Oracle Subledger Accounting:
The Users Perspective

NCOAUG Presentation
August 16, 2013
Speaker Background – Becky Reeve

- 23 years General Accounting experience
- 8 years Oracle Applications IT Implementation and Support experience
- Current position is Controller at Komori America Corporation with secondary responsibility for Oracle Functional Support and Development
- Participated in several 10.7 to 11 implementations/re-implementations
- Member of the Implementation Team in April, 2007 Go-Live
- Managed the 11.5.10.2 to R12.1.3 Upgrade Project in August, 2011
Agenda

• About Komori America Corporation
• What is Subledger Accounting (SLA) in R12?
• Setup steps for SLA
• How Komori is using SLA
• The Accounting/Audit Catch-22
• Questions
Komori is one of the world’s largest press manufacturers

- Focused on Offset Printing technology
- Digital Printing technology is coming!!!

Founded in 1923

Technology leader; Worldwide market leader

All manufacturing done in Japan

Subsidiaries and dealers in 50 countries

- Komori America = North American HQ
- Sales/Marketing, Service, Parts, Finance

Komori America migrated from AS400 to EBS 11i in April 2007 and upgraded to 12.1.3 in September 2011
What is Subledger Accounting (SLA) in R12?

• SLA is a rules based engine for generating subledger journal entries to be posted to GL.
• Does not change the transaction accounting within the subledger, “replaces” the accounting as it is sent to GL Journal Entry.
• Gives a common data model and interface for all subledgers/modules.
• Can replace prior Workflow Account Generator definitions.
• Allows date effective policies for changes in accounting.
• Has pre-defined rules that you can override or leave as seeded.
Setup Steps for SLA

• Accounting Methods Builder is available in the Oracle Menus
• Create and/or Modify Subledger Journal Line Setups, Application Accounting Definitions (AAD) and Account Derivation Rules
• Assign the AAD to the Subledger Accounting Method and assign it to the appropriate Ledger
Setup Steps for SLA (cont’d)

• Define Mapping Sets (Optional)
• Define Account Derivation Rules *
• Define Journal Line Types (JLT)
• Define Journal Entry Descriptions
• Define Journal Line Definitions (JLD) *
• Define Application Accounting Definition (AAD) *
• Define Subledger Accounting Method (SLAM) *
• Assign SLAM to Ledger *

* Used by Komori
Setup Steps for SLA (cont’d)

Account Derivation Rule
Setup Steps for SLA (cont’d)

Journal Line Definitions

<table>
<thead>
<tr>
<th>Journal Line Type</th>
<th>Inherit Description</th>
<th>Owner</th>
<th>Line Description</th>
<th>Owner</th>
<th>Active</th>
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<tr>
<td>Invoice Deferred Revenue</td>
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Account Derivation Rules

<table>
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<tr>
<th>Segment</th>
<th>Inherit</th>
<th>Rule Name</th>
<th>Owner</th>
<th>Description</th>
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<tbody>
<tr>
<td>All Segments</td>
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<td>Transaction Distribution GL</td>
<td>Oracle</td>
<td>GL Account on Distribution for</td>
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</table>

Chart of Accounts

Transaction: [Blank]
Accounting: [Blank]
Setup Steps for SLA (cont’d)

Application Accounting Definition

[Diagram of Application Accounting Definition interface]

1. **Application**
   - Receivables

2. **Definition Code**
   - AR_DEFAULT_ACCLUAL

3. **Definition Name**
   - Receivables Default Accrual

4. **Description**
   - Default accrual basis accounting definition

5. **Chart of Accounts**
   - Transaction
   - Accounting

6. **Event Class and Event Type Assignments**
   - **Event Class**: Adjustment, Bills Receivable, Chargeback, Collection Occurrence Discount
   - **Event Type**: All
   - **Validation Status**: Valid
   - **Create Accounting**: Yes
   - **Locked**: No

7. **Journal Lines Definition Assignments**
   - **Journal Lines Definition Name**: Adjustments - Default Accrual
     - **Owner**: Oracle
     - **Description**: Default accrual basis Journal Line Definition for Adjustment
Setup Steps for SLA (cont’d)

Subledger Accounting Method
Setup Steps for SLA (cont’d)

Assign Subledger Accounting Method to Ledger
Setup Steps for SLA (cont’d)

Run Validate Application Accounting Definitions program
Review results to confirm Status = Valid
How Komori is Using SLA

• Komori enters Customer orders for Spare Parts using one Order Type but wanted to split the revenue and cost of sales between Repair Parts and Consumable Parts
• AutoAccounting in Receivables is setup to drive Revenue Account by Transaction Type (which is tied to the Order Type)
• Inventory Items have an Inventory Category which indicates when a part is a Consumable Part
• Inventory Category is not a pre-seeded Source in Account Derivation Rule so had to define a Custom Source using PL/SQL statement
How Komori is Using SLA (cont’d)

Custom Source
Technical Resource wrote custom Sql to look at Inventory Category for Warranty and review the Value
How Komori is Using SLA (cont’d)

Account Derivation Rules
Query the pre-seeded rule, copy and rename – then update
Had to do for both TRX and CM CCID Rules
How Komori is Using SLA (cont’d)

Account Derivation Rules (cont’d)

Use Conditions button to add logic – Consumables have Warranty Category = NO

<table>
<thead>
<tr>
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<th>Operator</th>
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How Komori is Using SLA (cont’d)

Application Accounting Definition – Invoice and Debit Memo
Query the pre-seeded AAD, copy and rename – scroll down to appropriate event class and click the Journal Line Definition button
How Komori is Using SLA (cont’d)

Journal Line Definition – Invoice and Debit Memo

Copy and rename – scroll down to appropriate Journal Line Type – click in Rule Name field and choose custom ADR
How Komori is Using SLA (cont’d)

Application Accounting Definition – Credit Memo

Query the pre-seeded AAD, copy and rename – scroll down to appropriate event class and click the Journal Line Definition button.
How Komori is Using SLA (cont’d)

Journal Line Definition - Credit Memo
Copy and rename – scroll down to appropriate Journal Line Type – click in Rule Name field and choose custom ADR
How Komori is Using SLA (cont’d)

Subledger Accounting Method (SLAM)

Query the pre-seeded SLAM, copy and rename – scroll down to Receivables Application and choose custom AAD
How Komori is Using SLA (cont’d)

Assign SLAM to Ledger
Open the Accounting Setups, choose Ledger, click Update Accounting Options and assign custom SLAM
How Komori is Using SLA (cont’d)

- Determined Sales Tax Adjustments were always using the default Sales Tax account from Payables Options
- Able to use our existing custom AAD and just create a new custom Journal Lines Definition
- Found a pre-seeded ADR = Transaction Distribution GL Account
- Replaced the existing ADR = Distribution GL Account
- Update Event Class = Adjustment with new JLD
- Run Validation Program
How Komori is Using SLA (cont’d)

Journal Line Definition – Adjustment

Copy and rename – scroll down to appropriate Journal Line Type(s) – click in Rule Name field and choose new Rule Name

<table>
<thead>
<tr>
<th>Application</th>
<th>Receivables</th>
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<tr>
<td>Event Class</td>
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<tr>
<td>Description</td>
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</table>

Chart of Accounts

- Transaction
- Accounting

Line Assignments

<table>
<thead>
<tr>
<th>Journal Line Type</th>
<th>Inherent Description</th>
<th>Owner</th>
<th>Line Description</th>
<th>Owner</th>
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<td>Adjustment Deferred Tax</td>
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<td>Adjustment Non-Recoverable Tax</td>
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Account Derivation Rules

<table>
<thead>
<tr>
<th>Segment</th>
<th>Inherent</th>
<th>Rule Name</th>
<th>Owner</th>
<th>Description</th>
<th>Side</th>
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<tr>
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<td>Transaction Distribution GL A</td>
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<td>GL Account on Distribution for</td>
<td></td>
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</table>

Account Derivation Rule

Supporting References

Copy Line Assignment
How Komori is Using SLA (cont’d)

Update Application Accounting Definition
Query Custom AAD and update Adjustment Event Class with new custom JLD
The Accounting/Audit Catch 22

• Receivables Distributions information is not the same as the Subledger Accounting information sent to General Ledger
  ▪ Could cause confusion for users used to looking at the distribution information
  ▪ Need to change process to look at SLA information instead
  ▪ Oracle Database tables now hold two distribution code combinations – one in AR Trx Lines Distributions and another in the SLA Distributions
  ▪ AR Standard Reports do use SLA Distributions information – Sales Journal by Customer
  ▪ May need to update custom reports that were looking at the AR Trx Lines Distributions table so that reports tie to GL Accounting
  ▪ IT Audit issues/confusion???
The Accounting/Audit Catch 22 (cont’d)
The Accounting/Audit Catch 22 (cont’d)

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<th>Invoice Number</th>
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The Accounting/Audit Catch 22 (cont’d)

• AutoAccounting process still needs to create a valid account code combination
  - AutoInvoice process will fail if AutoAccounting fails
  - Don’t want to allow invalid combinations to be used
  - Requires duplicate effort to make sure both AutoAccounting and SLA create valid combinations and that SLA creates the ultimate accounting that you want

• Do you replace Workflow Account Generator Setups?
  - OM Cost of Goods Account
  - Fixed Asset Account
  - Project Supplier Invoice
  - Project Expense Report
  - PO Account Generator
  - Komori has not yet reviewed whether or not to replace these with SLA setups
Questions ????
Contact Information

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