

Oracle Transfer Pricing in the Cloud

Bringing Finance & Tax Together

The spotlight on corporate taxation continues to shine brighter. Country by Country Reporting (CbCR) and Operational Transfer Pricing can no longer be an after-thought. Are your transfer pricing processes keeping up with the times? Are they as transparent as they should be? Is too much time spent on low-value activities like gathering data and manipulating spreadsheets? Do you want to move from retrospective adjustments to prospective adjustments? With the ever-increasing scrutiny on corporate taxation, many multinational enterprises (MNEs) are looking to improve the transfer pricing process to ensure it has the proper controls and efficiency necessary for today's global businesses. Oracle Transfer Pricing in the cloud addresses these challenges by bringing tax and financial reporting into alignment.

Oracle Transfer Pricing in the Cloud

The primary difficulty with transfer pricing lies in "the data". The tax function typically spends too much time collecting it, too much time reconciling, and too much time analyzing it. And, at the end of the day, tax strategy can only be defended if it reconciles back to the externally reported financials. Therefore, the only solution that will truly provide transparency and efficiency must be connected to the source financial systems (e.g. the book of record). That is precisely the approach that Oracle takes with its suite of transfer pricing cloud offerings.

The Oracle Transfer Pricing cloud solution integrates to the source financial systems, and provides a single source of the truth for both tax and finance data. The products are purpose-built for each area of need. Furthermore, the solutions are designed to work with existing financial systems. This allows your company to leverage its existing investment in your current financial systems. Two key features make the Oracle Transfer Pricing cloud unique:

- » **Integration with Financial Systems** - The Oracle Transfer Pricing cloud solutions have built-in integration with your financials systems. This ensures an end-to-end audit trail between book and tax numbers, and eliminates inefficient manual data processing. Furthermore, it provides better alignment between local and group-level data.
- » **Common Reporting tools across both Finance & Tax** - The Oracle Transfer Pricing cloud solutions all leverage the same reporting tools so that users only need one reporting tool to analyze data.

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KEY BUSINESS BENEFITS

- Data transparency in transfer pricing processes allows for easier defense of tax strategies with aggressive regulators and auditors
- Automation of transfer pricing processes can significantly reduce the effort associated with compliance
- Flatten the tax adjustment process by moving from retrospective to prospective transfer pricing adjustments
- Increased automation allows for greater insight into potential tax strategies.
- The Oracle Transfer Pricing solutions leverage your organization's existing investment in Oracle / Hyperion products

Each Oracle Transfer Pricing cloud offering is purpose built for the various challenges that MNEs face. Each module can be deployed on a stand-alone basis, or the whole suite can be deployed together for maximum transparency and governance.

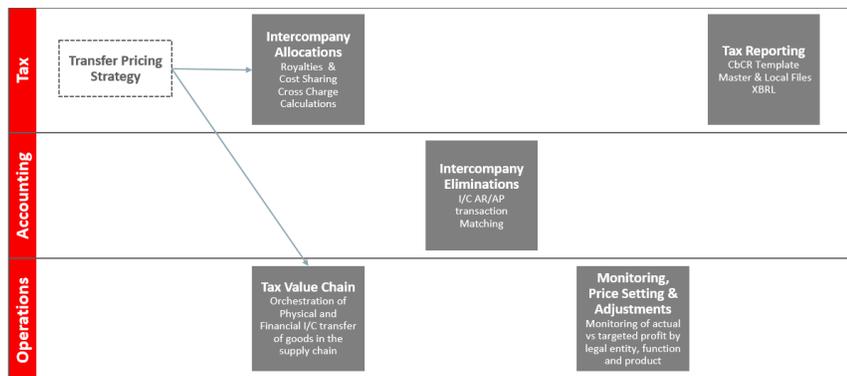


Figure 1. The Oracle Transfer Pricing solution addresses the challenges faced across the entire enterprise – including tax, accounting, and operations.

Country by Country Reporting (CbCR)

The Oracle Transfer Pricing suite provides a comprehensive solution for the three-tiered approach of the OECD BEPS Project, Action 13. Connection to the source financial data ensures the clearest possible audit trail between the tax and finance data, and significantly reduces manual effort compared to point solutions.

The Country-by-Country Reporting solution provides end-to-end capabilities:

- » **Integration** – The solution is purpose-built for tax, but leverages the same technology and data used by Finance. This ensures the greatest possible transparency.
- » **Governance** – Deploy a common template to users around the world. The data in the CbCR template and the narrative in the master & local file templates can be easily rolled over from year to year to make a repeatable controlled process.
- » **Collection** – Easy to use data entry screens are connected to workflow and data status. This provides corporate tax with a single dashboard that gives insight into the real-time status of all submissions around the world.
- » **Analysis** – Advanced analytics come out of the box. The prebuilt dashboard includes best practice KPIs that include audit flags such as 'revenue per employee', 'equity per employee', etc. This gives you greater insight into global tax risk. Furthermore, the analysis tools are integrated with your finance systems. So, you can simultaneously analyze finance and tax data in the same tool.
- » **Disclosure** – Produce and deliver the CbCR report with confidence. The CbCR template, master file, and locals file go through final reviews – with all historical changes tracked in the system. When complete, the final version is available at the touch of a button.

The out-of-box Country-by-Country Reporting solution meets the OECD BEPS Action 13 requirements (including tables 1,2, &3) and maintains transparency with data in financial systems.

KEY FEATURES

- **Best practices**, such as prebuilt dashboard analytics in the Country-by-Country Reporting solution, provide significant value out-of-the box and reduce implementation time
- A **flexible configuration** platform allows customers to further configure out of box features. This allows you to address any unique data challenges.
- **Data Management** capabilities enable automated data collection and mapping –improving controls and significantly reducing manual data effort
- A powerful Excel add-in, **Smart View**, for ad hoc analysis and Excel-based interactions with your transfer pricing results
- Since all of the solutions are **built on the cloud** there are no capital infrastructure investments required, and less reliance on IT.

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Intercompany Allocations

Intercompany allocations in support of service charges and royalties require a deeper inspection of profit recognition specifically focused on the tax element of profit. The methods and processes necessary to arrive at tax profitability by legal entity are, in fact, often similar to those used to arrive at fully loaded profitability for other financial elements – such product line, customer, sales channel, etc. The Oracle Transfer Pricing cloud solution addresses the data challenges arising from intercompany allocations and includes a best practice allocation framework.

The solution includes data management capabilities that integrate directly to source financial systems like financial consolidation systems, planning and forecasting systems, the general ledger, and other operational systems necessary to support intercompany allocations. The allocation logic can be easily changed as the organization evolves – all while maintaining the data integrity of the process. The solution also has robust what-if and variance analysis features that allow you to explore alternative allocation methods in minutes. Furthermore, an invoice can be generated and integrated into the journal entry workflow of the broader financial reporting process.

Monitoring, Price Setting & Adjustment

Globalization and a constantly changing business environment are creating an increasing need to have a more effective process for monitoring intercompany profit levels for product-oriented companies. Intercompany price setting strategies must satisfy local jurisdiction regulations. However, most ERP and financial systems are not designed to provide the real-time analysis required to ensure compliance within acceptable ranges of product profitability.

The Oracle Transfer Pricing cloud solution provides comprehensive capabilities for both the monitoring as well as the resulting required adjustments – allowing you to move from retrospective adjustments to prospective adjustments. The solution monitors transfer pricing policy compliance, and flags problem areas that require further analysis. Policy compliance can be monitor across entities, countries, product lines, and even at the product SKU level of detail. On a periodic basis, the corrective actions can be taken directly in the system to ensure compliance for outlier products or entities. The prospective adjustments can be made across a flexible range of criteria such as sales price, demand, other selling costs, stock level, etc. These capabilities can be easily configured to meet unique company-specific or industry-specific requirements.

Intercompany Accounting

Multinationals are increasingly facing complex intercompany transaction accounting, reconciliation, and settlement challenges. The Intercompany Accounting capability within the Oracle Transfer Pricing cloud solution addresses this problem, and eliminates one of the biggest bottlenecks to a fast, accurate financial close. Built on the Oracle Cloud platform, the solution is designed to work with both Oracle ERP systems as well as ERP systems from third party vendors like SAP.

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The intercompany matching process begins with the source transactions, followed by the execution of the auto match process, confirmation of suggested matches, and creation of manual matches. Periodically, according to business needs, accounts are “balanced” through generation of reconciliation reports, providing the evidence needed to satisfy reconciliation compliance. Match rules are defined by Administrators for each Reconciliation Type and can take advantage of calculated attributes optimized for performance. These attributes are created using functions designed to normalize or enrich the original data and provide significant value through higher auto match rates.

The Tax Value Chain

The Oracle Transfer Pricing cloud solution includes an application that manages all the financial relationships resulting from trade between internal parties. The solution automates the financial flow execution for internal trade between parties independently from the physical movement of goods and fulfillment of services with Oracle Supply Chain Financial Orchestration. The framework provides modeling of flexible financial flows that define the parties involved, the nature of trade relationships and business rules for documentation and accounting. Model and automate multiple ownership changes for a single movement of goods so that you can account for supply chain functions that are centralized without sacrificing supply chain speed. In addition, the framework supports the ability to define and configure transfer pricing rules with markups and markdowns. There is a dedicated work area for the supply chain controller to monitor execution and manage exceptions.

Integration with Key Financial and Operational Systems

The Oracle Transfer Pricing suite of capability is designed to integrate with your key business processes. Whether it is your ERP, your consolidation system, the corporate planning and forecasting tool, or operational systems, the Oracle Transfer Pricing suite leverages your existing investments and complements your IT strategy. Built on the Oracle Cloud, there is seamless data and process integration with other Oracle ERPs such as the ERP Cloud, eBusiness Suite, Peoplesoft, and JDE. Likewise, the solutions are designed to work with the Oracle’s EPM Cloud and on-premises Hyperion products.

In Summary

Today, most companies lack automation in their operational transfer pricing processes – relying on spreadsheet-based solutions that require significant manual processing and often lack the proper controls and transparency. However, it doesn’t need to be this way. The Oracle Transfer Pricing solution in the cloud offers capability to meet the needs of the various business process across tax, accounting and operations.

Leading multinational companies are investing in Oracle’s cloud-based Transfer Pricing solutions to ensure transparency and efficiency of tax strategy. Oracle’s cloud technology makes it easy to automate transfer pricing while still leveraging your investment in current financial systems.

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