# Nine Ways To Design The Ideal COA

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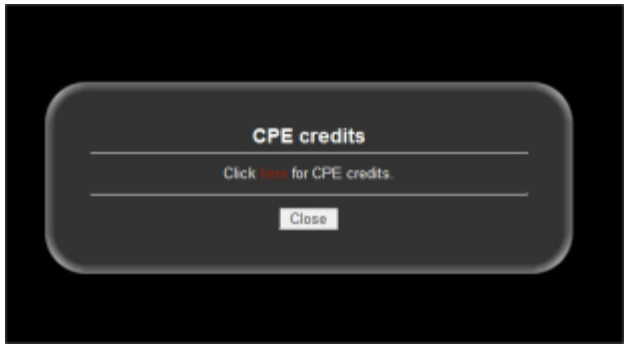
EBS Answers
Virtual Conference

# Webinar Mechanics




- Submit text questions in the chat log.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers: http://www.linkedin.com/groups/EBS-Answers-4683349/about
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.
- A recording of today's event will be available for 90 days for conference registrants.

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# Learning Objectives

After completion of this presentation you will be able to:

**Objective 1:** List the nine design aspects of a forward-thinking chart of accounts.

**Objective 2:** Explain how to design a chart of accounts to accommodate future growth.

**Objective 3:** Describe how a good design enables you to reduce costs, streamline reporting, and provide global visibility.

**Objective 4:** Identify how to leverage a Global COA and Release 12 features like subledger accounting and ledger sets.

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# eprentise®: Transformation Software for E-Business Suite

*Company Overview: Incorporated 2007, Helene Abrams, CEO*

## *eprentise Can…*

- Consolidate Multiple EBS Instances
- Change Underlying Structures and Configurations
  - Chart of Accounts, Other Flexfields
  - Merge or Split Ledgers or Sets of Books, Operating Units, Legal Entities, Inventory Organizations
  - Calendars, Currency, Costing Methods
  - Asset Revaluation, Inventory Valuation
- Separate Data

## *…So Our Customers Can:*

- Reduce Operating Costs and Increase Efficiencies
  - Shared Services
  - Data Centers
- Adapt to Change
  - Align with New Business Initiatives
  - Mergers, Acquisitions, Divestitures
- Avoid a Reimplementation
- Reduce Complexity and Control Risk
- Improve Business Continuity, Service Quality and Compliance
- Streamline Operations with Visibility to All Parts of the Business
- Establish Data Quality Standards and a Single Source of Truth

**Finished But Not Done®**

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# Agenda

- Introduction
- Chart of accounts (COA) basics
  - Mystery Accountant
- Designing a good COA
  - Design Considerations
- Leveraging a Global COA
- Summary of the Nine Steps

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# Chart of Accounts Basics: The Accounting Flexfield

## Example Structure

Segments, Values, Code Combinations

| Company | Business Unit | Cost Center | Region | Account |
|---|---|---|---|---|
| 01 | 100 | 150 | East | 1111 |
| 02 | 100 | 210 | West | 2222 |

Values

01.100.150.East.1111 ← Code Combination

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# Flexfields in the Form

Journals (Vision Operations (USA)) - 1124371 M1 Inventory 3680915: A 122438

Journal: WIP USD
Description: 2005/10/14 M1 "
Ledger: Vision Operations (
Period: Oct-05
Balance Type: Actual
Clearing Company:
Journal Type: Standard
Category: WIP
Effective Date: 14-OCT-2005
Budget:
Tax: Not Required
Control Total:

Conversion
Currency: USD
Date: 14-OCT-2005
Type: User
Rate: 1

Reverse
Date:
Period:
Method: Switch Dr/Cr
Status: Not Reversed
Reverse

Lines | Other Information

| Line | Account | Debit (USD) | Credit (USD) | UOM | Qty | Description | [ ] |
|---|---|---|---|---|---|---|---|
| 1 | 01-000-1410-0000-000 | 0.00 | | | | 2005/10/14 M1 " | |
| 2 | 01-000-1420-0000-000 | | | | | 2005/10/14 M1 " | |
| 3 | 01-000-1430-0000-000 | | | | | 2005/10/14 M1 " | |
| 4 | 01-000-1440-0000-000 | 15,215.00 | | | | 2005/10/14 M1 " | |
| 5 | 01-000-1450-0000-000 | 0.00 | | | | 2005/10/14 M1 " | |
| 6 | 01-520-5310-0000-000 | | | | | 2005/10/14 M1 " | |
| 7 | 01-520-5312-0000-000 | 0.00 | | | | 2005/10/14 M1 " | |
| 8 | 01-520-5330-0000-000 | 0.00 | | | | 2005/10/14 M1 " | |
| | | 15,215.00 | 15,215.00 | | | | |

Code Combinations

Accounting Key Flexfield

Acct Desc: Operations-No Department-Inventory Material Value-No Sub Account-No Product

Value Descriptions

Post | AutoCopy Batch... | Approve | Line Drilldown... | T Accounts...
Check Funds | Reserve Funds | View Results | Change Period... | Change Currency...


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# Chart of Accounts Basics: Segments

- The EBS accounting flexfield accommodates up to 30 segments for categorizing transactions
- Structurally analogous to columns in a table
- Have defined lengths for the values they contain
- Common segment examples: Cost Center, Department, Fund, Location, Product Line

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# Chart of Accounts Basics: Hierarchy

- The accounting flexfield incorporates parent-child relationships among values
- Roll-up Groups
  - A collection of parent values for a given segment
  - Used to create summary accounts
  - The most detail is at the lowest level
- Summary Accounts
  - Hierarchical rollup of children and/or parents
  - Faster reporting
  - Account balance inquiries

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# Poll Question

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# 1- The Mystery Accountant Test

- Your COA segments should be defined with enough clarity to pass the Mystery Accountant Test
- Do your segments answer the questions Who, What, Where, Why, and How giving your accounting flexfield the ability to classify each transaction
- Who is responsible for the transaction?
- What is the nature of the transaction?
- Where is the activity occurring?
- How are the funds being impacted?
- Why was the transaction posted?

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# 2 - One Type of Information

- Information should not overlap across segments.
- If each segment contains one (and only one) type of information, you:
  - Reduce the maintenance associated with keeping information accurate in two places
  - Reduce the possibility of introducing errors into your accounting
- Example: If your cost center has the same type of information as a business unit segment, there is no need to implement both.
- Example: You shouldn't have a Department segment value such as HR – Sacramento, CA if there is also a Location segment in the chart.

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# 3 - Information Not Repeated

- The accounting flexfield should not repeat information that exists in other modules of EBS.
  - Reduced maintenance and errors (similar to Criteria 1)
- **Example:** If you are implementing Oracle Projects modules, there is no need to have a project segment in your accounting flexfield.
- **Example:** If you are implementing Receivables, then there is no need for a customer segment.

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# 4 - Enough Room to Expand

- Define your segment lengths to be long enough to accommodate values added in the future.
- Note: Although it likely won't be an issue, the maximum number of characters for a code combination string is 240, so there are upper limits on how long you can define your segments.
- When designing values be sure to allow enough room for future growth within each rollup group
  - Increment by at least 5 within each group
  - Increment by 10 if the group is likely to be a high growth area.
  - Example: If you have a location segment, allow enough room to add ten additional values between each of your lowest levels. Your Location segment hierarchy might look like this:
  - 10000 US
    - 11000 Midwest
      - 11100 Detroit Metropolitan Area
        - 11110 Ann Arbor
        - 11120 Canton
        - 11130 Plymouth
  - 20000 Canada

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# 5 - Use Logical Ranges

- Ranging your values logically promotes streamlined reporting, security, and maintenance.
  - Include a whole range of values in your rule (cross validation, security) and FSG report definitions
  - Exclude specific values if needed
  - Minimize the number of cross validation rules needed (under 50 using logical ranges compared to hundreds or thousands when not using logical ranges)
- Use numbers only randomly.
  - Avoid using intelligent numbers
  - For items with embedded intelligent numbers like Products, introduce non-intelligent numbers as well

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# Poll Question

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# 6 - No Reliance on Spreadsheets

- Be able to get the information you need from built-in EBS reports.
  - Real-time value
  - No errors introduced by use of spreadsheets
  - Streamlined workflow, lower resource requirements, and reduced maintenance
  - No need to integrate with 3rd party reporting applications
- Capitalize on a master row set for FSG reports.
  - Allows you to generate different reports without having to rewrite each report

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# 7 - Avoid Alpha Characters Whenever Possible

- Tempted by the perceived simplicity but Alpha characters introduce a maintenance nightmare.
- If these must be used, ensure they are implemented only for the most static segments.

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# Alpha Characters - CVR Example

- Example Requirement— Only department 7640 is permitted for use with any product line that starts with S.

| INCLUDE | Low Value | High Value |
|---|---|---|
| Company | 000 | 999 |
| Department | 0000 | 9999 |
| Account | 00000 | 99999 |
| Product Line | 000 | ZZZ |
| Intercompany | 000 | 999 |

This exclude statement prevents the departments below 7640 from using any product line that starts with anything below S.

This exclude statement prevents the departments below 7640 from using any product line that starts with anything above S:

| EXCLUDE | Low Value | High Value |
|---|---|---|
| Company | 000 | 999 |
| Department | 0000 | 7639 |
| Account | 00000 | 99999 |
| Product Line | T00 | ZZZ |
| Intercompany | 000 | 999 |

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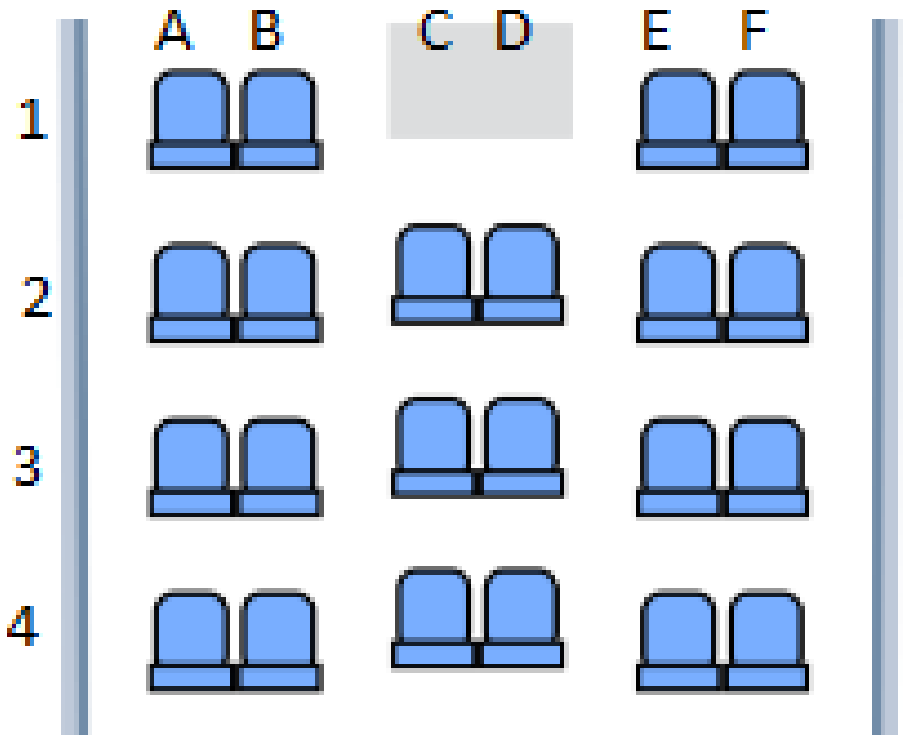
# 8 - Don't Use Dependent Segments

- What is a dependent segment?
  - Dependent value sets are a list of values, who's associated meanings depends on the independent value used by the previous flexfield segment.

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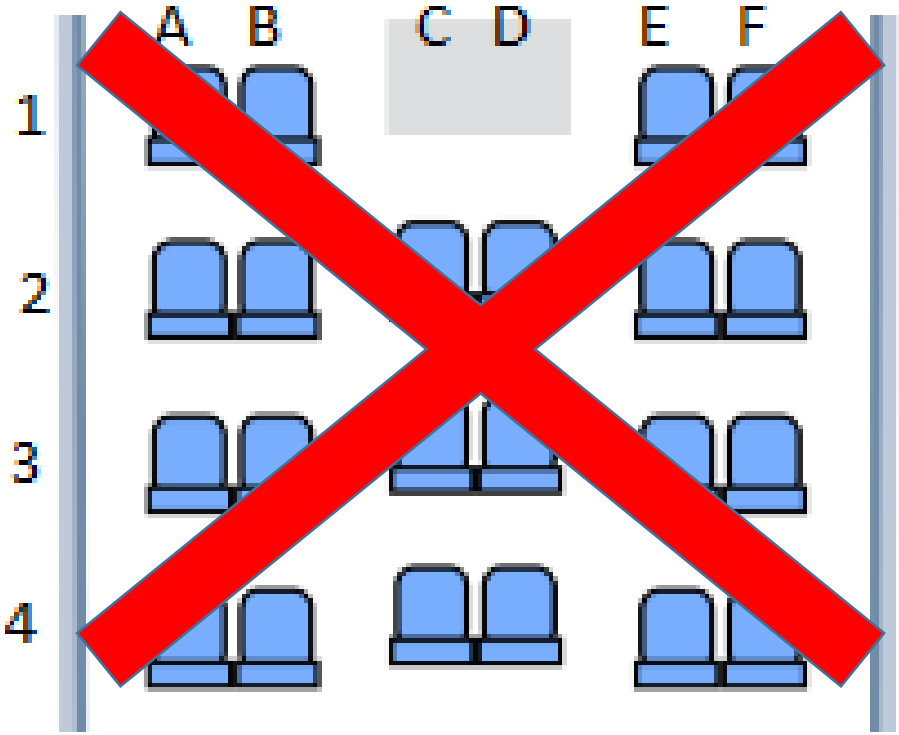
# Why Avoid Dependent Value Sets?

- You cannot do anything that has ranges or uses a hierarchy with a dependent segment by definition
  - Allocations
  - GL consolidations
  - Cross-validation rules
  - Security rules
  - Budgeting
  - Ranges for your FSG reports.
  - You will not be able to use Oracle Financial Analyzer because it uses parent values.

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# 9 - Leverage Oracle Functionality with a Global COA

- Reduce complexity of configurations
  - Cross validation rules
  - Security rules
  - Reporting within ranges
- No conversions required for data warehouse queries, drill-down to subledgers, ad-hoc reporting
- Facilitate movement to shared service centers
  - Single COA to manage
  - Standardized training
- Enterprise governance and control of new combinations
  - Reduce redundancies

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# A Global Chart of Accounts – Enterprise Visibility with Subledger Accounting and Secondary Ledgers

- Primary ledger is single source of truth for all accounting, reconciliation and analytical reporting.
- Consistency but flexibility to accommodate different requirements
- External reporting without relying on a separate financial consolidation system
- Drill down to individual transactions in the subledgers without translation
- Transparency (3-5 years) to meet IFRS standards and international auditing requirements
- Common metrics and reporting structures with common interpretation

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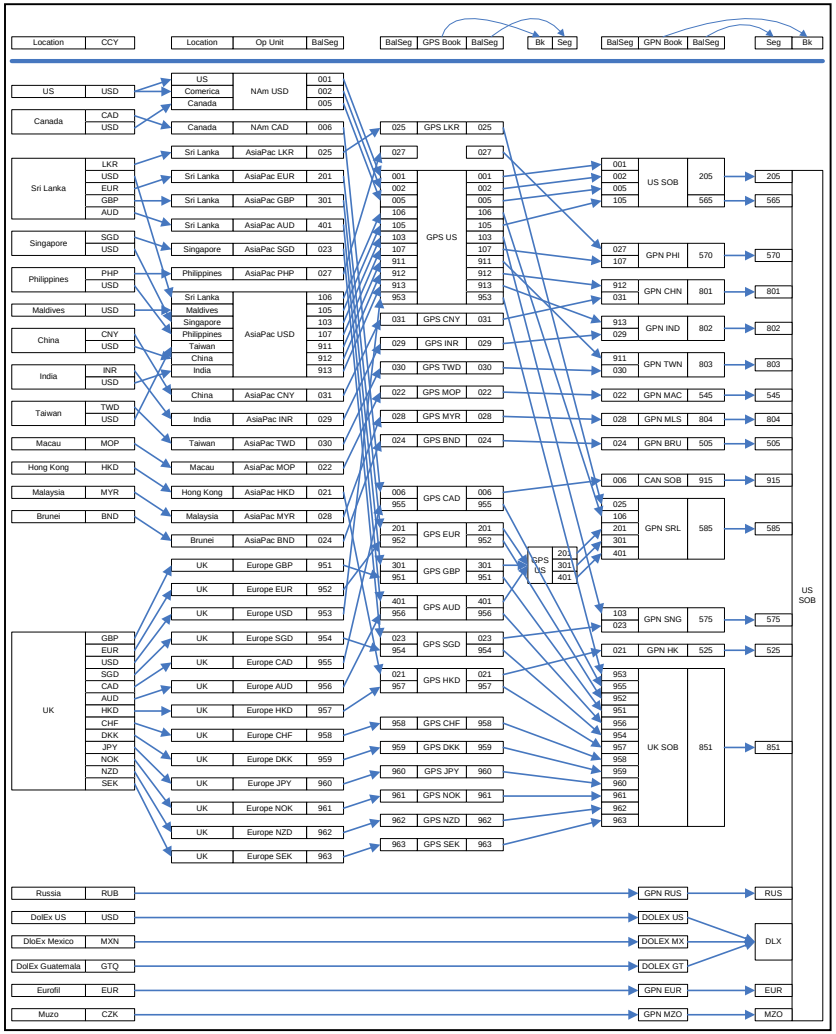
# A Global Chart of Accounts – Reduces Complexity

- Streamline the month- and year-end closing processes
- No more messy financial consolidations using spreadsheets
- R12 eliminates the need for using and maintaining multiple charts of accounts

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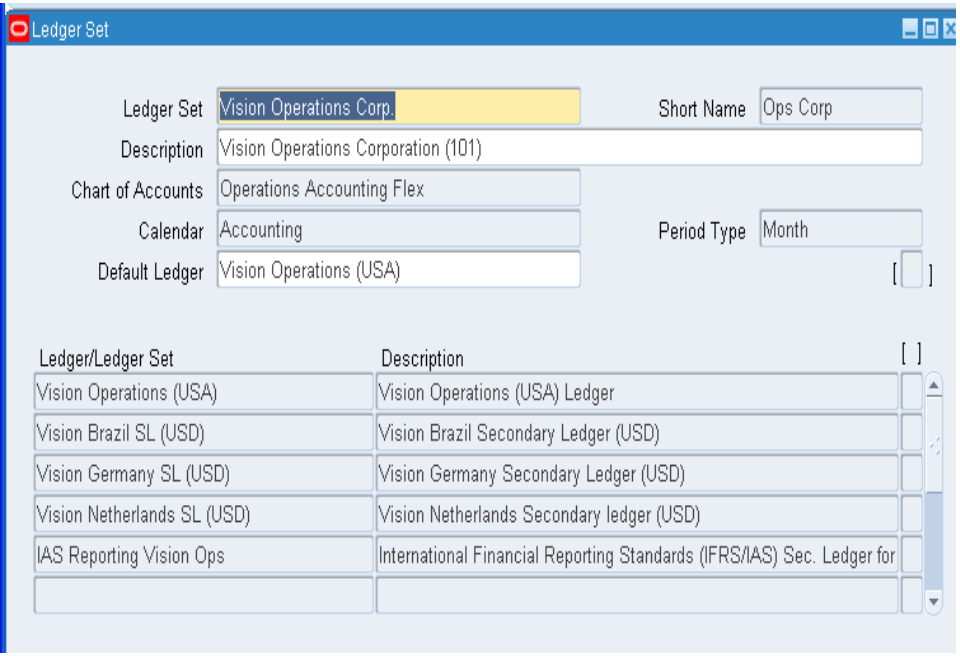
# R12 Features - Ledger Sets




Perform the Following Across Ledgers

- Open/Close Periods
- Create Journals
- Allocations Across Ledgers
- Recurring Journals for All Ledgers
- Elimination Sets for All Ledgers
- Translate and Revalue Balances
- View Information without Changing Responsibilities
- View Journals and Account Balances Across Ledgers
- Submit Standard Reports
- Create Financial Statements that Include Data for Multiple Ledgers

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# Global Visibility – Local Compliance with R12 – Subledger Accounting,
# Accounting Methods Builder Replaces Global Accounting Engine

Compare Subledger Journal Entries

| | SSC France | SSC France SL (EUR) |
|---|---|---|
| Journal Entry Status | Final | Final |
| Balance Type | Actual | Actual |
| Journal Entry Type | Standard | Standard |
| Category | Purchase Invoices | Purchase Invoices |
| GL Date | 17-Oct-2006 | 17-Oct-2006 |
| Completion Date | 17-Oct-2006 17:15:21 | 17-Oct-2006 17:15:21 |
| Application Accounting Definition | Training AAD | RZ AP (No specific COA) |
| Description | SLA is the coolest!!! RZ987653 is the invoice number. | Invoice Validated , Invoice Number: RZ987653 , Date: 17-OCT-06 , Document Sequence Category: STD INV , Document Sequence Name: SSC FR AP , Invoice Voucher Number: 36 , Invoice Description: |

Lines

**Global COA**

SSC France

| Number | Accounting Class | Account | Accounted DR (EUR) | Accounted CR (EUR) |
|---|---|---|---|---|
| 1 | Item Expense | 101.100.63580.0000.730.000.000 | 6,000.00 | |
| 2 | Item Expense | 101.100.63580.0000.720.000.000 | 4,000.00 | |
| 3 | Recoverable Tax | 101.100.13200.3101.000.000.000 | 1,960.00 | |
| 4 | Liability | 101.100.22100.0000.730.000.000 | | 6,000.00 |
| 5 | Liability | 101.100.22100.0000.720.000.000 | | 4,000.00 |
| 6 | Liability | 101.100.22100.0000.000.000.000 | | 1,960.00 |

**Plan Comptable General**

SSC France SL (EUR)

| Number | Accounting Class | | Accounted DR (EUR) | Accounted CR (EUR) |
|---|---|---|---|---|
| 1 | Item Expense | 101.100.616100.0000.730.000.000.000 | 6,000.00 | |
| 2 | Item Expense | 101.100.616100.0000.720.000.000.000 | 4,000.00 | |
| 3 | Recoverable Tax | 101.100.445623.3101.000.000.000.000 | 1,960.00 | |
| 4 | Liability | 101.100.401009.0000.000.000.000.000 | | 10,000.00 |
| 5 | Liability | 101.100.401009.0000.000.000.000.000 | | 1,960.00 |

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# Global COA Design Recommendations

- Add an intercompany segment – take advantage of AGIS
- Add a segment to accommodate local requirements
  - Ranges, rollups defined for each country to use
    - Local bank accounts
    - Statutory reporting
  - Location segment (optional) but helps with security, cross validation
- Implement other modules for detailed tracking at a local level (through an OU)
  - Project Accounting
  - Collections
- Implement Multiple Reporting Currencies, secondary ledgers to report in different currencies

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# Poll Question

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# Nine Ways To Design The Ideal COA

1. Does your COA pass the mystery accountant test?
2. One type of information
3. Information not repeated from the modules
4. Enough room to expand
5. Make use of logical ranges
6. No reliance on spreadsheets
7. Avoid the use of alpha characters
8. Don't use dependent segments
9. Leverage Oracle functionality with a global COA

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