



IT ADVISORY

Transition to IFRS

Leveraging Oracle EBS

ORACLE ERP ADVISORY

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Agenda

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Background

What is US GAAP ?

In the U.S., generally accepted accounting principles, commonly abbreviated as US GAAP or simply GAAP, are accounting rules used to prepare, present, and report financial statements for a wide variety of entities, including publicly-traded and privately-held companies, non-profit organizations, and governments. Generally GAAP includes local applicable accounting framework, related accounting law, rules and accounting standards.

What is IFRS ?

International Financial Reporting Standards (IFRS) are standards and interpretations adopted by the International Accounting Standards Board (IASB).

US GAAP and IFRS : Differences

The shift from rules-based U.S. standards to the principles-based approach of IFRS puts more focus on improving transparency versus simply complying with standards. Core to the IFRS approach is the concept of fair value accounting, where assets and liabilities are marked to market value rather than maintained at historical costs.

Benefits for US Organizations

- Streamline reporting for companies with global operations and foreign reporting requirements; reduce costs
- Develop common reporting systems
- Employ regional financial centers
- Create flexibility for moving finance resources
- Develop centralized training and development
- Achieve consistency in statutory reporting
- Easier access to foreign capital markets and investments
- Facilitate cross-border acquisitions, ventures and spin-offs
- Leading edge: early adoption, if requirement is an eventuality

Transition to IFRS: An IT perspective

A properly-planned conversion addresses issues beyond accounting and reporting. The project must identify issues relevant to the entire company as a result of converting to IFRS.

Accounting and Reporting

- Identify differences between U.S. GAAP and IFRS
- Identify disclosure requirements under IFRS
- Assess and plan for impact on any local tax and regulatory reporting
- Evaluate existing chart of accounts and revise as needed
- Design and implement templates for data gathering
- Prepare IFRS compliant financial statements
- Design and implement new reporting package for IFRS
- Develop new accounting policies under IFRS with globally consistent application
- Build technical financial reporting capabilities in complex areas

Systems and Processes

- Identify information “gaps” for conversion
- Evaluate and revise policies and reporting procedures for IFRS
- Evaluate changes needed to internal controls over financial reporting
- Engage the IT team – appropriately modify data collection processes and create systems controls
- Identify new IT system needs: convert ERP and G/L
- Embed IFRS in local ledgers as appropriate and minimize manual workarounds
- Perform dry-run data collection process to check integrity of numbers
- Develop transition plan for data transfer and parallel system runs
- Establish contingencies for data collection needs

Business

- Develop communication plans for all stakeholders, minimize surprises
 - Investors and analysts
 - Regulatory bodies
 - Creditors
 - Customers and Suppliers
- Reassess internal management reporting & business measurement matrices
- Evaluate impact on management compensation metrics
- Assess impact of accounting change on general business issues such as contractual terms, risk management practices, treasury practices, etc.
- Modify third-party contracts to coincide with new reporting metrics
- Budget for necessary technical recruiting, training, and effort

People

- Develop and execute training plans for employees across functions and locations
 - IFRS technical topics and new accounting policies and procedures
- Revise performance evaluation targets and measures, and communicate to affected personnel
- Embed IFRS knowledge – build a dry-run into the restatement plan to test staff understanding
- Assign dedicated project management team
- Ensure project provides realistic timescales and accountabilities
- Create project team with dynamic workplan and workstreams



Assessment and Planning

- **An IFRS conversion assessment and awareness study should include:**
 - Gap analysis – accounting and disclosures
 - Initial adoption alternatives – IFRS 1
 - Financial statement impact – quantify differences and directional impact
 - Complexity assessment
 - Availability of information
 - Process and controls requirements
 - IT systems changes
 - Existing resource capabilities
 - External audit impact
 - Training requirements
 - Competitor assessment
 - Foreign subsidiaries/planned acquisitions
 - Evaluation of contractual agreements
 - Investor and analyst communications
 - Provide preliminary guidance
 - Summary of conversion benefits
 - Project team and workplan

⁽¹⁾ *The Analyst's Accounting Observer*, Volume 16, No. 11, September 24, 2007

Project Approach

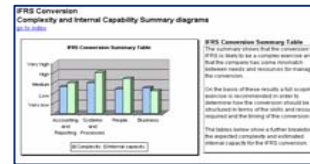
- Conversion Tools include:
- IFRS conversion methodology
- IFRS Project Management guidance and templates
- Pro forma work plans
- Standardized deliverables
- Gap analysis tools
- Standard training materials
- eLearning tool – Knowledge Academy
- Rapid start support
- Technical resources



Gap Analysis

Two side-by-side tables comparing current state and target state across various categories, with color-coded cells indicating gaps.

Complexity Meter



Accounting/Disclosure Matrix

A large table with multiple columns and rows, detailing accounting and disclosure requirements.

Financial Impact Assessment



Assess impact and plan conversion

Design and build tools & processes

Implement: Roll out and parallel run

“Business as usual”

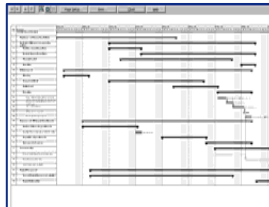
IT Impact Analysis

A table detailing the impact of IFRS conversion on IT systems and processes.

Communication Plan

A table detailing the communication strategy for the IFRS conversion project.

Master Conversion Plan



As well as.....

- Issues log
- Management presentations
- Training needs analysis
- Status reporting

With each tailored to your specific circumstances

High Level Conversion Plan

- Kick off project early (average project time from kick off to conversion and parallel run – estimate 2-3 years)
- Start with the accounting gap analysis to assess the impact and scope the project
- Execute a robust assessment phase
- After completion of the assess phase develop a master conversion plan involving financial reporting and IT
- Determine conversion strategy early in the project (express conversion vs. system embedded approach)
- Synchronize project with other major systems and process changes (e.g. ERP implementation)
- Start project as a headquarters initiative defining the global approach and policies - roll out internationally in a second phase.
- Establish senior management ownership and project lead
- Provide global coordination utilizing local teams
- Engage local client personnel
- Establish structured communications and status reporting
- Include experienced personnel with knowledge of issues and strong problem solving capabilities
- Involve external auditor throughout project
- Identify performance improvement opportunities

International Accounting Standards and International Financial Reporting Standards mapped to Oracle's Financial Management Solutions

Area	Area covered	Product Area	Specific Features
Consolidation and Corporate Accounting	Post balance sheet Government Grants Foreign Currency Hyperinflation Impairment Provisions & Contingencies Intangibles Investment Property First Time Adoption Discontinued, Held for Sale Mineral resources Operating segments	Hyperion Financial Management, Oracle General Ledger	Features including flexfields, segments and other chart of accounts features, translation (or remeasurement), multiple ledgers, and accounting engines.
Data Collection and Aggregation	Construction Property, Plant & Equipment Leases Revenue Employee Benefits Inventories Borrowing Costs	Specialized subledger solutions: Projects, Fixed Assets, CRM, Order Management and 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.

(contd.)

International Accounting Standards and International Financial Reporting Standards mapped to Oracle's Financial Management Solutions (contd.)

Area	Area covered	Product Area	Specific Features
GRC	Policies, Estimates	The GRC Suite	Internal controls, etc
Statement Presentation	Financial statements Consol or Separate Associates Joint Ventures EPS Interims Cash Flow Statements Business Combinations	Hyperion Financial Management, Oracle General Ledger	Consolidation features, line aggregation, adjustment capability, XBRL publication, cube management, "slice and dicing"

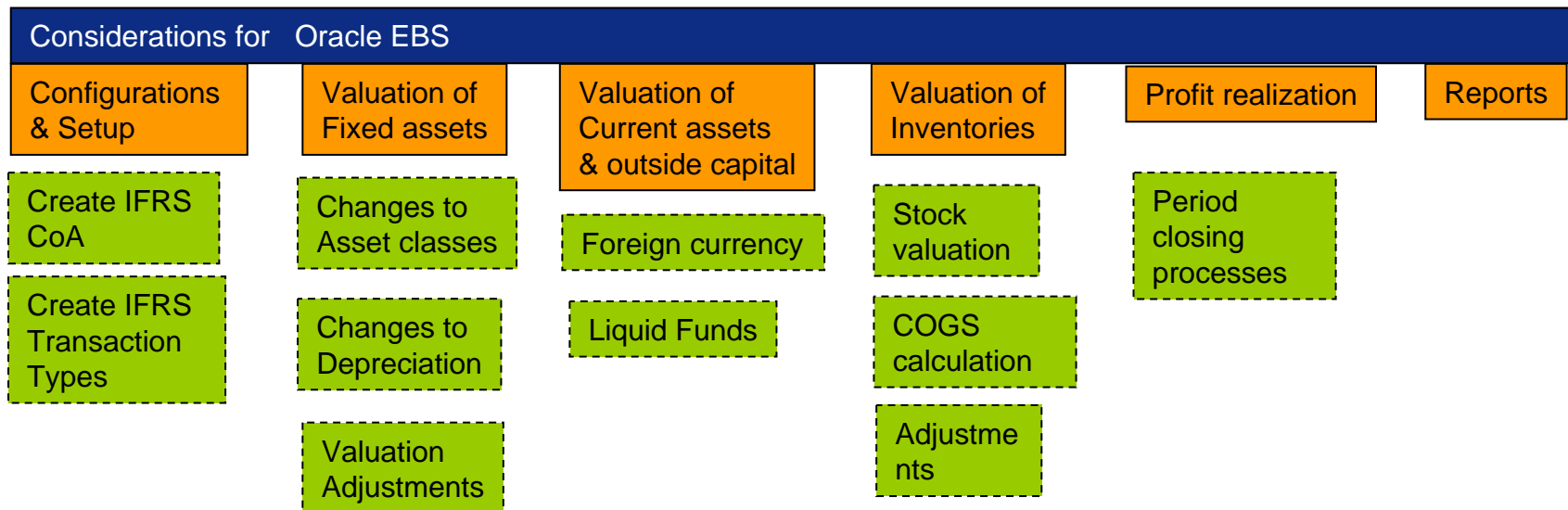
International Accounting Standards and International Financial Reporting Standards mapped to Oracle

Consolidation systems such as Oracle Consolidation Hub and Hyperion

IFRS Conversion (eg., Oracle)

Business Intelligence tools (Reporting)

Subledger accounting (Local GAAP, regulatory reporting and IFRS)
 Conversion from Local GAAP to IFRS in existing productive system vs. new system implementation and data conversion
 Conversion of Chart of Accounts (CoA) in existing productive system
 Vendor tools and best practices for the IFRS and CoA conversion
 Vendor white-papers and documents for IFRS conversion vs. IFRS functionalities

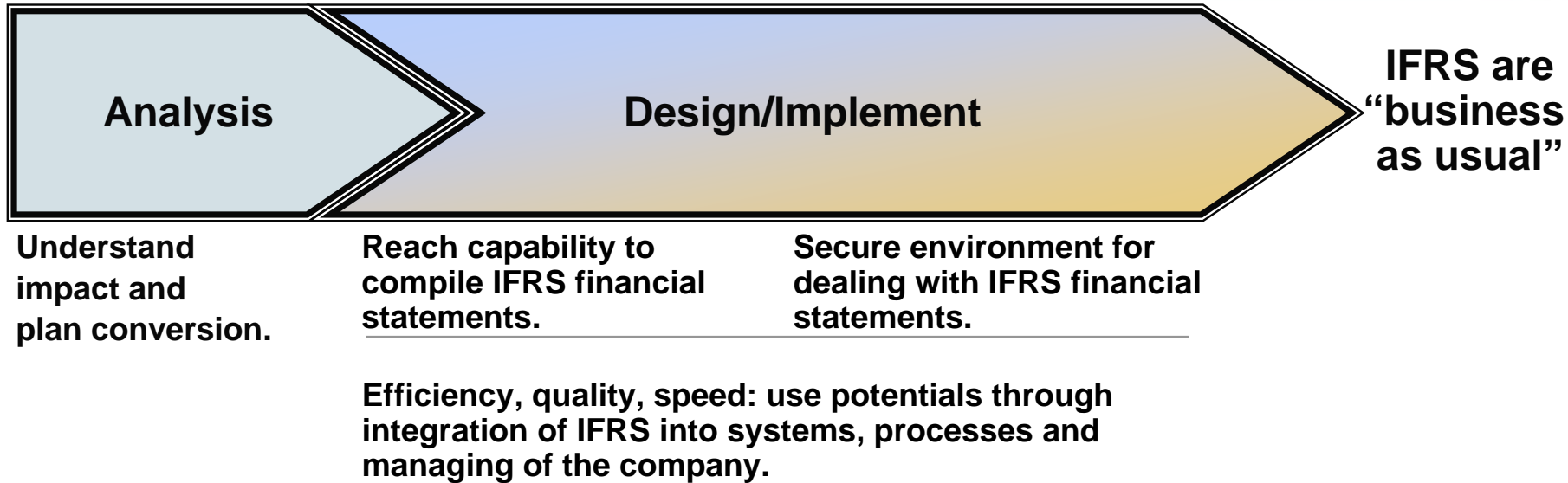


Examples of IFRS Considerations

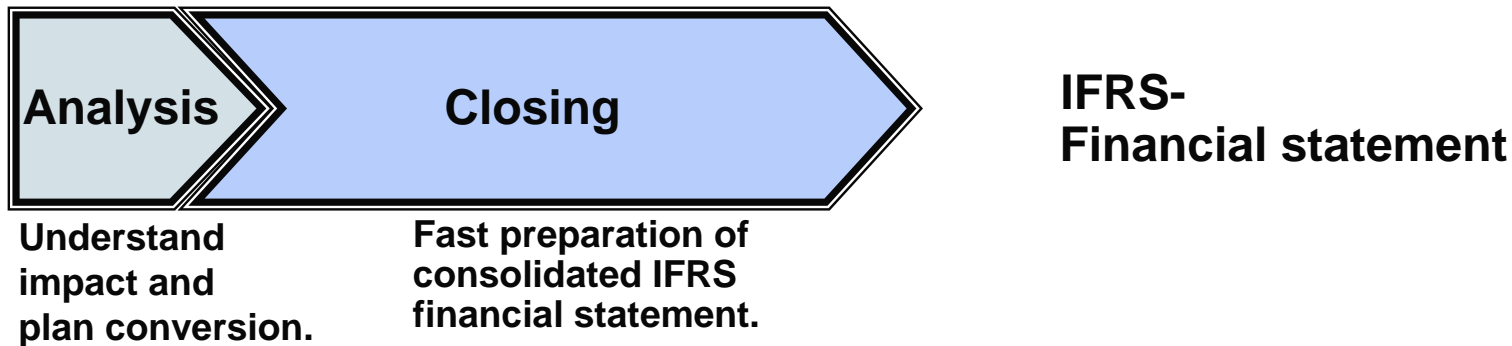
- Chart of accounts
 - Most used solution approach for parallel accounting
 - “Three Account Model”: Differentiation of accounts in Local GAAP specific accounts, IFRS specific accounts and common accounts
 - Conversion of Local Chart of Accounts (CoA) to IFRS CoA
 - Creation of new financial statement versions (Local versus GAAP)
- New general ledger
 - Replaces the “Special Ledger” as solution approach for parallel accounting
 - Use of the same account with different “views”
 - Increase in data volume following the implementation
 - Potential for reduction of G/L accounts in the CoA
 - Modified account determinations
- Payables/ receivables
 - Additional foreign currency valuation method for foreign currency valuation
 - Local GAAP- specific accounts for lump-sum allowance (general provision for doubtful debts)
 - Additional structure for balance sheet and income statement

System embedded conversion

Best Practice: “system embedded conversion“



Work around: “express-conversion”



R12 and IFRS

- R12 Features that support IFRS
- Subledger Accounting
 - Enabling Compliance with Multiple Accounting Standards
- Management Reporting Security
- Revenue Recognition
 - Time-Based Revenue Recognition
 - Event-Based Revenue Recognition
 - Rule-Based Revenue Recognition
- Multi Org Access control
 - MOAC control enables the performance of tasks across operating Units (OUs) and grants access across these OUs without changing responsibilities.
- Oracle Assets
 - Sub Ledger Accounting Architecture
 - Enhanced Mass Additions for Legacy conversions
 - Automatic Preparation of Mass Additions
 - Flexible Reporting using XML publisher
 - Automatic depreciation rollback

Quiz

What does IFRS stand for?

Key difference between US GAAP and IFRS

Key R12 feature key to IFRS compliance