

An Oracle White Paper
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Oracle ERP Applications and Oracle Hyperion Financial Management

Choosing the Right Financial Consolidation
Solution for Your Organization

Executive Overview

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

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

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

Also, please see our whitepaper "Financial Consolidation and Reporting Solutions: Adding Value to Enterprise Resource Planning Systems" for a deeper discussion on the value of an independent financial consolidation and reporting application.

<http://www.oracle.com/us/products/middleware/bus-int/064442.pdf>

Choosing the Right Consolidation System

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

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

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

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Currencies	<p>Statement Level Re-measurement (including items at historical rates): ERP based translation functions facilitate the use of historic rates or actual target currency balances when execution a 're-measurement' type translation, normal for manufacturing and exporting companies.</p>	<p>Statement Level Re-measurement (including items at historical rates): Oracle Hyperion Financial Management facilitates the use of historic rates or actual target currency balances when execution a 're-measurement' type translation, normal for manufacturing and exporting companies.</p>
	<p>Activity Level Translation or Re-measurement: EBS Release 12 General Ledger includes functionality to execute a translation or historic-rate 're-measurement' at the activity level, converting each posted journal entry to the target currency.</p>	<p>Activity Level Translation or Re-measurement: Oracle Hyperion Financial Management facilitates the importation of Activity Level Translated balances, and includes it in the extended close and reporting.</p>
	<p>Transaction Level Translation or Re-measurement: In certain circumstances, it is useful to translate and re-measure every transaction entered into by a foreign operation, whether incorporated or not.</p>	<p>Transaction Level Translation or Re-measurement: Oracle Hyperion Financial Management does not support transaction-level re-measurement.</p>
Management Reporting	<p>Secondary Accounting Ledgers: In addition to the three levels (balance, activity, transaction) of reporting currency in EBS, organizations can create Secondary Ledgers in target currencies. Secondary Ledgers are ledgers populated by an alternative set of subledger accounting rules, and accommodate compliance with different accounting conventions. A secondary ledger has its own accounting currency, and also supports the three levels of reporting currencies.</p>	<p>Secondary Accounting Ledgers: Hyperion Financial Management facilitates the importation of secondary Ledger balances, and includes it in the extended close and reporting.</p>
	<p>Standard financial reporting is performed using Financial Statement Generator (FSG) and Oracle Business Intelligence Publisher (for EBS), Peoplesoft nVision reports and JDE Financial Report Writer (FRW) reports. Management Reporting typically requires additional attributes and/or dimensions not stored within traditional ERP/GL systems; therefore, data is often exported to an environment where additional manipulation of the data can be performed. The data becomes 'offline' from the book of record and may need to be refreshed periodically as new entries are made in the ledger.</p>	<p>With Oracle Hyperion Financial Management, customers can perform robust multi-dimensional reporting and analysis in real-time using best-in-class reporting tools. Oracle Hyperion Financial Management includes a multidimensional business intelligence (BI) dashboarding tool, a purpose-built financial reporting tool for construction of financial statements, and a market-leading Microsoft Office add-in that can act as the user interface to Oracle Hyperion Financial Management, providing real-time consolidation and reporting functionality to the system or record in a Microsoft Excel environment. In addition Microsoft Word integration, and support for Microsoft PowerPoint and Outlook is included. Because Oracle Hyperion Financial Management is built to handle additional data elements not in the GL, the reports are never 'offline'.</p>

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Management Reporting	<p>If a management reporting structure is different than legal reporting structure, users need to create different ledger sets/groups with the appropriate reporting structure and generate a consolidation for each respective ledger set/group.</p>	<p>Oracle Hyperion Financial Management can maintain different reporting structures using scenario-based reporting and multiple hierarchies. In addition, completely separate applications can be easily created to test different operating assumptions and evaluate alternatives. With Oracle Hyperion Financial Management, it's easy to model organizational change to answer questions like "What will the net tax impact be of changes in my legal structure?" or "What will trends be in my key performance indicators with and without discontinued operations?"</p>
	<p>Oracle recommends using the Oracle Hyperion Financial Close Suite together with ERP and GRC systems to adopt IFRS or support multi-GAAP reporting. Parts of the process are ideally suited to topside analysis and processing, and others require a transactional approach, depending on the country and status of IFRS adoption.</p>	
IFRS	<p>Top-side reporting during and after comparative reporting period is possible in the ERP/GL, but if the transactions are not within the GL/ERP system itself, special adjustment entities will need to be set up for the manual postings required. Pro-forma and trend reporting with/without IFRS adjustments can be difficult.</p>	<p>Because many of the IFRS impacted accounts are 'headquarters-only' accounts - for example share options, intangibles, tax reserve accounts, pensions, financial instruments, etc., Oracle customers are able to handle a majority of IFRS accounting on a 'top-end' basis. During the transition to IFRS, or adoption of IFRS type rules, in the future, the best practice recommendation for top-end reporting is to run parallel so that IFRS, or modified US GAAP financial statements can be reviewed and approved internally prior to a convergence date. It's a best practice to start building prior year IFRS history so that when the first reporting date finally arrives, organizations are ready to go with all prior periods under IFRS. Oracle Hyperion Financial Management's unlimited dimensions, document attachments, topside journal entries and multidimensional reporting are all helpful features for transitional and post-IFRS reporting.</p>
	<p>Oracle's ERP/GL systems offer multi-GAAP features for transaction-based support. For example, Oracle E-Business Suite Release 12 Subledger Accounting can support multiple recognition and measurement methods for the same transaction.</p> <p>Customers will use ERP/GL systems to track such diverse IFRS to GAAP differences as (no LIFO), componentized assets, asset impairments, revenue recognition differences. Capitalized development may, for example, involve moving cost centers to the balance sheet.</p>	<p>If multi-GAAP subledger accounting is used, the differing results can be loaded to Oracle Hyperion Financial Management unlimited dimensions for pro-forma reporting and trending, with and without IFRS, or modified US-GAAP adjustments. In addition, these trends are combined with the top-end adjustments noted above.</p>

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	ERP/GL systems can provide consolidated balance sheet and profit/loss statements using their respective reporting tools.	Customers often use Oracle Hyperion Financial Management to collect the following types of information: standard financial statements (Balance Sheet, Profit and Loss), intercompany accounts, and detailed analysis for management or regulatory reporting. For example analysis of change of sales and operating profit, volume, price, mix, analysis, currency impacts, cash flow analysis, deferred tax detail, intercompany profit in Inventory, dividend income, pension and other post employment benefits data, intangible assets detail, forecasted income taxes, explanatory commentaries, and specific 10q and 10k disclosure information (Leases, contingencies, etc.)
Extended Financial Close	The ERP/GL does not have a Microsoft Word add-in which could be used for 10K, 10Q and other regulatory filings.	Oracle Hyperion Financial Close Suite has the Oracle Hyperion Smart View for Microsoft Office add-in which supports dynamic calls from Microsoft Word into Oracle Hyperion Financial Management. Customers typically set up a Microsoft Word doc for their 10K and 10Q documents with live calls for the financial statements plus backing detail for notes and disclosures. Once this is set up the first time, it's easy to advance to future periods as quarters roll by to pull in the latest results, notes and disclosures.
	Current US GAAP XBRL specification is not supported. Oracle ERP/GL systems supported prior taxonomies but are not current.	A module of Oracle Hyperion Financial Close Suite is Oracle Hyperion Disclosure Management which enables organizations to effectively manage the creation of XBRL and inline XBRL (iXBRL) documents. Featuring deep integration with Oracle Hyperion Financial Close Suite reporting tools, it is the easiest and most straightforward approach to XBRL for Oracle Hyperion customers.
Performance Management	Traditional transaction-based systems (ERP or GL systems) were not designed to support performance management processes.	Oracle Hyperion Financial Management consolidated results can be easily linked to other Enterprise Performance Management (EPM) products, such as strategic planning and operational budgeting and forecasting applications to track progress against targets, identify problems, and drive execution changes. In addition, the application metadata can be maintained in a single, consistent fashion across all products, common reporting tools can be used across all EPM products, and common installer and common workspace technologies are provided.

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Scenario Modeling	Traditional transaction-based systems (ERP or GL systems) were not designed to perform what-if scenario modeling for decision making.	Oracle Hyperion Financial Management can perform what-if scenario modeling using different hierarchies, rules, ownership percentages, etc. Scenarios also allow for financial restatements while preserving historical results.

Summary

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

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

Also you can contact your Oracle account representative or send an email to info@oracle.com



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Hardware and Software, Engineered to Work Together