

Become IFRS Ready with Oracle E-Business Suite Release12.1

Presented by Humberto Lopez



What is IFRS?

- IFRS - International Financial Reporting Standards
- Principle-based standards, interpretations, and framework adopted by the International Accounting Standards Board (IASB), which dictate specific accounting treatments
- As of 2011, approximately 120 countries currently require or permit IFRS reporting

Source: IASB, Aug 2011

US GAAP vs. IFRS

US GAAP: 25,000 Pages

IFRS: 2,500 Pages



United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

Greece

US GAAP vs. IFRS Similarities

Approach (Some Examples)	IFRS	US GAAP
Revenue Recognition	✓	✓
Fair Market (e.g. AR or Inventory Valuation)	✓	✓
Detailed Disclosure	✓	✓
Segment Reporting	✓	✓
Chart of Accounts Not Mandated	✓	✓
Distinction Between Tax and External Reporting	✓	✓

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

Greece

US GAAP vs. IFRS Differences

US GAAP is always more specific...

Approach (Some Examples)	IFRS	US GAAP
Fair Market Revaluation	Fixed Assets & Investments	Only Certain Fixed Assets
Extraordinary Items	None	Rare (Negative Goodwill)
Consolidation	Control	2 Models
Joint Ventures	Proportional OK	Only Equity
Research & Development	Capitalized	Expensed
Inventory	No LIFO	LIFO OK
Impairment	1 Step, Reversible	2 Step, No Reversal

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

Greece

Industry-Specific Considerations

Areas of Potential Concern

IFRS Change Area:	PPE	R&D	FV	INV	IMPAIR	M&A
Financial Services			✓		✓	✓
High Tech	✓	✓		✓	✓	✓
Retail			✓	✓	✓	✓
Communications	✓				✓	✓
Utilities	✓	✓		✓	✓	
CPG	✓		✓	✓		
Life Sciences	✓	✓		✓	✓	✓

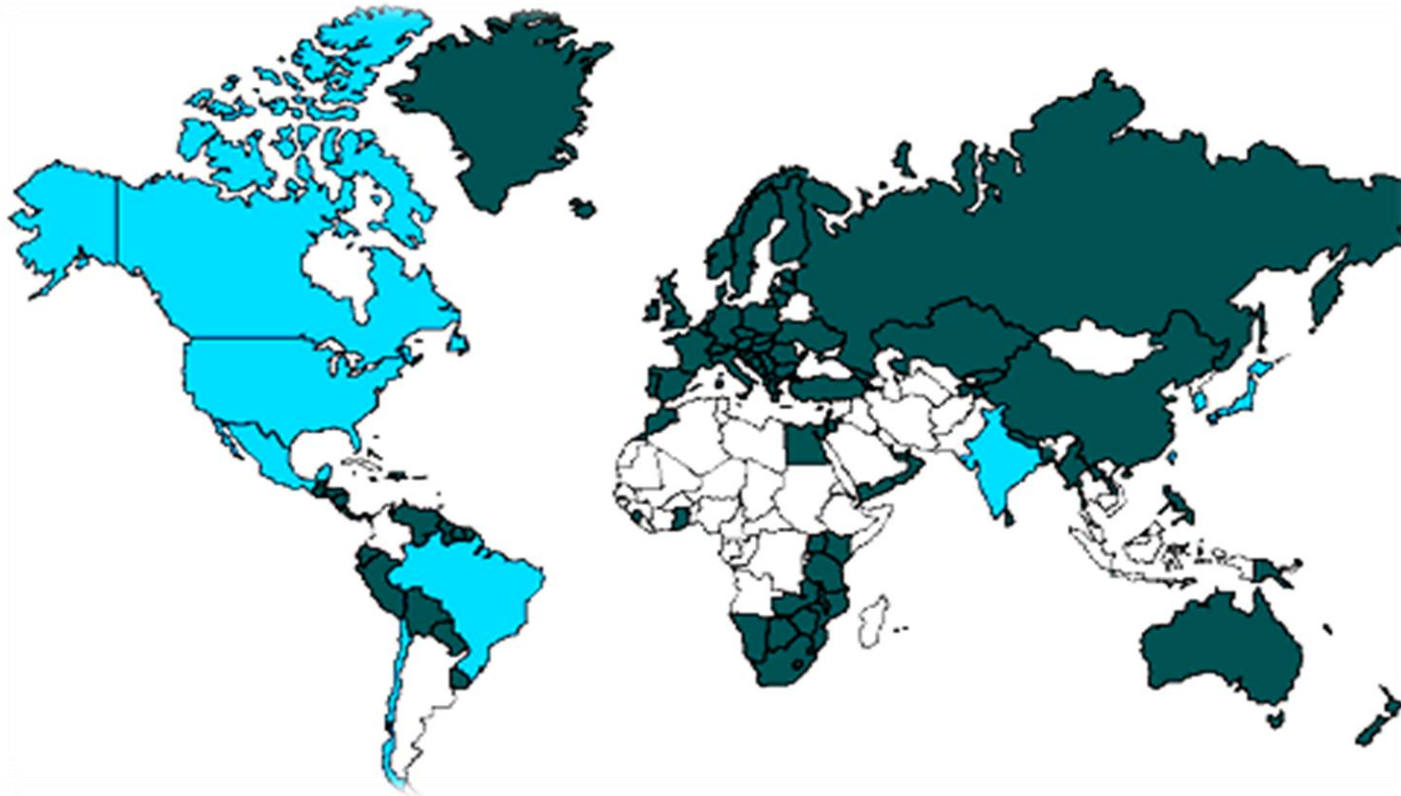
PPE = Property, Plant, & Equipment
R&D = Research & Development
FV = Fair Market Revaluation



INV = Inventory
IMPAIR = Impairment
M&A = Mergers & Acquisitions



Global IFRS Convergence

Nearly 120 countries currently require or permit the use of, or have a policy of convergence with IFRS

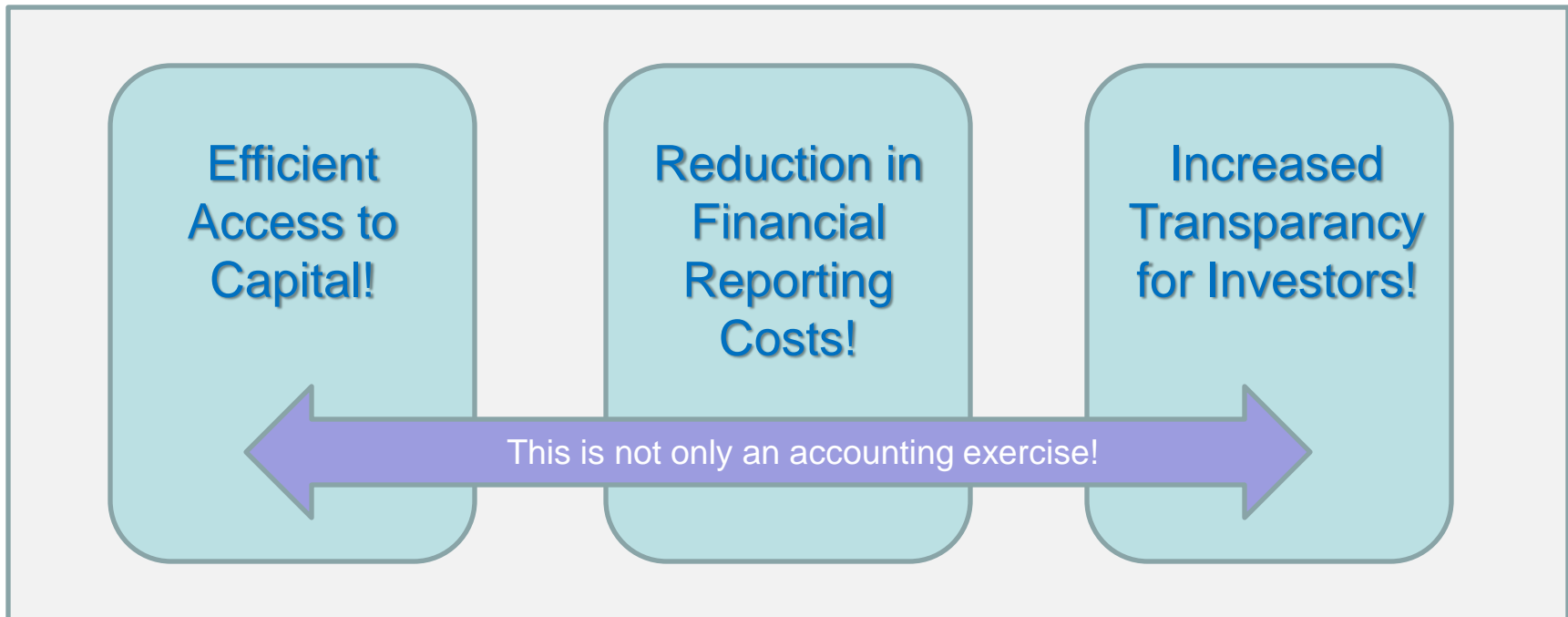


-  Countries that require or permit IFRSs
-  Countries seeking convergence with the IASB or pursuing adoption of IFRSs

Source: IASB, Aug 2011

United States of America South America United Kingdom Sweden Australia
Finland Iceland Mexico France Spain Singapore China Denmark India Middle East
Africa Canada Portugal Hungary Italy Japan Greece

A single reporting standard for global business



It's About Capital Markets....

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

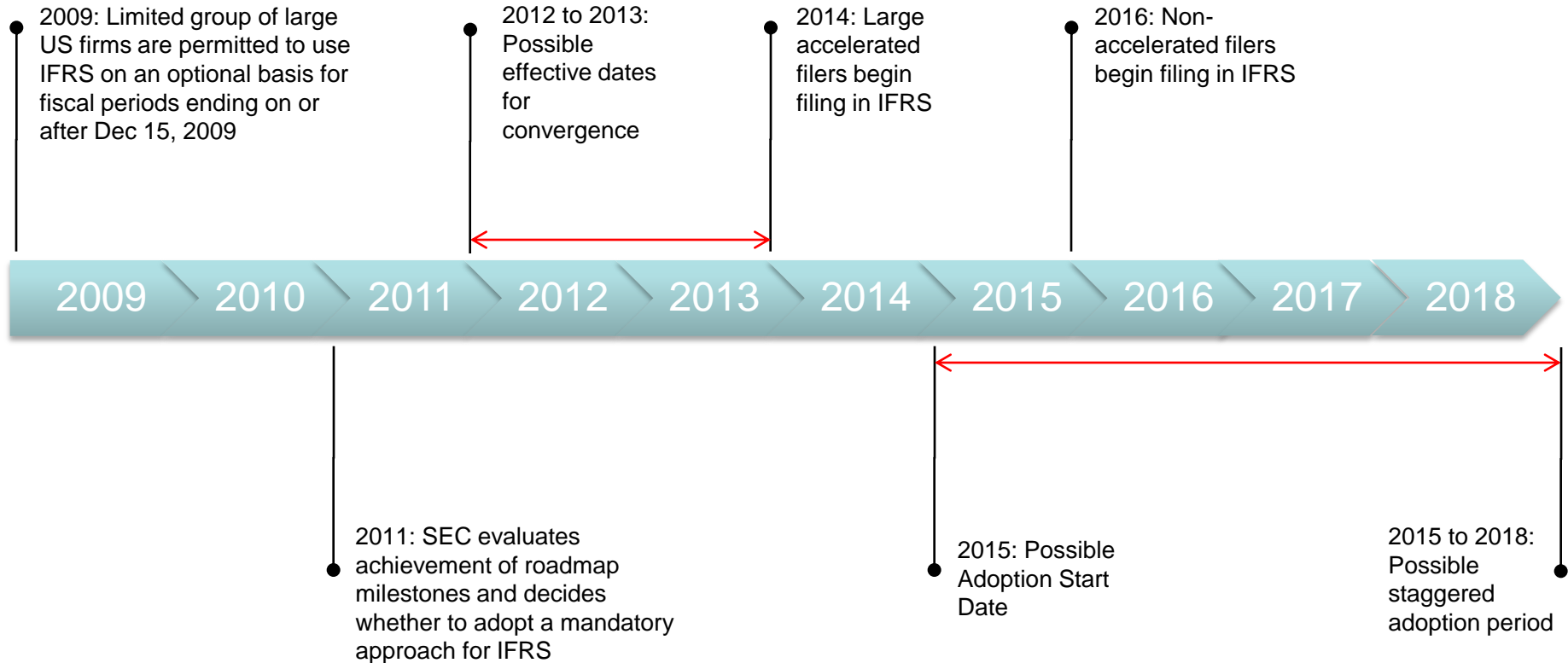
Italy

Japan

India

Greece

Proposed Implementation Timeline from the SEC



Source: SEC Announcement, Aug 2011



Growing awareness of complex requirements...

Cumulative Reporting Requirements

Companies are required to retrospectively apply IFRS to all periods presented as if they had always been in effect.

Multi-GAAP During Transition

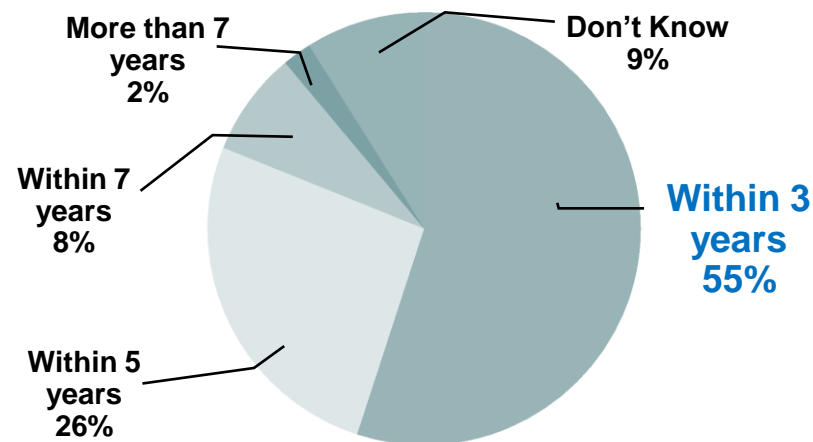
During the transition period from US GAAP to IFRS, firms must continue to report in US GAAP and any local statutes, as well as begin tracking IFRS equivalents.

Potential Impact on Bottom Line

A study comparing of the impact of IFRS adoption in the UK reveals that net income generally rose by 39% while equity declined by 23%. UK GAAP is considered close to US GAAP in most areas.

...drives preference for early planning and assessment

Within what timeframe would your company adopt IFRS if given a choice?



Source: Deloitte, 2011



No one anticipated how big it was going to be. Every company was too late and too slow in preparing – even the good ones.”

Ken Wild, Global IFRS Leader, Deloitte

Sources: European Financial Reporting Research Group; Deloitte Touche Tomatsu

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

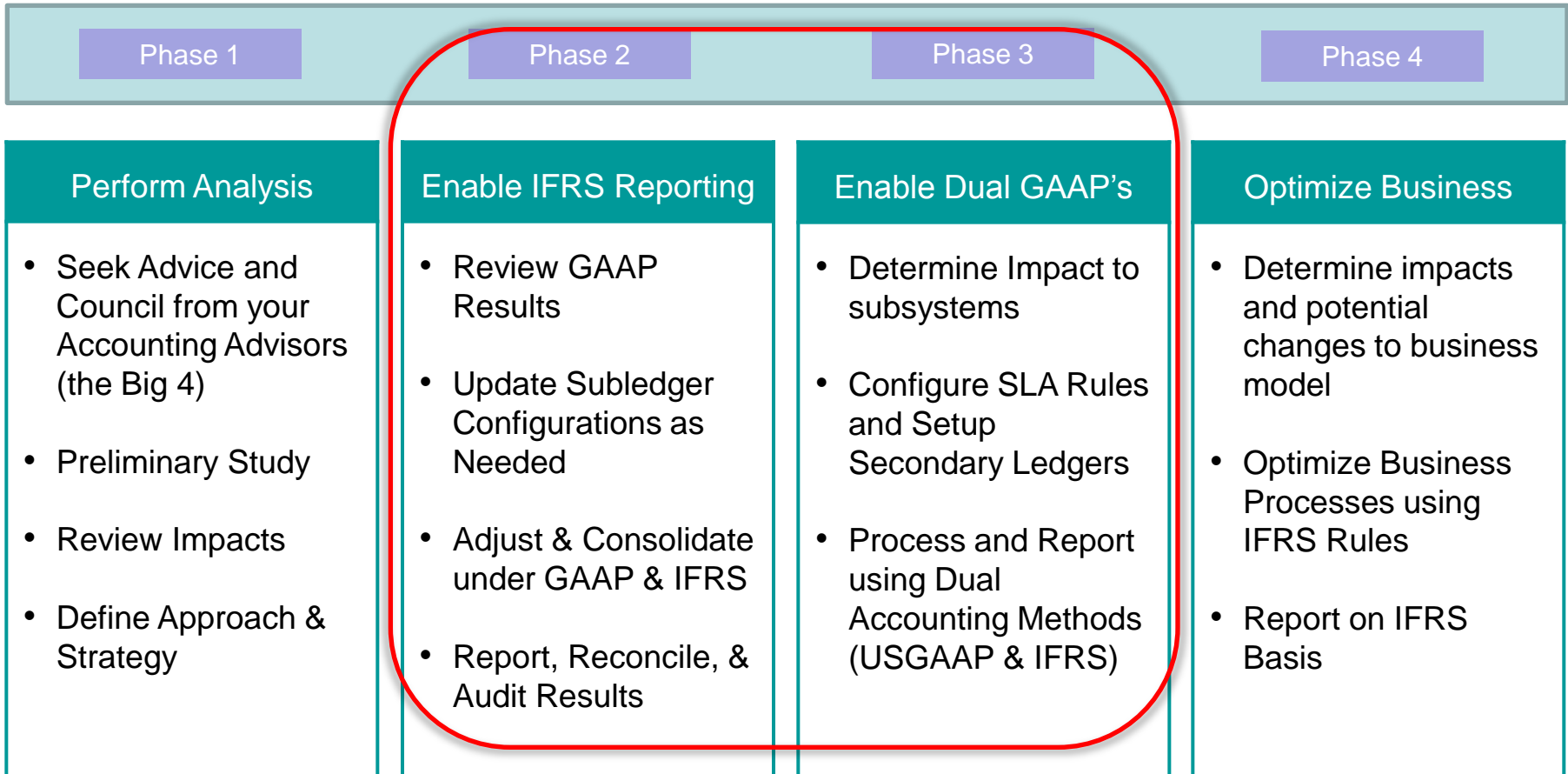
Hungary

Italy

Japan

Greece

IFRS Roadmap



Change Management, Project Management, Knowledge Transfer

United States of America

South America

United Kingdom

Sweden

Australia

Finland Iceland

Mexico France

Spain Singapore

China Denmark

India

Middle East

Africa Canada

Portugal

Hungary

Italy

Japan

Greece

Conversion Considerations!

- IFRS will impact many areas of your business
- IFRS conversion will be a multi-year effort
- The need to capture more transactional data at a more granular level may impact existing chart of account designs
- The conversion effort will be more than an accounting exercise
- Parallel reporting will be required under the current SEC roadmap
- Will require robust change management championed by top company leadership

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

Greece

Which Approach is Right for You?



Bottoms Up!

If you operate a single consolidated general ledger or ERP instance, then the consolidation and reporting capabilities in Oracle E-Business Suite Financials can support IFRS reporting.

Top Down!

If your company has complex entity relationships and consolidation structures across heterogeneous environments, then Oracle's Hyperion Financial Management (HFM), could be the right solution for you.

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

Greece

Let's Compare 11i & R12

Release 11i

- Set of Books
- ¹GAE
- AutoAccounting & AG Workflow
- AX Posting SOB's
- ²GIS
- GL intercompany Accounts
- Translated Currency
- Multiple Reporting Currencies
- MRC via Primary SOB's
- MRC via Reporting SOB's



Release 12

- Ledgers
- ³SLA
- ³SLA
- **Secondary Ledgers**
- ⁴AGIS
- Intracompany Balancing
- Balancing Level RC's
- Reporting Currencies (RC's)
- Primary Ledger
- Reporting Currency

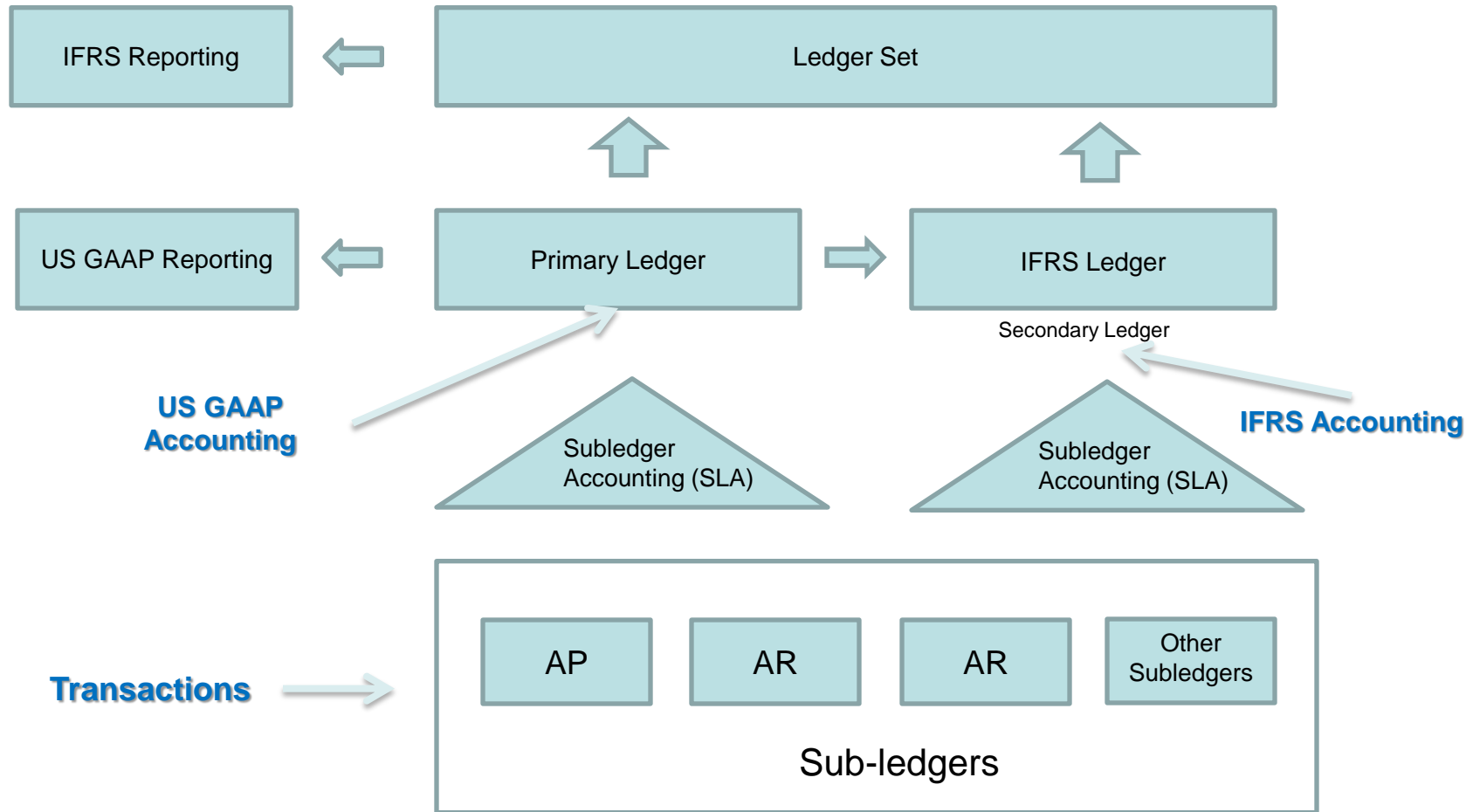
¹GAE: Global Accounting Engine

²GIS: Global Intercompany System

³SLA: Subledger Accounting

⁴AGIS: Advanced Global Intercompany System

Secondary Ledger Model



Primary Ledgers

- Main, record-keeping ledger
- Defined by 4Cs:
 - COA's
 - Accounting Calendar
 - Subledger Accounting Method
 - Primary Currency

Use a Secondary Ledger!

Use Reporting Currencies!

Secondary Ledgers

- Additional accounting representations
- Can depart from the primary ledger:
 - COA's
 - Accounting Calendar
 - Subledger Accounting Method
 - Primary Currency

Best Practice is use a primary ledger to capture your corporate representation using your local currency!

- Provides the most detail
- Allows you to assign a subledger level reporting currency if you want to maintain a detailed additional currency representation
- Note: Secondary Ledgers cannot have subledger level reporting currencies assigned

Best Practice is use a secondary ledger to capture your local legal representation using your local currency!

- The concept of “Ledger Sets” enables transactions to be recorded with dual views, and reports to be generated based on dual accounting standards for the comparative year(s).
- Takes a single transaction in the Sub-ledger and creates multiple postings for US GAAP, IFRS and/or other ledgers.

F/S Preparation Standards

	Standard	Area Covered	Product	Features
Statement Preparation	IAS 01	Financial Statements	Hyperion Financial Management, Oracle General Ledger	Consolidation features (GCS), line aggregation, adjustment capability, XBRL publication, cube management, "slice and dicing"
	IAS 27	Consolidate or Separate		
	IAS 28	Associates		
	IAS 31	Joint Ventures		
	IAS 33	Interims		
	IAS 34	EPS		
	IAS 07	Cash Flow Statements		
	IFRS03	Business Combinations		

Defines what's included on Financial Statements, and how they should be presented

IFRS Consolidation Standards

	Standard	Area Covered	Product	Features
Consolidation and Corporate Accounting	IAS 10	Post Balance Sheet	Hyperion Financial Management, Oracle General Ledger	Features including flexfields, segments and other chart of accounts features, translation (or remeasurement), multiple ledgers, and accounting engines. Model Corporate Adjustments.
	IAS 20	Government Grants		
	IAS 21	Foreign Currency		
	IAS 29	Hyperinflation		
	IAS 36	Impairment		
	IAS 37	Provisions & Contingencies		
	IAS 38	Intangibles		
	IAS 40	Investment Property		
	IFRS 01	First Time Adoption		
	IFRS 05	Discontinued, Held for Sale		
	IFRS 06	Mineral Resources		
	IFRS 08	Operating Segments		

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

Greece

Detailed Transaction Standards

	Standard	Area Covered	Product	Features
Industry Specific	IAS 41	Agriculture	Specialized industry products, and subledger solutions for service consumers	Specific compliance and features constructed with the IFRS statement in mind
	IAS 32	FI: Presentation		
	IAS 39	FI: Recognition, Measurement		
	IFRS 07	Financial Instruments		
	IFRS 04	Insurance Contracts		

Standards include requirements that derive from the individual transaction tracked at the subledger systems



Detailed Transaction Standards

	Standard	Area Covered	Product	Features
Data Collection & Aggregation	IAS 02	Inventories	Specialized subledger solutions: Projects, Fixed Assets, CRM, Order Management and revenue recognition in AR, Procurement and AP, Inventory, Costing.	Features designed to track the data required by the specific statement, such as revenue recognition in Receivable, costing methods in Inventory, depreciation formulas in Fixed Assets.
	IAS 11	Construction Projects		
	IAS 16	PP&E		
	IAS 17	Leases		
	IAS 18	Revenue		
	IAS 19	Employee Benefits		
	IAS 23	Borrowing Costs		

Standards include requirements that derive from the individual transaction tracked at the subledger systems



- GAAP vs IFRS Differences
 - GAAP: Useful Life
 - IFRS: At Component Level
- System Considerations
- R12 Approach
 - Create multiple ledgers (i.e. GAAP vs IFRS)
 - Create IFRS depreciation book
 - Leverage SLA to book entries to multiple ledgers (dual reporting)

- GAAP vs IFRS Differences
 - GAAP: LIFO, FIFO, and AVG
 - Valued at LCM
 - No write ups at sub date
 - IFRS: LIFO not allowed
 - Valued at LCM or NRV
 - Write ups or write downs allowed (if value is material and significant)
- System Considerations
- R12 Approach
 - Create a new inventory organization
 - Switch to FIFO

Key Takeaways

- Start Early...
- Leverage Technology...
- Optimize Your Business Model...

United States of America

South America

United Kingdom

Sweden

Australia

Finland

Iceland

Mexico

France

Spain

Singapore

China

Denmark

India

Middle East

Africa

Canada

Portugal

Hungary

Italy

Japan

India

Greece