Oracle Financials Cloud: Shared Service Centers (SSC)

Oracle White Paper
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Introduction

The term shared service center is commonly found in enterprise resource planning (ERP) related literature; however, in the real world, shared service centers differ greatly depending on the objectives, scope and complexity of the service center and the enterprise itself. This document describes different types of real-world shared service centers, factors that implementers should take into account when implementing shared service centers and recommendations for how to configure Oracle Enterprise Resource Planning (ERP) Cloud to address requirements for the different types of shared service center.

The objective is for Oracle ERP Cloud to naturally reflect real-world enterprise structures and business processes while complying with corporate and local policies alongside formal regulations.

This document is intended to offer high level guidance about how different enterprise structures and transaction processing features can be brought together to meet common shared service center scenarios. In all cases, it will be necessary to also refer to the Oracle ERP Cloud documentation and help text.

Note: this version of the document does not cover special considerations for Projects; Budgetary Control; Supply Chain Management (SCM) including Financial Orchestration; or Human Capital Management (HCM). These functional areas will be covered in an upcoming version.

Definitions

Shared Service Center
A shared service center centralizes the management and provisioning of administrative or financial business functions to other legal or management entities under common ownership.

The objective of shared service centers is to standardize business processes; improve the quality of management and financial reporting; and reduce costs to the enterprise as a whole. Shared service centers may consolidate business processes (for example, a common period close procedure); consolidate reference data (for example, a common chart of accounts); and / or consolidate transaction processing (for example, a single supplier payment batch that includes invoices sent to multiple internal legal or management entities).

Ledger
Ledger is an Oracle ERP Cloud enterprise structure that configures, manages and secures journals and financial balances of the main bookkeeping entity.

Legal Entity
A legal entity is a real-world entity that has property rights and obligations that can be enforced through courts of law. The legal entity is responsible for paying and collecting transaction based taxes; submitting detailed transaction and accounting reports to the authorities; and complying with local regulations applicable to financial processing and reporting. In the context of Cloud ERP, it means that all contracts, subledger transactions (i.e. invoices, payments, etc.), employees, activity that has financial impact (i.e. in general ledger) must be attributable to the ‘owning’ legal entity.

In this document, the first party legal entity refers to the deploying entity’s legal entities; the third party legal entity refers to supplier and / or customer legal entities.

Management Entity
The management entity reflects how the enterprise organizes itself to best meet market and operational goals at the highest level. There are many synonyms for the management entity including division, organization and business unit.

Business Units and Business Functions
A business unit is an Oracle ERP Cloud enterprise structure that administers and secures subledger transactions such as invoices, payments and cash receipts. Business units may be responsible for performing one or more business functions such as Requisitioning,
Payables Invoicing, Payables Payments and Billing and Revenue Management. In Procurement, there are separate business functions to administer suppliers and procurement transactions.

Service Provider Relationship
The service provider relationship is an Oracle ERP Cloud configuration that defines the relationship between business units in terms of the business functions they perform. The most straightforward example of the service provider relationship in Oracle ERP Cloud is a business unit providing the Payables Payments business function (i.e., service) to one or more business units with the Payables Invoicing business function.
Shared Service Center Enterprise Structures

Introduction
The term shared service center should be understood within the context of the real-world enterprise structure of the deploying entity.

Simple Multinational
A simple multinational entity is an enterprise with subsidiaries in many countries but with a single legal and management entity in most of them with, typically, local distribution, service and support functions. Examples include Hewlett Packard and CostCo. Shared service centers are often located in low cost countries and offer financial processing services to multiple countries.

Complex Multinational
A complex multinational is an enterprise with subsidiaries in many countries with multiple local management entities and legal entities usually arising from mergers and acquisitions. An example is General Electric which has multiple divisions and legal entities operating in many countries. These shared service centers may cater to one or more management entities and / or multiple legal entities within a country or region.

Project Segregation
Project segregation typically occurs in a domestic entity that, for management or compliance reasons, maintains strict partitions between operational project management but centralizes financial management. Example: construction and some government contractors. The shared service center is usually the domestic head office.

Risk Limitation
With the objective of limiting liability arising from legal action, some enterprises separate their operations into multiple legal entities with administrative functions centralized in a single management entity. Example: KPMG, Hospitales San Juan de Dios. The shared service center is usually the domestic head office but some business processes may be centralized across borders.

Centralized Bank Account
The centralized bank account enterprise structure often arises in domestic enterprises that have physically distributed operations (factories, warehouses, etc.) at least some of which are separate legal entities. The operational entities are autonomous in terms of all business functions except those related to the management of bank account related transactions (i.e., payments, cash receipts, treasury, etc.) that are centralized in the head office. This is a common enterprise structure in Southern Europe.

Hosting
Multiple similar public sector entities share a common IT infrastructure (i.e. Cloud SAAS) but, in other respects, are independent.
Implementation Considerations

Enterprise Structures: Less is More

The Oracle Cloud ERP enterprise structures (i.e. charts of accounts, ledgers, business units, etc.) that reflect real-world management entities, countries, regulatory authorities, legal entities, etc. can rapidly become complex and a challenge to configure and maintain in the context of shared service centers.

A general recommendation is to favor fewer, simpler enterprise structures whenever possible. Of course, there will be exceptions. For example, if the enterprise operates in two separate markets with different management entities, business processes and performance measures then separate charts of accounts and ledgers may be appropriate. Implementers should bear in mind the cost in terms of increased configuration, testing and future maintenance effort.

Charts of Accounts, Ledger Scope and the Essbase Cube

Charts of Accounts

There are significant advantages to agreeing on a single corporate chart of accounts definition:

- Account balances for ledgers that share the same chart of accounts and accounting calendar are stored in the same Essbase cube thus facilitating cross legal and management entity reporting.
- Ledgers that share the same chart of accounts and calendar can be grouped into a single data access set which facilitates recording journals and inquiring on balances across multiple entities.
- Within a chart of accounts and segment, values are unique and have a standardized meaning thereby eliminating potential confusion for shared service center users that record and review transactions across multiple entities. There is no ambiguity about what, for example, cost center ‘101000’ represents.
- Accounting flexfield segment hierarchies and values displayed on end user orientated reports and analytics are commonly understood.
- Multiple charts of accounts inevitably involve some duplication across value sets increasing maintenance and risk of discrepancies. For example, cost centers that represent centralized corporate functions (such as shared service centers) are often standardized and duplicated across charts of accounts.

If multiple charts of accounts are unavoidable, then the number of segments that differ between corporate charts of accounts (structure instances) should be kept to a minimum.

Although charts of accounts definitions vary by industry, country or region, company culture and implementor preferences, there are some common considerations:

- The management entity that ‘owns’ the segment and is responsible for defining the segment values and the process for approving changes should be identified early on in the chart of accounts design process. Some companies apply a concept of governed and non-governed segments: the former are centrally owned and tightly controlled; the latter, for example, a local natural account, are owned by the subsidiaries.
- Requirements for a thin financial chart of accounts (i.e. with few segments) should be contrasted with requirements to reconcile management reporting with financial reporting at a summary level. It is likely that key management reporting dimensions should be represented in the financial chart of accounts at a summary level. For example, for a manufacturing company, product category may be relevant.
- Segments that represent dimensions that are active only for a short period of time such as contract, instrument or projects at the most granular level are discouraged. Once a segment value has been added, it remains in the chart of accounts forever: increasing the number segment values, code combinations and General Ledger balances even when inactive.
Ledgers
A ledger’s scope is defined by the “5 Cs”: Chart of accounts, accounting Currency, accounting Calendar, accounting method and Country.

It is not recommended that primary ledgers span countries (even within the Eurozone) because local regulations vary between countries and could result in conflicting setups.

In general, the best practice recommendation is to define the minimum number of primary ledgers: ideally, there should be no more than one primary ledger per country. Of course, if there are genuine business requirements to fully partition management entities within a country, then multiple ledgers per country is possible; however, implementers should bear in mind the increased maintenance burden.

Multiple Accounting Representations and "Corporate First vs. Local First"
An accounting configuration consists of a single primary ledger and optionally, one or more secondary and / or reporting currency ledgers.

In many countries / industries most accounting regulation is focused on summary declarations to stock market authorities and hence, there is little conflict between corporate and local accounting reporting. However, in Southern and Eastern Europe (and many Latin American countries), corporate income tax assessments are based on accounting declarations; accounting regulation is highly detailed and sometimes dictates local reporting using a specific chart of accounts. To address conflicts between local and corporate accounting requirements, an alternative and parallel accounting representation with a different accounting method and, if necessary, a different chart of accounts can be configured to feed a secondary ledger.

Secondary ledgers can be configured with different charts of accounts, accounting calendars and ledger currencies from the primary ledger. Chart of account mappings, calendar mappings and currency conversion rules are used to automatically convert primary ledger accounting into the secondary ledger at the desired level of detail: General Ledger balance, General Ledger journal or Subledger Accounting.

Implementers must choose whether the corporate or local accounting representations should be hosted in the primary ledgers. The debate is often referred to as “corporate first vs. local first”.

Arguments in favor of corporate first include:

- The same chart of accounts is always entered and displayed on subledger transactions. This could be an important factor for multinational shared service centers where a single user is responsible for working with multiple countries.

- A common chart of accounts facilitates supranational subledger transaction reporting. This could be a factor for companies where multiple countries are administered as a single management entity.

- Many corporate oversight laws designed to protect shareholders require that company officers are responsible for compliance with relevant laws and regulations across the entire enterprise. Execution of processes in non-standard manners renders that impossible. Corporate first ensures that compliance with corporate policy is executed first; local compliance is then subsequently executed by local staff.

However, there are several other factors to be considered:

- Localizations: in some countries with strict and / or detailed reporting regulations, there could be a dependency between the chart of accounts of the primary ledger and a local statutory report. For example, the report displays an account combination stored on supplier invoices instead of Subledger Accounting journal lines for the (secondary) ledger. It is recommended to confirm whether any local limitations exist in the countries where the deploying entity operates before imposing a global enterprise structure.
• Chart of accounts mapping: if there is a one-to-many relationship between one or more corporate natural account values and the corresponding local natural account values, implementers may need to add additional values to the corporate natural account value set\(^1\).

Note that secondary ledgers need not necessarily be a complete accounting representation. If there are few differences between corporate and statutory reporting requirements and specifically, if the ledgers share the same chart of accounts and calendar, the secondary ledger can be configured to store only statutory adjustments. In effect, this converts the full corporate accounting representation stored in the primary ledger into a statutory accounting representation. In such a configuration, statutory financial statements would be based on a ledger set that contains both the primary and secondary ledgers, which combines them to generate a full statutory reporting accounting representation.

Local Currency and Corporate Currency

Usually, subsidiaries conduct their local commercial operations in the local currency i.e., the functional currency of the subsidiary is the local currency. Under generally accepted accounting standards, subsidiaries should first account in the local currency and then convert the results into the corporate currency. The profit or loss calculated in the local currency will be converted into the corporate currency rather than the profit or loss being recalculated from scratch in corporate currency. Only when a company’s day to day business (i.e., its functional currency) is conducted in a non-local currency would this not be the case.

Therefore, even with a corporate first accounting method configuration, each country would normally be implemented with local currency primary ledgers.

Non-Local Functional Currency

A natural configuration for a company whose functional currency is different from the local currency is to use the functional currency as the primary ledger accounting currency and define a subledger level reporting currency to record local currency amounts. With this configuration, there should be no issues with General Ledger journal or balance reporting (of the local currency). However, there are a couple of special considerations related to subledger transaction based regulatory reporting:

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\(^1\) COA mappings from segment values in two segments (for example, Natural Account and Sub Account) in the source COA to a segment value in a single segment (for example, Natural Account) in the target COA is on the roadmap for a future release.
- The tax regime tax currency should be configured to be the local currency. VAT reports and declarations should be run against the local reporting currency ledger.

- Some countries request non-tax related regulatory reporting of subledger transactions (for example, transaction turnover reports). Implementers should verify that all such localizations are compatible with a local currency reporting currency ledger.

- Detailed customer and supplier invoice aging reports are not available in reporting ledger currencies because there is no accounting at the invoice payment schedule level of detail in either Payables or Receivables.

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**Figure 2** - Sample ledgers for a company whose functional currency is USD in all countries. Local reporting (in local currency) is based on the secondary / reporting currency ledgers to the right.

Since a local functional currency configuration is more common, other examples in this document will assume that the primary ledger has been configured with the local currency.

**Asset Books and Secondary Ledgers**

Local and corporate accounting regulations often vary with respect to how assets are valued and depreciated. Oracle ERP Cloud allows asset books to be directly linked to the corresponding primary or secondary ledger.

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**Figure 3** - Corporate and tax books in a corporate first configuration
To prevent 'double counting' the primary to secondary ledger mapping should be configured to prevent Assets journals from being automatically copied from the primary ledger to the secondary ledger.

For a company whose functional currency is different from the local currency, a reporting currency ledger in the local currency is also necessary.

**Business Units**

Business units are transaction partitions whose role is defined by the business functions assigned to them. In Oracle ERP Cloud and Oracle Supply Chain Management (SCM), the following business functions are supported:

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<td>Financials</td>
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<td>SCM</td>
<td>Order Fulfillment Orchestration</td>
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<td>SCM</td>
<td>Materials Management</td>
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<td>SCM</td>
<td>Receiving</td>
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<td>SCM</td>
<td>Profit Center</td>
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All subledger transactions (i.e., requisitions, purchase orders, invoices, payments, etc.) are partitioned by business unit, which means that a transaction will never be assigned to more than one business unit with the same business function. For example, a Receivables invoice will be assigned to a single business unit with the Billing and Revenue Management business function.

In general, setups that control the behavior of subledger transaction related features are defined at the business unit level, although it is often possible to share setups between business units to avoid discrepancies and minimize maintenance effort. Features defined at the business unit level may, effectively, partition related reporting and analytics. For example, supplier invoice aging options are defined at the business unit level resulting in related reports that are also partitioned by business unit.

Most Oracle ERP Cloud subledgers secure subledger transactions by business unit. A user can be granted access to the transactions of one or more business units.

A business unit can be assigned all business functions or a subset of them. Not assigning a business function to a business unit implies that either the business function is implemented outside Oracle ERP Cloud (for example, in an industry specific billing application) or the business function is performed by another business unit in a service provider relationship (see below).

**Business Units, Ledgers and Legal Entities in Financials Cloud**

Financials business units are always within the scope of a single primary ledger. The primary ledger determines the chart of accounts, calendar and accounting currency displayed on subledger transaction user interfaces and most reports.

Broadly speaking, Financials Cloud imposes few limitations when considering the relationship between Financials business units and legal entities2. For example, a business unit with the Payables Invoicing business function could host transactions for multiple legal entities and although less common, the legal entity could be divided into several business units with the Payables Invoicing business

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2 If the Receivables Billing and Revenue Management business unit spans multiple legal entities the following should be borne in mind:
- Refunds: Subledger Accounting rules should be used to override the default primary balancing segment of the clearing account. Legal entity is available as a Subledger Accounting source.
- Late Charges: generation of separate late charge invoices by legal entity within a Billing and Revenue Management business unit is targeted an upcoming quarterly update.
- Statements: a separate bill-to customer site should be defined for each legal entity in a Billing and Revenue Management business unit.
- Dunning Letters: in an upcoming quarterly update, legal entity will be added to the dunning letter BI Publisher data model that can be used to group, separate, etc. the dunned transactions using the BI Publisher template.
function. The only formal relationship between the two is the business unit default legal entity that is used by Financials subledgers to default the legal entity onto subledger transactions.

![UK Ledger](image)

Figure 3 - Ledgers, Business Units and Legal Entities in Financials Cloud (assuming no cross business unit processing)

**Business Units, Ledgers and Legal Entities in Procurement**

A business unit with the Procurement business function is responsible for supplier negotiations, supplier site maintenance and purchase order processing. A Procurement business unit could, for example, represent a global shared service center that administers purchase agreements with strategic suppliers. Procurement business units (that are not assigned other business functions) need not be assigned a ledger or default legal entity.

A business unit with the Requisitioning business function is responsible for processing requisitions raised by users assigned to decentralized management entities. In other words, it is assumed that the Requisitioning business function would not be performed by a shared service center. Like business units with financial business functions, Requisitioning business units are assigned a ledger and default legal entity. Similarly, the relationship between Requisitioning business units and legal entities is flexible (although legal entity defaulting / derivation is more complex – see below).

In almost all companies with a global procurement function, many purchases are also managed locally. A Requisitioning business unit that is assigned to a procurement shared service center via the service provider relationship (see below), can also be assigned a Procurement business function to manage decentralized (i.e., local) procurement.

Suppliers are not partitioned by business unit, ledger or legal entity irrespective of the enterprise structure of the deploying entity; however, supplier sites are assigned to business units (see below).

**Cross Business Unit Processing in Procurement**

Requisitioning business units are assigned to a global Procurement business unit through the service provider relationship. Supplier sites are assigned to one or more Procurement business units.

Supplier sites are also assigned to one or more Requisitioning business units (labeled "Client BU" in the supplier site assignment page) and Payables Invoicing business units (labeled "Bill to BU" in the same page). These assignments can be automatically generated based on the service provider relationships (and whether the requisitioning BU has been assigned a Payables business function). The user can eliminate Client BUs and select alternative Bill to BUs (assigned to the same ledger).
Requisitions and purchase orders are within the scope of a single requisitioning business unit and a single procurement business unit.

Note: it is possible for a procurement SSC (BU 1 in the above diagram) to manage blanket purchase agreements (BPA) and contract purchase agreements (CPA) and for local buyers to manage the downstream purchase orders in the decentralized requisitioning business units (BU 2 and BU 3 in the above diagram). This is controlled by the Order Locally checkbox found on the BPA / CPA release business unit assignment record.

Cross Business Unit Processing In Financials Cloud

In Financials Cloud, cross business unit relationships are always within the scope of a single ledger meaning that both business units must be assigned to the same ledger. Financials Cloud supports two cross business unit scenarios: cross business unit supplier payments and cross business unit customer payments.

Supplier Payments

A business unit with the Payables Payment business function can provide the invoice payment service to business units with the Payables Invoicing business function that resides in the same ledger. Cross ledger payments (implying cross country payments since best practice is to define a single ledger per country) would normally be handled by a treasury application.
Invoices from the business units with the Payables Invoicing business function can be selected for processing by a single payment batch created in the business unit with a Payables Payments business function defined in the service provider relationship. Payments in the batch are drawn from the bank account assigned to the Payables Payment business unit. Cross business unit payments facilitates but does not enforce the consolidation of payments across business units and legal entities. I.e., payments issued from BU 1 in the above diagram could be grouped by Payables Invoicing BUs and legal entities if desired.

Customer Payments
Cross business unit cash receipt applications can arise in two ways:

1) The customer inadvertently transfers funds into a bank account used by a different business unit from the one that issued the invoice. This is not a shared service center scenario. A user who has been assigned the appropriate function and data privileges can apply a cash receipt registered in one business unit to a customer invoice that resides in another.

2) The deploying enterprise establishes a shared service center to process customer cash receipts (and often, supplier payments) and requests that customers transfer funds into its bank account. Shared service center users who have been assigned the appropriate function and data privileges can apply a cash receipt registered in the shared service center business unit to customer invoices that reside in other business units.

Both scenarios are supported by Receivables.

Employee Assignments
The business unit stored on the employee assignment is used in the following ways:

HCM
- The employee assignment business unit is a (shared) reference data determinant for jobs, positions, grades and locations.

Expenses. When entering expense reports through a self service user interface:
- The ledger and chart of accounts is derived from employee assignment business unit
- The expenses template is derived from the employee assignment business unit
- Note: the expense report legal entity is derived from the employee assignment which is, in turn, determined by the legal employer. The employee assignment business unit default legal entity is not used.

Projects (Time & Labor). When entering time and labor through a self service user interface:
- The ledger and chart of accounts is derived from employee assignment business unit
- Note: the time and labor legal entity is derived from primary balancing segment value of the project charge account. The business unit default legal entity is not used.

Requisitioning:
- Self services users are automatically granted ability to create requisitions in the employee assignment business unit.
- Managers are automatically granted ability to report on the data in the employee assignment business unit
- In both cases, the default security assignments can easily be modified.

Broadly speaking, the use of the employee assignment business unit by Expenses, Projects and Self Service Requisitioning are consistent with each other.

However, care must be taken when implementing both ERP and HCM Cloud on a single Global POD. There are two cases to be aware of:
1. When HCM implementors wish to use the employee assignment business unit to represent global management entities that span multiple countries. For example, global or regional management entities for maintenance, support, finance, IT, etc. If the employee assignment business unit spans countries, the ledger used by Expenses and / or Time & Labor must also span countries which contravenes best practice recommendation for ledger configuration. See Ledgers.

2. When HCM implementors wish to use the employee assignment business unit to represent many detailed local departments or in country locations while finance related functions are managed centrally at the legal entity or country level (in effect, a many to one relationship). The consequences are:
   - The Expense Management business function must be assigned to the (many) employee assignment business units and using the service provider model, assigned to the (single) Payables Payments business unit. A separate employee expenses template must be assigned to each of the employee assignment business units.
   - The Project Accounting business function must be assigned to the employee assignment business units. Intercompany setups must be duplicated for each employee assignment business unit.
   - For most employees and managers, access to the Requisitioning business unit must be explicitly granted.

In summary, the best practice recommendation is that employee assignment business units should be aligned with the finance function within each country. A stronger recommendation is for when HCM is implemented before ERP (and hence, requirements for ERP business units are not known), employee assignment business units must never span countries.

Legal Entities

In Oracle ERP Cloud, global enterprises with supranational shared service centers can define a consistent global enterprise structure that meets both management and compliance objectives.

Legal Entities and Transaction Consolidation

The service provider relationship is a mechanism to consolidate business unit setups and facilitates, but does not enforce the consolidation of journals and subledger transactions. A single business unit can “host” several 1st party legal entities; however, depending on business policies and regulatory constraints, journals and subledger transactions may continue to be partitioned by legal entity or other management dimensions.

From a functional perspective, subledger transactions and accounting can be consolidated across legal entities to the extent permitted by local regulation.

Subledger transactions (for example, supplier or customer invoices, journals or payments) are always owned by a single 1st party legal entity. However, in the United States and similar regulatory regimes, a single transaction can directly distribute accounting across multiple legal entities.

In contrast, most fiscal authorities outside the US demand detailed transaction level reporting & audit and therefore supplier and customer invoices must be specific to a single 1st party legal entity. Even though purely financial transactions such as payments may impact invoices “owned” by multiple legal entities (themselves under common ownership), the downstream journal entries must also be segregated by legal entity.

Legal Entities and Balancing Segments

In ledger processing and reporting (i.e., journals and most importantly, balances), the primary balancing segment value represents the legal entity. Ideally, there should be a direct relationship between the real-world legal entity and the primary balancing segment value. Oracle ERP Cloud supports up to three balancing segments so there are few arguments for overloading the primary balancing segment with management dimensions such as business unit, division, etc.
It is best practice to assign primary balancing segment values to legal entities and ledgers. The assignment is used by intercompany, journals, document sequencing, tax, and many country specific features to default or derive the legal entity. If primary balancing segment values are assigned to a legal entity in any one ledger, then primary balancing segment values must be assigned to all legal entities. Primary balancing segment values that are used for supra-legal entity processing such as consolidation or eliminations should be assigned directly to ledgers.

In the United States and similar regulatory regimes, a single supplier invoice can generate accounting which impacts multiple first party legal entities. This creates accounting for intercompany within the invoice itself. The Payables Automatic Offsets feature automatically copies the primary balancing segment value from invoice distributions to the supplier liability account which ensures that the supplier liability is attributed to the correct legal entity. The Pooled Bank Account feature optionally propagates the supplier liability balancing segment values to payment accounting.

If the Automatic Offsets feature is not enabled, Subledger Accounting will detect that the supplier invoice accounting is unbalanced (by balancing segment values) and will automatically apply the ‘due to / due from’ intercompany balancing rules to invoices’ subledger journal lines to ensure that they are correctly balanced.

Many General Ledger processes retain the balancing segment values of account balances. For example, the ledger level period close process retains the balancing segment values of profit and loss account balances when transferring them to the appropriate retained earnings account.

### Legal Entity Derivation / Defaulting

**General Ledger journals**: if the implementer has assigned balancing segment values (BSVs) to their corresponding legal entities, General Ledger journals derive their legal entity from journal line BSVs. When gapless sequencing by legal entity has been configured in the ledger options, General Ledger validates that a journal’s BSVs belong to a single legal entity.

**Subledger Accounting journals** also derive their legal entity from journal line balancing segment values. When gapless sequencing by legal entity has been configured in the ledger options, Subledger Accounting automatically generates separate journals for each legal entity involved in the accounting event.

**Purchase requisitions and purchase orders** derive the legal entity in one of 4 ways:

1. In the case of a single business unit and legal entity within a ledger, the legal entity is derived from the Requisitioning business unit’s default legal entity.

2. In the case of requisitions that are raised by inventory organizations (implemented in SCM by business units with a Materials Management business function). If multiple inventory organizations with different default legal entities are assigned to a Requisitioning business unit, Procurement uses the Multiple Legal Entities on Order option on the Configure Requisitioning Business Process page to control whether a purchase order allows transaction consolidation across legal entities. Values are Allow, Error, and Warning.

3. The Multiple Legal Entities on Order option is also used for standalone requisitions. The value is passed onto the purchase order.


**Supplier invoices**: For invoices matched to purchase orders, the legal entity is derived from the purchase order header. For standalone invoices entered through the UI, the invoice legal entity defaults in the following order:

1. The legal entity assigned to the primary balancing segment value of the supplier site assignment liability account. If this is blank...
2. The legal entity assigned to the bill to location. If this is blank…
3. The default legal entity of the Payables invoicing business unit.

The legal entity can be overridden in the Create Invoices page.

Note: when a Payables invoicing business unit spans multiple legal entities, care must be taken to ensure that all invoice balancing segment values reflect the correct legal entity.

- The invoice liability account is defaulted from the supplier site assignment to the Payables invoicing business unit. If supplier sites are used by more than one legal entity, the liability balancing segment value can be derived from the invoice expense / accrual account by enabling auto-offsets.

- Recoverable tax and withholding tax account is defaulted from the tax setup at the ledger or business unit level. The current recommendation is to configure Subledger Accounting rules to override the defaulted balancing segment value with the correct value for the legal entity of the invoice. The Subledger Accounting source that contains the invoice's legal entity name is “Transaction Legal Entity Identifier”

**Supplier payments:** the legal entity derived from the disbursement bank account legal entity.

**Customer Invoices, Credit Memos etc:**

- When customer invoices are created through the Receivables user interface or imported from an external billing system through AutoInvoice, the legal entity is derived from the business unit default legal entity or Receivables transaction type. The legal entity can be overridden in the Receivables Create Transaction page.

- When customer invoices are originate in Project Billing, the legal entity defaults from the Receivables transaction type defined on the Project Billing contract. Since contracts are agreements between legal entities, the transaction flow naturally reflects real-world enterprise structures.

- When customer invoices originate in Order Management, the legal entity defaults from the Receivables transaction type. Separate Order Management order categories or order types would be necessary (one for each legal entity) to be mapped to the corresponding Receivables transaction types to ensure customer invoice segregation / sequencing by legal entity.

**Customer payments:** the legal entity is derived from the cash receipt bank account legal entity.

**Gapless and Chronological Sequencing by Legal Entity**

In countries that demand strict segregation of financial transactions by legal entity (Southern and Eastern Europe, South America, etc.), gapless sequencing of invoices, payments and journal entries is often a legal requirement. In some countries, journals must be assigned an additional reporting sequence, usually in GL Date order, that is displayed on statutory declarations and reports.

In Oracle ERP Cloud, gapless document, accounting and reporting sequences are configurable at the legal entity level. Enterprises which administer multiple legal entities within a single management entity can, irrespective of local regulation, host many legal entities in a single ledger and business unit.

Oracle ERP Cloud also supports gapless chronological sequencing of customer invoices and journal entries which is a legal requirement in some Southern and Eastern European countries.

**Cross Legal Entity Customer and Supplier Payments**
If a ledger is configured for sequencing by legal entity, the Subledger Accounting program ensures that separate journals are generated and sequenced for each legal entity when transactions cross legal entities. For example, when a payment is issued from a bank account whose legal entity is different from that of the supplier invoices.

Intercompany Processing in Financials Cloud

In Financials Cloud intercompany refers to transactions between two or more legal entities under common control.

The Subledger Accounting program detects when journals are unbalanced by legal entity and applies intercompany processing rules to derive the appropriate intercompany (due to, due from) journal lines.

Transaction Based Reporting by Legal Entity

In Financials Cloud, all reports that are submitted to or audited by local regulatory authorities can be requested for a single legal entity. This includes all transaction based tax declarations and registers.

Transaction Based Taxes

Oracle ERP Cloud supports centralized tax configuration and services across Oracle ERP Cloud applications and enterprise structures (i.e., ledgers, business units, etc.) which facilitates both sharing and segregation of tax configurations as appropriate.

Transaction based taxes (i.e., Sales Tax, VAT, Withholding Tax, Use taxes) are automatically calculated with secured manual overrides permitted where appropriate. Integration with external tax partners (such as Vertex) for tax content (i.e., rates) is available for selected countries / regions.

For countries that are included in the Oracle ERP Cloud Release N Global Catalog (see Cloud.Oracle.com), out of the box tax reports and electronic submissions are provided. For others, it may be possible to meet local reporting requirements using standard tax and Oracle ERP Cloud reporting tools.

Oracle ERP Cloud also offers the ability to integrate taxable transactions or adjustments from external systems directly in the Oracle ERP Cloud tax repository. You may also calculate tax, create accounting, and centrally report on external tax transactions alongside ERP Cloud tax transactions.
Languages and Translations

Oracle ERP Cloud supports a wide range of languages. The complete list can be found on Cloud.Oracle.com. Oracle ERP Cloud PODs support multiple simultaneous languages. A user can be logged onto the application in French at the same time a different user is logged onto the application in German.

All application components are subject to translation: page and report boiler plate; error messages; startup data; etc. Implementers and users can record names and descriptions of their reference data in multiple languages. For example, the accounting flexfield segment description can be recorded in English, French and German. The appropriate language will be displayed in the user interface.

In addition, there are several features that address business flow specific language related requirements. For example, implementers can control the language of lookups and other translated reference data included in subledger journal entry descriptions. This allows descriptions to be recorded in the language of the local authorities instead of the language of the user launching the Subledger Accounting program. Another example of an application feature is multi-lingual Blanket Purchase Agreements (BPAs). Many of these features are of interest to a multinational shared service center where users from one country are processing transactions that fall under the jurisdiction of another country, or where the corporate business language (usually English) is different from the local reporting language.

Oracle ERP Cloud has the concept of a default or base language. Implementers must request the installation of additional language packs via Oracle Support. Note that adding languages to PODs increases the volume of startup data and may lengthen maintenance downtime.

When translatable reference data is initially created by the user, Oracle ERP Cloud populates translations for installed languages with the initial value. The user may then connect to the application in another installed language to override the translatable names and descriptions. In addition, there are several application specific features that allow translations to be uploaded via a spreadsheet. For example, Oracle ERP Cloud offers a File-Based Data Import (FBDI) template to load accounting flexfield segment value descriptions in multiple languages.

Security and Management Reporting

In Oracle ERP Cloud, functions (for example, approve invoice, issue payment, etc.) are assigned to roles that are, in turn, assigned to users.

Oracle ERP Cloud offers the following mechanisms to secure transactions, journals and balances:

- Subledger transactions (for example, requisitions, invoices, payments, etc.) are secured by business unit.
- Assets are secured by asset book (which is a type of organization).
- Journal entries are secured by ledger and primary balancing segment via data access sets (DAS).
- General Ledger balances are secured by DAS and segment value security.
- Using folder security, financial, Oracle Transactional Business Intelligence (OTBI) and Business Intelligence Publisher (BIP) reports can be secured by user or role.

Oracle ERP Cloud does not offer security by legal entity for subledger transactions. Journals and balances are securable by primary balancing segment value which facilitates security by legal entity.

It is important to understand that the user accumulates access to functions and data from all roles assigned to them. For example, if the user is granted access to supplier invoices for the French business unit through one role and customer invoices for the German business unit through a different role, the user will have access to Supplier and Customer Invoices for both France and Germany. Segment value security (SVS) works in a similar way. For example, if the French Accounts Payable Specialist role can access cost centers 100-300 and the German Accounts Receivable Specialist role can access cost centers 300-500, then a user assigned both roles will have access to cost centers 100-500 regardless of which business unit they are in the context of.
Intercompany

Intercompany activity that involves only a single ledger can be entered as a General Ledger or Subledger Accounting journal entry and is automatically balanced when the journal is posted. Subledger Accounting (for Payables, Receivables, Fixed Assets, Inventory, Costing, Projects, etc.) that pass through Subledger Accounting are balanced at the individual subledger journal entry level. All journals are balanced by the primary balancing segment. Two additional balancing segments can also be configured by implementers to support requirements for balance sheet and income statements by management entities such as cost center, program or division.

An intercompany transaction may also span multiple ledgers and therefore countries. Cross ledger transactions can be entered through the Oracle ERP Cloud UI or by spreadsheet. They can be made subject to approval by the trading partners involved so that there is no financial impact until all parties agree on the amount, currency rates, dates, etc. The Subledger Accounting feature Transaction Account Builder (TAB) can be configured to default accounting flexfields onto intercompany transactions according to the deploying entity’s business requirements. Intercompany Payables and Receivables invoices can be generated for countries that require supporting documents for intercompany transactions.

In addition, it is possible to generate intercompany allocations across multiple ledgers which result in either journals or intercompany transactions with invoices.

Intercompany Balancing Rules controls how intercompany transactions are balanced within and across ledgers. Intercompany Balancing Rules are defined centrally and applied across Financials Cloud and PPM. You can define different rules for different combinations of journal sources and journal categories, as well as the charts of accounts, ledger, legal entity, and primary balancing segment value levels.

Sharing Reference Data

Shared service centers almost always go hand in hand with standardization of business processes with some local exceptions usually for regulatory reasons. Standardization of business processes facilitates sharing of setups, reports and analytics across ledgers and business units. Sharing of setups reduces maintenance effort and minimizes the risk of discrepancies or inconsistencies.

Oracle ERP Cloud offers specific and generic features to support requirements for sharing reference data across setup entities, such as ledger, business unit, etc.

An example of a feature specific mechanism that facilitates sharing reference data is the ability for multiple ledgers to share the same chart of accounts instance.

Reference Data Sharing is a generic feature that was introduced in Fusion to facilitate the sharing of reference data across setup entities. The feature allows implementers to group reference data (for example, supplier invoice payment terms) into sets (for example, a French set, a British set or an Italian set) which can be assigned to one or more setup entities such as business units.

<table>
<thead>
<tr>
<th>Application</th>
<th>Reference Data Object</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>Payment Terms</td>
</tr>
<tr>
<td>Receivables</td>
<td>Accounting Rules</td>
</tr>
<tr>
<td>Receivables</td>
<td>Aging Buckets</td>
</tr>
<tr>
<td>Receivables</td>
<td>Auto Cash Rules</td>
</tr>
<tr>
<td>Receivables</td>
<td>Collectors</td>
</tr>
<tr>
<td>Receivables</td>
<td>Lockbox</td>
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<tr>
<td>Receivables</td>
<td>Memo Lines</td>
</tr>
<tr>
<td>Receivables</td>
<td>Payment Terms</td>
</tr>
<tr>
<td>Receivables</td>
<td>Remit To Address</td>
</tr>
<tr>
<td>Receivables</td>
<td>Revenue Contingencies</td>
</tr>
<tr>
<td>Receivables</td>
<td>Transaction Source</td>
</tr>
<tr>
<td>Receivables</td>
<td>Transaction Type</td>
</tr>
</tbody>
</table>
Industry and Local Exceptions

The implementation considerations listed above should be considered generally applicable however, implementers should be aware that occasionally; industry and local specific considerations may make it difficult to impose a global standard for enterprise structures.
Modeling Shared Service Centers in Oracle ERP Cloud

There are different ways to model shared service centers in Oracle ERP Cloud which respond to different types of enterprise structures and business models.

Centralized Shared Service Center User Management Only

The day to day management of Oracle ERP Cloud users is centralized in a physical or virtual shared service center. Usually, business processes are standardized to the extent permitted by local regulations and often, users perform tasks for one or more management and / or legal entities.

However, Oracle ERP Cloud enterprise structures, usually for legacy reasons, are defined at the most granular level and not consolidated to reflect the shared service center structure. To put it another way, the shared service center is reflected in Oracle ERP Cloud by the way that roles that grant access to ledgers and business units are assigned to users and the way that standard business procedures are reflected in shared reference data (such as COA, payment methods, etc.)

Shared service center users are granted access to one or more ledgers and business units; however, at any one time the applications are administered within the scope of a single ledger and business unit. In effect, shared service center users are acting on behalf of the individual ledgers and business units.

Key Considerations

This approach is compatible with total partitioning between operations where each shared service center client is implemented in a separate Oracle ERP Cloud POD.

For implementations in a single Oracle ERP Cloud POD, it allows subledger transactions and journal entries to be secured at the lowest level. On the other hand, since ledgers that share a common chart of accounts and calendar are hosted in a single Essbase cube, General Ledger balance level reporting and analysis can be consolidated. Global procurement can also be managed within a global procurement business unit not tied to the individual ledgers and legal entities (not shown in the above diagram).
In Oracle ERP Cloud, role grants and permissions are merged at the user level. A user that has permission to post journals will be able to post journals in any ledger he / she has been granted access to. This may influence how shared service center responsibilities are distributed among users.

This approach offers no scope for consolidation of subledger transactions (for example, disbursements) and through the proliferation of ledgers and business units, it increases the burden of setup and maintenance.

Conclusion: centralized shared service center user management is most suitable for simple multinationals that have a single operation in each country. This results in a single ledger, business unit and legal entity per country. It could also be considered by deploying entities that must strongly partition in country operations which is normally done for compliance reasons.

Centralization of Bank Account Processing

A common real-world enterprise structure in Southern Europe is decentralized procurement and invoicing business units and / or legal entities; and centralization of all bank related processing: disbursements, cash receipt processing and cash management / treasury, usually in the national head office.

For a company implementing the procure to pay flow, implementers can take advantage of Oracle ERP Cloud features to naturally model these shared services centers by:

- Assigning Payables Invoicing business function to the decentralized business units; and assigning both Payables Invoicing and Payables Payment business functions to the shared service center (usually the head office).
- Allowing users that are granted access to the decentralized business units to be able to process and approve supplier invoices but not be able to pay them. Users that are granted access to payment functions in the centralized business unit will be able to select invoices for payment from all business units defined in the service provider relationships.
- Enabling invoice tax and invoice gapless document sequences to be processed within the context of the invoice legal entities.
- Automatically generating due to / due from intercompany based on the relationships defined between the legal entities in the Intercompany setup.
- Ensuring through the Subledger Accounting program that separate journal entries are generated for each legal entity involved in a transaction and allow them to be assigned gapless sequence numbers from series specific to each legal entity.
If some procurement is managed globally, a supranational procurement SSC business unit not linked to a ledger or legal entity can be created to administer it (not shown in the above diagram).

On the Receivables side (not shown in the above diagram), the Billing and Revenue Management business function will normally be aligned with the Payables Invoicing business function (i.e., decentralized) and Customer Payments with the Payables Payments business function.

This configuration is suitable for country implementations of complex multi-nationals and domestic companies that centralize bank account management.

Single Management Entity, Multiple Legal Entities
Within a single country, multiple legal entities are administered as a single management entity with maximum consolidation of transactions and business processes subject to limitations imposed by local regulation such as document and accounting sequencing by legal entity; transaction based tax calculations and reporting; financial statements; etc.

This type of organization is best modeled as a single country level primary ledger and business unit with all business functions. Real-world legal entities are represented by primary balancing segment values in General Ledger and, depending on local regulation; transactions can be more or less consolidated. For example, in Southern Europe, supplier invoices, customer invoices and journals must be segregated by legal entity but disbursements and cash receipts can be consolidated / drawn from a single bank account.

If some procurement is managed globally, a supranational procurement SSC business unit not linked to a ledger or legal entity can be created to manage it (not shown in the above diagram).

This configuration is suitable for country implementations of domestic and multinationals companies that are a single management entity but, for risk limitation or other non-operational reasons are segregated into multiple legal entities.

Centralized Financial Management
Operations: stores, warehouses, manufacturing, etc. are decentralized (and whose transactions are secured) but all financial management including the processing of supplier invoices is centralized in a single business unit and legal entity.
Figure VIII - Centralized financial management. The blue lines represent business unit service provider relationships; the green lines represent supplier site assignments.

If some procurement is managed globally, a supranational procurement SSC business unit not linked to a ledger or legal entity can be created to administer it (not shown in the above diagram).

Centralized financial management across legal entities (as represented in the above diagram) will only be possible in the US and countries with similar regulatory environments. In most countries with VAT, suppliers must invoice the legal entity that purchases and consumes its goods & services; the implication is that no legal entity can be hosted by a business unit which has not been assigned the Payables Invoicing business function.

Within the shared service center (BU 1), legal entity “ownership” of purchases will be tracked through balancing segment values captured on invoices expense distributions and Subledger Accounting. If a single supplier liability account is used (presumably for BSV 1), Subledger Accounting will automatically generate intercompany payables and receivables entries when the invoice is accounted (see Legal Entities and Balancing Segments section above for more options)

The Receivables business functions (not shown in the above diagram) would normally also be centralized.

Project Segregation

Some project orientated organizations acquire the obligation to not share information between projects contracted to external parties (or internal projects that may conflict or compete).

Figure IX - Project segregation. BU 1 represents the shared service center. The blue lines represent business unit service provider relationships.

Business units are used to secure data associated with the projects (procurement, invoicing, projects etc.) but usually bank account related processing is centralized in a non-project orientated shared service center that will also have Payables Invoicing business
function for non-project related procurement. If some procurement is managed globally, a supranational procurement SSC business unit not linked to a ledger or legal entity can be created to administer it (not shown in the above diagram).

On the Receivables side the project related business units will have a Billing and Revenue Management business function but the shared service center would not.

Cross Country Ledgers and Business Units (Not Best Practice).

The issue of cross country ledgers and business units arises in two circumstances:

1. Simple multinationals operating in the Eurozone.
2. Simple multinationals that operate with a global functional currency (usually Euro or USD) irrespective of where its legal entities are registered and operate.

As a general rule, Oracle does not recommend that ledgers and business units cross frontiers because there are significant variations in local regulations and reporting requirements, even between neighboring countries within the Eurozone. This inevitably impacts how ledger and business unit level configuration options are set.

Maximum Consolidation Subject to Regulatory Constraints.

A multinational with a homogeneous global management structure and the objective of consolidating setups and transactions as much as possible will encounter limitations imposed by local regulation which limit the ability to consolidate transactions across legal entities.

It is therefore likely that different enterprise structures will be applicable to different types of regulatory regime. What is appropriate for US based operations will not be applicable to operations based in Southern and Eastern Europe.

![Diagram of cross country ledgers and business units](image-url)
Conclusion

Shared service center is a broad term that covers a wide range of enterprise structures that vary according to industry, country or region, company size and business process complexity. Many business requirements arise only in the context of shared service centers.

Implementers should take into account a wide range of factors when considering the Oracle Cloud ERP configuration of a shared service center. Oracle Cloud ERP offers a comprehensive set of features that meet the objective of naturally reflecting real-world enterprise structures and business processes while complying with corporate and local policies and regulations.
Appendix 1 – Tips, Practical Guidance & Best Practice Advice

As detailed above there are many ways in which Oracle Cloud can be designed, and configured, to meet the complexities of the real world business environments.

Given these complexities we have tried to outline the current best practices in a number of key implementation areas to assist users in some of their design considerations. The points below are based on commonly asked queries, and are in no way exhaustive, but are designed to assist users in working their way to a successful conclusion.

Note, this guidance is designed to be read in conjunction with our application documentation and does not replace the recommended practice of using experienced implementation resource to assist in any Cloud deployment.

Overall Assumptions / Best Practice

- Assumption: in a US style regulatory environment, the legal entity will be tracked through accounting entries. Fiscal and regulatory compliance reporting is enforced at the level of a group of companies with the same business purpose under common ownership. Journals and subledger need not be partitioned by legal entity.
- Assumption: in a non-US style regulatory environment, fiscal and regulatory compliance reporting is enforced at the legal entity level. Journals and subledger transactions with transaction based taxes (e.g. VAT) should be strongly partitioned by legal entity.
- Assumption: the deploying entity will implement all countries in a single pod.
- Assumption: the functional currency of the deploying entity's subsidiaries is the local currency (hence, the primary and secondary ledger currencies will be the local currency).
- Best Practice: "less is more": when in doubt choose fewer rather than more enterprise structures. Reason: minimizes setup, duplication and maintenance costs

Chart of Accounts (CoA)

- Assumption: there is a single corporate COA for all of the deploying entity's operations
- Assumption: additional COAs for local reporting will be created and maintained only on an 'as needed' basis

Primary Ledgers

- Best Practice: there should be a single ledger per country. Reason: minimize setup and maintenance; consolidate efficient transactional processing.
- More than one ledger per country may be necessary if:
  - The period close schedule / processing varies significantly between legal entities (within a country)
  - There are strong requirements to secure journals at the legal entity level (as opposed to balances, reports, accounting flexfields which can be secured at a more granular level).
- Not recommended: a ledger that spans multiple countries. Reason: for countries that use different currencies, ledger currencies would conflict; even in the Eurozone there may be conflicts between ledger setups and reporting requirements.
- Best Practice: foreign branches that must report subledger transactions to local authorities should be defined in local ledgers i.e. if the branch was in Hong Kong for a UK parent then the branch would be represented in a HKD ledger not in the parent GBP ledger. Reason: see previous point.
Secondary Ledgers (Subledger Accounting level)

- Best Practice: create subledger accounting secondary ledgers only for countries which have specific CoA reporting requirements. Reason: secondary ledgers introduce processing and maintenance overheads.

- Best Practice: the primary ledger should use the corporate chart of accounts (and the secondary ledger, the local chart of accounts). Reason: SSC users that access multiple ledgers and business units will always use the same COA; any report or inquiry can be compared using common yardstick (i.e. the COA).
  - A local statutory primary ledger would be necessary only if localization included a dependency on the local statutory COA in the primary ledger. This should never be the case but should be verified by testing.

Reporting Currency Ledgers

- Assumption: reporting currency ledgers will be used only for real-time consolidation purposes (other requirements are out of scope of this guide).

Legal Entities

- Fact: journals and subledger transactions are gaplessly sequenced at the legal entity level. Sequencing is usually not a requirement for implementations in a US regulatory environment.

- Fact: transaction based taxes are calculated and tracked at the legal entity level. Tax and other transaction level regulatory reporting is at the legal entity level. The US has little transaction level regulatory reporting but these is some e.g. 1099 reporting which can be met within Cloud ERP.

- Best Practice: each real-world legal entity will be represented by a Cloud ERP legal entity. Reason: many Cloud ERP horizontal and localization features assume that this is the case.

- Best Practice: each real-world legal entity will be represented by a single primary BSV. Reason: clean and intuitive setup that enforces consistency across subledgers and GL; if management entity balancing is desired a secondary BSV can be defined.

- Best Practice: the relationships between legal entities, BSVs and ledgers will be configured. Reason: some Cloud ERP features such as sequencing by legal entity and intercompany rely on them.

- Not Recommended: a legal entity that spans multiple primary ledgers. Reason: there will be challenges to obtaining legal entity GL and subledger transaction reports (for example, reporting sequences does not support legal entities that span primary ledgers)

Requisitioning BUs

- Fact: administers and secures requisitions

- Fact: requisitioning BUs cannot span multiple ledgers

- Best Practice: requisitioning BUs should not span multiple legal entities. Reason: the requisitioning BU's default legal entity determines the purchase order and matched invoice legal entity; the legal entity that orders and consumes purchases must be invoiced for them. In a US regulatory environment, this is not an important consideration so the best practice can be disregarded.

- Best Practice: there is a 1 : 1 or M : 1 relationship between the requisitioning BU and the Payables Invoicing BU (a 1 : 1 relationship implies a single BU with both business functions). Reason: the legal entity of purchase order matched invoices is unambiguously derived. In a US regulatory environment, this is not an important consideration so the best practice can be disregarded.

- Fact: a 1 : M relationship between the requisitioning BU and the Payables Invoicing BU is not supported.
Procurement BUs

- Fact: administers and secures suppliers and supplier sites.
- Fact: BUs that are assigned only the Procurement business function may span ledgers and legal entities (i.e. the business unit ledger and default legal entity fields can be left blank)
- Fact: the relationship between requisitioning and procurement BUs is defined by BU service provider relationships
- Best Practice: global (or regional, divisional, etc.) procurement departments should be assigned only the Procurement business function. Reason: facilitates enterprise wide (multiple ledger, multiple country) sourcing agreements
- Best Practice: local procurement (by the requisitioning BU) is enabled by assigning the Procurement business function to the requisitioning BU. Reason: almost all organizations with a global procurement functional also manage local purchases.

Payables Invoicing / Expense Management BUs

- Fact: Payables Invoicing - administers and secures supplier invoices
- Fact: Expense Management - administers expense reports
- Fact: Payables Invoicing BUs cannot span multiple ledgers
- Fact: the relationship between Requisitioning BUs and Payables Invoicing BUs is defined through the supplier site. A supplier site is assigned to (usually) one procurement and one or more requisitioning BUs. For each Requisitioning BU assignment, a Payables Invoicing BU is assigned
- Best Practice: there would normally be a 1:1 relationship between a legal entity and Payables Invoicing BU. Reason: defaulting of legal entity onto transactions manually created in the UI is based on the BU default legal entity. In a US regulatory environment, this is not an important consideration so the best practice can be disregarded.
  - More than one Payables Invoicing BU per legal entity may be necessary if there are strong requirements to secure invoices at a project or department level.
  - More than one legal entity per Payables Invoicing BU may be necessary if:
    - Many legal entities are managed as a single homogeneous management entity (usually happens when legal entities have been created or retained after an acquisition for non-operational reasons such as risk limitation).
    - One legal entity owns the lion’s share of the transactions; it is exceptional for non-PO matched invoices to be entered through the UI / scanned (as opposed to imported) so that the legal entity default would have to be overridden very rarely.

Payable Payments BUs

- Fact: administers and secures supplier payments
- Fact: Payables Payments BUs cannot span multiple ledgers i.e. you cannot pay on behalf of a BU within another Ledger
- Fact: the relationship between Payables Invoicing BUs and Payables Payment BUs is defined by BU service provider relationships (but note: a 1:1 relationship implies a single BU with both business functions)
- Fact: if the invoice legal entity and bank legal entity are different (and gapless sequencing by legal entity is configured), Subledger Accounting will automatically generate the appropriate intercompany balancing entries in each of the legal entities. In a US regulatory environment, this is not an important consideration.
• Best Practice: there would normally be a 1:1 or M:1 relationship between the disbursement bank account and the Payables Payment BU. Reason: facilitates the centralized and seamless management of the cash resource.

• Best Practice: in companies that centralize cash management, the Customer Payment BU and Payable Payments BU would normally be the same. Reason: facilitates the centralized and seamless management of the cash resource.

• Best Practice: there would normally be a 1:1 relationship between a legal entity and Payables Payment BU (but that doesn't mean that the Payables Invoicing and Payables Payment BUs are the same BU!). In a US regulatory environment, this is not an important consideration so the best practice can be disregarded.
  o The Payables Invoicing and Payables Payment BU would be the same if:
    ▪ Each Payables Invoicing BU have separate bank accounts
    ▪ The Payables Invoicing BU administers and processes the payments for its invoices
    ▪ There are strong requirements to secure payments at the Payable Invoicing BU level

Billing and Revenue Management BUs

• Fact: administers and secures customer invoices

• Fact: Billing and Revenue Manage BUs cannot span multiple ledgers

• Best Practice: there would normally be a 1:1 relationship between a legal entity and Billing and Revenue Management BU. Reasons:
  o additional configuration / procedural rules may be necessary to ensure transaction segregation by legal entity (for late charges, dunning letters). In a US regulatory environment, this is not an important consideration so the best practice can be disregarded.

• More than one Billing and Revenue Manage BU per legal entity may be necessary if there are strong requirements to secure invoices at a project or department level.

• More than one legal entity per Billing and Revenue Manage BU may be necessary if:
  o Many legal entities are managed as a single homogeneous management entity (usually happens when legal entities have been created or retained after an acquisition for non-operational reasons such as risk limitation).
  o One legal entity owns the lion's share of the transactions; it is exceptional for invoices to be entered through the UI (as opposed to being imported) so that the legal entity default would have to be overridden very rarely.

Customer Payments BUs

• Fact: administers and secures customer payments

• Fact: customer Payment BUs cannot span multiple ledgers

• Fact: the relationship between Billing and Revenue Management BUs and Customer Payments BUs is defined by BU service provider relationships (but note: a 1:1 relationship implies a single BU with both business functions)

• Best Practice: there would normally be a 1:1 or M:1 relationship between the bank account and the Payables Payments BU. Reason: facilitates the centralized and seamless management of the cash resource.

• Best Practice: in companies that centralize management of the cash resource, the Customer Payments BU and Payable Payments BU would normally be the same. Reason: facilitates the centralized and seamless management of the cash resource.
• Best Practice: there would normally be a 1:1 relationship between a legal entity and Customer Payments BU (but that doesn't mean that the Billing and Revenue Management BU and Customer Payments BUs are the same BU!). In a US regulatory environment, this is not an important consideration so the best practice can be disregarded.
  o There would normally be a single Customer Payment BU per country if:
    ▪ There is a centralized cash receipt processing department
    ▪ There is a single bank account to which all customers are directed to pay into
  o The Customer Payment BU would normally be the same as the Billing and Revenue Management BU if:
    ▪ There are strong requirements to secure payments at the Billing and Revenue Management BU level
    ▪ Each Billing and Revenue Management BU administers and processes the payments for its invoices
    ▪ Each Billing and Revenue Management BU have separate bank accounts
• Fact: cross BU cash receipt applications that arise from customer errors (for example, paying into the wrong bank account) can be made irrespective of whether Customer Payment BUs are centralized or not.

Expense Management BUs
• Fact: expense management BUs are aligned with Payables Invoicing BUs

Employee Assignment BUs
• Fact: self service Expenses derives the ledger and expenses template from the employee assignment assignment BU
• Fact: self service Projects Time & Labor derives the ledger and defaults cross project charging from the employee assignment assignment BU
• Fact: Procurement defaults requestor and manager access based on the employee assignment BU. The defaults can be overridden.
• Fact: employee assignments BUs have no business function (i.e. there is no HCM business function). Any BU can be an employee assignment BU.
• Fact: employee assignment BUs are used for reference data sharing by HCM
• Not Recommended: an employee assignment BU must never span countries. Reason: the employee assignment BU is used to default ledger in self-service applications and ledgers should not span countries.
• Best Practice: whenever possible, the employee assignment BU should align with the expense management / payables invoicing BU

Inventory Orgs (Material Management) BUs
• Fact: Material management BUs should not span legal entities.

Profit Center BUs
• Fact: used by SCM global supply chain optimization features
• Fact: profit center BUs cannot span legal entities irrespective of regulatory environment.