Asset Accounting

Overview

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System References

None

Distribution

Oracle Assets

Job Title[*]

Ownership

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Release 12 Oracle Asset Management Fundamentals

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Objectives

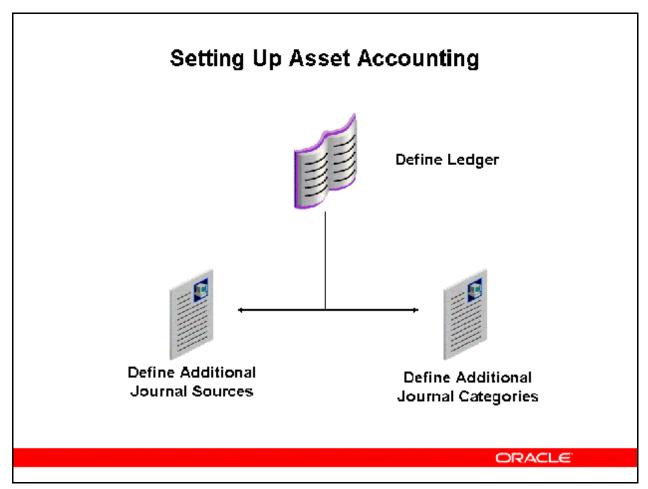After completing this module, you should be able to do the following:

- Describe the process Asset Management follows to capture accounting information and send journal entries to the General Ledger
- Describe options for using standard reports to reconcile asset financial data
- Discuss the use of Oracle Subledger Accounting in Asset Management

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Agenda

- Set up Asset Accounting
- Journal Entries Flow
- Oracle Subledger Accounting
- Reconciling Asset Data

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Setting Up Asset Accounting

Define Your Ledger

In Oracle General Ledger:

(N) Setup > Financials > Accounting Setup Manager > Accounting Setups

In Oracle Assets:

(N) Setup > Financials > General Ledger > Accounting Setup Manager > Accounting Setups

You need to define at least one ledger before you can implement and use Oracle Assets. A ledger includes an accounting calendar, a functional currency, and an account structure.

If the ledger has not been defined during Oracle General Ledger setup, complete as follows:

- Define the chart of accounts using the accounting key flexfield. Oracle Assets requires the cost center qualifier to be designated in the accounting flexfield. The accounting key flexfield is shared by all Oracle Applications.
- Define the general ledger accounting calendars and the accounting period types.
- Enable the functional currency that you want to use with the ledger.
- Define, enable, and allow posting of values.
- Define a ledger.

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- Assign the ledger to a responsibility.

You can use Oracle Assets with multiple ledgers within a single installation.

Define Additional Journal Entry Sources

In Oracle General Ledger:

(N) Setup > Journal > Sources

In Oracle Assets:

(N) Setup > Financials > General Ledger > Journal Sources

If you do not install Oracle General Ledger, use the Journal Entry Sources window in Oracle Assets to define additional journal entry sources. Journal entry sources are used to identify the origin of your journal entry transactions.

If you previously defined your journal entry sources while setting up Oracle General Ledger, Oracle Assets will use those values as defaults.

Define Additional Journal Entry Categories
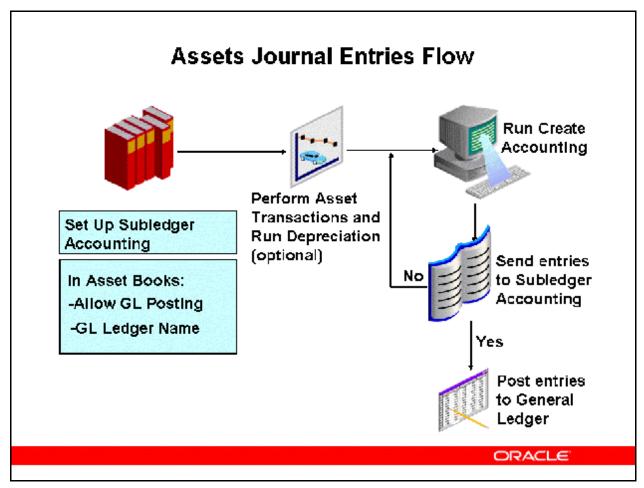
In Oracle General Ledger:

(N) Setup > Journal > Categories

In Oracle Assets:

(N) Setup > Financials > General Ledger > Journal Categories

If you do not install Oracle General Ledger, use the Journal Entry Categories window in Oracle Assets to define additional journal entry categories. Journal entry categories describe the purpose or type of your journal entries.

If you previously defined your journal entry categories while setting up Oracle General Ledger, Oracle Assets will use those values as defaults.

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Assets Journal Entries Flow

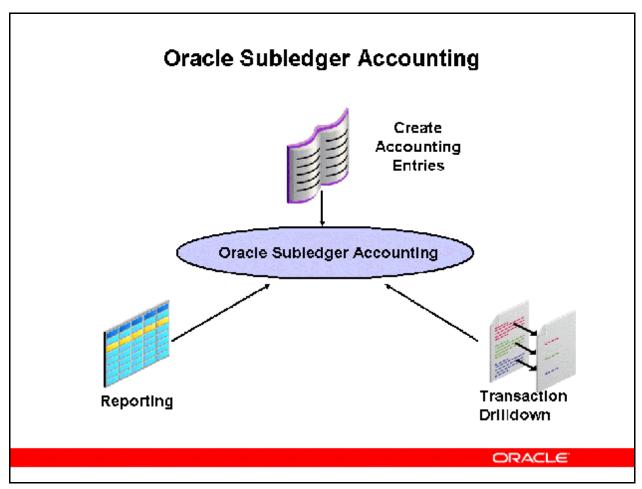**Assets Journal Entries Flow**

(N) Create Accounting

Oracle Assets creates journal entries for depreciation expense, asset cost, and other accounts. Oracle Assets automatically creates transaction journal entries for your general ledger when you run the Create Accounting program if you check the Create Journal Entries check box. Otherwise, Oracle Assets will not create journal entries and you can run the Transfer Journal Entries to GL – Assets concurrent program at a later time.

Oracle Assets creates journal entries that summarize the activity for each account for each transaction type.

- The general ledger period for which you want to create journal entries must be open or future entry.
- The period name used in the depreciation calendar assigned to the asset book must be the same as the period name in the general ledger calendar for the ledger you want to send the journal entries to.
- When you run the Create Accounting program, Oracle Assets sends entries directly to the GL_JE_BATCHES, GL_JE_HEADERS, and GL_JE_LINES tables.

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- Oracle Assets allows you to run the Create Accounting program multiple times before closing the depreciation period.
  - You can post journal entries to Oracle General Ledger for all transactions that have occurred thus far in an open depreciation period.
  - If additional transactions occur during the open depreciation period, you need to rerun Depreciation, then you can rerun the Create Accounting program.

See the *12 Asset Management Fundamentals* lesson *Asset Books* for more detailed information on Asset Books setup requirements.
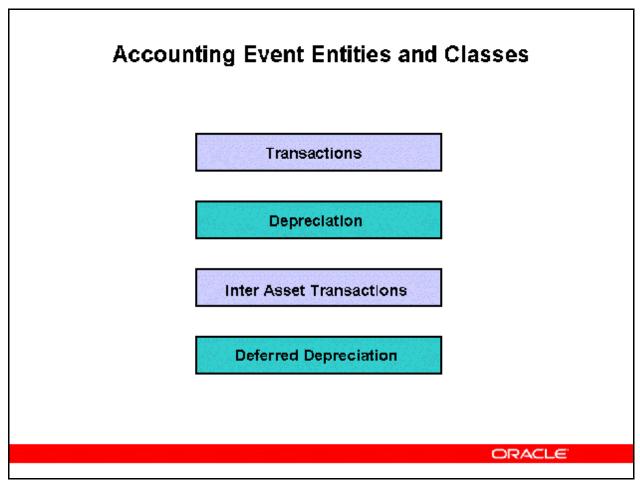
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Oracle Subledger Accounting

Oracle Assets is fully integrated with Oracle Subledger Accounting for:

• Creating accounting entries

• Transaction drilldown

• Reporting

By default, Subledger Accounting is used to generate accounts.

• If the FA: Use Workflow Account Generation profile option is set to Yes, the account generation rules set up in Oracle Workflow will be used.

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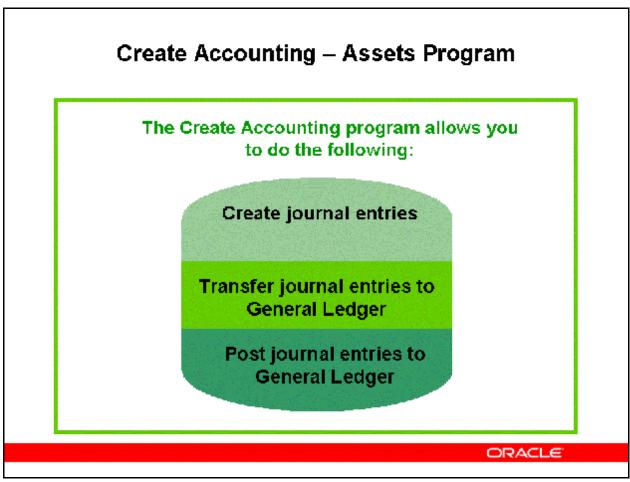www.focusthread.com

Accounting Events

Oracle Assets creates accounting events for every asset transaction that has accounting impact. The Create Accounting process creates subledger accounting entries for these accounting events.

Note: You do not need to run depreciation to process accounting for additions.

Oracle Assets groups all the accounting events classes into the following four event entities:

- **Transactions:** This event entity groups the following event classes: Additions, Adjustment, Capitalization, Category Reclass, CIP Additions, CIP Adjustments, CIP Category Reclass, CIP Retirements, CIP Revaluation, CIP Transfers, CIP Unit Adjustments, Depreciation Adjustments, Retirements, Retirement Adjustments, Revaluation, Terminal Gain and Loss, Transfers, Unit Adjustments, and Unplanned Depreciation.
- **Depreciation:** This event entity groups the following event classes: Depreciation and Rollback Depreciation.
- **Inter Asset Transactions:** This event entity groups the following event classes: Source Line Transfers, CIP Source Line Transfers, and Reserve Transfers.
- **Deferred Depreciation:** This event entity groups the following event classes: Deferred Depreciation.

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Some event classes are divided into event types. For example, the Retirements event class is divided into the Retirements and Reinstatements event types. Event classes are associated with process categories using the Event Class options. Process categories allow you to run Create Accounting for a specific process. For example, if you want to run accounting for the Revaluation transaction then you can specify the Revaluation process category while running Create Accounting program.

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Create Accounting – Assets Program

The Create Accounting – Assets concurrent program:

- Creates journal entries for Oracle Assets transactions.
- Journal entries can be transferred to and posted to General Ledger.
- You can re-run the Transfer Journal Entries to GL – Assets concurrent program to post journal entries at a later time.
- Submit the process from the Create Accounting Menu.

Refer To *Guided Demonstration – Create Accounting [LAB3E89Y]*

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Journal Entries Created

Oracle Assets creates journal entries for the following general ledger accounts:

Accumulated Depreciation	Depreciation Expense
Asset Clearing	Intercompany Payables
Asset Cost	Intercompany Receivables
CIP Clearing	Net Book Value Retired Gain and Loss
CIP Cost	
Cost of Removal Gain, Loss, and Clearing	Proceeds of Sale Gain, Loss, and Clearing
Deferred Accumulated Depreciation	Revaluation Amortization
	Revaluation Reserve
Deferred Depreciation Expense	Revaluation Reserve Retired Gain and Loss
Depreciation Adjustment	

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Journal Entries Created

The Create Accounting process creates journal entries for the appropriate general ledger set of books. You can review these journal entries in the general ledger and then post them.

- You can create journal entries for any general ledger. If you do not use Oracle General Ledger, you can copy the journal entry information from the GL tables.
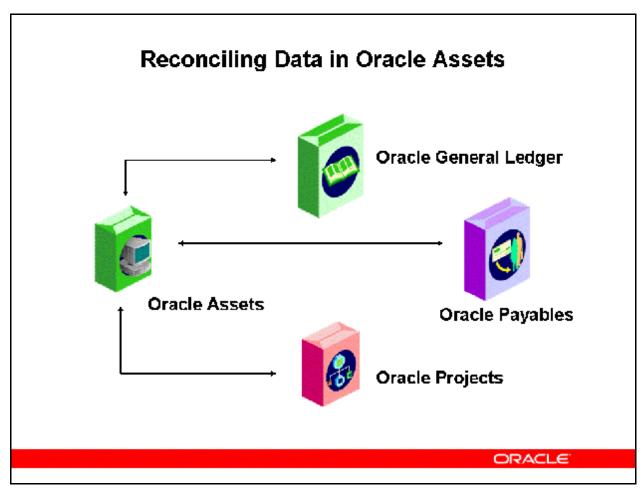
Adjusting Journal Entries

Oracle Assets creates adjusting journal entries to depreciation expense and accumulated depreciation accounts when you enter prior period additions, transfers, or retirements:

- For a prior period addition, Oracle Assets creates journal entries for the missed depreciation.
- For a prior period transfer, Oracle Assets reverses a portion of the depreciation expense posted to the "from" depreciation expense account and posts it to the "to" depreciation expense account.
- For prior period retirements, Oracle Assets creates journal entries that reverse the depreciation taken for periods after the retirement prorate date.
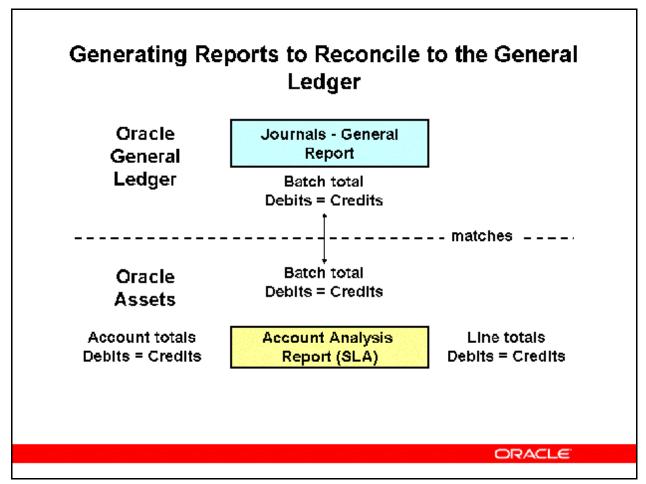
Depreciation Adjustments

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Oracle Assets creates separate journal entries for adjustments to depreciation expense and current period depreciation. You can review the effect of your adjustment transaction and your current period depreciation expense separately in the general ledger.

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Reconciling Assets Data

- To confirm data in reports, reconcile Oracle Assets to Oracle Payables and Oracle Projects, and to non-Oracle feeder systems.
- You use reports to reconcile journal entries that are sent to Oracle General Ledger.
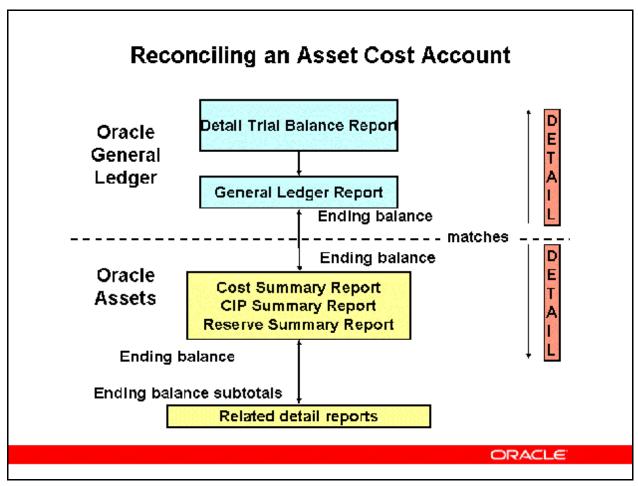
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Generating Reports to Reconcile to the General Ledger

When you run depreciation in Oracle Assets and then run Create Accounting, journal entries can be automatically transferred to the general ledger You can also choose to have journal entries automatically posted to the general ledger when you run Create Accounting.
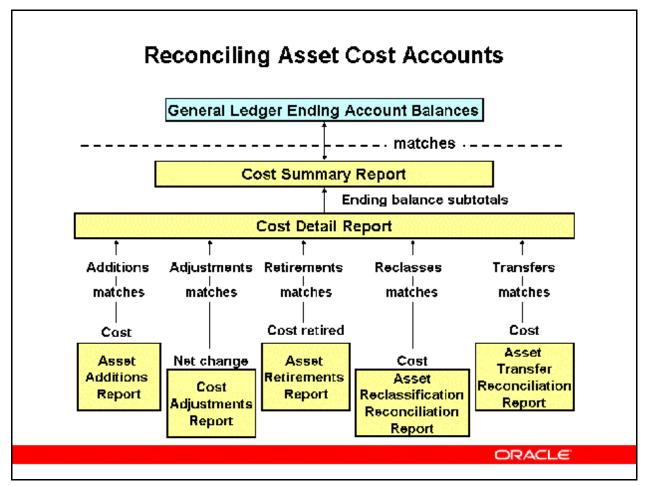
At the end of each period, use the Account Analysis Report in Oracle Subledger Accounting (SLA) to reconcile journal entries with Oracle General Ledger's Journals - General Report as follows:

- Use the Journals - General Report (parameter set to Unposted Journals status) to review unposted journal batches and associated journals.
    - Use this information to trace transactions back to the original source.
- Use the Account Analysis report to list all journal entry lines and detailed information on the asset transactions.

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Reconciling an Asset Cost Account
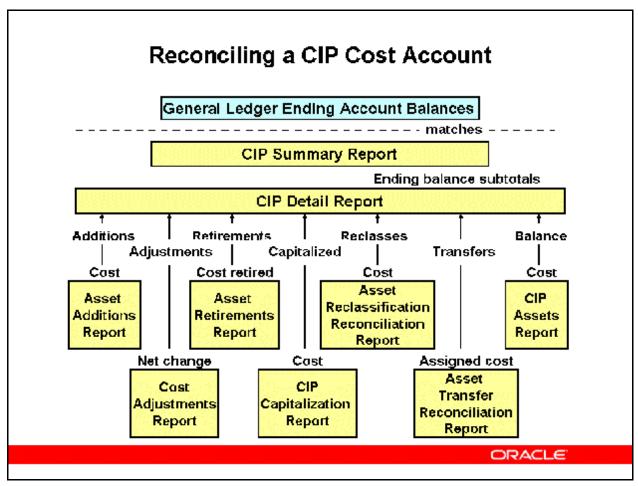
Reconciling an Asset Cost Account

- Use the Detail Trial Balance Report in Oracle General Ledger to reconcile asset additions imported into General Ledger from Oracle Payables.
- Use the General Ledger Report in Oracle General Ledger to list beginning and ending account balances and all journal entry lines affecting each account balance in the functional and foreign currencies. Use this report to review journal information and to trace each transaction back to its original source.
- Match the ending balance of the Cost Summary Report with the Cost Detail Report.
- Match the ending balance of the CIP Summary Report with CIP Detail Report.
- Match the ending balance of the Reserve Summary Report with the Reserve Detail Report.

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Reconciling Asset Cost Accounts

Reconcile the following reports' information to the Oracle Assets Cost Detail Report:

- Asset Additions Report > Match the cost with match the additions column on the Cost Detail Report.

- Cost Adjustments Report > Match the net change column with the adjustments column on the Cost Detail Report.

- Asset Retirements Report > Match the cost retired column with the retirements column on the Cost Detail Report.

- Asset Reclassification Reconciliation Report > Match the cost column (reflecting transferred costs) with the reclass column on the Cost Detail Report. This report lists the reclassification of assets reflected in adjusting journal entries that were created when you ran the Create Journal Entries program.

- Asset Transfer Reconciliation Report > Match the cost column with the transfers column on the Cost Detail Report.
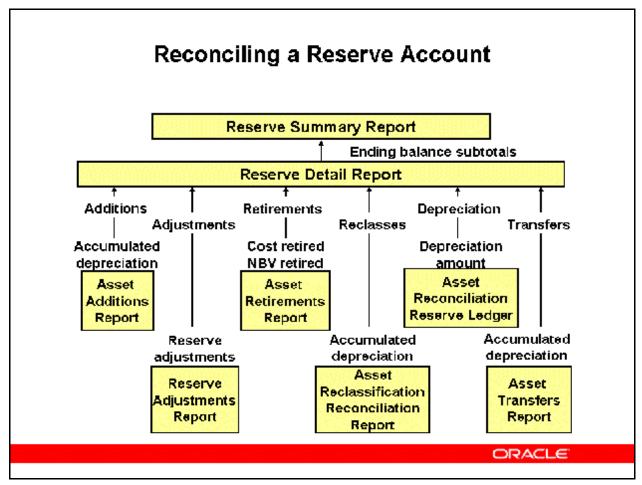
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Reconciling a CIP Cost Account

Reconcile the following reports with the CIP Detail Report:

- Asset Additions Report > Match the cost column with the additions column on the CIP Detail Report for CIP assets.
- Cost Adjustments Report > Match the net change column with the adjustments column on the CIP Detail Report.
- Asset Retirements Report > Match the cost retired column with the retirements column on the CIP Detail Report.
- CIP Capitalization Report > Match the cost column with the capitalized column on the CIP Detail Report.
- Asset Reclassification Reconciliation Report > Match the cost column (reflecting transferred costs) to the reclass column on the CIP Detail Report.
- Asset Transfer Reconciliation Report > Match the assigned cost column with the transfers column on the CIP Detail Report.
- CIP Assets Report > Match the cost column with the ending balance column on the CIP Detail Report.

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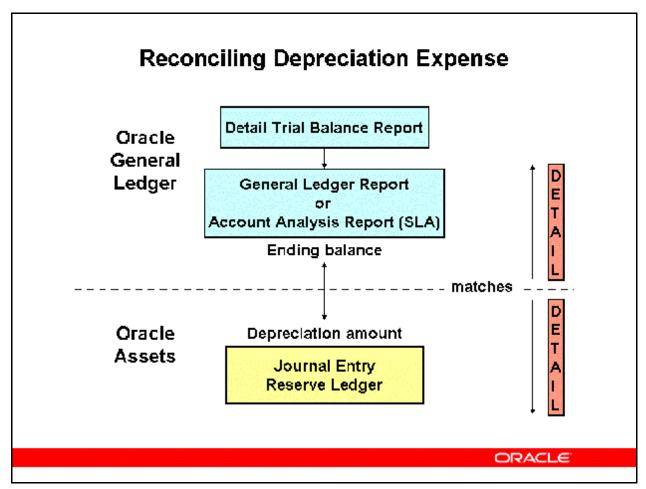EDU34C3Y
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Reconciling a Reserve Account

Reconciling a Reserve Account

Reconcile the following reports to the columns in the Reserve Detail Report:
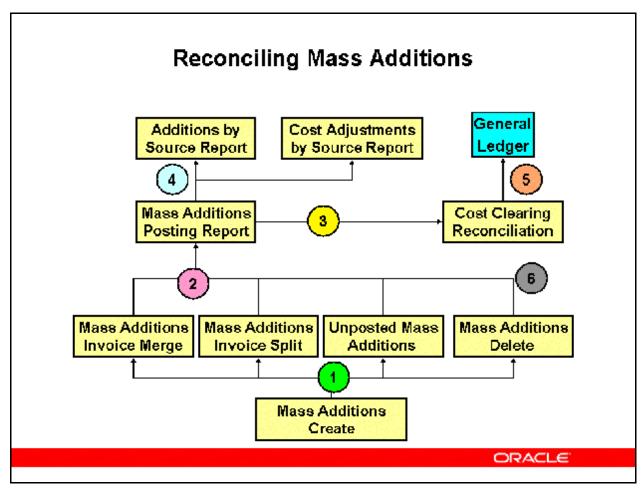
Match the following columns >

Report Name and Column Name	Reserve Detail Report Column
Asset Additions Report -Accumulated depreciation column	Additions column
Reserve Adjustments Report -Reserve adjustments column	Adjustments column
Asset Retirements Report -Difference between Cost retired and Net book value retired column	Retirements column
Asset Reclassification Reconciliation Report -Accumulated depreciation column	Reclasses column

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Report Name and Column Name	Reserve Detail Report Column
Asset Reconciliation Reserve Ledger Report -Depreciation amount column	Depreciation column
Asset Transfers Report -Accumulated depreciation column	Transfers column

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Reconciling Depreciation Expense

- Use the Journal Entry Reserve Ledger Report to find out how much depreciation expense Oracle Assets charged to a depreciation expense account for any accounting period.
- Reconcile depreciation expense with the General Ledger Report or the SLA Account Analysis Report.

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Reconciling Mass Additions

Use the following reports to track mass additions from the time you import them from the accounts payable system to the time you post them in Oracle Assets:

1. The Mass Additions Create Report provides a complete audit trail of the mass additions created by Oracle Payables. The report shows all invoice line items that were split, merged, deleted, placed on hold, and prepared for posting.

2. The Mass Additions Posting Report shows an audit trail of assets that were created from mass additions when you ran the Post Mass Additions to Oracle Assets program. Oracle Assets posts mass additions with a POST status.

3. The Cost Clearing Reconciliation Report shows all assets created or adjusted during an accounting period for which Oracle Assets creates journal entries to asset clearing accounts. Use this report to reconcile clearing accounts between the general ledger and Oracle Assets.

4. The Additions by Source Report shows posted mass additions and manual mass additions, and should be reconciled with the Asset Additions Report and the Mass Additions Posting Report. Its current cost column should match with the cost column on the Mass Additions Posting Report.

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5. Oracle Assets creates journal entries for the general ledger.

6. Use the Mass Additions Status Report to review source lines by queue name in the Mass Additions interface.

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Summary

In this module, you should have learned how to:

- Describe the process Asset Management follows to capture accounting information and send journal entries to the General Ledger
- Describe options for using standard reports to reconcile asset financial data
- Discuss the use of Oracle Subledger Accounting in Asset Management

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