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JD Edwards to Oracle Fusion Cloud ERP Enterprise Structures

An explanation of Oracle Fusion Cloud ERP
Enterprise Structures for JD Edwards
Customers

Public

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Purpose

Many JD Edwards customers are developing new business and technology strategies as they look to the future and see the benefits of cloud technology. Oracle's goal, as your strategic partner, is to guide your organization towards success by determining the right path forward in the cloud. One path forward is to migrate from JD Edwards on-premises solutions to the Oracle Fusion Cloud Application Suite. JD Edwards customers may have questions about the functionality provided by Oracle Fusion Cloud ERP, particularly due to the differences in terminology and concepts between the two solutions.

This document is targeted at JD Edwards customers who are exploring an Oracle Fusion Cloud ERP implementation and need information on how an enterprise is structured in Oracle Fusion Cloud ERP compared to JD Edwards. It is important to know that both JD Edwards and Oracle Fusion Cloud ERP provide all the functionality required by companies to create and report on all types of financial transactions. Although these systems support all types of enterprises, the terminology and structure are different. We will show how a fictitious organization is defined in both JD Edwards and Oracle Fusion Cloud ERP and discuss the structural, conceptual, and terminology differences and similarities between the two.

Model Organization

ABC Corporation is a multi-national organization that distributes auto parts and supplies. They have a distribution division with locations in the US and Europe. These distribution centers create intercompany transactions between them to move inventory and fulfill customer orders.

There is also an administrative services division located at the corporate headquarters in the US to provide shared services for procurement, accounts payable, and accounts receivable to the distribution division. It also provides financial reporting for the entire organization.
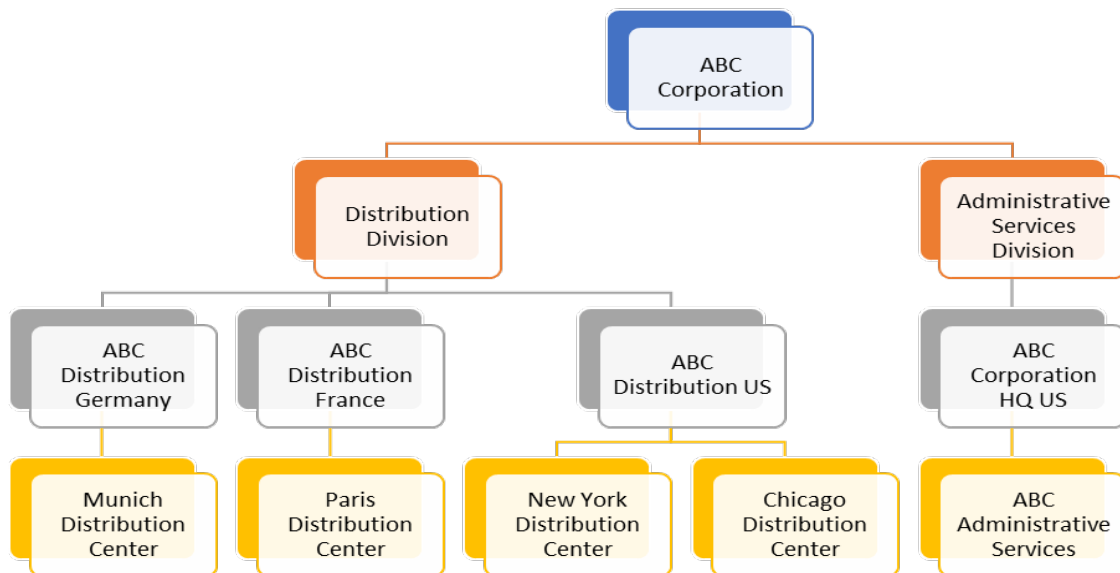
Figure 1 - Model Organization

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Financial Reporting Requirements

The financial reporting requirements for the model organization include:

- Consolidated reporting at the ABC Corporation level
- By division - distribution centers, administrative services
- By company – distribution for Germany, France, US, and HQ
- By distribution center
- By region - EU, US Midwest, US East

Enterprise Structures

The diagrams below show how the model organization would be structured in JD Edwards and Oracle Fusion Cloud ERP. You will notice some differences in terminology as well as the structure.

JD Edwards
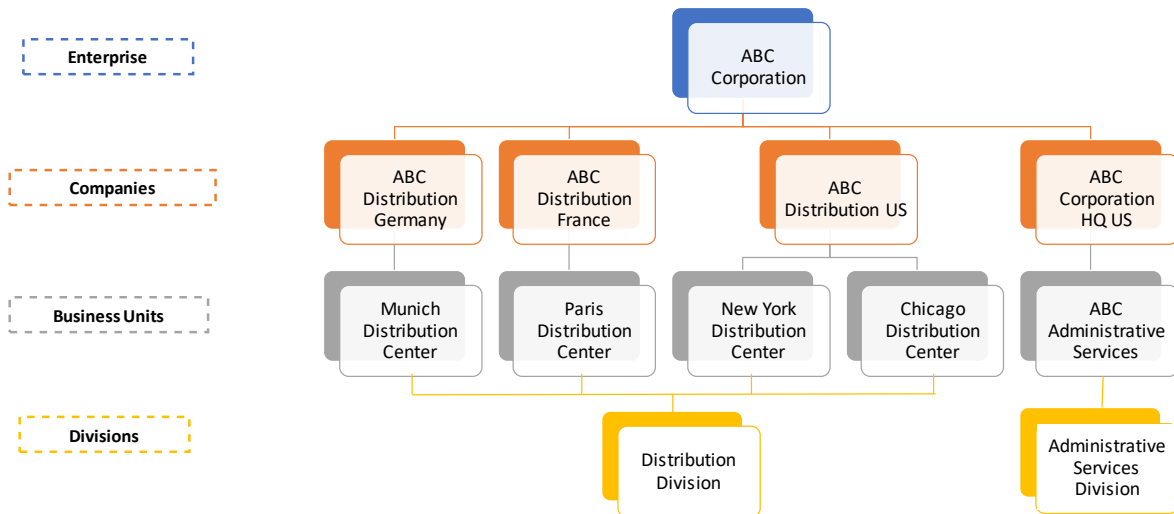
Figure 2 - JD Edwards Organization Configuration

In JD Edwards

- Enterprises and companies are defined as Companies
  - o Company attributes include Currency, Date Pattern (Calendar), Current Fiscal Period, and options for Currency Restatement.
- Business units are defined as Business Units or Branch/Plants.
  - o Business unit attributes include the company the business unit belongs to, type of business unit, and 50 user-defined category codes for reporting.
  - o Branch/Plant Constants associated with the business unit contain attributes for purchasing/inventory costing and configuration options for inventory, procurement, sales order, warehouse, and consignment processes.
    - ▪ The ABC Administrative Services business unit's resources provide shared services center support to the other business units.
- Divisions are defined as category code values associated with the Business Unit or Branch/Plant.

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Oracle Fusion Cloud ERP
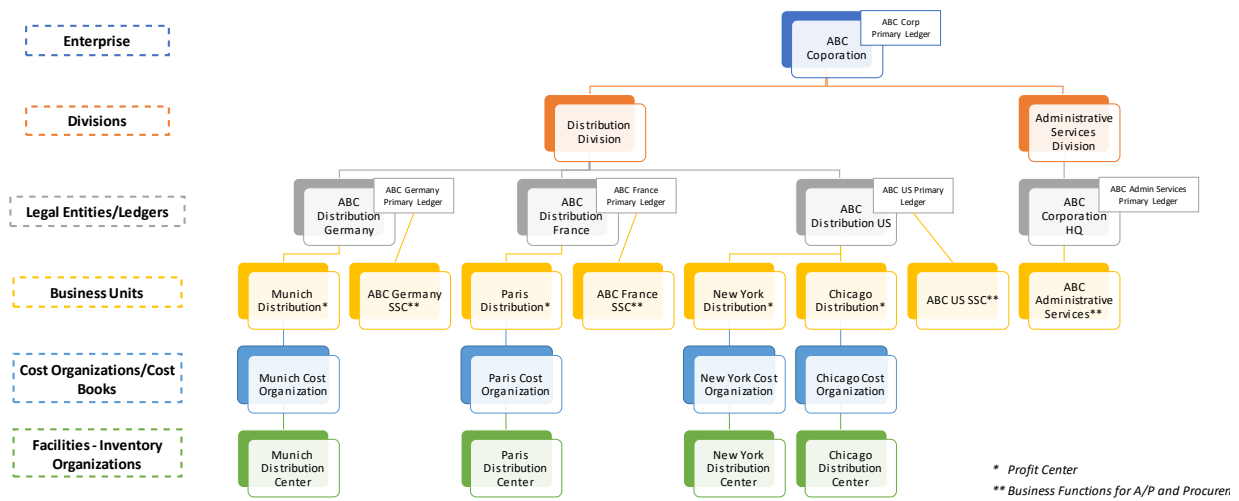

Figure 3 – Oracle Fusion Cloud ERP Organization Configuration

In Oracle Fusion Cloud ERP

- The enterprise and legal entities are defined as Legal Entities.
  - Legal Entities contain configurations for their address, hierarchy, their legal reporting units, and the legal jurisdictions in which they operate.
  - One or more Legal Entities are assigned to a ledger.
    - Currency, Calendar, Chart of Accounts, Accounting Method, and Country are assigned to the ledger. (see Ledgers)
- Divisions are defined as parents in the hierarchical structure for one of the segments, in our example cost center, of the ledger's Chart of Accounts structure. (see Financial Reporting)
- Business units can act on behalf of one or more legal entities belonging to a ledger. A default legal entity or ledger can be assigned to a business unit.
- Business units in Oracle Fusion Cloud ERP are assigned to a ledger.
  - The business units in the diagram above, namely ABC Germany SSC, ABC France SSC, and ABC US SSC are defined as service providers for the other business units in their respective countries. These business units are used to provide the shared service center support for the other business units. They are assigned to the primary ledger for each country.
- Business units can be used as a securing mechanism for transactions.
- Business units are defined as profit centers or with specific business functions (for example A/P, A/R, Procurement).
- Cost Organizations, Cost Books, and Facilities – Inventory Organizations are defined as part of Inventory and Manufacturing setup.

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Financial Reporting

JD Edwards

In JD Edwards, operational and financial reporting is done by various reporting tools which combine the data in the Account Balances table for a specific ledger or set of ledgers within the enterprise's structure. The account balances are stored for each unique account with a pre-defined structure of business unit, object, subsidiary, and subledger. The enterprise's structure is defined by the values of the category codes that are attributes of the business units assigned to the companies you select to report over.

Oracle Fusion Cloud ERP

In Oracle Fusion Cloud ERP, there are also many reporting tools available to do operational and financial reporting. When transactions are posted to the General Ledger, they are posted to an Essbase Balance Cube. This cube is used for much of your enterprise's financial reporting needs. The cube contains the account balances by the reporting dimensions that you define for your enterprise. The dimensions are:

DIMENSION	DESCRIPTION
Accounting Period	Based upon the calendar for the ledger or ledger set. Report on years, quarters, or periods.
Ledger or Ledger Set	Used to select a ledger for reporting.
Chart of Accounts Segments	Segments from the chart of accounts organized by hierarchy.
Scenario	Indicates whether the balances are actual, allocated, or actual (including allocated, budgeted, or forecast).
Balance Amount	Indicates whether the value is a debit or credit and whether it is for the beginning balance, period activity, or ending balance.
Amount Type	Indicates whether the amounts represent Base, Period, Quarter, or Year to Date.
Currency	Used to select the desired currency for the balances.
Currency Type	Used to select the currency type of the balances. Available options are Entered, Converted, or Total.

Figure 4 – Essbase Balance Cube Dimensions

One major difference between JD Edwards and Oracle Fusion Cloud ERP is that the Chart of Accounts structure is not pre-defined in Oracle Fusion Cloud ERP. You are in complete control of the structure.

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Chart of Accounts Structure

In JD Edwards the chart of accounts structure is pre-defined as Business Unit, Object, Subsidiary, and Subledger*. You specify the accounts that will be used in the Account Master. The hierarchy of the accounts is specified by the Level of Detail value assigned to the account.

In Oracle Fusion Cloud ERP you define the segments for your chart of accounts structure based upon your reporting needs. Because the chart of accounts structure is user-defined, you can create different structures based upon your enterprise's needs. Two examples of needing multiple structures are a regulatory requirement for a specific structure or disparate organizations within your enterprise with unique reporting requirements. Oracle Fusion Cloud ERP has processes that allow you to map these different structures to a common structure for consolidated reporting.

When defining your chart of account structure, your segments will have value sets defined for each segment. You can also define hierarchies of values for each segment. You can define up to nine "parents" for each value for the segment. Using hierarchies enables reporting through the cube and keeps your structure as small as possible.

For our reporting requirements, the Chart of Accounts Structure looks like this:

SEGMENT	DESCRIPTION
Company (Legal Entity)	Primary Balancing Segment with associated value set values
Natural Account	Segment with associated value set value
Region	Segment with associated value set value
Cost Center	Segment with associated value set value
Intercompany	Segment with associated value set value

Figure 5 - Model Organization Chart of Accounts Structure

*Note on Subledger

The definition of subledger is very different between JD Edwards and Oracle Fusion Cloud ERP.

In JD Edwards, subledger is a user-defined value that is an 'add on' to the account number. The subledger's value is entered or derived during transaction entry and may contain values that represent customer, supplier, item, project, or other values associated with the transaction.

In Oracle Fusion Cloud ERP, a subledger is a subset of a ledger such as Accounts Payable or Accounts Receivable. These subledgers hold the detail transactions for specific business units and business functions such as suppler invoices and payments or customer invoices and receipts. The business units within each subledger feed accounting journals into one or more ledgers. In JD Edwards a subledger would equate to the Customer or Supplier Ledger.

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Hierarchies

Although Division is a reporting requirement, it is not represented in the chart of accounts structure. You define a hierarchy for ABC Corporation's ledgers and chart of accounts structure. The hierarchy is defined for the Cost Center (Business Unit) segment and determines the division that each cost center is part of. When the cube is created based upon this structure, it adds the dimension of Division based upon your hierarchy setup. Below is how the hierarchy is defined for the structure outlined above.

PARENT	CHILD
100 Distribution Division	
	101 Munich Distribution
	102 Paris Distribution
	103 New York Distribution
	104 Chicago Distribution
200 Administrative Services Division	
	201 ABC Germany SSC
	202 ABC France SSC
	203 ABC US SSC
	204 ABC Administrative Services

Figure 6 – Cost Center Segment Hierarchy

Notice that there is a segment for Intercompany. This is needed because the companies will be creating intercompany transactions and this segment is used to reconcile them.

The valid accounts that can be used are specified in the Account Combinations. Cross Validation Rules or Related Value Sets are used to identify valid account combinations. You use Account Hierarchies to identify the hierarchy of the accounts.

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Ledgers

JD Edwards

In JD Edwards many of the ledgers are pre-defined:

- AA – contains all actual amount balances based upon the company's base currency
- CA – contains all currency amount balances based upon the transaction's currency
- XA, YA, & ZA – contain detailed transaction restated balances in the currencies specified
- AC – contains restated balances in the currencies specified
- XX – are user-defined ledgers, which can be used for additional balance restatement in other currencies, a consolidated balance ledger, IFRS or GAAP adjustments, budgets, and others as needed.
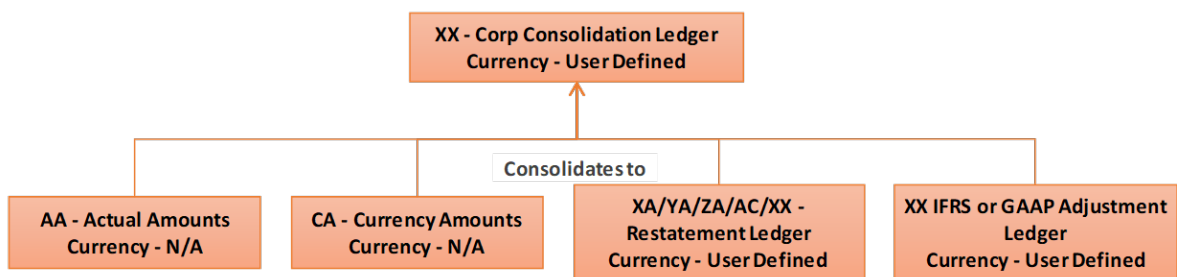
Figure 7 - JD Edwards Ledgers

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Oracle Fusion Cloud ERP

In Oracle Fusion Cloud ERP, the ledgers are all user-defined. When defining a ledger, it is set as a primary, reporting, or secondary ledger. Primary ledgers contain all the balance information for those legal entities or business units that are assigned to the ledger. Reporting and secondary ledgers are ledgers that are associated to a primary ledger and provide additional functionality for automatic restatement to a different currency and/or a different accounting method.
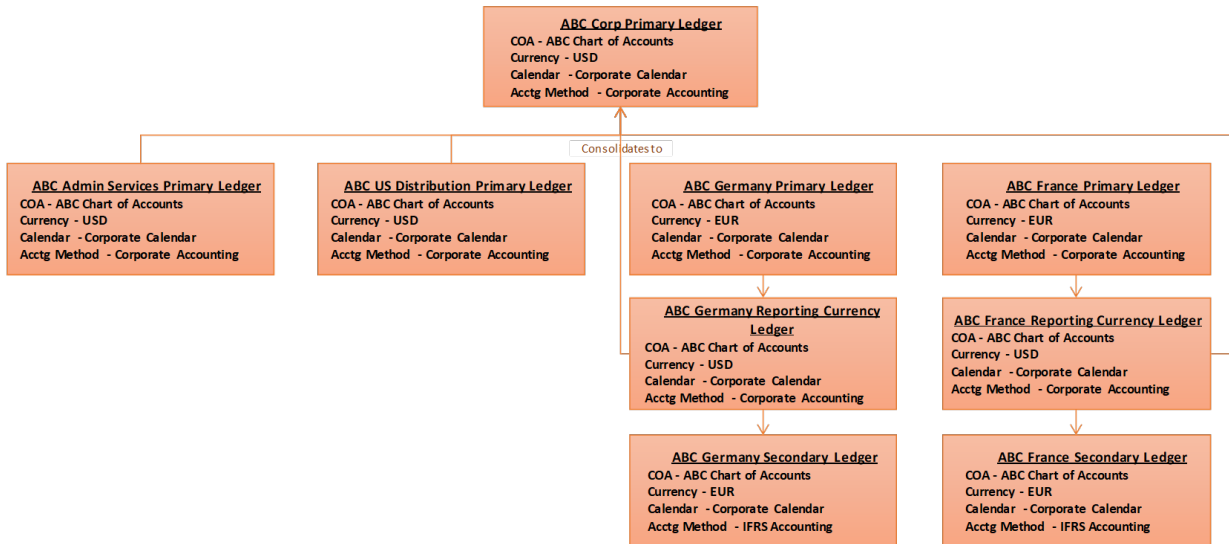
ABC Corp Primary Ledger
COA - ABC Chart of Accounts
Currency - USD
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

Consolidates to

ABC Admin Services Primary Ledger
COA - ABC Chart of Accounts
Currency - USD
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

ABC US Distribution Primary Ledger
COA - ABC Chart of Accounts
Currency - USD
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

ABC Germany Primary Ledger
COA - ABC Chart of Accounts
Currency - EUR
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

ABC France Primary Ledger
COA - ABC Chart of Accounts
Currency - EUR
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

ABC Germany Reporting Currency Ledger
COA - ABC Chart of Accounts
Currency - USD
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

ABC France Reporting Currency Ledger
COA - ABC Chart of Accounts
Currency - USD
Calendar - Corporate Calendar
Acctg Method - Corporate Accounting

ABC Germany Secondary Ledger
COA - ABC Chart of Accounts
Currency - EUR
Calendar - Corporate Calendar
Acctg Method - IFRS Accounting

ABC France Secondary Ledger
COA - ABC Chart of Accounts
Currency - EUR
Calendar - Corporate Calendar
Acctg Method - IFRS Accounting

Figure 8 – Oracle Fusion Cloud ERP Ledgers

In Oracle Fusion Cloud ERP, the ledger's definition includes the chart of accounts, currency, calendar, accounting method, and document sequencing requirements to be used at the legal entity or ledger level. It is also recommended that each ledger is country specific. In contrast to JD Edwards, each ledger may have a different chart of accounts structure. If a secondary ledger associated to a primary ledger contains a different chart of accounts structure, mapping is available between the different structures.

The accounting method, also known as Sub Ledger Accounting Method (SLAM) identifies the specific method of accounting that is used when subledger accounting entries are posted to the General Ledger. It is a best practice to use a "Corporate First" strategy. In the previous example, the primary ledgers for Germany and France have the accounting method set to Corporate Accounting whereas their secondary ledgers have the accounting method of IFRS Accounting. Germany and France fall under the IASB accounting standards and the US, where the corporate headquarters are, falls under FASB standards. Reporting for Germany and France would be done via the secondary ledgers. Subledger Accounting configurations allow for rules to be setup to automatically change the accounting for transactions based upon the accounting method. An example of this is Lease Accounting. FASB standards provide for both operating and finance leases that have different accounting requirements. IASB standards only allow for finance leases. Utilizing rules for the differences between FASB and IASB standards, the subledger accounting rules automate the accounting differences between the two ledgers.

If processes or users need access to multiple primary ledgers, as is the case for the shared services centers, month end close processes, or consolidated reporting, Ledger Sets and Data Access Sets can be defined and assigned as needed.

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In our example, the following ledger sets would be created to expedite processing:

PURPOSE	LEDGERS IN THE SET
European Shared Services	ABC Germany Primary Ledger and ABC France Primary Ledger
Management Reporting	ABC US Primary Ledger, ABC German Reporting Currency Ledger, ABC France Reporting Currency Ledger
Month End Close	US Primary Ledgers

Figure 9 - Ledger Sets

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Additional Setup

JD Edwards

In addition to setting up your companies, business units, and ledgers these are a few of the other foundational elements you need to setup.

BUSINESS OBJECT	PURPOSE
Address Book	Define addresses for companies, business units, branch plants and legal authorities.
Account Master (Model & by BU)	Define your model chart of accounts and all accounts to be used by your business units. This includes the hierarchy of the accounts.
GLG AAIs	Define the ranges of accounts for categories such as Assets, Liabilities, Revenue, and Expense.
Date Patterns	Define the fiscal years/periods to be assigned to your companies.
Data Relationships	Define the rules for how the category code values are related to one another to ensure accurate data entry.
Business Unit Category Code Values	Define the valid Divisions (in our example) and any other category codes you will use.
Branch/Plant Constants	Define the attributes for the business units and branch plants that will have inventory associated with them.

Figure 10 - JD Edwards Additional Setup

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Oracle Fusion Cloud ERP

In addition to setting up your legal entities, ledgers, ledger sets, chart of accounts structure, and business units there are other foundational items that need to be setup to support your Enterprise Structure.

BUSINESS OBJECT	PURPOSE
Geographies	Define the geographic areas (country, state/province, county, city) in which you do business.
Legal Addresses	Define the addresses for our legal entities.
Legal Jurisdictions	Define the jurisdictions you do business in and their function. This includes federal, state, and local agencies.
Legal Authorities	Define the legal authorities you do business with within the Legal Jurisdictions.
Legal Entity Registrations	Define, for each Legal Entity, which Legal Jurisdictions they do business with.
Account Types and Hierarchies	Define the hierarchy of your natural accounts and the type of account (i.e. asset, liability, revenue, expense).
Account Combinations Cross Validation Rules Related Value Sets	Define the accounts that are valid for your Chart of Accounts as well as rules for how the values for the segments in the structure relate to one another.
Calendar	Define the fiscal year/period calendar to be associated with your ledgers.
Value sets/values	Define the segments to be used in your chart of accounts structure and their associated values.
Inventory Organizations Cost Books Cost Organizations	Needed to support inventory processes.

Figure 11 – Oracle Fusion Cloud ERP Additional Setup

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Summary

This document has given you an overview of the concepts and terminology when configuring your enterprise in Oracle Fusion Cloud ERP, all based upon concepts and terminology that you are familiar with from JD Edwards. We have shown that Oracle Fusion Cloud ERP's enterprise structures provide additional flexibility by allowing multiple chart of accounts structures as well as ledgers that enable you to generate financial reports in any currency and/or accounting method. We hope this information has been helpful to you as you plan your journey to the cloud with Oracle Fusion Cloud Applications.

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Links to Oracle Fusion Cloud ERP Best Practice Materials

For more detailed information on best practices for implementing Oracle Fusion Cloud ERP Enterprise Structures, please see the following content available on My Oracle Support (support.oracle.com):

- Cloud ERP Enterprise Structures White Paper (Doc ID 2415848.1)
- ERP Cloud - Record to Report Enterprise Structures Best Implementation Practices Blueprint (Doc ID 2660940.1)
- ERP Cloud – Procure to Pay Enterprise Structures Best Implementation Practices Blueprint (Doc ID 2677696.1)
- ERP Cloud – Order to Cash Enterprise Structures Best Implementation Practices Blueprint (Doc ID 2685402.1)
- ERP Cloud - Asset Cloud Enterprise Structures Best Implementation Practices Blueprint (Doc ID 2734528.1)

Link to JD Edwards and Oracle Cloud Information

For additional information on starting your journey to the Cloud please review the information at the following LearnJDE.com page:

- JD Edwards and Oracle Cloud https://docs.oracle.com/cd/E84502_01/learnjde/cloud_overview.html

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