is not found then the application looks for a rate with no tax jurisdiction. If applicable, the tax rate is then modified by any exception rate or tax exemption that applies. The result of this process is a tax rate code and tax rate for each applicable tax.

Determine Taxable Basis

This process determines the taxable base for each tax rate code. Depending on the tax rate type the taxable basis is amount based or quantity based. The tax determination process typically determines the tax by applying the tax rate to the taxable base amount. In some cases, the taxable basis either can include another tax or is based on the tax amount of another tax. Define taxable basis formulas to manage these requirements.

Determine Tax Calculation

This process calculates the tax amount on the transaction. In most cases, the tax amount is computed by applying the derived tax rate to the derived taxable basis. In some exceptional cases, the tax amount is altered by adding or subtracting another tax. Define tax calculation formulas to manage these requirements.

Determine Tax Recovery

This process determines the recovery rate to use on procure-to-pay transactions when the tax allows for full or partial recovery of the tax amount. For example, for UK manufacturing companies VAT on normal purchases used for company business is 100% recoverable. However, if you are a financial institution which only makes VAT exempt on sales then you are not allowed to recover any taxes and your recovery rate is zero percent on all purchases. The recovery process impacts the distribution level, tax amounts, and inclusiveness of taxes. The resulting distribution amounts are adjusted as a result of the recovery process. The recovery type is defined on the tax and identifies whether there are one or two recovery types; primary and secondary. For each tax and recovery type the application determines the recovery rate based on a tax rule or default value defined on the tax.

Tax Setup Components in the Tax Determination Process: How They Are Used

The tax determination process uses your tax configuration setup and the details on the transactions to determine which taxes apply to the transaction and how to calculate the tax amount.

How Tax Is Calculated Using Tax Setup Components

Each step of the tax determination and tax calculation processes requires the completion of a certain number of setup tasks. The number and complexity of

your setups depends upon the requirements of the tax authorities where you do business.

This table describes the order of tax determination processes that Oracle Fusion Tax uses to calculate taxes on transactions. Use this table to review the details of each process and to identify the setups that you need to complete for each step in the tax determination and tax calculation process.

Order	Process Name	Activities	Components Used and Rule Type (if Applicable)
1	Determine Applicable Tax Regimes and Candidate Taxes (preliminary step)	<ul style="list-style-type: none"> Determine the first party of the transaction. Identify location types to derive candidate tax regimes. Identify tax regimes. Identify taxes using subscriber configuration option. 	<ul style="list-style-type: none"> Party tax profile Regime determination set Configuration options
2	Determine Place of Supply and Tax Jurisdiction	<ul style="list-style-type: none"> Identify location type. Identify tax jurisdiction. 	<ul style="list-style-type: none"> Tax rule: Determine Place of Supply, or the default value for Place of Supply for the tax. Tax jurisdictions
3	Determine Tax Applicability	<ul style="list-style-type: none"> Consider candidate taxes from the previous process. Eliminate taxes based on tax applicability rule for each tax. 	Tax rule: Determine Tax Applicability and the default value for applicability for the tax.
4	Determine Tax Registration	Determine the party type to use to derive the tax registration for each applicable tax.	<ul style="list-style-type: none"> Tax rule: Determine Tax Registration, or the default value for the tax. Party tax profile Tax registration
5	Determine Tax Status	<ul style="list-style-type: none"> Consider tax statuses of applicable taxes. Consider tax status rules or use default tax status. 	Tax rule: Determine Tax Status, or the default value defined for the tax.

6	Determine Tax Rate	<ul style="list-style-type: none"> • Consider tax rates of each applicable tax status of each applicable tax. • Determine the tax rate code to use for the tax status, for each applicable tax. • Determine the tax rate percentage or per-unit tax amount for a quantity based tax. • If a tax exception applies, update the tax rate for each applicable tax. • If a tax exemption applies, update the tax rate. 	<ul style="list-style-type: none"> • Tax rule: Determine Tax Rate, or the default value defined for the tax status derived in the previous process. • Tax rates • Product tax exceptions • Customer tax exemptions
7	Determine Taxable Basis	<ul style="list-style-type: none"> • Identify the taxable basis formula for each applicable tax. • Determine the taxable basis and compounding details based on the taxable basis formula. • Consider the tax inclusive settings of the applicable taxes. 	<ul style="list-style-type: none"> • Tax rule: Determine Taxable Basis, or the default value for the tax. • Taxable basis formula • Tax inclusive settings at the tax rate level
8	Calculate Taxes	<ul style="list-style-type: none"> • Identify the tax calculation formula. • Calculate taxes using the tax calculation formula. • Perform applicable tax rounding. 	<ul style="list-style-type: none"> • Tax rule: Calculate Tax Amounts • Calculate tax formula, if applicable • Tax rounding rule from tax registration, party tax profile, or tax • Configuration owner tax options

If tax recovery is applicable	Determine Recovery Rate	<ul style="list-style-type: none"> • Allocate tax amount per item distributions. • Determine tax recovery types. • Determine tax recovery rates. • Determine the tax recoverable amounts. • Determine the nonrecoverable amount. 	<ul style="list-style-type: none"> • Tax rule: Determine Recovery Rate, or the default value defined for the tax. • Tax recovery rates
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Tax Configuration Options in the Tax Determination Process: How They Are Used

At transaction time the owner of the transaction derives the configuration options that are used. When you enter a transaction for a given first party organization, the tax data applied to that transaction is determined by the configurations defined for the combination of that first party organization (business unit or first party legal entity) and the tax regime derived from the addresses or from the tax classification codes used on the transaction.

Settings That Affect the Application of Tax Data on Transactions

Use tax content subscriptions to define which configuration owner's setup is used for transactions for a specific first party legal entity or business unit for a specific tax regime. Also, use tax content subscriptions to specify whether any shared content can be overridden by the subscribing party to allow unique, separate setup for certain tax content.

Tax content subscription options are:

- Common configuration
- Party-specific configuration
- Common configuration with party overrides
- Parent first party organization with party overrides

How Tax Data Is Determined

Based on the defaults and tax rules you have defined, tax data is applied to transactions as follows:

Configuration for Taxes and Rules Option	Tax Content Available
Common configuration	<ul style="list-style-type: none"> • The tax determination process uses only the tax content owned by the global configuration owner. • If you manually override tax information on the transaction only tax content owned by the global configuration owner is displayed in the list of valid values available.

Party-specific configuration	<ul style="list-style-type: none"> The tax determination process uses only the tax content owned by the first party organization, business unit or first party legal entity, for whom the transaction is being entered. If you manually override tax information on the transaction only tax content owned by the first party organization is displayed in the list of valid values available. <hr/> <p>Note</p> <p>For the first party organization it can be the business unit owning the tax content or the first party legal entity-owned setup depending on the specific subscription being used.</p>
Common configuration with party overrides	<ul style="list-style-type: none"> The tax determination process uses any tax content owned by the first party for whom the transaction is being entered. In the absence of tax content owned by that first party organization, the tax determination process uses tax content owned by the global configuration owner. If you manually override tax information on the transaction both the override tax content owned by the specific first party and the tax content owned by the global configuration owner that you have not overridden are displayed in the list of valid values available.
Parent first party organization with party overrides	<ul style="list-style-type: none"> The tax determination process uses any tax content owned by the first party for whom the transaction is being entered. In the absence of tax content owned by the first party organization, the tax determination process uses tax content owned by the parent first party organization. If you manually override tax information on the transaction both the override tax content owned by the specific first party and the tax content owned by the designated parent first party organization that you have not overridden are displayed in the list of valid values available.

If you are using product exceptions, those exceptions are applied to the transactions as shown in the following table:

Configuration for Product Exceptions	Tax Exceptions Available
Common configuration	The tax determination process uses only the tax exceptions defined and maintained by the global configuration owner.
Party-specific configuration	The tax determination process uses only the tax exceptions owned by the specific first party organization

Tax Settings and Rules: How They Apply to Tax Line Operations

Enter and update detail and summary tax lines according to the requirements of your transactions. Depending on your security settings and options specified during tax setup, you can:

- Enter manual tax lines
- Enter tax only tax lines
- Change existing tax line information
- Cancel tax lines

Note

The Summary Tax Lines component is applicable only to Oracle Fusion Payables.

Entering Manual Tax Lines

These requirements apply to entering a manual detail or summary tax line:

1. Enable the **Allow entry of manual tax lines** option for the:
 - Configuration owner and application event class
 - Tax
2. Ensure that the **Manual Tax Line Entry** profile option is enabled. It is enabled by default.
3. Enter a unique combination for a tax regime and tax. You cannot enter a manual tax line for a tax that already exists for the transaction line.
4. Enter a tax status to enter a tax rate.
5. Enter a tax regime, tax, tax status, and tax rate to enter a tax amount.

The tax calculation on a manual tax line is a standard formula of Tax Amount = Taxable Basis * Tax Rate. The tax determination process does not evaluate tax rules defined for the tax of any tax rule type.

Entering Tax Only Tax Lines

You can enter a tax-only invoice in Payables to record tax lines that are not linked to a transaction. A tax-only invoice is used, for example, to record tax lines on purchases that are assessed and invoiced separately or to enter tax-only invoices from tax authorities or import agents that record import taxes.

These requirements apply to entering a tax only tax line:

1. Enable the **Allow manual tax only lines** option for the configuration owner and application event class.
2. Select a tax regime from the tax regimes belonging to the configuration option of the applicable legal entity or business unit.
3. Select a tax, tax status, and tax rate and enter a tax amount.

Editing Tax Line Information

These requirements apply to changing an existing detail or summary tax line:

1. Enable the **Allow override for calculated tax lines** option for the:
 - Configuration owner and application event class
 - Tax
2. Ensure that the **Manual Tax Line Entry** profile option is enabled. It is enabled by default.
3. Optionally, enable the following options for the configuration owner and application event class:
 - **Allow recalculation for manual tax lines** option. The tax determination process recalculates the manual tax lines when there is an update to automatically calculated tax lines.
 - **Tax line override impacts other tax lines** option. The tax determination process recalculates the taxes on all other tax lines on the same transaction when there is an override of automatically calculated tax lines on transactions.
4. Save any changes to summary tax lines before you enter or change Payables summary tax lines.
5. Change the tax status if necessary. These requirements apply to changing tax statuses:
 - You cannot update the tax status if the tax on the detail tax line is enforced from the natural account.
 - If you edit a tax only tax line and change the tax status, you must re-enter the tax rate code.
6. Change the tax rate if necessary. These requirements apply to changing tax rates:
 - The **Allow tax rate override** option is enabled for the applicable tax status.
 - The **Allow ad hoc rate** option is enabled for the applicable tax rate.
 - You may need to change the tax status to change to the appropriate tax rate.
 - You can change the calculated tax rate derived from the tax status by selecting another tax rate defined for the same tax regime, tax, and tax status.
7. Change the tax rate percentage or quantity rate if necessary. These requirements apply to changing tax rate percentages or quantity rates:
 - You cannot update the tax rate code and rate fields if the tax on the detail tax line is enforced from the natural account.
 - You can only update the tax rate percentage if the tax rate code has the **Allow ad hoc rate** option enabled.

8. Change the tax amount if necessary. These requirements apply to changing tax amounts:
 - When you change the tax amount the setting for the **Adjustment for ad hoc amounts** option of the tax rate determines which value is adjusted, the taxable amount or the tax rate.
 - You can only edit the tax amount if a detail tax line belongs to an historic transaction.
 - You can change the tax amount independent of the tax inclusive and compound tax settings.
 - If you defined tax tolerances for Payables transactions, then if you edit the tax amount and it exceeds the specified tolerance, Oracle Fusion Tax places the invoice on hold.
 - You can only enter 0 as the tax amount if the tax rate is 0.
9. Update the **Inclusive** option setting if necessary. The tax determination process recalculates the taxable amount and transaction amount.

For tax calculation, a limited evaluation of tax rules on certain updates to a tax line is performed.

Canceling Tax Lines

These requirements apply to canceling an existing detail or summary tax line:

1. Cancel tax lines on Payables transactions only.
2. Enter a new manual tax line to reverse a canceled tax line if necessary.

Note

On canceling the invoice or invoice lines, tax lines are automatically canceled.

When you cancel a tax line both the associated tax line and any distributions that were previously accounted are reversed. If the distributions were not accounted, then the amounts are set to zero.

Tax Exception on a Transaction Line: How Tax Is Calculated

Set up tax exceptions to apply special tax rates to products. At transaction time, Oracle Fusion Tax determines whether the tax exception applies to the transaction line for the product, and if so, uses the applicable exception rate.

Settings That Affect Tax Exceptions

A tax exception must belong to a combination of tax regime, configuration owner, and tax. You can also assign tax exceptions to a tax status or tax rate belonging to the tax or to a tax jurisdiction.

You can define Oracle Fusion Inventory organization tax exceptions for items, or you can define tax exceptions for Inventory-based product fiscal classifications or noninventory-based product categories. If you are using Inventory-based product fiscal classifications then generally, the application classifies the

transaction line based on the item. If you are using noninventory-based product category fiscal classifications you enter the appropriate product category on all applicable lines to influence the tax result.

Product categories and product fiscal classifications are defined in a hierarchical structure. It is important that you select the appropriate level where the tax exception is applicable. For product fiscal classifications to be used in item exceptions, you must indicate that it is used in item exceptions at the tax regime association to the product fiscal classification. You can set up only one product fiscal classification for any specific tax regime with the **Used in Item Exceptions** option selected.

When you set up configuration options for first party legal entities and business units, you can set a separate configuration option for the owning and sharing of product tax exceptions for a combination of party and tax regime.

The **Allow tax exceptions** option is set at the tax regime level and you can override it at the tax and tax status levels. However, the setup you define for the tax rate is what is evaluated during tax rate determination.

At transaction time, the tax exception is used if the details of the transaction and the tax match all of the entities assigned to the tax exception. Only one tax exception can apply to a transaction line for a specific tax.

Note

Tax exemptions are specific to the order-to-cash event class while tax exceptions are applicable across event classes.

How Tax Exceptions Are Calculated

The tax determination process determines tax applicability, tax status, and the tax rate for the transaction line. If tax exceptions are allowed, the application looks at the item entered on the transaction line to determine if an exception is defined at the tax, tax status, tax rate, tax jurisdiction, Inventory organization, or Inventory level and uses the exception at the most specific level.

If the application does not find any tax exception for the item, it looks for a product fiscal classification associated with the transaction line. If one exists, the application determines if an exception is defined at the tax, tax status, tax rate, tax jurisdiction, and product fiscal classification level and uses the exception at the most specific level with the highest precedence.

The tax rate is then based on the exception type and calculated as follows:

- **Discount:** A reduction of the base tax rate. For example, if the discount is 15% off the standard rate and the standard rate is 10%, then the discount rate is 85% of the original 10%, or 8.5%.
- **Surcharge:** An increase to the base tax rate. For example, if the surcharge is 10% and the standard rate is 10%, then the surcharge rate is 110% of the original 10%, or 11%.
- **Special Rate:** A rate that replaces the base tax rate. For example, if the special rate is 5% and the standard rate is 10%, the tax rate is the special rate of 5%.

Finally, the new tax rate is applied to the taxable basis and the tax amount is calculated.

For manual tax lines, no additional processing is performed and exceptions are not considered. A manual tax line suggests that you have specific business requirements for a particular transaction to apply a manual tax. No additional processing is performed for manual tax lines to avoid any applying conflicting or inconsistent values to the user-entered tax line. The tax calculation on a manual tax line is the standard formula of: tax amount is equal to the taxable basis multiplied by the tax rate.

Calculate Taxes on Payables Transactions

Tax Handling on Payables Transactions: Examples

The tax determination process uses your tax configuration setup and the details on the Oracle Fusion Payables transaction to determine which taxes apply to the transaction and how to calculate the tax amount for each tax that applies to the transaction. Oracle Fusion Tax provides tax calculation for Payables event classes of standard invoices, prepayment invoices, credit memos, debit memos, and expense reports. Tax determinants are a part of the transaction header and line. You can review the defaulted values and override them as necessary. Taxes are calculated automatically on validation when you access the tax lines or by the **Calculate Taxes** action.

Examples of tax handling on Payables transactions are discussed in the following sections:

- Standard invoices
- Invoices matched to purchase orders
- Prepayment and applied prepayment invoices
- Price corrections
- Self-assessed tax lines

Standard Invoices

Oracle Fusion Tax automatically calculates transaction taxes based on the document details and the relevant tax configuration. Depending on your security settings and options specified during tax setup you can override the tax attributes to change the tax calculated or enter manual tax lines.

Invoices Matched to Purchase Orders

Oracle Fusion Purchasing integrates with Oracle Fusion Tax to automatically determine the applicable taxes on a purchase order. You provide key tax-related information, known as tax determinants, on the purchase order header and lines. Oracle Fusion Tax uses this information, along with other transaction information and defined tax setup, and calculates the taxes that are applicable on the purchase order.

Taxes are calculated on a purchase order in view-only, for example, you cannot directly update or override any tax details. However, you can modify the tax determinants on the purchase order so that the taxes are recalculated based on the revised information.

Taxes are also calculated on a purchase requisition in a quote mode. The calculated taxes are available for reference purpose only. The nonrecoverable

portion of the total calculated tax amount applicable on a requisition is displayed as part of the requisition approval amount. When you create a purchase order from a requisition, the tax determinants available on the requisition are copied to the purchase order and the taxes are recalculated based on the tax setup available as of the date of the purchase order.

When you create an invoice in Payables by matching it to a purchase order, the purchase order tax lines and tax-related information is copied to the invoice and tax is recalculated. The tax rate that is used in tax calculation is always derived from the invoice date.

If the tax rate has not changed between the purchase order date and the invoice date, then the tax calculation results in the same tax lines on the invoice as on the purchase order shipment line. If the tax rate has changed between the purchase order date and the invoice date, then the tax calculation results in the same tax lines (but the tax rate used corresponds to the invoice date).

While creating the distributions on the invoice, Oracle Fusion Tax compares the taxes applicable on the invoice to the taxes calculated on the purchase order and generates variances for the difference between the two. The possible deviations in the taxes between the invoice and purchase order can be due to:

1. Tax applies to the purchase order but not to the invoice: The tax line appears on the invoice with a zero amount. The tax distribution displays two tax lines, one with a positive amount and the other with same negative amount.
2. Tax applies to both the purchase order and the invoice but with different amounts: The tax line appears with the tax amount as calculated by the invoice. The tax distribution displays two tax lines, one line with the tax amount equal to the purchase order tax amount and one line with the tax amount equal to the difference between the purchase order tax amount and the invoice tax amount.

The difference in the tax amounts between a purchase order and the invoice matched can be caused by changes in the invoice price, changes in the applicable tax rates, or changes in the exchange rates (in case of foreign currency invoices). Different distribution types are used to capture these variances. They are:

- Tax invoice price variance: For changes to the invoice price
- Tax rate variance: For changes to the applicable tax rates
- Tax conversion rate variance: For changes in the exchange rates

If the **Enforce tax from reference document** tax option is enabled for the applicable configuration owner and event class, the tax line for the invoice inherits the corresponding tax rate code and recovery rate code (if applicable) from the purchase order, but the actual tax rate and recovery rate used in the tax calculation are the rates defined for the rate period that corresponds to the invoice date.

Note

Self-assessed taxes and inclusive taxes are not handled as part of the purchase order tax functionality.

The following table is an example of three invoices matched to a purchase order and resulting variance types:

Document	Quantity	Price	Invoice Currency	Tax Currency	Exchange Rate	Tax Rate	Tax Amount	Variance Type	Variance Amount
Purchase Order	10	100	CAD	USD	1	10%	100		
Invoice-A	10	90	CAD	USD	1	10%	90	Tax invoice price variance	10 CAD
Invoice-B	10	100	CAD	USD	1	12%	120	Tax rate variance	20 CAD
Invoice-C	10	100	CAD	USD	1.5	10%	100	Tax exchange rate variance	50 USD

Prepayment and Applied Prepayment Invoices

When you apply a prepayment to an invoice, the tax rate at the time of prepayment may differ from the tax rate at the time that the prepayment is applied to an invoice. Oracle Fusion Tax considers the tax calculated on the prepayment according to the value assigned to the **Applied Amount Handling** option in the tax record. The values are **Recalculated** and **Prorated**.

For example, you apply a prepayment amount of 5,000 USD to an invoice with a total amount of 10,000 USD. At the time of prepayment, the applicable tax rate was 5% (250 USD tax on the prepayment); at the time of invoice creation, the applicable tax rate is 10%. Tax is calculated in this way:

- **Recalculated:** The tax is recalculated on the prepayment using the invoice tax rate and the same tax rate is applied to the invoice line amount. The tax calculation creates two tax lines: one for the invoice line amount and one for the prepayment with a negative amount. In the invoice example, the calculation creates an invoice line amount tax line of 1,000 USD (10% * 10,000 USD) and a prepayment tax line of -500 USD (10% * -5000 USD). This reverses tax calculated on the invoice for the prepayment amount applied. The tax calculated on the prepayment is retained.
- **Prorated:** The tax calculated on the prepayment is reversed and the tax rate applied to the invoice line is retained. The tax calculation creates two tax lines: one for the invoice line amount and one for the prepayment with a negative amount. In the invoice example, the calculation creates an invoice line amount tax line of 1,000 USD (10% * 10,000 USD) and a prepayment tax line of -250 USD (5% * -5000 USD). The total tax is 750 USD.

Price Corrections

In Payables, you can create a new invoice to correct the quantity or amount of an existing invoice. The correction results in a change in the line amount, either positive or negative. Tax is calculated on the new invoice created as a result of the price correction in proportion to the taxes on the original corrected invoice.

For example, an original invoice has a line amount of 100 USD and two tax lines: 5 USD and 10 USD. If the price correction reduces the line amount by 20 USD, then the new invoice creates two tax lines: -1 USD and -2 USD.

Note

In many countries you must record the value that appears on the invoice or reject the invoice. Ask for a new invoice with the correct amount and a credit for the original invoice amount if you have already paid it.

Self-Assessed Tax Lines

Where a tax was not levied by the supplier, but is deemed as due by the purchaser, you can self-assess the taxes calculated on the invoices that you receive. When self-assessment applies to an invoice no transaction line is created for the tax since the self-assessed tax is not included in the invoice total. However, when you access the detail tax lines region you see the self-assessed tax calculated. In addition, offsetting distributions are created in the Payables subledger to negate the self-assessed tax impact as an open invoice balance. You can also self assess taxes using offset taxes and reporting only taxes. An offset tax record is a matching, duplicate record with negative amounts that reduces or completely offsets the tax liability recorded in the tax transactions. Reporting only taxes do not create invoice distributions, but you can use them to capture additional tax information on transactions for your tax reports.

For example using self-assessed taxes, you enter an invoice from a supplier for 1000 USD. The supplier did not charge tax on the invoice, however, according to tax rules, as the purchaser you are liable to pay a 5% tax on the item to your tax authority. The self-assessed tax amount is 50 USD. Provided the tax setup allows self-assessed taxes, 50 USD is applied to the invoice as a self-assessed tax amount. The amount of the self-assessed tax does not impact the amount due to the supplier. With regard to self-assessed taxes, the accounting debit entry in the Payables subledger captures the self-assessed tax expense, and the corresponding accounting credit entry in the Payables subledger captures the self-assessed tax liability.

Allocation of Payables Summary Tax Lines: Example

After you create summary tax lines, you can allocate your manual summary tax lines to specific transaction lines. These conditions apply to allocating summary tax lines:

- You must select at least one transaction line for allocation.
- You cannot allocate a tax only summary tax line.
- You cannot update or delete a transaction line that is to be allocated.

Note

The **Summary Tax Lines** component is applicable only to Oracle Fusion Payables.

The following scenario illustrates allocating a summary tax line and the resulting line amounts.

Scenario

Enter a manual summary tax line for 100.00 USD. The existing item lines are as follows:

- Line 1: 100.00 USD
- Line 2: 500.00 USD
- Line 3: 1000.00 USD

You choose to allocate the 100.00 USD tax line to line 2 and line 3. The total amount for these lines is 1500.00 USD. The allocated tax amount is prorated to line 2 and line 3 based on their ratio of the total line amount. Allocation results are:

- Line 2: $500/1500 * 100 = 33.33$.
Line 2 now has a detail tax line for 33.33 USD.
- Line 3: $1000/1500 * 100 = 66.67$.
Line 3 now has a detail tax line for 66.67 USD.

Tax Recovery Distributions: Explained

A recoverable tax is a tax that allows full or partial recovery of taxes paid on purchases, either as a recoverable payment or as a balance against taxes owed. A tax recovery rate identifies the percentage of recovery for a tax designated by the tax authority for a specific transaction line. You can review Oracle Fusion Payables tax distributions and, if applicable, update the tax recovery rate on a tax distribution depending on your tax setup and security access. The component in Oracle Fusion Purchasing is view-only.

Managing Tax Recovery Distributions

Oracle Fusion Tax creates recoverable distributions and calculates tax recovery rates when you save the line distribution, according to the Determine Recovery Rate tax rule process or the default recovery rate. If self-assessment is enabled for the applicable party, two distributions for each tax are created, one with a positive amount and the other with a negative amount.

One recoverable distribution for the primary recovery type and, if applicable, the secondary recovery type is created, for each tax line for each of the item distributions into which the item line or expense line is distributed. The tax distributions are displayed in this way:

- If the tax is nonrecoverable, one nonrecoverable tax distribution line for the tax is created, with the nonrecoverable amount equal to the tax amount. You cannot update a nonrecoverable tax distribution nor create a manual recoverable distribution.
- If the tax is recoverable, two or three distribution lines are displayed, one for the primary recoverable amount, one for the secondary recoverable amount, if applicable, and another for the nonrecoverable amount.

If the tax is fully recoverable, then the recoverable distribution amount is equal to the tax amount and the nonrecoverable distribution amount is equal to zero.

If the tax is recoverable and the recovery rate is zero, then the nonrecoverable distribution amount is equal to the tax amount and the recoverable distribution amount is equal to zero.

- If self-assessment is enabled for the applicable party, the application creates two distributions for each tax, one with a positive amount and the other with a negative amount.

If the tax applied on the transaction is self-assessed, then the corresponding recoverable and nonrecoverable tax distributions are not visible in the distributions window, but the application does generate them at the time of accounting for the invoice

- If the tax applied on the transaction is of the offset type, then the application creates two distributions for the recovery and nonrecovery portions of the tax. Since they are intended to offset each other, they are created for the same amount, but one with a positive value and the other with a negative value.

In a Payables transaction you can update the recovery rate code if the **Allow tax recovery rate override** option is enabled for the tax. You can update the recovery rate if the **Allow ad hoc tax rate** option is enabled for the recovery rate.

If you update the recovery rate on a tax distribution, Oracle Fusion Tax also updates the related nonrecoverable rate and amount, and the distribution for the tax line. If the distribution status is frozen, you cannot update the tax distribution. In order to change the distribution, you must reverse the tax distribution and enter a new distribution.

If applicable, accounting-related setups may affect tax calculation:

- If there are tax rules defined based on the Accounting determining factor class, then changing or creating a distribution may affect tax calculation.
- If the **Enforce tax from account** option is enabled for the configuration owner and event class, this may affect the tax calculation based on the distribution.

Tax Recovery Distributions: Example

Recoverable distributions are created and tax recovery rates are calculated when you save the line distribution, according to the Determine Recovery Rate tax rule process or the default recovery rate. You can review tax distributions and, if applicable, update the tax recovery rate on a tax distribution.

Note

The authorized user can update the tax recovery rate on the distribution in Oracle Fusion Payables. The component in Oracle Fusion Purchasing is view-only.

Scenario

Your company is located in a Canadian province that has combined the provincial sales tax with the federal goods and services tax (GST) into a

harmonized sales tax (HST). They recently purchased books to sell in their stores. They also purchased some computers to use in kiosks within the stores for customers to use to locate books.

Transaction Details

The transaction details are as follows:

- Total cost of books is 10,000 CAD
The invoice indicates the intended use as Resale.
- Total cost of computers is 5,000 CAD
The computers will be expensed as they do not meet the capitalization threshold.
- Tax rate applicable to each item is 13%

Analysis

In most tax regimes, a tax that is paid by a registered establishment can claim back 100% of taxes due from the tax authority, except for specific designated purchases. Depending upon the details of a company's business purchases and tax authority regulations, a number of exception regulations may accompany the details of tax recovery. Tax implications are:

- The HST associated with the cost of books to be sold in stores is 100% recoverable. Therefore, 1,300 CAD is recoverable (10,000 CAD * 13%).
- The HST associated with the cost of the computers to be used in kiosks within the stores is not recoverable. Therefore, 650 CAD is nonrecoverable (5,000 CAD * 13%).

The HST tax configuration specifies that the recovery tax rate for zero 0% recoverable is used as a default. A tax rule is defined to apply a 100% recoverable rate for products with an intended use of Resale.

Based on the analysis, the following distributions are created for the transaction:

Accounting Class	Debit	Credit
Item Expense	10,000	
Item Expense	5,000	
Recoverable Tax	1,300	
Nonrecoverable Tax	650	
Liability		10,000
Liability		5,000
Liability		1,300
Liability		650

Tax Overrides and Tolerances on Payables Transactions: Explained

You can override taxes calculated on a transaction depending on the controls you configure within the tax setup. You can place certain restrictions on the

maximum override amount for a Payables event class transaction belonging to a configuration owner. Define these tolerances at the configuration owner tax options level and specify the maximum tax override amount or the maximum allowed percentage deviation between the originally calculated tax amount and the overridden amount.

When you override the automatically calculated taxes on a transaction and if the variance between them exceeds the specified tolerance limits, the Oracle Fusion Payables invoice is placed on hold. The logic for placing the invoice on hold evaluates the overridden amount compared against both the tax tolerance percentage and the tax tolerance amount and the lower of the two values is considered.

For example, if you define the tolerances as maximum allowed amount 15 USD and the maximum allowed percentage 10%, then the application of invoice hold based on the tax override tolerances is as follows. All dollars are in USD currency.

Calculated Tax Amount	Overridden Tax Amount	Net Overridden Amount	Maximum Tolerance Amount	Maximum Tolerance Percentage (10% of the tax amount)	Invoice Hold Status
100	112	12	15	10	Invoice is placed on hold as the variation exceeds the maximum tolerance percentage, though it is below the maximum tolerance amount
200	218	18	15	20	Invoice is placed on hold as the variation exceeds the maximum tolerance amount, though it is below the maximum tolerance percentage
300	314	14	15	30	No hold is placed on the invoice as the variance is within the maximum tolerance amount and maximum tolerance percentage

Impact of Control Amount on Tax Calculations for Payables Transactions: Examples

The tax control amount is one of the key tax determinants available on the invoice header and lines that influences the calculated tax amount. You generally use the tax control amount to match the total calculated tax amount on the invoice with the tax amount given on the supplier invoice. Oracle Fusion Tax adjusts the calculated taxes based on the specified tax control amount in proportion to the tax amounts determined for the applicable taxes.

For example, you have an invoice with two item lines and taxes are applicable on both lines. All amounts are reflected in USD currency.

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		600
Taxes applicable on Line-1: • Tax-A	• 400	400
Taxes applicable on Line-2: • Tax-A • Tax-B	• 150 • 50	200

The impact of the tax control amounts specified at the header and line levels are illustrated in the following scenarios.

Tax Control Amount Is Specified at the Header Level

The invoice header control amount is 400 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: • Tax-A	• 266.67	266.67
Taxes applicable on Line-2: • Tax-A • Tax-B	• 100.00 • 33.33	133.33

In this scenario, the line level total tax amounts are first adjusted in the proportion of their calculated tax amounts. For example, line 1 tax amount total is 400 USD which equates to 66.667% of the total tax amount ($400/600 = 66.667\%$). The individual taxes for a line are then aligned with the line total amount in proportion to the calculated taxes. For example, line 1 adjusted tax amount is the header control amount of 400 USD multiplied by 66.667% ($400 * 66.667\% = 266.67$).

Similarly, line 2 adjusted tax amount is 133.33 USD. The individual taxes involved are further apportioned in the ratio of their earlier tax amounts, for example, 75% and 25% ($150/200$ and $50/200$, respectively).

Tax Control Amount Is Specified at the Header and Line Levels

The invoice header control amount is 400 USD and the Line-2 control amount is 100 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: <ul style="list-style-type: none"> Tax-A 	<ul style="list-style-type: none"> 300 	300
Taxes applicable on Line-2: <ul style="list-style-type: none"> Tax-A Tax-B 	<ul style="list-style-type: none"> 75 25 	100

In this scenario, the line level total tax amounts are first adjusted based on the line control amount specified. The individual taxes for a line are then aligned with the line total amount in the proportion to their calculated taxes. For example, line 2 adjusted tax amount for Tax-A is the line 2 control amount of 100 USD multiplied by 150/200 ($100 * 75\% = 75$).

Tax Control Amounts and Manual Tax Lines

If you manually enter additional tax lines with the calculated tax lines, then the tax adjustments based on the given tax control amounts are further influenced by the option **Allow recalculation of manual tax lines** set at the configuration owner tax options level.

In continuation of the previous example, the following scenario represents the tax control amounts specified at the header and line levels and the option for **Allow recalculation of manual tax lines** is not selected. The invoice header control amount is 400 USD, the Line-2 control amount is 100 USD, and the manual tax inserted on Line-2 is 20 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: <ul style="list-style-type: none"> Tax-A 	<ul style="list-style-type: none"> 300 	300
Taxes applicable on Line-2: <ul style="list-style-type: none"> Tax-A Tax-B Manual tax 	<ul style="list-style-type: none"> 60 20 20 	100

In this scenario, the line level total tax amounts are first adjusted based on the header and line control amounts and then the applicable line taxes are aligned with the total line tax amount. Since the option for the recalculation of manual tax line is not selected, the manual tax amount is retained and the other taxes are adjusted towards the line control amount, in the proportion to their calculated

tax amounts. For example, line 2 adjusted tax amount for Tax-A is the line 2 control amount of 100 USD less the manual tax amount of 20 USD multiplied by 150/200 $((100 - 20) * 75\% = 60)$.

The following example represents the tax control amounts are specified at the header and line levels and the option for **Allow recalculation of manual tax lines** is selected. The invoice header control amount is 400 USD, the Line-2 control amount is 100 USD, and the manual tax inserted on Line-2 is 20 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: • Tax-A	• 300	300
Taxes applicable on Line-2: • Tax-A • Tax-B • Manual tax	• 68 • 23 • 9	100

In this scenario, the line level total tax amounts are first adjusted based on the header and line control amounts and then the applicable line taxes are aligned with the total line tax amount. Since the option for recalculation of manual tax lines is selected, all the tax lines including the manual tax line get adjusted towards the line control amount, in the proportion to their tax amounts. For example, line 2 adjusted tax amount for Tax-A is the line 2 control amount of 100 USD multiplied by 150/220 $(100 * 68\% = 68)$.

Impact on Summary and Detail Tax Lines for Tax Detail Changes: Examples

Any changes you make to the tax details at the line level are applicable to the summary tax line details. Similarly, any changes you make to the tax details at the summary tax level are applicable to the line level taxes. The tax amounts are revised in proportion to the taxes calculated on each item line, except in the following scenarios:

- When a manual summary tax line amount is specifically allocated to the item lines with the amounts different from the default allocation.
- When a manual summary tax line is marked as a tax only line. In this case the summary tax line is considered as an ad hoc tax line not related to the transaction and is not allocated to the item lines.

Note

The Summary Tax Lines component is applicable only to Oracle Fusion Payables.

Assume that you create an invoice with two item lines with taxes applied on them and reflected in the detail and summary tax lines as follows:

Tax Details	Amount
Invoice Line-1	100
Invoice Line-2	200
Summary tax	300

Examples that reflect the alignment between the detail and summary tax lines when changes occur at either level are illustrated in the following scenarios. All example amounts are in USD currency.

Aligning Detail and Summary Tax Lines

Example 1

The first example illustrates the impact on the summary tax line when you change Line-2 tax from 200 to 300:

Tax Details	Amount
Invoice Line-1	100
Invoice Line-2	300
Summary tax	400

The application revises the summary tax line from 300 to 400.

Example 2

The second example illustrates the impact on the detail tax lines when you change the summary tax line from 300 to 600:

Tax Details	Amount
Invoice Line-1	200
Invoice Line-2	400
Summary tax	600

The application adjusts the detail tax lines in the proportion to their calculated taxes. For example, Line-2 tax amount is the summary tax amount of 600 USD multiplied by 100/300 ($600 * 33.333\% = 200$).

Example 3

The third example illustrates the impact on the detail tax lines when you create a manual summary tax line and it is specifically allocated to the item lines as 150 and 400:

Tax Details	Amount
Invoice Line-1	150
Invoice Line-2	400
Summary tax	550

The detail tax lines determine the allocation amounts.

Example 4

The next example illustrates the impact on the detail tax lines when you specify a manual summary tax line as a tax only line:

Tax Details	Amount
Invoice Line-1	
Invoice Line-2	
Summary tax	100

The application creates a manual detail tax line with a negative transaction line number and the summary tax line amount and is displayed in the detail tax lines region. The reason for the negative transaction line number is that the detail tax line generated is not associated to an existing transaction line.

Example 5

The next example illustrates the impact on the detail tax lines when one of the taxes is specified as inclusive:

Tax Details	Amount
Invoice Line-1	91.91
Invoice Line-2	200
Summary tax	<ul style="list-style-type: none">• 91.91• 200
<ul style="list-style-type: none">• The Inclusive option is selected• The Inclusive option is not selected	

The application generates two summary tax lines to reflect the status of each of the detail tax lines.

Note

Taxes calculated on a transaction are displayed as invoice lines with the type of Tax. They match the details provided in the Edit Tax Line Details page. However, when taxes are specified as self-assessed, the application does not generate the corresponding tax invoice lines. The details are available only in the Edit Tax Line Details page.

Tax Treatment on Imported Documents for Payables Transactions: Explained

Transactions can be imported into Oracle Fusion Payables from any external source, such as Oracle Fusion Assets, Oracle Fusion Property Manager, Oracle Fusion Project Management, Oracle Fusion Intercompany, or a legacy system. A document can be imported into the Payables application:

- With tax lines already created

- Without tax lines

If the tax lines are already available on an imported invoice, the application validates it against the existing tax setup, before successfully completing the import program. Along with the validation of the available tax details, additional tax applicability can also be determined on the imported document based on the tax determinants available on the document header and lines. This is controlled through the **Perform additional applicability for imported documents** option available in the configuration owner tax options. This option determines whether Oracle Fusion Tax runs the tax applicability process to identify missing taxes on an imported document.

Taxes not included in the imported document are marked as self-assessed if self-assessment applies to the transaction. A similar approach is taken on the imported documents without any tax detail lines but that have tax determinants that can drive the tax calculation.

Calculate Tax on Receivables Transactions

Tax Handling on Receivables Transactions: Examples

The tax determination process uses your tax configuration setup and the details on the Oracle Fusion Receivable transaction to determine which taxes apply to the transaction and how to calculate the tax amount for each tax that applies to the transaction. Oracle Fusion Tax determines taxes on these transactions based on the transaction information and the tax configuration. Receivables captures tax determinants as a part of the transaction and line information. View tax lines on entering transaction header and line information. Set up Receivables nonrecoverable tax accounts to record tax amounts on earned and unearned discounts and adjustments that you cannot claim as a deduction against your tax liability. Also, set up finance charge tax accounts to record tax amounts on finance charges that are used as a deduction against overall tax liability.

Examples of tax handling on Receivables transactions are discussed in the following sections:

- Standard Receivables transactions
- Credit memos

Standard Receivables Transactions

Oracle Fusion Tax automatically calculates transaction taxes based on the document details and the relevant tax configuration. Depending on your security settings and options specified during tax setup you can override the tax attributes to change the tax calculated or enter manual tax lines.

Credit Memos

Receivables calculates taxes on both On Account credit memos and Applied credit memos.

Tax calculation for On Account credit memos is identical to Receivables invoices. The only difference is that if your credit memo lines are a negative amount, calculated tax amounts are also negative.

Create an Applied credit memo at the transaction header level or at the transaction line level. At the header level, your entry is controlled by the **Automatically derive tax from lines** option. If this option is selected, you can only enter a line credit percentage or a line amount. The tax credit percentage is populated automatically, which is same as the line credit percentage.

When the **Automatically derive tax from lines** option is not selected there are three options available to you for crediting transactions:

- **Line Only:** You enter only the line credit percentage or amount. Only transaction lines are credited. Tax is not credited.
- **Line and Tax:** You must enter the same credit percentage for both the line and tax. The line amount and tax amount are credited proportionately to each transaction line and tax line of the transaction.
- **Tax Only:** You enter tax credit percentage or amount. The tax amount is credited proportionately to each tax line of the transaction.

For example, you have a transaction with two transaction lines each having two calculated taxes:

- Transaction Line 1: 1000 CAD
 - Tax A: 100 CAD
 - Tax B: 50 CAD
- Transaction Line 2: 2000 CAD
 - Tax A: 0 CAD
 - Tax B: 100 CAD

If you do a tax only credit of 50%, the taxes are credited as follows:

- Transaction Line 1:
 - Tax A: -50 CAD
 - Tax B: -25 CAD
- Transaction Line 2:
 - Tax A: 0 CAD
 - Tax B: -50 CAD

If you already created a line only or tax only credit, your remaining line percentage and tax percentage is not the same. If you want to credit the entire balance, click the **Credit Entire Balance** button. Even though the line and tax percentages are different, you are able to save and complete your applied credit memo.

For a line level credit, select and credit individual transaction lines. The tax amounts are credited in proportion to the transaction line amount being credited. In the previous example, if you credit transaction Line 1 by -100 CAD, the taxes are credited in proportion as shown as follows:

- Transaction Line 1: -100 CAD

- Tax A: -10 CAD
- Tax B: -5 CAD

Receivables Transaction Attributes in the Tax Determination Process: How They Are Used

Transaction header and transaction lines capture the information that is used to determine the taxes on a transaction line.

Attributes That Affect Tax Determination

The attributes influencing the tax calculation are:

- Transaction header attributes:
 - Transaction date
 - Legal entity
 - Business unit
 - Taxation country
 - Document fiscal classification
 - Ship-to customer
 - Ship-to customer site
 - Ship-to customer address
 - Bill-to customer
 - Bill-to customer site
 - Bill-to customer address
- Transaction line attributes:
 - Line amount
 - Quantity
 - Warehouse
 - Product fiscal classification
 - Product category
 - Product type
 - Tax classification code
 - Transaction business category

- Intended use
- User-defined fiscal classification
- Exemption handling
- Exemption certificate
- Exemption reason

How Tax Is Determined

Oracle Fusion tax uses the transaction header and line attributes, in conjunction with the tax setup, to determine taxes applicable to your Receivable transaction lines. If your calculated tax amount is not correct, you should check the values of transaction header and line attributes.

Your warehouse location, bill-to and ship-to address, product type, product fiscal classification, and intended use are most commonly used attributes in tax calculation when you have not configured the regime determination set as **STCC** (standard tax classification code) in the configuration owner tax options. If you have configured **STCC** as the regime determination set, check the value of the tax classification code on the transaction lines. If calculated taxes are still not correct, there may be:

- Incorrect or missing association of product fiscal classification or intended use for the inventory item you entered on the transaction line
- Incorrect or missing party fiscal classification for customer party or party site
- A problem with the tax configuration

Additional Tax Determining Factors on a Receivables Transaction Line: Example

Enter additional tax determining factor information on Oracle Fusion Receivables transaction lines. Tax is calculated on the transaction based on the tax configuration and tax rules setup, as well as any additional tax information that you enter. You can only enter additional information for imported lines. You cannot apply additional tax information to manually entered lines.

Scenario

After reviewing the tax calculated on a sales invoice, you determine that the tax calculation is not as expected. You expected to see a reduced rate applied to line 2, but the full tax amount was calculated. You evaluate the additional tax determining factors and identify changes that are needed to correct the tax calculation.

Transaction Details

The transaction details are as follows:

- Transaction total: 3240 CAD

- Tax total for the PST tax regime: 240 CAD
 - Line 1: 1000 CAD Facilities Rental
 - Line 2: 2000 CAD Hotel Room

Analysis

The tax total amount was more than you expected to be calculated, 8% on the transaction total. You review the detail tax lines and determined that tax was calculated for both lines for the PST tax regime. The tax was correct for line 1, but the tax for line 2 should have been calculated at a reduced rate.

Line 2 is for the hotel room, which is under the PST tax regime, but should have a reduced rate of 5%. The rate is driven by product fiscal classification and you determine that this attribute is currently not populated for this transaction line. To correct this, override the product fiscal classification with the hotel classification in the Additional Tax Determining Factors region.

The product fiscal classification you entered satisfies a condition in a Determine Tax Rate rule for the applicable tax regime and tax, and therefore the tax determination process applied a reduced rate of 5% to line 2. The total tax amount for the transaction is 180 CAD $((1000 \times .08) + (2000 \times .05))$. This is what you expected.

Tax Exemptions: Choices to Consider

A tax exemption applies to a specific customer or to a combination of customer and specific product. For example, in the United States the Federal Government acting as a customer is exempt from tax on direct sales; and many states provide exemptions on sales of necessities such as food and clothing.

To set up tax exemptions for a third party, you must complete the appropriate tax exemption setup for the tax regimes and taxes concerned. Create a separate record for each tax exemption that applies to the third party customer or customer site. The tax determination process applies the tax exemption to the transaction line based on the tax exemption setup and tax handling specified on the transaction line.

Tax Exemption Setup

Before you can create a tax exemption record, you must enable the tax exemption options at the appropriate levels:

- Set the **Tax Exemption Override Control** profile option to control the display of tax handling on the transaction line to apply and update customer tax exemptions to transactions.
- Set the **Allow tax exemptions** option at the levels that correspond to the tax exemption. For example, if the tax exemption refers to the tax status of a particular tax, then you must set this option at the tax regime, tax, and tax status levels.
- Set the **Allow exemptions** option in the configuration owner tax option for each event class for which calculation based on tax exemption is to

be enabled. For the exemptions party basis select whether the bill-to party tax exemption records are to be considered or the sold-to party tax exemption records. In some cases the sold-to party could be different from the bill to party.

Tax Exemption Record

A tax exemption record identifies the nature of the tax exemption, the configuration owner, and tax regime, and, where applicable, the related tax, tax status, tax rate, and tax jurisdictions to which the tax exemption belongs.

During the life of a tax exemption, the tax exemption status can often change. The possible statuses are: **Primary**, **Manual**, **Unapproved**, **Discontinued**, and **Rejected**. Because the status of the tax exemption affects its applicability on the transaction line, you must update the tax exemption record each time the status changes. These rules apply to the status of the tax exemption:

- Tax exemptions with a status of **Primary** apply to all transactions of the customer or customer site.
- Tax exemptions with a status of **Manual** or **Unapproved** apply to specific transactions of the customer or customer site.
- Tax exemptions with a status of **Discontinued** or **Rejected** are not considered during tax calculation.

You also specify the method of calculating the tax exemption percentage on the tax exemption record:

- The **Discount or surcharge** type decreases or increases the original rate by the percentage you enter.

If the discount is 15% off the standard rate and the standard rate is 10%, enter 85 as the tax exemption percentage. This defines a discount rate that is 85% of the original 10%, or 8.5%.

If the surcharge is 10%, enter 110 as the tax exemption percentage. This defines a surcharge rate that is 110% of the original 10%, or 11%.

- The **Special rate** type replaces the original rate with the percentage you enter.

Enter the special rate percentage that replaces the standard rate. If the original rate is 10%, and the special rate is 5%, enter 5 as the tax exemption percentage.

Tax Exemption Applied to the Transaction Line

You use the **Tax Handling** field on the transaction line to select the applicable tax exemption value. Tax exemptions are processed in different ways depending upon the value you choose:

- **Require:** The customer is required to pay the tax. Tax exemptions do not apply to the transaction line, even if defined.
- **Exempt:** Enter the tax exemption certificate number and the customer tax exemption reason. Tax exemptions are processed in this way:

- a. Consider tax exemptions with a status of **Primary, Manual, or Unapproved**.
 - b. Verify that the transaction date is within the tax exemption effective date range.
 - c. Verify that the transaction tax exemption reason and tax exemption certificate number match the tax exemption reason and certificate number. If you do not enter a certificate number, the tax determination process still looks for a matching tax exemption.
 - d. If the tax determination process does not find a tax exemption matching these conditions, it creates a tax exemption with the status **Unapproved** and 100% discount.
- **Standard:** This tax handling is for exemptions of the Primary status only. You do not have to enter the tax exemption certificate number or customer tax exemption reason.

The tax determination process looks for a tax exemption with the Primary status and an effective date range that includes the transaction date. If more than one tax exemption applies, the most specific tax exemption is used, in this order:

- a. Customer and product tax exemption for tax rate and tax jurisdiction.
 - b. Customer and product tax exemption for tax rate.
 - c. Customer and product tax exemption for tax status and tax jurisdiction.
 - d. Customer and product tax exemption for tax status.
 - e. Customer and product tax exemption for tax.
 - f. Customer only tax exemption for tax rate and tax jurisdiction.
 - g. Customer only tax exemption for tax rate.
 - h. Customer only tax exemption for tax status and tax jurisdiction.
 - i. Customer only tax exemption for tax status.
 - j. Customer only tax exemption for tax.
- **Exempt, manual:** You manually enter a certificate number and exemption reason. The application process creates a tax exemption with a status of **Unapproved** and a 100% discount is applied.

Note

The application first checks the customer site party tax profile for the exemption records. If there is no exemption record defined within the site, then it checks the customer party tax profile

After applying the tax exemption to the transaction line, the tax determination process calculates the tax rate using the tax exemption type defined in the tax exemption record. The sequence of the tax rate value determination is:

1. Determine the basic tax rate through the Determine Tax Rate rule type or by the default specified for the tax.

2. Apply exception which is based on the product.
3. Apply tax exemption which is based on the party (customer) and its relationship with the transacting organization (legal entity or business unit). Optionally, it can be based on a specific product.

For example, the tax rate determined is 6%, the special rate for a tax exception is 5%, and the tax exemption defined is a 2% discount. The tax exemption discount is applicable to the tax rate after the tax exception, so the 5% tax rate is modified by a 2% discount ($5\% * (100\% - 2\%) = 4.9\%$). If the tax exemption defined is of the rate type of **Special rate** then the special rate is substituted and the applicable tax exception has no impact.

For manual tax lines, no additional processing is performed and tax exemptions are not considered. A manual tax line suggests that you have specific business requirements for a particular transaction to apply a manual tax. No additional processing is performed for manual tax lines to avoid any applying conflicting or inconsistent values to the user-entered tax line. The tax calculation on a manual tax line is the standard formula of tax amount is equal to the taxable basis multiplied by the tax rate.

Impact on Tax Lines for Receivables Transaction Changes: Examples

You can change one or more transaction header or line attributes after tax calculation is performed and the transaction is not in the complete state. The change in the value of a tax determining attribute may result in altogether different taxes. The following examples illustrate the impact of certain changes to the transaction header or line attributes.

Changes to Transaction Information Examples

If you change your ship-to location from an address in Nevada, a state in the US, to California, a state in the US, the California sales taxes applicable to the California address is calculated instead of the Nevada sales taxes applicable to the Nevada address. In this example, Oracle Fusion Tax deletes the Nevada sales tax lines and creates the California sales tax lines. Similarly, if you change your warehouse which has its location in the UK to another warehouse with its location in France, you see French VAT on your transaction instead of Great Britain VAT.

For taxes that are charged based on quantity sold, a change in quantity results in an impact the tax amount. In this case, Oracle Fusion Tax updates the tax amount on an existing tax line.

You can delete an entire transaction or a transaction line in Oracle Fusion Receivables. If you do so, corresponding tax lines are also deleted.

Your review of a tax line may indicate that the application did not apply a tax exemption that your customer expected to be applied. Your customer presents the exemption certificate to you. Instead of configuring this new exemption certificate number in Oracle Fusion Tax for which you may not have privileges, you can enter an exemption certificate number and exemption reason on a transaction line by selecting **Exempt, manual** as the tax handling option. The application applies 100% exemption in this case.

You may have a situation when all tax determinants have correct values but taxes are not correct. Contact the person responsible for tax configuration to review and correct the tax configuration. If you must process the transaction and you have the necessary privileges, you can update the calculated tax line. You can change the tax jurisdiction, tax status, tax rate name, tax rate, tax amount, or the inclusive option. Oracle Fusion Tax derives the dependent tax line attribute defaults to expedite your tax line updates. For example, if you update the tax jurisdiction on a tax line, the tax rate name, tax rate, and tax amount are updated based on the default tax rate code for the tax jurisdiction you entered. If you update tax rate, Oracle Fusion Tax recalculates the tax amount based on the new tax rate you entered.

You are not allowed to delete a tax line. Instead of deleting a tax line, you can update the tax amount to zero. When you update the tax amount, depending upon the tax configuration, either the tax rate or taxable amount is recalculated.

If you completed a transaction and your customer informs you that there are incorrect taxes on the transaction, Oracle Fusion Receivables allows you to change the transaction if there is no activity on the transaction. You can change the status on the transaction to incomplete and update the transaction header, transaction line, or tax line attributes. If your transaction has activity against it, the Incomplete button is disabled. Create a credit memo for a tax credit or make a tax adjustment for your transaction.

Tax Treatment on Receivables Adjustments: Example

Your Receivables activity on the adjustment determines if your adjustment is stored in the Oracle Fusion Tax repository. Adjustments you create using the Receivables activity with the **Recoverable** option not selected are only stored in Oracle Fusion Receivables. The concept behind nonrecoverable adjustments is that even though you adjust tax, you still pay the calculated tax on your invoice to the tax authority. If the **Recoverable** option is selected for your Receivables activity, adjustments are also recorded in the Oracle Fusion Tax repository, which is the foundation for tax reporting.

Only invoice adjustments, line adjustments, and tax adjustments are stored in the Oracle Fusion Tax repository depending upon the Receivables activity you entered on your adjustments.

The tax calculation for tax adjustments is similar to header level tax only Applied credit memos. The adjusted tax amount is proportionately adjusted to each tax line of the transaction.

Scenario

For example, you have a transaction with two transaction lines each having two calculated taxes:

- Transaction Line 1: 1000 CAD
 - Tax A: 100 CAD
 - Tax B: 50 CAD
- Transaction Line 2: 2000 CAD
 - Tax A: 0 CAD

- Tax B: 100 CAD

When you create a tax adjustment of -125 CAD, the taxes are adjusted as follows:

- Transaction Line 1:
 - Tax A: -50 CAD
 - Tax B: -25 CAD
- Transaction Line 2:
 - Tax A: 0 CAD
 - Tax B: -50 CAD

In this case, the adjustment transaction stored in Oracle Fusion Tax has line amounts as zero and taxes as shown above.

Line adjustments adjust transaction line amounts only. Tax amounts are not adjusted. The adjusted invoice lines amounts are stored as an adjustment transaction in Oracle Fusion Tax.

You can also create an invoice adjustment. It adjusts the entire invoice by making the balance due of zero. The adjusted amounts of the invoice lines and corresponding tax lines are stored as an adjustment transaction in Oracle Fusion Tax.

Tax Treatment on Imported Documents for Receivables Transactions: Explained

Transactions can be imported into Oracle Fusion Receivables from another Oracle Fusion application, such as Oracle Fusion Project Management, Oracle Fusion Intercompany, and Oracle Fusion Order Orchestration Management, or from a legacy system. If taxes are already calculated in the external application and you do not want taxes to be recalculated, you can import transactions with tax lines. Oracle Fusion Tax does not calculate any additional taxes when you import a transaction with tax lines.

Oracle Fusion Tax validates the imported tax lines and raises an error if a tax line is not correct. Most common errors with imported tax lines are:

- Your business unit has not subscribed to the tax regime
- There is an invalid tax code (tax classification code), tax, tax status code, tax jurisdiction code, or tax rate code

You can import a transaction without tax lines as well. Oracle Fusion Tax calculates all applicable taxes on each transaction line. In case you do not require any tax to be applied on a specific imported transaction line, you can populate the Taxable Flag (TAXABLE_FLAG) with **N** in the AutoInvoice interface for that transaction line. Another attribute in determining inclusive and exclusive taxes is Amount Includes Tax Flag (AMOUNT_INCLUDES_TAX_FLAG). Populate this attribute with **Y**, **N**, or leave blank. The impact of selecting these values are:

- Blank: Taxes are marked inclusive or exclusive based on the tax configuration.

- **Y:** All taxes are included in the line amount. Oracle Fusion Tax calculates all taxes as inclusive taxes overriding the tax configuration.
- **N:** No tax is included in the line amount. Oracle Fusion Tax calculates all taxes as exclusive taxes overriding the tax configuration.

Calculate Tax on Intercompany Transactions

Tax Calculation on Intercompany Transactions: Explained

Intercompany transactions are transactions that occur between two related legal entities in an enterprise or between business units in the same legal entity. Transactions that occur between two legal entities are called intercompany transactions and transactions that occur between two groups within one legal entity are called intracompany transactions.

It is a legal requirement in some countries to generate Receivables and Payables invoices and credit memos between the transacting entities in the course of the intercompany transactions. In certain scenarios taxes are applicable on these transactions. Oracle Fusion Tax interfaces with the intercompany Oracle Fusion Receivables and Oracle Fusion Payables transactions and calculates taxes on them, as applicable.

Intercompany transactions are generated through:

- Oracle Fusion Intercompany: Handles noninventory-linked transactions
- Oracle Fusion Inventory: Handles inventory-linked transactions involving multiple entity processes, such as global procurement and drop shipment

Oracle Fusion Tax supports the calculation of taxes on the Receivables and Payables transactions generated through both inventory and noninventory processes.

Tax on Intercompany Transactions: How It Is Calculated

Oracle Fusion Tax supports calculation of taxes on the intercompany Oracle Fusion Receivables and Oracle Fusion Payables transactions using both standard tax classification code and regime-based determination methods.

In the course of the intercompany transactions, a Receivables transaction is first generated and the applicable taxes get calculated. The Receivables transaction information, including the tax determinants, are then populated into the Payables interface tables. During the creation and import of the Payables transaction from the interface tables, the taxes calculated on the Receivables transaction are validated for their applicability on the Payables transaction. If applicable, the application applies them to the Payables transaction. If you use the regime-based tax determination method, applicability for any additional taxes is also determined, with reference to the available tax determinants and the tax rules configured in the tax setup.

How Taxes on Intercompany Transactions Are Calculated

Some of the key process and setup considerations that you need to note to ensure smooth calculation of taxes on the intercompany transactions are:

- When a Receivables transaction is generated through the intercompany process, the tax determinants appear as defaults based on the information defined in the country defaults and the application tax options. Oracle Fusion Tax calculates the corresponding taxes accordingly. If you need to revise the taxes, make the Receivables transaction incomplete and revise the tax determinants so that the taxes are recalculated based on your revised values.
- The transaction business category of **SALES_TRANSACTION** available on the Receivables transaction is replaced with **PURCHASE_TRANSACTION** while copying the Receivable transaction information to the Payables interface tables. If there are any specific tax rules driven based on the transaction business category, you need to configure them for both Receivables and Payables transactions.
- To apply the same tax on the Payables transaction that is calculated on the Receivables transaction, ensure that both the receiver and provider business units and legal entities are subscribed to the applicable tax regime on the transaction date.
- When you use the standard tax classification code method, the tax calculation process expects the same tax classification code to be available on both the Receivables and Payables transactions. If you define a new tax rate code that may be applied to an intercompany transaction, ensure that it is specified for usage on both Receivables and Payables transactions. If the tax rate code used on the Receivables transaction is a migrated tax rate code, then ensure that the same tax rate code is defined for the Payables business unit also.
- If the tax amount on the Receivables invoice is zero, then the Payables invoice can have a zero-rated tax rate associated, which also results in a zero tax amount. However, if the derived tax amount on the Payables transaction is not zero, then the corresponding tax rate needs an offset tax rate associated to it and the offset tax setup enabled to zero out the intercompany tax amount.
- If there is a possibility of the Payables tax rate being different from the Receivables tax rate, then select the **Allow ad hoc tax rate** option on the Payables tax rate code.
- Establish customer and supplier relationships For enabling invoicing between two related organizations during intercompany transactions. Use the corresponding party tax profiles of these representative customers and suppliers to configure the required tax setup.

Account for Tax on Transactions

Tax Account Configuration: Explained

Set up default tax accounts for the taxes in a tax regime to post the tax amounts derived from your transactions. The tax accounts you define for tax serve as default accounting information for tax rates and tax jurisdictions. You can override the defaulted accounts. Configure the tax recoverable or liability account for the tax recovery rate. Accounts assigned to the tax rate and recovery rate are used when the taxes are applicable to the transaction.

Set up tax accounts for a primary ledger or in combination with a business unit. The calculated tax amounts are posted to the accounts specified for a business unit. If those accounts are not available, tax accounts defined for the primary ledger are used. These are default accounts and the actual accounts that are used for accounting depend on the subledger accounting configuration.

For a tax, either assign new tax accounts or use accounts from an existing tax. This depends on the option selected in the **Tax Accounts Creation Method** attribute for the tax. If you choose to use accounts from an existing tax, specify another tax as the source tax. All the tax account details that you set up at the source tax level are copied into the Tax Accounts region as read only values. You cannot edit the details or create new records.

Tax Accounts

Define tax accounts for a tax, tax rate, and tax jurisdiction. Tax accounts are:

- **Tax Expense:** A Payables tax account that records tax amounts from invoice distributions; or a Receivables tax account that record net changes generated by adjustments, earned and unearned discounts, and finance charges. Receivables activities such as discounts and adjustments reduce the receivable amount, and are therefore considered an expense. This occurs only if the adjustment type has tax handling.
- **Tax Recoverable or Liability:** An account that records tax recovery amounts or relieves tax liability amounts. If you set up recovery rates for a tax that you also intend to self-assess, then define a tax recovery account for the associated recovery rates and a tax liability account for the associated tax rates.

Note

If you intend to use different accounts for tax recovery and liability then set up the recovery account for the tax recovery rate. This account is used to debit the recoverable tax amount while the account on the tax rate is used to account for tax liability.

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- **Interim Tax:** An account that records interim tax recovery or liability before the actual recovery or liability arises on a payment of an invoice. You must set up an interim tax account for taxes and tax rates that have a deferred recovery settlement.
 - Accounts for Receivables activities:
 - **Finance Charge Tax Liability:** An account that records tax amounts on finance charges that are used as a deduction against overall tax liability.
 - **Nonrecoverable Tax Accounts:** Accounts that record tax amounts on earned and unearned discounts and adjustments that you cannot claim as a deduction against tax liability.
 - **Expense and Revenue Accounts:** Accounts that record net changes generated by adjustments, earned and unearned discounts, and finance charges. Receivables activities such as discounts and adjustments reduce the receivable amount, and are therefore considered an expense.

Accounting for Payables Transactions: Explained

Default accounting for taxes for Payables transactions is based on the nature of the tax, tax recoverability, and the tax account assigned to relevant tax configuration.

Accounting for Payables transactions is dependant on the category, such as for:

- Unmatched standard invoices
- Purchase order matched invoices
- Receipt matched invoices
- Prepayments

Unmatched Standard Invoices

The following table describes the accounting for taxes for unmatched standard invoices:

Nature of Tax	Recoverability	Debit Account	Credit Account	Notes
All taxes	Recoverable	Tax Recoverable or Liability	Payables	The recoverable tax account is derived from the tax recovery setup. If it is not defined there, it is derived from the tax rate.
All taxes	Nonrecoverable	Tax Expense	Payables	The debit to the tax expense account applies only when the tax expense account is specified for the tax rate. If it is not defined, then the debit is applied to the charge account for the transaction line.
Deferred	Recoverable	Interim Tax	Payables	Recovery for these taxes is deferred until payment. On payment, the interim tax account is credited with a debit to the tax recovery account.
Deferred	Nonrecoverable	Tax Expense	Payables	
Self-assessed	Recoverable	Tax Recoverable or Liability	Tax Recoverable or Liability	As these taxes are to be assessed and paid by the first party organization. The credit is posted to the tax liability account instead of the payables account.

Self-assessed	Nonrecoverable	Tax Expense	Tax Recoverable or Liability	
Offset tax	Recoverable	Tax Recoverable or Liability	Payables	Offset taxes are always 100% recoverable. These taxes are defined with a negative rate and an invoice distribution with negative amount is created. The Payables amounts between the base tax and the offset tax are negated. What remains is the debit to tax expense or tax recovery account and negative debit to tax liability account.

Purchase Order Matched Invoices

The tax accounting approach for purchase order matched invoices is similar to unmatched invoices. The key areas where the purchase order matched invoice varies from unmatched invoice accounting are:

1. Where there is no tax expense account specified for the tax rate, the charge account that is used to account for the corresponding item line is used.
2. When there are differences in taxes between the purchase order and the invoice, these are identified as variances and are accounted accordingly. Tax variances are accounted only for nonrecoverable tax amounts. Recoverable tax amounts are accounted as mentioned previously. The variance accounts are defined as a part of Oracle Fusion Payables configuration.
3. Account derivation for the Tax Invoice Price Variance and the Tax Rate Variance depends on the item used and the accrual method as described in the following table:

Item Type	Accrue at Receipt: Enabled	Accrue at Receipt: Disabled
Expense	Purchase order charge account is used	Tax expense account is used
Inventory	Purchase order variance account that is defaulted from the Oracle Fusion Inventory organization parameters receiving accounts	Purchase order variance account that is defaulted from the Inventory organization parameters receiving accounts

The accounting treatment of tax variance is:

Nature of Tax	Recoverability	Variance Type	Debit Account	Credit Account	Notes
All taxes	Nonrecoverable	Tax Rate Variance	Tax Expense, Charge Account	Payables	Invoice distribution for tax rate variance is posted to the account that is used for accounting for nonvariance tax amounts. If the tax rate has a tax expense account then the same account is used. If not, the charge account (used for accounting for the item line) is used.
All taxes	Nonrecoverable	Invoice Price Variance	Invoice Price Variance Account	Payables	This is the difference in tax amount between the purchase order and the invoice due to invoice price changes. This amount is posted to the invoice price variance account. The account is the same as the one used for accounting for the variance with the item line.

All taxes	Nonrecoverable	Exchange PO Rate Variance	Exchange PO Rate Variance Gain or Loss Account	Payables	This is the difference in tax amount between the purchase order and the invoice due to exchange rate changes. This amount is posted to the exchange rate variance gain or loss account. The account is the same as the one used for accounting for the variance with the item line.
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Receipt Matched Invoices

The only difference in accounting between the regular Payables invoices and receipt matched invoices is the account to which nonrecoverable taxes are debited. This amount is debited to the Payables accrual account instead of the expense or charge account.

The following table describes the accounting treatment for a receipt matched invoice:

Nature of Tax	Recoverability	Debit Account	Credit Account
All taxes	Nonrecoverable	Payables Accrual Account	Payables

Accounting treatment for variances applicable to a receipt matched invoice is the same as a purchase order matched invoice.

Prepayments

When the applied amount handling for a tax is **Recalculated**, taxes are recalculated on the prepayment application. The difference in the tax amount between the prepayment and the invoice is posted to the tax difference account. Depending on the amount change, positive or negative, the amount is either credited or debited to this account.

If the tax is partially recoverable then only the nonrecoverable tax amount is posted to the tax difference account.

Note

The tax difference account is applicable only when there is one-to-one full application of the prepayment to the invoice and when there is difference in the tax amount involved.

Accounting for Tax on Receivables Transactions: Explained

Accounting for taxes applicable to Receivables transactions is based on the tax and Receivables AutoAccounting configuration. This generates interim accounting while the final accounting is driven by the subledger accounting configuration.

The AutoAccounting process enables you to control the derivation of values for each segment in the tax accounts that apply to the transaction. Set the value of the segment to a constant so taxes for all transactions in the business unit are posted to the same account. You can also base it on one of the source tables:

- **Bill-to site:** The tax account specified at the bill-to business purpose of each address defined within the customer account
- **Sales representative:** For the sales representative there is no tax account defined, but the revenue account is used for picking the corresponding segment for the tax general ledger account
- **Transaction types:** The tax account specified for the transaction type
- **Taxes:** The tax recoverable or liability account specified for the tax rate

If the tax has a tax accounting creation method option of **Use accounts from an existing tax** then the tax accounting configuration for the source tax is used as the basis.

Each segment within a tax general ledger account is derived from any of the given sources. The application validates the derived code combination before it stamps it on the transaction.

Tax accounting for all the Oracle Fusion Receivables invoice transactions remains the same. The tax liability is credited to the tax recoverable or liability account. This happens when you set the default settlement option for the tax rate to **Immediate**. If you set this option to **Deferred**, the tax amount is credited to the interim account. The tax liability is accounted when the invoice is paid, for example, when a receipt is applied to the invoice.

Accounting for Tax on Applied Credit Memos

For applied credit memos, the accounting is based on the Receivables profile option of AR: Use Invoice Accounting for Credit Memos. If you set this to **Yes**, Receivables uses the account references given on the original invoice for the credit memo. If you set it to **No**, Receivables references the AutoAccounting options.

Accounting for Tax on Receivables Adjustments and Miscellaneous Receipts

The tax rate code source you specify for the Receivables activity determines whether Receivables calculates and accounts for tax on adjustments, discounts, and miscellaneous receipts assigned to this activity.

If you specify a tax rate code source of **Invoice**, then Receivables uses the tax accounting information defined for the invoice tax rate codes to automatically

account for the tax. You must specify one of the following Tax Rate Code Sources:

- **None:** Allocate the entire tax amount according to the general ledger account source specified. Choose this option if you do not want to separately account for tax.
- **Activity:** Allocate the tax amount to the asset or liability tax accounts that you define for this Receivables activity. This source is available if the Receivables Activity Type is **Miscellaneous cash**.

The asset tax rate code is your collected tax account or tax received. Use this tax rate code to account for tax on miscellaneous receipts.

The liability tax rate code is your deductible account or tax paid. Use this tax rate code to account for tax on miscellaneous payments.

- **Invoice:** Distribute the tax amount to the tax accounts specified by the tax rate code on the invoice. You cannot choose this option if the Activity Type is **Miscellaneous cash** or **Late charges**.

In the event of a tax adjustment to an invoice with zero amount tax distributions, do not set the adjustment activity's tax rate code source to **Invoice**.

FAQs for Calculate Transaction Taxes

What happens if I make the transaction line inclusive of tax?

If the transaction line is inclusive of tax the tax amount is included in the line amount. The **Allow override and entry of inclusive tax lines** option must be enabled at the tax or tax rate level for you to update the applicable **Inclusive** option. The tax inclusive handling setting at the tax rate level takes precedence over all other tax inclusive handling settings. When you update the **Inclusive** option setting, the taxable amount and transaction amount is recalculated.

You specify if transactions are tax inclusive at the tax regime level. Options include:

- **Standard inclusive handling:** The line amount on the transaction line is inclusive of tax.
- **Standard noninclusive handling:** The line amount on the transaction line is exclusive of tax. The tax amount is added to the line amount.
- **Special inclusive handling:** Use this option for special tax handling, such as a taxable base amount based upon the line amount rather than the adjusted line amount, or based on the line amount plus another tax amount.

All taxes defined under that tax regime are inclusive for all transactions. You can also vary the treatment by tax and tax rate by selecting the appropriate tax inclusive option at each level. In certain cases, parties prefer to provide or receive invoices with invoice amounts inclusive of taxes. You set this option on the party

tax profile for the appropriate parties. This option overrides the tax inclusive handling setting at the tax level, but not at the tax rate level.

You cannot update the **Inclusive** option on a tax line in the following scenarios:

- When prepayments are applied to invoices
- When an invoice is partially or fully paid
- When withholding taxes are applied
- When the invoice amount is encumbered
- When the invoice is matched to a purchase order or a receipt
- When the invoice is of the type **Expense Report** or **Intercompany**
- When a credit or debit memo is applied to an invoice
- When the tax line is already specified as a self-assessed part of an offset tax
- When the tax line is canceled

Why did the application apply a different tax for a transaction line with a different accounting segment?

Accounting-related setups may affect tax calculation. If there are tax rules defined based on the Accounting determining factor class, then changing or creating a distribution may affect tax calculation. Also, if the **Enforce Tax from Account** option is enabled for the configuration owner and event class, this may affect the tax calculation based on the distribution. The **Enforce Tax from Account** option allows Account Based Direct Tax Rate rules defined to be processed which supersede any other rules used in tax calculation.

When does a tax get calculated or recalculated on a Receivables transaction?

Taxes on a Receivables transaction are determined when you save a transaction, navigate to the Detail Tax Lines dialog box from the Edit Transaction page, or complete a transaction. After taxes are calculated and your transaction has taxes applied to it, you can also navigate to the Detail Tax Lines dialog box by clicking the tax amount or the Edit icon next to the Tax field on the Edit Transaction page.

If you already calculated taxes, Oracle Fusion Tax recalculates taxes when you save the transaction, navigate to the Detail Tax Lines dialog box, or complete the transaction. This ensures that any changes on the transaction or transaction line are considered for calculating accurate taxes. If you complete a transaction the Detail Tax Lines dialog box is for viewing the tax lines only.

Depending on your tax configuration and security privileges, you can update one or more of the detail tax lines' attributes, tax jurisdiction, tax status, tax rate name, tax rate, tax amount, or the inclusive option. You can also enter a tax line for a specific transaction line manually.

Manage Transaction Taxes: Prepare Transaction Tax Reports

Prepare Transaction Tax Reports: Overview

The Prepare Transaction Tax Reports activity provides you with legal, business, and reconciliation reports for tax activity associated with buying and selling goods and services through Oracle Fusion Payables and Oracle Fusion Receivables. Produce reports and returns to meet tax reporting requirements for specific countries and those required for reconciliation and audit of tax calculated on transactions. Generate registers with comprehensive information of transactions with tax impact, which can be used as a basis for creating tax reports required by tax authorities and meeting the internal reporting needs of the organization.

Tax reporting strategy is centralized around several key tax reporting features:

- **Tax Reporting Ledger:** Transaction tax reporting is centralized through the Tax Reporting Ledger.
- **Tax Selection and Final Tax Reporting Processes:** The Tax Selection Process allows you to run tax reports in a preliminary mode, review transactions selected for reporting, and make corrections before submitting tax reports to the tax authority. The Final Tax Reporting Process allows you to control which transactions cannot be changed, once the reports are filed with the tax authorities.
- **Common Data Models:** Prepare custom and specialized tax reports based on the common data models. Customize general tax reports and create reports that meet your specific reporting requirements. The following general tax reports that use common data models are provided:
 - Tax Register
 - Financial Tax Register
 - Tax Reconciliation Report
 - Tax Reconciliation by Taxable Account Report
 - Tax Audit Trial

For more information on customizing reports, see Oracle Business Intelligence Publisher Report Designer's Guide.

- **VAT Data Models:** Prepare specialized reports based on value-added tax (VAT) data models. For some EMEA countries, country specific reports

based on VAT data models are provided, for example, Italian VAT reports and Spanish VAT reports. The solution is global and you can use VAT data models to prepare country specific reports.

- Tax Reporting Date: Choose a tax reporting date to meet country specific legal requirements. Options are:
 - Transaction Date
 - Accounting Date
 - Tax Invoice Date
- Tax Calendar: Allows you to meet country specific reporting requirements, for example, quarterly reporting. The tax calendar helps you to control the transactions so they are not reported more than once. The tax calendar is maintained independently of the accounting calendar.
- Tax Registration Number: The recommended strategy is to drive tax reporting by the tax registration number.
- Tax Reporting Currency: Tax reporting supports reporting in primary ledger currency, secondary ledger currency, and reporting ledger currency to meet your country-specific requirements. This is specifically important for global organizations and countries with high fluctuation in local (ledger) currency.

Note

Use reporting ledgers or secondary ledgers defined in Oracle Fusion General Ledger for handling reporting in currencies other than the primary currency of a ledger.

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- Reporting: Group transaction tax data based on the tax registers. The following tax registers are available for reporting:
 - Tax Register
 - Recoverable Tax Register
 - Norecoverable Tax Register
 - Interim Tax Register

Tax reporting is integrated with Oracle Fusion Tax. The main components of Fusion tax reporting solution are:

- Centralized transaction tax reporting through the Tax Reporting Ledger
- Tax Selection and Final Tax Reporting Processes to meet specific tax reporting requirements
- Common Data Models on which custom and specialized tax reports can be prepared
- VAT Data Models to prepare specialized reports
- Fusion transaction tax reporting process which includes data preparation and presentation

Tax Reporting Ledger

The Tax Reporting Ledger supports complex global tax reporting requirements. The tax details are derived from receivables and payables transactions and stored in an interface table. The tax extract copies the original data without performing complex calculation or derivations.

The Tax Reporting Ledger provides:

Parameter	Description
Level of detail	Levels are: <ul style="list-style-type: none"> • Summary • Transaction header • Transaction line • Distribution
Column grouping	Column groupings are: <ul style="list-style-type: none"> • Extract • Reporting entity • Reporting context • Legal entity • Transaction header level • Billing • Shipping • Banking • Receivables transaction • Taxable amounts • Taxable line fields • Tax amounts • Tax line fields, including tax and tax rate • Payables tax line • Receivables tax line • Transaction line user descriptive flexfield • Accounting • Miscellaneous
Information level	Each of the column groups display the level of detail at which the information is available.
Information source	Each column group displays the source application.

Tax Selection and Final Tax Reporting Processes

The Tax Selection and Final Tax Reporting Processes provide a single solution to meet country specific tax reporting requirements. Tax reporting is based on the tax registration number and driven by the reporting identifier. A tax reporting identifier is a system derived entity identifier. It consists of the parameter values you provide when running the Tax Selection Process, for example, tax

regime, tax reporting context, such as ledger name or legal entity name, and tax registration number.

Generate preliminary versions of tax reports in open tax periods. You can verify and correct tax details before finalizing the reports. Once you generate the final reports, the tax period is closed to prevent updating or double reporting. You report updates as adjustments in subsequent periods.

Common Data Models

Use the common data models which use the Tax Reporting Ledger to create specific reports.

For example, the two extract reports include:

Description	Transaction Content Overview	Key Influencers
Payables Tax by Ledger Extract consists of input tax and accounting information.	<ul style="list-style-type: none"> • Invoices • Prepayments • Mixed invoices • Expense reports • Upgraded journal entries • Only with tax lines associated • Validated and unaccounted or accounted 	<ul style="list-style-type: none"> • Tax regime • Tax • Tax jurisdiction • Tax status • Tax rate • Transaction type • Accounting dates • Transaction dates
Receivables Tax by Ledger Extract consists of output tax and accounting information.	<ul style="list-style-type: none"> • Invoices • Credit memos • Debit memos • Adjustments • Cash applications • Miscellaneous receipts • Only with tax lines associated • Completed and unaccounted or accounted 	<ul style="list-style-type: none"> • Tax regime • Tax • Tax jurisdiction • Tax status • Tax rate • Transaction type • Accounting dates • Transaction dates

VAT Data Models

Use the VAT data models which use the Tax Reporting Ledger to create specific reports.

The Tax Reporting Ledger supports:

- Italian VAT registers
- Spanish VAT journals
- UK Reverse Charge Sales List
- French Deductible VAT Declaration

Fusion Transaction Tax Reporting Process

The reporting process itself consists of two components:

- **Data preparation:** The data preparation component is hidden and used to extract data from relevant tables, for example, Oracle Fusion Payables, Oracle Fusion Receivables, Oracle Fusion General Ledger, Oracle Fusion Subledger Accounting, and Oracle Fusion Tax tables. The extract stores data into temporary tables. Data preparation includes:
 - Tax data extracts that are XML data files that contain data for a specific run of a report.
 - Data models that describe the source and structure of reported data and can be shared by many reports.
- **Data presentation:** Data presentation provides report output files in a desired format. for example, PDF, HTML, RTF, and text. Data presentation includes:
 - Templates that define report layouts. Every report comes with a default template.
 - Templates that give a variety of formatting options and can easily be customized.

Tax Reporting Ledger: Explained

The Tax Reporting Ledger is a single solution for complex global tax reporting requirements on sales and purchases.

The Tax Reporting Ledger program extracts tax details from Oracle Fusion Receivables, Oracle Fusion Payables, and Oracle Fusion Expenses transactions and stores it in an interface table. The Tax Reporting Ledger program copies tax details from Oracle Fusion General Ledger transactions, but just for upgraded transactions. The Tax Reporting Ledger consists of the tax information recorded in each of these and related products. The Tax Reporting Ledger program also extracts the accounting information from each application and stores it in an interface table. Data derived is stored in a raw format, without performing any complex calculations or derivations.

When you submit a job to run a tax report, the report logic calls the Tax Reporting Ledger. The calling report logic, for example, the Tax Register report, performs complex calculations and derivations.

The reporting process contains two components: data preparation and data presentation.

- **Data preparation:** The data preparation component is hidden from users and is used to extract data from the relevant tables.
- **Data presentation:** The data presentation component provides report output files in a desired format, such as PDF, HTML, RTF, and text.

Data Preparation

The Tax Reporting Ledger program extracts tax information from each application and stores the data in an interface table. Tax data extracts are XML data files that contain data for a specific run of a report. The data models describe the source and structure of reported data. They can be shared by many reports.

The Tax Reporting Ledger program extracts tax transaction data from these sources:

- Receivables invoices, credit memos, and debit memos
- Receivables line, tax, and invoice adjustments

- Receivables payment application for deferred tax
- Receivables earned and unearned discounts
- Receivables finance charges
- Receivables miscellaneous receipts and payments
- Payables invoices and credit memos
- Payables prepayments
- Migrated General Ledger manual journal entries

The tax extract copies the original data without performing complex calculation or derivations of taxable or tax amounts. Each record of the extract table includes both taxable and tax amounts and shows this information grouped by the transaction number and tax regime, tax, tax jurisdiction, tax status, tax rate codes of each transaction.

Data Presentation

You can access the data models from the Oracle Business Intelligence Publisher reporting tool. In most jurisdictions, tax authorities require tax reports to include specific information and to present this information at different levels of summarization. This requirement is supported with tax journal reports, tax audit reports, and tax summary reports.

Use the predefined Oracle Business Intelligence Publisher templates, copy the predefined templates and customize them, or create new templates to publish the data in a required format and level of summarization that you need.

The Tax Register report, Financial Tax Register report, and tax registers print accounting and tax information created in Receivables, Payables, and General Ledger. Available tax registers include:

- **Interim Tax Register:** Use this register to report accounting entries to manage your deferred Receivables and cash applications applied against invoices.
- **Tax Register:** Use this register to report accounting entries for invoice lines that reference standard tax rate codes and cash applications against invoice lines with deferred tax rate codes. This report manages tax liability from standard and collected output tax accounts. The Tax Register shows both partial and fully recoverable input taxes. Input tax transactions that are fully not recoverable appear only in the Nonrecoverable Tax Register.
- **Nonrecoverable Tax Register:** Use this register to show your partial and fully nonrecoverable input taxes. This report includes tax accounting for earned discounts, unearned discounts, finance charges, and adjustments as defined by the tax rate code of the referenced invoice.

The following table describes selected process parameters:

Name	Description
Reporting Level	<p>The reporting level gives you the option to run reports on two different levels:</p> <ul style="list-style-type: none"> • Ledger: The report runs for the legal entities and business units within your security profile. • Legal Entity: The report runs for a selected legal entity within your security profile. The report extracts transactions that display this legal entity at the header level.

Reporting Context	The list of values for this parameter depends on the selected reporting level. If the reporting level is Legal Entity , then you can run this report for a tax registration number assigned to the tax registrations of the legal entity.
Accounting Status	<p>The reports include unaccounted transactions, accounted transactions, or both accounted and unaccounted transactions. It is your responsibility to ensure that the transactions reported for the same set of parameter values, but different currency, are accounted to avoid discrepancy in the output files created.</p> <p>For example, you may want to report on the transactions in the primary ledger currency, secondary ledger currency, or reporting currency. Only accounted transactions are reported in secondary ledger and reporting ledger currency.</p>
Currency	<p>The reports can be run in the following currency codes:</p> <ul style="list-style-type: none"> • Transaction currency: If a specific transaction currency is selected, then the reports display items created in that currency only. • Ledger currency: You can select primary or secondary ledger currency. If you run the report for a secondary ledger currency, only transactions that are accounted are displayed. • Reporting currency: If you run the report for a reporting ledger currency, only transactions that are accounted are displayed.
Accounting Date	The reports print all transactions based on the selected accounting date range. The default values for From Accounting Date and To Accounting Date parameters are the start and end dates of the most recent accounting period.
Transaction Date	<p>The reports include the transactions for the date range specified. The transaction dates for each class of transaction are defined as follows:</p> <ul style="list-style-type: none"> • For invoices, credit memos, debit memos, and adjustments, the date of the transaction. • For discounts and receipt applications, the application date of the associated cash receipt. • For miscellaneous cash transactions, the date of the receipt.

Tax Reconciliation and Audit Reports: Explained

Use the tax reconciliation reports and the audit report when you are preparing your tax returns. Tax reconciliation reports reflect the tax determined on transactions and are used to verify taxes applied on transactions. These reports

support period end and close processes of reconciling taxes on transactions with accounted transactions.

Reconciliation reports are template reports that you can use or copy the template and customize the layout to suit your reporting needs.

Tax reconciliation and audits reports include:

- Tax Reconciliation Report
- Tax Reconciliation by Taxable Account Report
- Tax Audit Trail report

Tax Reconciliation Report

Use the Tax Reconciliation Report to prepare the output tax portion of your periodic tax returns.

The Tax Reconciliation Report lists the taxable and tax amounts, by tax account, of all Receivables transactions for a given period to enable you to identify and review your tax liability for various tax rate codes. The report displays all of the transaction details or summary information from the Receivables subledger.

Choose which transaction types to include in the report, for example, include invoices but exclude adjustments. You can also report on transaction transferred to General Ledger (posted), transaction not transferred (unposted), or all transactions.

Tax Reconciliation by Taxable Account Report

Use the Tax Reconciliation by Taxable Account report to report on taxable transactions in Oracle Fusion Payables, Oracle Fusion Receivables, and Oracle Fusion General Ledger upgraded transactions. This report fulfills the legal reporting requirements for tax returns and tax audits for tax accounting.

The Tax Reconciliation by Taxable Account report lets you:

- Prepare a tax return from a single source
- Reconcile period-end taxable account balances

The Tax Reconciliation by Taxable Account report lets you report on all taxable transactions in a single report and use that to prepare your tax returns. The report lists accounted transactions only.

The report prints for each transaction:

- Transaction source: Payables, Receivables, or General Ledger
- Accounting date
- Transaction date
- Transaction number
- Customer or supplier name
- Taxable amount
- Tax amount

The Tax Reconciliation by Taxable Account report lets you reconcile period-end taxable account balances to tax amounts.

The summarization level options for the report are:

- Taxable account: Displays transactions by taxable account and tax rate code. The report prints totals for each tax rate code within an account and for each account.
- Tax rate code: Displays transactions by tax rate code and taxable account. The report prints totals for each account within a tax rate codes and for each tax rate code.

The predefined template provides you with a report that orders transactions by tax rate code and taxable account.

The accounting segment range provides you with the ability to report transactions with taxable lines posted on the account within the segment range. The currency represents the transaction currency for the report.

Tax Audit Trail Report

Use the Tax Audit Trail report to review tax information for posted or partially posted invoices. This report provides detail tax and invoice information and the total amounts for each tax rate code in the entered currency and ledger currency. The report lists, for each tax rate code, distributions of all posted or partially posted invoices. The report includes, for each invoice, both the tax amount and the invoice amount subject to tax.

VAT Reporting: How It Is Processed

Generate EMEA value-added tax (VAT) reports for journal, summary, turnover, and audit information. To generate VAT reports, you must complete the following steps:

1. Select the tax transactions using the Tax Selection Process.
2. Generate country-specific preliminary reports.
3. Generate final reports using the Final Tax Reporting Process.
4. Print country-specific reports in the final mode or reprint if needed.

Settings That Affect VAT Reporting

Run the Tax Selection Process to select tax transactions within a tax period.

The following table describes selected process parameters:

Name	Description
Reporting Level	<p>Enter the reporting level for which you want to select transactions. It can be ledger or legal entity.</p> <hr/> <p>Note</p> <p>If you want to report by the legal entity or ledger level, then you must complete the setup for tax registrations in the context of tax regime for the legal reporting units in your company in the party tax profile.</p>
Ledger	Enter the name of the ledger. If you have selected ledger as the reporting level, then you must enter the ledger name.
Tax Registration Number	Select the appropriate tax registration number. When the reporting level is legal entity, the transactions are filtered based on the tax registration number, tax regime, and legal entity. When the reporting level is ledger, you must choose the tax registration number to determine the tax calendar for your reporting entity and other EMEA VAT setup attributes.

Accounting Status	<p>Enter the accounting status. You can run tax reports, general and country-specific, for unaccounted, accounted, and both unaccounted and accounted transactions. This helps you to run trial reports and make any corrections before submitting the final report to tax authorities.</p> <hr/> <p>Important</p> <p>It is your responsibility to make sure that all transactions are accounted before running the final version of the report and sending it to the tax authority.</p> <hr/> <p>Options include:</p> <ul style="list-style-type: none"> • Accounted: Only accounted transactions are selected. • Unaccounted: Only unaccounted transactions are selected. No accounting information is populated. Transactions must be validated in Payables or complete in Receivables, if you want to select them in the Tax Selection Process. • Both: Accounted and unaccounted transactions are selected. Accounting information is populated for accounted transactions only. <p>If you run tax reports for secondary ledger or reporting ledger currency they do not include unaccounted transactions. There is no representation of unaccounted transactions in the subledger accounting tables.</p>
Entity Identifier	<p>Enter the entity identifier or leave it blank. If you leave it blank, the application derives the entity identifier based on the parameter values you already selected, such as tax registration number and ledger.</p> <p>The Tax Selection Process stamps every selected transaction with the entity identifier, which is later used as a reporting criteria when you run any of the EMEA VAT reports in preliminary, final, or reprint mode.</p>

How VAT Reporting Is Processed

The Tax Selection Process creates a repository of all the transactions eligible for reporting from Oracle Fusion Tax, Oracle Fusion Payables, Oracle Fusion Receivables, and Oracle Fusion General Ledger.

Run country-specific reports, such as Italian or Spanish reports, to see what transactions are selected through the Tax Selection Process. You can run this process as many times provided you have not completed final reporting for the chosen tax period. Each time you run the selection process, the application

replaces data pertaining to the previous run with latest data to accommodate any changes to tax transactions.

Note

The Tax Selection Process considers corrections or backdated transactions only when the previous period is finally reported. Otherwise, it reports only the current period data.

After you have selected the transactions, run country-specific reports in the preliminary mode, such as the Italian Deferred Tax Register or the Spanish Input VAT Journal. VAT reports, which are run for an open tax period (final reporting process not run for this particular period), are considered preliminary reports and are printed with a **Report Type: Preliminary**. You can run preliminary reports more than once. The preliminary tax reports enable you to run a trial version of the reports to verify and correct data before reporting to the tax authorities.

Run the Final Tax Reporting Process to stamp all the tax transactions as final. If you make changes to the transaction before running the final process, you must run the Tax Selection Process and preliminary reports. Repeat this process until the report data is correct and then run the Final Tax Reporting Process. After completing the final process, you can run individual reports in the final and reprint mode. You can run reprints more than once.

The Final Tax Reporting Process stamps transactions as finally reported to avoid double reporting and closes the tax reporting period. Once the tax reporting period is closed, you cannot run the Tax Selection Process.

Run the Final Tax Reporting Process for the periods in the ascending order as they are defined in the tax calendar. For example, the Jan-10 tax period is closed, the Feb-10 tax period is open, the Mar-10 tax period is closed, and the Apr-10 tax period is the latest open tax period. If you enter a transaction for Feb-10 and run the Tax Selection Process for the Apr-10 tax period, the transaction is reported in Apr-10 because this is the latest open period, although Feb-10 is still open.

Important

You cannot change any data in the transaction after running the final process and the application closes the tax period.

Tax Reporting for US Sales Tax: Explained

Use the US Sales Tax Report to review your tax liability to the various tax authorities in the United States. You can reconcile and report on state and local taxes that you record on your Oracle Fusion Receivables transactions using the US Sales Tax Report. The report includes all invoices, credit memos, and adjustments broken down by tax jurisdiction and lists taxable, exempt, and tax amounts.

Note

The US Sales Tax Report supports only accrual basis reporting for your Receivables transactions. It is only used for United States sales tax.

Report Parameters

The following table describes selected process parameters:

Name	Description
Reporting Level	The reporting level gives you the option to run reports on two different levels: <ul style="list-style-type: none">• Ledger: The report runs for the legal entities and business units within your security profile.• Legal Entity: The report runs for a selected legal entity within your security profile. The report extracts transactions that display this legal entity at the header level.
Reporting Context	The list of values for this parameter depends on the selected reporting level. If you select Ledger as the reporting level, you can report on legal entities and business units associated with ledgers defined in the ledger set or data access set within your security profile.
Tax Registration Number	If the reporting level is Legal Entity , then you can run this report for a tax registration number assigned to the tax registrations of the legal entity.
Transaction Date	The report includes the transactions for the date range specified. If you specify a transaction date range but no accounting date range, your report will not balance to the General Ledger if the transaction and accounting dates for a transaction fall in different periods.
Accounting Date	The report prints all transactions based on the selected accounting date range.
State	The report includes the sales tax information for the state you specify.
Exemption Status	The report lists transactions which reference exemptions with that status. You can find all transactions using rejected exemptions by entering Rejected .

Reporting Account Postings in the Interim Tax Register and Tax Register: Example

The following scenario illustrates the difference between the Interim Tax Register and the Tax Register. Interim tax details are only extracted for Oracle Fusion Receivables transactions.

Oracle Fusion Receivables Invoice

The following table shows the Receivables invoice accounting entries in USD currency.

Account	Debit Amount	Credit Amount	Description
Receivable	1140.00		
Revenue		600.00	
Tax		60.00	Tax at 10%
Revenue		400.00	
Tax		80.00	Interim tax at 20%

Partial Payment

This table shows the accounting entries created when you apply a partial payment of 570 USD. In addition to reducing the open receivable, the cash application moves 50% of the deferred tax originally recorded on the invoice to a collected tax account.

Account	Debit Amount	Credit Amount	Description
Cash	570.00		
Tax	40.00		50% of the deferred tax
Receivable		570.00	
Tax		40.00	Tax due to the tax authority

Tax Registers

The output from the Interim Tax Register for the tax at 10% in which the transaction is within the period range entered for the report is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
No data found			

The output from the Interim Tax Register for the tax at 20% in which the transaction is within the period range entered for the report is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test1	Invoice	400.00	80.00
Cr-Test1	Cash Application	-200.00	-40.00

The output from the Tax Register for the tax at 10% in which the transaction is within the period range entered for the report is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test1	Invoice	600.00	60.00

The output from the Tax Register for the tax at 20% in which the transaction is within the period range entered for the report is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Cr-Test1	Cash Application	200.00	40.00

As these examples illustrate, the Interim Tax Register shows only those account postings for deferred tax, including the invoice and cash application. The Tax Register shows all tax transactions with immediate settlement as well as all cash applications to a deferred tax invoice.

Note

Using Receivables you can apply, reverse, and reapply cash. Each time you perform these tasks, the original document sequence name and number of the cash receipt identifies the application.

Reporting Output Taxes for Tax Setup Options on Receivables Activities in the Nonrecoverable Tax Register and Tax Register: Example

The following scenario illustrates the difference between the Tax Register and the Nonrecoverable Tax Register for an adjustment with nonrecoverable tax.

Oracle Fusion Receivables Invoice

The following table shows the Receivables invoice accounting entries in USD currency.

Account	Debit Amount	Credit Amount	Description
Receivable	1140.00		
Revenue		600.00	
Tax		60.00	Tax at 10%
Revenue		400.00	
Tax		80.00	Tax at 20%

Adjustments

An adjustment for -100.00 USD is made against the invoice, reducing the receivable to 1040.00 USD. This adjustment is accounted for using a Receivables activity with the following settings:

Receivables Activity Option	Setting
GL Account Source	Revenue on Invoice
Tax Rate Code Source	Invoice
Recoverable	Yes

This table shows the accounting entries created as a result of this adjustment:

Account	Debit Amount	Credit Amount	Description
Revenue	52.63		Revenue at 10%

Revenue	35.09		Revenue at 20%
Tax	5.26		Tax at 10%
Tax	7.02		Tax at 20%
Receivable		100.00	

A second adjustment is made against the invoice for -200.00 USD. This adjustment is accounted for using a Receivables activity with the following settings:

Receivables Activity Option	Setting
GL Account Source	Revenue on Invoice
Tax Rate Code Source	Invoice
Recoverable	No

This table shows the accounting entries created as a result of this adjustment:

Account	Debit Amount	Credit Amount	Description
Revenue	105.26		Revenue at 10%
Revenue	70.18		Revenue at 20%
Nonrecoverable Tax	10.52		Tax at 10%
Nonrecoverable Tax	14.04		Tax at 20%
Receivable		200.00	

Tax Registers

Using the accounting entries created in this example, the output from the Tax Register with the tax at 10% is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test2	Invoice	600.00	60.00

Using the accounting entries created in this example, the output from the Tax Register with the tax at 20% is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Adj-1	Adjustment	-52.63	-5.26

Using the accounting entries created in this example, the output from the Nonrecoverable Tax Register with the tax at 10% is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Adj-2	Adjustment	-105.26	-10.52

Using the accounting entries created in this example, the output from the Nonrecoverable Tax Register with the tax at 20% is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Adj-2	Adjustment	-70.18	-14.04

Reporting Input Taxes in the Nonrecoverable Tax Register and Recoverable Tax Register: Example

The following scenario illustrates how the Tax Registers appear when two Oracle Fusion Payables invoices have either fully recoverable or partial or nonrecoverable taxes.

Oracle Fusion Payables Invoices

The following table shows the accounting entries in USD currency for the Payables invoice AP-Inv-Test3.

Account	Debit Amount	Credit Amount	Description
Expense	600.00		Net expense amount taxed at 10%
Tax	60.00		Tax at 10% is fully recoverable
Expense	400.00		Net expense amount taxed at 20%
Expense	32.00		40% of 80.00 (400.00 * 20%) is nonrecoverable
Tax	48.00		60% of 80.00 (400.00 * 20%) is recoverable
Liability		1140.00	

The following table shows the accounting entries in USD currency for the Payables invoice AP-Inv-Test4.

Account	Debit Amount	Credit Amount	Description
Expense	600.00		Net expense amount taxed at 10%
Expense	60.00		Tax at 10% is nonrecoverable
Expense	400.00		Net expense amount taxed at 20%
Expense	80.00		Tax at 20% is nonrecoverable
Liability		1140.00	

Tax Registers

Using the accounting entries created in this example, the Input Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test3	Invoice	600.00	60.00	0.00

Using the accounting entries created in this example, the Input Tax Register with the tax at 20% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test3	Invoice	400.00	48.00	32.00

Using the accounting entries created in this example, the Nonrecoverable Input Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test4	Invoice	600.00	0.00	60.00

Using the accounting entries created in this example, the Nonrecoverable Input Tax Register with the tax at 20% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test3	Invoice	400.00	48.00	32.00
AP-Inv-Test4	Invoice	400.00	0.00	80.00

Reporting Prepayments in the Tax Register: Example

The following scenario illustrates the content of the Tax Register when you create prepayments.

Oracle Fusion Payables Prepayment Invoice

The following table shows the accounting entries in USD currency for the establishment of the Payables prepayment invoice. The example invoice number is AP-Inv-Test10.

Account	Debit Amount	Credit Amount	Description
Prepaid Asset or Expense	500.00		Asset or expense is half paid
Tax	50.00		Tax at 10% on asset or expense fully paid
Liability		550.00	Prepaid with tax

The following table shows the accounting entries in USD currency for the payment of the Payables prepayment invoice.

Account	Debit Amount	Credit Amount
Liability	550.00	
Cash		550.00

Tax Register for Prepayment Invoice

Using the accounting entries created in this example, the Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test10	Invoice (prepayment)	500.00	50.00	0.00

Oracle Fusion Payables Invoice

The following table shows an example of the accounting entries in USD currency for a Payables invoice including the previously established prepayment. The example invoice number is AP-Inv-Test20.

Account	Debit Amount	Credit Amount	Description
Asset or Expense	1000.00		Invoice amount
Tax	50.00		Tax at 10% on balance of invoiced amount
Liability		550.00	Liability for balance of invoiced amount
Prepaid Asset or Expense		500.00	Reverse prepaid asset or expense

Tax Register

Using the accounting entries created in this example, the Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test20	Invoice	500.00	50.00	0.00

Reporting Offset Taxes in the Tax Register: Example

The following scenario illustrates how the Tax Register displays offset taxes in Oracle Fusion Payables.

Oracle Fusion Payables Prepayment Invoice

The following table shows the accounting entries in USD currency for the Payables invoice. The example invoice number is AP-Inv-Test30.

Account	Debit Amount	Credit Amount	Description
Expense	1000.00		Net amount 600.00 taxed at 10%
Output Tax	100.00		Output tax at 10%
Liability		1000.00	
Input Tax		100.00	Input tax at 10%

Tax Registers

Using the accounting entries created in this example, the Output Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test30	Invoice	1000.00	100.00	0.00

Using the accounting entries created in this example, the Input Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test30	Invoice	1000.00	-100.00	0.00

Reporting Input Taxes in the Tax Register in Primary and Secondary Ledger Currency: Example

The following scenario illustrates the reporting for primary and secondary ledger currency in the Tax Register. This example could apply to all general tax and global reports as well.

Oracle Fusion Payables Invoice

In this example assume the following setup is in place:

- The primary ledger currency is EUR.
- The secondary ledger currency is USD.
- The corporate currency exchange rate is 1.2.

The following table shows the accounting entries in EUR currency for the Payables invoice AP-Inv-Test5. The invoice is accounted.

Account	Debit Amount	Credit Amount	Description
Expense	100.00		Net expense amount taxed at 20%
Tax	20.00		Tax at 20%, fully recoverable
Liability		120.00	Interim tax at 20%

The following table shows the accounting entries in EUR currency for the Payables invoice AP-Inv-Test6. The invoice is validated, but not accounted.

Account	Debit Amount	Credit Amount	Description
Expense	200.00		Net expense amount taxed at 20%
Tax	40.00		Tax at 20%, fully recoverable
Liability		240.00	Interim tax at 20%

Tax Registers

The Tax Register is run for the primary ledger in EUR currency. The output from the Tax Register for the tax at 20% in which the transaction is within the period range entered for the report is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
AP-Inv-Test5	Invoice	100.00	20.00
AP-Inv-Test6	Invoice	200.00	40.00

The Tax Register is run for the secondary ledger for USD currency. The output from the Tax Register for the tax at 20% in which the transaction is within the period range entered for the report is:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
AP-Inv-Test5	Invoice	120.00	24.00

When you run the Tax Register for the secondary ledger, invoice AP-Inv-Test6 is not reported because it is not accounted and does not have a representation in the subledger accounting tables. These tables are the source for the Tax Register report, when the report is run for the secondary or reporting ledger currency.

FAQs for Manage Intrastat Transactions

Can I edit all the details for an Intrastat transaction?

Yes. All the details for an Intrastat transaction can be edited on Manage Intrastat Transactions page.

What happens if I do not update an attribute for the transactions selected for edit?

Neither is the attribute updated with any value, nor is the current value deleted.

What happens if I validate a transaction?

When a transaction is selected for validation, validation checks are performed on it based on the rules applicable for the Legal Reporting Unit. After the

validation checks are performed, the transaction is set to one of the following three validation statuses:

- Not validated: The transaction has not yet been validated
- Error: The transaction contains exceptions indicated by the number in the **Exceptions** column
- Validated: The transaction is validated

Note

Only validated transactions can be reported in the declaration.

Glossary

accounting event class

Categories that classify transaction types and group event types for accounting rules.

accounting event type

Represents a business operation that may have an accounting impact.

accounting period

The fiscal period used to report financial results, such as a calendar month or fiscal period.

AutoPost criteria sets

A grouping of options and submission frequencies used to select journal entries for automatic posting.

balances cube

A multidimensional database that holds account financial data. The cube allows different views of the balances to be quickly displayed.

balancing segment

A chart of accounts segment used to automatically balance all journal entries for each value of this segment.

chart of accounts

The account structure your organization uses to record transactions and maintain account balances.

clearing company

The intercompany clearing entity used to balance the journal.

conversion rate

Ratio at which the principal unit of one currency can be converted into another currency.

descriptive flexfield

Customizable expansion space, such as fields used to capture additional descriptive information or attributes about an entity, such as customer cases. Information collection and storage may be configured to vary based on conditions or context.

document event class

Categorization of events within an application, such as Payables, Purchasing, or Receivables. For example, Payables event classes include standard invoices, prepayment invoices, and credit memos.

ESS

Acronym for Enterprise Storage Server. An application that optimizes data storage.

Europe, Middle East, and Africa (EMEA)

A regional designation used for government, marketing and business purposes for countries in Europe, the Middle East, and Africa.

financial reporting book

Comprised of reports and other documents such as text, PDF, PowerPoint, Excel and Word files. When run, the report data is dynamically retrieved from the database; the snapshot data remains static.

financial reporting book

A collection of financial reports that are defined for and have access to multiple balances cubes.

journal approval

A process of authorizing a set of accounting transactions before submitting the entries for posting.

journal batch

An element of a journal entry consisting of the name, source, and accounting period. Used to group journals for processing and easier querying.

journal category

A name used to group journal entries with similar characteristics, such as adjustments, accruals, or reclassifications.

journal entry

Point of entry of business transactions into the accounting system. Chronological record, with an explanation of each transaction, the accounts affected, and the amounts to increase or decrease each account.

journal reversal criteria set

A grouping of journal attributes and categories defined to enable automatic reversal of journals.

legal entity

An entity is identified and given rights and responsibilities under commercial law, through the registration with the country's appropriate authority.

opening accounting period

Denotes an accounting period where transactions and journal entries can be entered.

pivot table

Enables users to pivot dimensions and view summarized balances very efficiently, without the need for a conventional search or search results interface.

point of view

User selected dimensions that are not included in the grids at the row, column or page levels for a particular report. Only these dimensions can be overridden at run time, unless user also specifically defined Prompt for the dimensions on the grid.

post

Update account balances by the recorded debit or credit amount in each journal entry to the related accounts in the general ledger.

Post Batch process

Finalizing a group of journal entries.

primary balancing segment value

A segment value used to represent a legal entity in the chart of accounts and automatically balance all intercompany and intracompany transactions and journal entries.

primary ledger

Main record-keeping ledger.

process category

Group of one or more logically related event classes. Can be used to restrict which events are processed by the Create Accounting process.

reverse batch

An action to invert journal lines by either switching the debits and credits or changing the sign on the values of all the lines contained in the journal entries grouped in a batch.

secondary ledger

An optional, additional ledger that is associated with the primary ledger for an accounting setup. Secondary ledgers can represent the primary ledger's data in

another accounting representation that differs in chart of accounts, accounting calendar, currency, subledger accounting method and ledger processing options.

snapshot report

Read-only reports previously run. Data is static as of the specific run time.

source system

An external system from a non-Oracle software provider, or internally created, that generates events which are to be accounted in the Oracle Fusion Accounting Hub.

subledger

A low-level ledger that stores and manages the details that substantiate the monetary value stored in the general ledger. Oracle Fusion Receivables and Oracle Fusion Payables are examples of subledgers.

subledger journal entry

A detailed journal entry generated for a transaction in a subledger application.

subledger journal entry line

An individual debit or credit line that is part of a subledger journal entry.

supporting reference

Stores additional source information about a subledger journal entry either at the header or line level. They can be used to establish a subledger balance for a particular source value or combination of source values for a particular account.

tax

The classification of a charge imposed by a government through a fiscal or tax authority.

tax jurisdiction

A geographic area where a tax is levied by a specific tax authority.

tax rate

The rate specified for a tax status for an effective time period. A tax rate can be expressed as a percentage or a value per unit quantity.

tax regime

The set of tax rules that determines the treatment of one or more taxes administered by a tax authority.

tax status

The taxable nature of a product in the context of a transaction for a tax.

tree

Information or data organized for display into a hierarchy with one or more root nodes connected to branches of nodes. Each node corresponds to data from one or more data sources. A tree must have a structure.

value-added tax (VAT)

An indirect tax on consumer expenditure that is collected on business transactions and imported goods. Value-added tax (VAT) is charged at each production, distribution, and retail stage in the supply of products. If customers are registered for VAT and use the supplies for taxable business purposes, then they will typically receive credit for the VAT that is paid.