E-Business Suite R12
Event Accounting Revolutionizes Accounting
Process in Oracle Assets

Presented by

Presenter: Brian Bouchard
Northern Tier Energy
Date: April 11, 2013

Table of Contents

About the Presenter

- 20+ years Oracle Experience as an end user and implementation consultant
- Over 20 Full Cycle Implementation
- Senior Solution Architect with MarketSphere consulting
- Developed Oracle Asset plug-in products (AssetCross® & AssetTie™)
- US Patent – AssetCross®
- Developed eLearn Asset Video Courseware and Webinars
- Serves as the OAUG Asset SIG Coordinator
- Author of Oracle Financials – A Fixed Assets Perspective
- Presented at AUSOUG, NCOAUG, NOCOUG, OAUG, OCOUG, Open World, PSOUG, SCOAUG, SROAUG, VOUG

Introduction

The process Oracle Assets use to generate accounting have been evolving over the past several major releases of the application. My first introduction to this process was where you could only hard close the system and generate journals only once at month-end. Oracle introduced in R11 the capability to run soft closes. This new feature allowed clients to run depreciation, review the outcome, rollback depreciation, make changes, and run depreciation again. With this approach Oracle also allowed clients to generate journals and roll them back – however, the rollback needed to take place within a certain timeframe. Now in R12, Oracle is introducing a new concept in Assets, Create Accounting. R12 will allow, like in R11 soft closes, however the change is on the generating journals. Oracle now allows journals to be generated as often as needed throughout the month. Thus, moving away from a heavy manual month-end close process. This change is one of the major changes Oracle is introducing in R12 and it is critical to understand how this change along with Event Accounting will impact your company and processes. This white paper attempts to answer the question, Event Accounting? What's that and how will it impact Assets in R12?

Evolution to Event Accounting

Run Depreciation once & Journals once

This section of the paper will discuss the evolution to R12 accounting processing beginning with the ability to only run depreciation once and then create journals. Prior to Release 11 Oracle Assets was only capable of allowing clients to run depreciation once, this was done at month-end. Once the depreciation was completed the client would then generate journals that would account for every transaction performed during the month. Risks that were involved in this process were undiscovered issues or transactions these would be flushed out during the reconciliation process and corrected the following month in Assets.

Introduction of Soft Depreciation Runs

In Release 11, Oracle introduced the idea of running depreciation multiple times during the month. This new idea allowed clients to run depreciation and review the outcome prior to closing the month. This provided greater flexibility during month-end close and allowed clients to correct issues prior to closing the month. Along with this feature came the ability to rollback depreciation. If a client ran depreciation and needed to make changes to an asset, they would be able to rollback depreciation and make the necessary changes and then calculate depreciation again. Likewise, if journals were created, they too could be rollback and re-generated, this feature had some limitations.

Introduction of Create Accounting

Now in Oracle's new release of R12, this process has been changed again to bring even greater flexibility to clients. Like in R11, Oracle allows clients to run depreciation multiple times prior to closing the month. However, in R12 there is no depreciation rollback program to be run is updates to assets are needed. Instead, Oracle is introducing automatic depreciation rollback. This feature will automatically rollback depreciation on specific assets that updates are performed, there is no longer a needed to rollback depreciation on every asset. When the change or update is complete and depreciation is run again, the depreciation program will only calculate depreciation on new assets or updated asses. Therefore all other assets that have not bee impacted by the updates will remain with the prior depreciation calculation. Oracle is now introducing Create Accounting in Assets. This process is dependent upon the new concept of Event Accounting. What Create Accounting offers is the capability to generate journals multiple times throughout the month – each generation is an incremental of the prior generation, thus not double counting transactions. One of the key components to allow this is the change from Period Accounting to Event Accounting. Period Accounting is the accounting process is done once at month-end. Event Accounting is the accounting process is on going and can be done daily / multiple times during the month. Let's take a look at Event Accounting versus Monthly or Period Accounting.

Event Accounting vs. Monthly Accounting

What is an Event?

Oracle has introduced Event Accounting in R12. As mentioned above, Period Accounting is the accounting process is done once at month-end. Event Accounting is the accounting process is on going and can be done daily / multiple times during the month. An event is basically a transaction or activity that takes places in Oracle Assets, for example:
- Additions
- Adjustments
- CIP Additions
- CIP Adjustments
- CIP Category Reclass
- CIP Retirements
- CIP Revaluations
- CIP Source Line Transfers
- CIP Transfers
- CIP Unit Adjustments
- Capitalization
- Category Reclass
- Deferred Depreciation
- Depreciation
- Depreciation Adjustments
- Inflation Revaluation
- Reserve Transfers
- Retirements Adjustments
- Retirements

- Revaluation
- Source Line Transfers
- Terminal Gain and Loss
- Transfers
- Unit Adjustments
- Unplanned Depreciation

For each Event listed above, Oracle identifies the accounts that could be used to generate the proper journal entry. For each account you can determine how the capture the account values for each segment of the chart of accounts. Event Accounting works hand in hand with Subledger Accounting.

Therefore, if you add an asset, Oracle will debit/credit the Asset Cost Account and when you retire an asset Oracle will debit/credit the Asset Cost Account – you can define the creation of these account combinations differently for each of these events. More flexible, Account Generator you had one rule for Category Level which would include Asset Cost Account.

With more flexibility comes more time to define the rules you wish to apply to the creation of accounts for each event. For an example, in the above example of the Additions and Retirement events each of these include the Asset Cost Account. Utilizing Account Generator the Asset Cost Account is a Category Level account and one rule would be used for both events. Utilizing Subledger Accounting you would need to define a rule for Asst Cost Account multiple times, or for each event that will use this account.

Therefore, Oracle uses Event Classes and Types to help define the accounting rules in Subledger Accounting, for example:

Event Class	**Event Type**
Additions	All
Adjustments	All
CIP Additions	All
CIP Adjustments	All
CIP Category Reclass	All
CIP Retirements	CIP Reinstatements
CIP Retirements	CIP Retirements
CIP Revaluations	All
CIP Source Line Transfers	All
CIP Transfers	All
CIP Unit Adjustments	All
Capitalization	Capitalization
Capitalization	Reverse Capitalization
Category Reclass	All
Deferred Depreciation	All
Depreciation	All
Depreciation Adjustments	All
Inflation Revaluation	All
Reserve Transfers	All
Retirements Adjustments	All
Retirements	Reinstatements
Retirements	Retirements
Revaluation	All
Source Line Transfers	All
Terminal Gain and Loss	All

- Transfers   All
- Unit Adjustments   All
- Unplanned Depreciation   All

Impacts to Transaction History

The fact that every activity or transaction is independent upon other is a new concept and has impacts to how we know Oracle Assets. The following are the impacts to Transaction History screen:
- Audit trail will no longer show voided transaction types if a change occur in the month an asset was added
- Oracle will no longer force an asset to be deleted in the period it was added, due to the change to Event Accounting, Oracle treats the addition and retirement as two separate events and now in R12 will allow an asset to be retired in the same period it was added
- Event Accounting also allows for transferring accounting to GL multiple times in a period

Scenario 1:

Let's take a look at the first impact, here is a scenario: An asset added to the system, in the same period the cost was updated:

Screen Shot – asset being added to the system:

Prior to R12

R12

Asset Additions Report – same for both Prior to R12 and R12

```
VISION ENTERPRISES                          Asset Additions Report                    Report Date:  02-DEC-2009 07:04
Currency:  USD                              Period:  Jan-07 to Jan-07                             Page:     1  of      1
Book:  USD CORP
Company:  01
Asset Type:  Capitalized
Asset Account:  1560
Department:  130


Reserve  Asset                         Date Placed Deprn      Life                   Year-To-Date   Initial Deprn Transaction
Account  Number - Description          In Service  Method     Yr.Mo    Initial Cost  Depreciation        Reserve      Number
-------  ------------------------------ ----------- --------- ------- --------------- -------------- --------------- -----------
1660     108682 - ADD ASSET CHANGE COST 31-JAN-2007 STL        3.00           20.00           0.00            0.00      129780
                                                                              --------------- -------------- ---------------
         Reserve Account 1660 Totals:                                               20.00           0.00            0.00


                                                                              --------------- -------------- ---------------
Department 130 Totals:                                                              20.00           0.00            0.00
```

Navigate to the Asset Workbench > Books and update the cost of the asset:

Prior to R12

8

R12

Re-Run the Asset Additions Report

Prior to R12

```
VISION ENTERPRISES                        Asset Additions Report                 Report Date:  23-NOV-2009 22:27
Currency:  USD                            Period:  Jan-04 to Jan-04                           Page:     1  of      1
Book:  USD CORP
Company:  01
Asset Type:  Capitalized
Asset Account:  1560
Department:  130


Reserve  Asset                            Date Placed Deprn     Life                Year-To-Date  Initial Deprn Transaction
Account  Number - Description             In Service  Method    Yr.Mo    Initial Cost Depreciation       Reserve      Number
-------  ------------------------------   ----------  --------- -------  --------------- --------------- --------------- -----------
1660     103676 - ADD ASSET CHANGE COST   31-JAN-2004 STL        3.00     20,000.00          0.00            0.00       11411
                                                                         --------------- --------------- ---------------
         Reserve Account 1660 Totals:                                     20,000.00          0.00            0.00
```

Oracle will reflect the updated cost on the Asset Additions Report – the
original cost was voided and replaced by the updated cost.

R12

```
VISION ENTERPRISES                        Asset Additions Report                 Report Date:  02-DEC-2009 07:04
Currency:  USD                            Period:  Jan-07 to Jan-07                           Page:     1  of      1
Book:  USD CORP
Company:  01
Asset Type:  Capitalized
Asset Account:  1560
Department:  130


Reserve  Asset                            Date Placed Deprn     Life                Year-To-Date  Initial Deprn Transaction
Account  Number - Description             In Service  Method    Yr.Mo    Initial Cost Depreciation       Reserve      Number
-------  ------------------------------   ----------  --------- -------  --------------- --------------- --------------- -----------
1660     108682 - ADD ASSET CHANGE COST   31-JAN-2007 STL        3.00        20.00           0.00            0.00      129780
                                                                         --------------- --------------- ---------------
         Reserve Account 1660 Totals:                                        20.00           0.00            0.00


                                                                         --------------- --------------- ---------------
Department 130 Totals:                                                       20.00           0.00            0.00
```
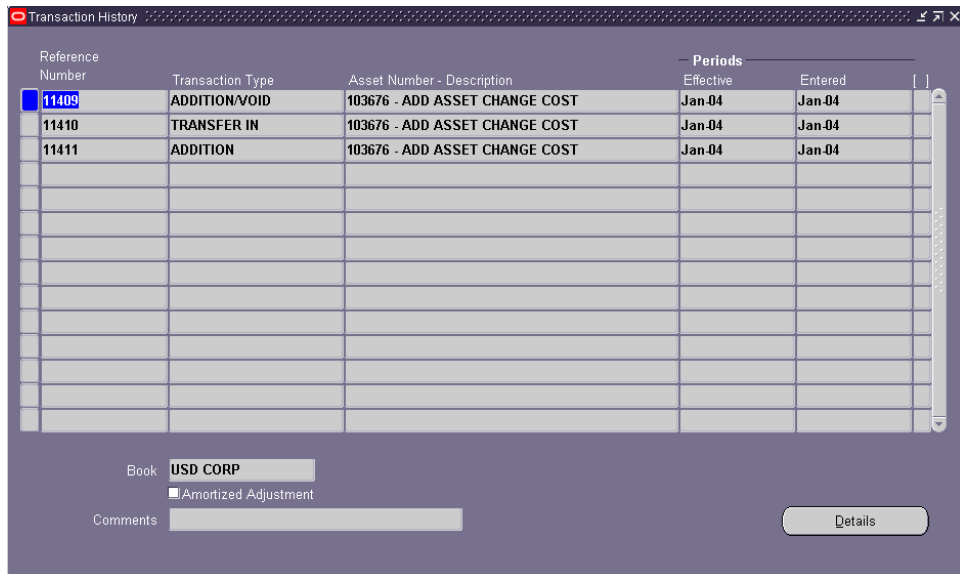
No impact to the report – the update to the cost is a new event; therefore it will be reported as a Cost Adjustment.

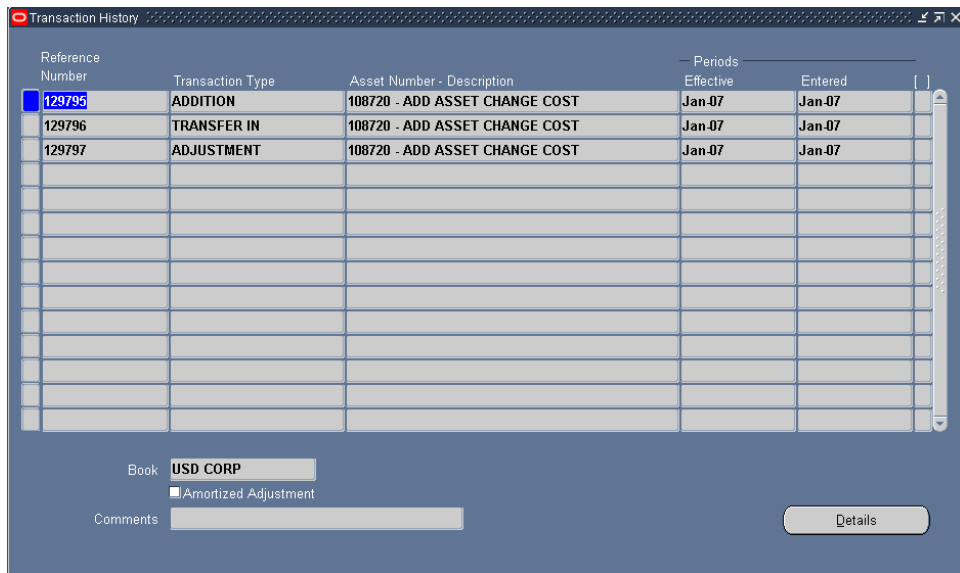Transaction History screen for the above scenario:

Prior to R12

R12

Scenario 2:

An Asset Category has been defined with a default life of one month; this is due that each asset will have a different life. The life will be updated for every asset.

Prior to R12 the following steps would be used to verify that all assets for this category were updated:

- Run Asset Additions Report
- Identify Assets with one month life
- Update assets to actual life
- Re-run Asset Additions Report
- New life will be reflected on report and verification made that the life was updated from one month

In R12 the above steps will not work – due to the fact that the life change is a separate event and Oracle does not reflect the new life on the Asset Additions Report. The original life of one month will always be reflected.

Prior to R12

   Update the life of an asset to 5 years

   Re-run the Asset Additions Report

R12

Update the life of an asset to 5 years

Books

Field	Value
Asset Number	108682
Book	USD CORP

Financial Information

Field	Value
Current Cost	20,000.00
Original Cost	20.00
Salvage Value Type	Amount
Salvage Value	0.00
Recoverable Cost	20,000.00
Net Book Value	20,000.00

Field	Value
Reference Number	
Comments	
YTD Depreciation	0.00
Accumulated Depreciation	0.00
Salvage Value Percent	%
Revaluation Ceiling	
Revaluation Reserve	0.00

Tabs: Depreciation | Group Asset | Short Fiscal Year

Method

Field	Value
Method	STL
Life Years	3
Months	0
Bonus Rule	

Depreciation Limit

Field	Value
Type	
Limit Amount	
Percent	%

☑ Depreciate

Field	Value
Date in Service	31-JAN-2007
Prorate Convention	MONTH
Prorate Date	01-JAN-2007
Amortization Start Date	

☐ Amortize Adjustment

| Ceiling | |

Buttons: Unplanned Depreciation | Done | Cancel

Re-run the Asset Additions Report

```
VISION ENTERPRISES                    Asset Additions Report              Report Date:  04-DEC-2009 17:09
Currency:  USD                         Period:  Jan-07 to Jan-07                       Page:     1  of     1
Book:  USD CORP
Company:  01
Asset Type:  Capitalized
Asset Account:  1560
Department: 130

Reserve Asset                    Date Placed Deprn    Life                     Year-To-Date   Initial Deprn Transaction
Account Number - Description     In Service  Method   Yr.Mo    Initial Cost    Depreciation        Reserve       Number
-------  ----------------------- ----------  -------- ------  ---------------  --------------- --------------- -----------
1660    108682 - ADD ASSET CHANGE COST  31-JAN-2007 STL     3.00      20.00            0.00            0.00       129780
                                                        ---------------  --------------- ---------------
        Reserve Account 1660 Totals:                            20.00            0.00            0.00

                                                        ---------------  --------------- ---------------
Department 130 Totals:                                          20.00            0.00            0.00
```

The original life is still reported on the Asset Additions Report, not the updated life.

Asset Retirements vs. Asset Deletion

The fact that every activity or transaction is independent upon other is a new concept and has impacts to asset disposals that need to occur in the same period the asset was added.

Scenario:

An asset was added incorrectly and it needs to be removed in the same period as it was added.

Prior to R12 the following steps would be used to remove the asset in the same period it was added:

- Query asset in Asset Workbench
- Select the Open button
- Select the Red "X" from the toolbar to delete the asset

  OR

- Query asset in Asset Workbench
- Select the Book button
- Adjust the cost to zero
- Retire the asset in the next period

In R12 the above steps will work – however, Oracle will allow an asset to be retired in the same period it was added. One thing to note – if you are going to delete an asset in the period it was added, you need to verify that no other transactions have been performed on the asset, otherwise create accounting will error because the deleted asset will not be apart of the transaction and thus will cause a unbalanced transaction. This issue has been corrected in Patch 8554742.

Prior to R12

Added an asset

Attempt to retire asset in same period as it was added

NOTE: Oracle does not allow an asset to be retired in the same period it was added.

Delete the asset

Added an asset

Attempt to retire asset in same period as it was added

NOTE: Retirement was successful; Oracle does allow an asset to be retired in the same period it was added.

Transaction History

Or you can still delete an asset if desired in R12

Added an asset

Delete the asset

NOTE: R12 will allow for either a retirement or deletion of an asset in the same period it was added.

Impacts to Month-End

With the move in R12 to Event Accounting, Oracle has changed the ways that many clients use to account for transactions in Oracle prior to R12.

Prior to R12 month-end was:
- A big push to process all activity
- Run depreciation for all assets
- Create journals to account for al of the activity

The above was needed to be completed usually in a short period of time to allow for other financial month-end processes to be completed for reporting purposes.

This move away from prior processes and to Event Accounting will:
- Eliminate / reduce a big push at month-end due to:
  - Ability to run depreciation, create accounting and post journals throughout the month
  - Business units can see the majority of the impact prior to month-end close
- Reduce processing time at month-end and spread it out over the month by running depreciation at the beginning or throughout the month
- Allows incremental journal entry processing

The biggest impact to month-end is to the journal entry creation process:

Prior to R12: journals created one-time for all activity at month-end

R12: allows multiple creation of journals

NOTE: Each new creation of journals will only include new events / activity since the last time the create accounting was performed for the specific event. Therefore, if depreciation is run at the beginning of the month and journals are booked. If an adjustment is made during the month, Oracle will automatically rollback depreciation on this asset and re-calculate depreciation when the Run Depreciation process is generated. Oracle will book the net impact of the adjustment (prior calculated depreciation less new calculated amount).

Incremental Journal Entries

R12 introduces the concept of generating journal entries multiple times throughout the month. Each time the journals are created that account for the incremental activity from the last time the journal entries were generated.

Prior to R12 – journals created one time at month end:

```
VISION ENTERPRISES                          Journal Entry Reserve Ledger Report              Report Date:  23-NOV-2009 22:39
Currency:  USD                                        Period:  Jan-04                              Page:     1  of      2
Book:  USD CORP
Company:  01
Expense Account:  7360
Reserve Account:  1660

       Asset-             Date Placed Deprn   Life                        Depreciation    Year-To-Date     Depreciation
Dpt    Description        In Service  Method  Yr.Mo            Cost             Amount     Depreciation      Reserve Percent
------ ----------------   ----------- ------- -------  ----------------  ---------------- ---------------- ----------------- -------
130    103676-ADD ASSET   31-JAN-2004 STL      5.00        20,000.00           333.33           333.33         333.33  100.00
                                                          ---------------- ---------------- ---------------- -----------------
       Department 130 Totals:                               20,000.00           333.33           333.33         333.33

                                                          ---------------- ---------------- ---------------- -----------------
```


R12 – journals can be created multiple times

(Run Create Accounting Process)

(Generated the following Journals)

Batch Status	Source	Category	Period	Batch Name	Journal Name	Currency	Journal Debit	Journal Credit
Unposted	Assets	Addition	Jan-07	Assets A 195597 4431	Jan-07 Addition USD	USD	22.00	22.00
Unposted	Assets	Retirement	Jan-07	Assets A 195597 4431	Jan-07 Retirement U!	USD	2.00	2.00
Unposted	Assets	Depreciation	Jan-07	Assets A 195597 4431	Jan-07 Depreciation	USD	555.56	555.56
Unposted	Assets	Adjustment	Jan-07	Assets A 195597 4431	Jan-07 Adjustment U	USD	19,980.00	19,980.00

(Post the Journals created)

Batch Status	Source	Category	Period	Batch Name	Journal Name	Currency	Journal Debit	Journal Credit
Posted	Assets	Addition	Jan-07	Assets A 195597 4431	Jan-07 Addition USD	USD	22.00	22.00
Posted	Assets	Retirement	Jan-07	Assets A 195597 4431	Jan-07 Retirement U!	USD	2.00	2.00
Posted	Assets	Depreciation	Jan-07	Assets A 195597 4431	Jan-07 Depreciation	USD	555.56	555.56
Posted	Assets	Adjustment	Jan-07	Assets A 195597 4431	Jan-07 Adjustment U	USD	19,980.00	19,980.00

(Run Create Accounting Again – after other transactions have been performed)

Parameters	
Book Type Code	USD CORP USD CORP
Process Category	
End Date	04-DEC-2009
Accounting Mode	Final
Errors Only	No
Report	No Report
Transfer to General Ledger	Yes
Post in General Ledger	No
General Ledger Batch Name	
Include User Transaction Identifiers	No

OK   Cancel   Clear   Help

(Generated the following Journals)

Batch Status	Source	Category	Period	Batch Name	Journal Name	Currency	Journal Debit	Journal Credit
Posted	Assets	Addition	Jan-07	Assets A 195597 4431	Jan-07 Addition USD	USD	22.00	22.00
Posted	Assets	Adjustment	Jan-07	Assets A 195597 4431	Jan-07 Adjustment U	USD	19,980.00	19,980.00
Posted	Assets	Depreciation	Jan-07	Assets A 195597 4431	Jan-07 Depreciation	USD	555.56	555.56
Posted	Assets	Retirement	Jan-07	Assets A 195597 4431	Jan-07 Retirement U!	USD	2.00	2.00
Unposted	Assets	Depreciation	Jan-07	Assets A 195599 4431	Jan-07 Depreciation	USD	833.34	833.34
Unposted	Assets	Adjustment	Jan-07	Assets A 195599 4431	Jan-07 Adjustment U	USD	10,000.00	10,000.00

Other New Features that contributes to Event Accounting

R12 has introduced many new concepts in the Asset world or Oracle. Event Accounting is not a stand alone new feature, however it works with other new features. All of the following new features contribute to the new processes that can be performed in R12:

- Automatic depreciation rollback
- Create Accounting process
- Subledger Accounting

Automatic Depreciation Rollback

In Release 12, you will no longer be required to run the Rollback Depreciation process in order to make corrections to assets. After running depreciation (not closing the period) when a correction / change is required, simply choose the asset to modify. Oracle will automatically rollback depreciation for this single asset. Make the modifications and when you re-run depreciation, Oracle will re-calculate depreciation based off of the modifications made to the asset.

The features to rollback depreciation and rollback journal entries that are in R11i are no longer available in R12.

This change to Automatic Rollback allows for better utilization of system resources and less processing required.

Create Accounting

Create Accounting process is now used in Assets – journals are created not by a period, but by events and a date. This means that you can:

- Create accounting on the 15th of a month for all transactions performed at the that time and then create accounting again at the end of the month
- Create accounting for specific events, such as retirements, additions, adjustments, etc.
- Daily processing of assets
- Allows clients to view accounting prior to month-end for events that will greatly impact the books

Oracle has defined specific Process Categories (Events) that can be run during the Create Accounting process in Oracle Assets:

- Additions
- Adjustments
- CIP Additions
- CIP Adjustments
- CIP Category Reclass
- CIP Retirements
- CIP Revaluations
- CIP Source Line Transfers
- CIP Transfers

- CIP Unit Adjustments
- Capitalization
- Category Reclass
- Deferred Depreciation
- Depreciation
- Depreciation Adjustments
- Manual
- Reserve Transfers
- Retirements Adjustments
- Retirements
- Revaluation
- Source Line Transfers
- Terminal Gain and Loss
- Third Party Merge
- Transfers
- Unit Adjustments
- Unplanned Depreciation

For each time the Create Accounting process is run, choose to generate journals for any one of the above Process Categories or leave blank and process for all categories.

Subledger Accounting

Subledger Accounting allows for more flexibility in generating accounting combinations than Account Generator. Account Generator allowed journals to be defined by one of three levels (Asset, Book, or Category). Subledger Accounting allows the defining of how journals will be created for each accounting event and each journal line for the event.

Example:

Event Class: Additions
Event Type: All

Journal Lines:
- Addition Bonus Depreciation Expense
- Addition Bonus Depreciation Reserve
- Addition Cost
- Addition Cost Clearing
- Addition Depreciation Expense
- Addition Depreciation Reserve
- Addition Depreciation Reserve Counter Balance for Bonus
- Addition Depreciation Expense Counter Balance for Bonus

Determine how to capture the segment values for each segment of the chart of accounts for each journal line.

Month-End Close Processing Possibilities in R12

The introduction of Event Accounting along with Automatic Depreciation Rollback, Create Accounting, and Subledger Accounting will allow clients to account for asset activity any way required, for example:

1. Process as you did in prior releases – monthly processing of depreciation and journals
2. Process depreciation at the beginning of the month – then process all other transactions, at month-end run depreciation for new activity and adjustments and create journals
3. Periodically process depreciation and create accounting for specific or all events / activities throughout the month
4. Daily process depreciation and create accounting for all events / activities throughout the month

NOTE: No matter how you process – the last run of create accounting after the hard close of depreciation should include all events / activities to ensure that an event was not missed.

When determining how to process Oracle Assets in R12, keep in mind the impact of reconciling Assets to General Ledger. Journals can be interfaced to GL with a specific date stamp to identify the date of the activity or without the date stamp and lumped as a period activity, like in prior releases.

Other Great Sources for Oracle Asset Information

OAUG Asset SIG

FREE to join group:

Assets SIG

affiliate of
OAUG™
oracle applications users group

Meetings (Semi-Annual)
- OAUG Conference
- OpenWorld Conference

http://assetsig.oaug.org

LinkedIn: http://www.linkedin.com/groups?gid=2202521