How to create an operating unit in Oracle EBS

This guide shows you how to create an operating unit in Oracle EBS (E-Business Suite), from the HR security profile setup through the Accounting Setup Manager check. You then add an inventory organization to it, which Accounts Payable (AP) setup requires. The examples use an operating unit named ABC OU, a business group named ABC BG, and a primary ledger named ABC PL Ledger.

Prerequisites

Before you begin, make sure you have:

- Completed the initial Oracle E-Business Suite installation and setup.
- Access to the **System Administrator** responsibility and a Purchasing responsibility (for example, "Purchasing, ABC").
- Your business group, primary ledger, and legal entity ready to enter. The examples use ABC BG, ABC PL Ledger, and ABC Company.

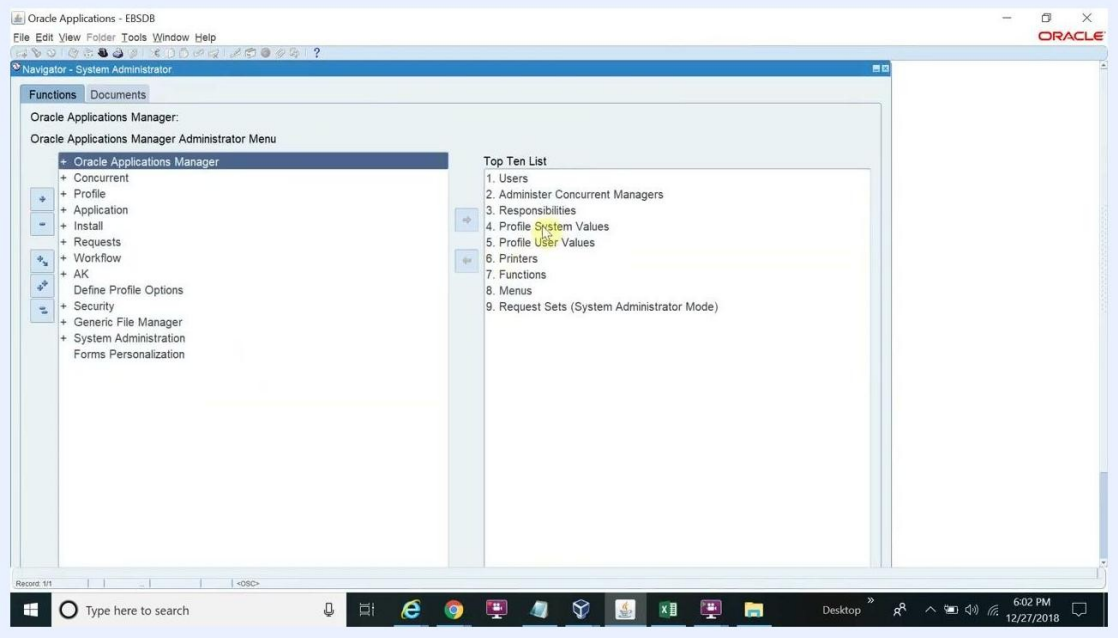
Assign your business group to the responsibilities

If you skip this section, your operating unit is created under the default Vision Corporation business group. That is incorrect for your actual transactions and causes configuration issues.

Step 1: Open the System Administrator responsibility

1. Log in to Oracle Applications.

2. From the main menu, select the **System Administrator** responsibility.

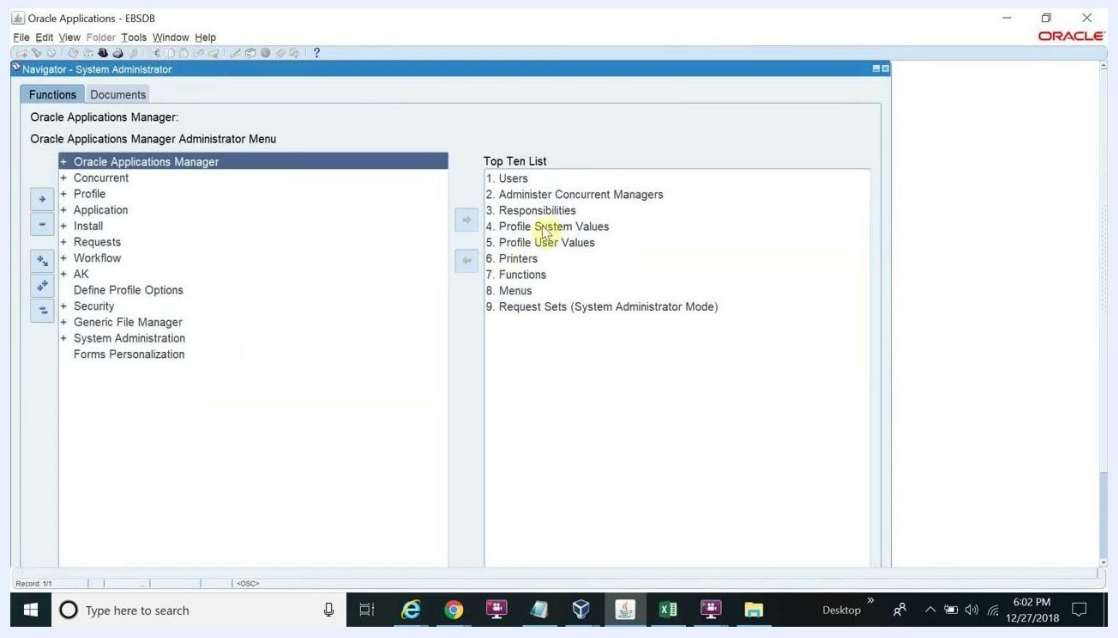


Oracle Applications main menu showing the available responsibilities and navigation options.

Step 2: Open Profile System Values

1. In the System Administrator navigator, expand **Oracle Applications Manager** and then **Profile**.

2. Select **System Values** from the Top Ten List.

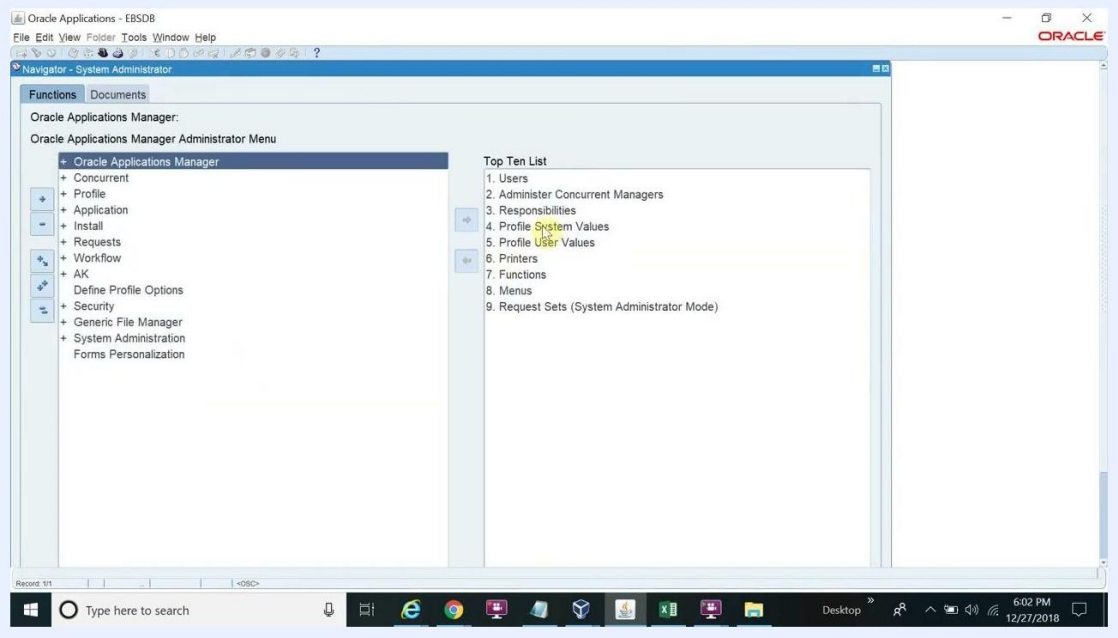


System Administrator navigator with Oracle Applications Manager and Profile expanded, showing System Values.

Step 3: Find the Payables, Vision Operations responsibility

1. In the Profile System Values window, set the display to filter by **Responsibility**.
2. Enter the search criteria Paya%Vision%Op%.
3. Click **Find**.

4. Select **Payables, Vision Operations (USA)** from the list.

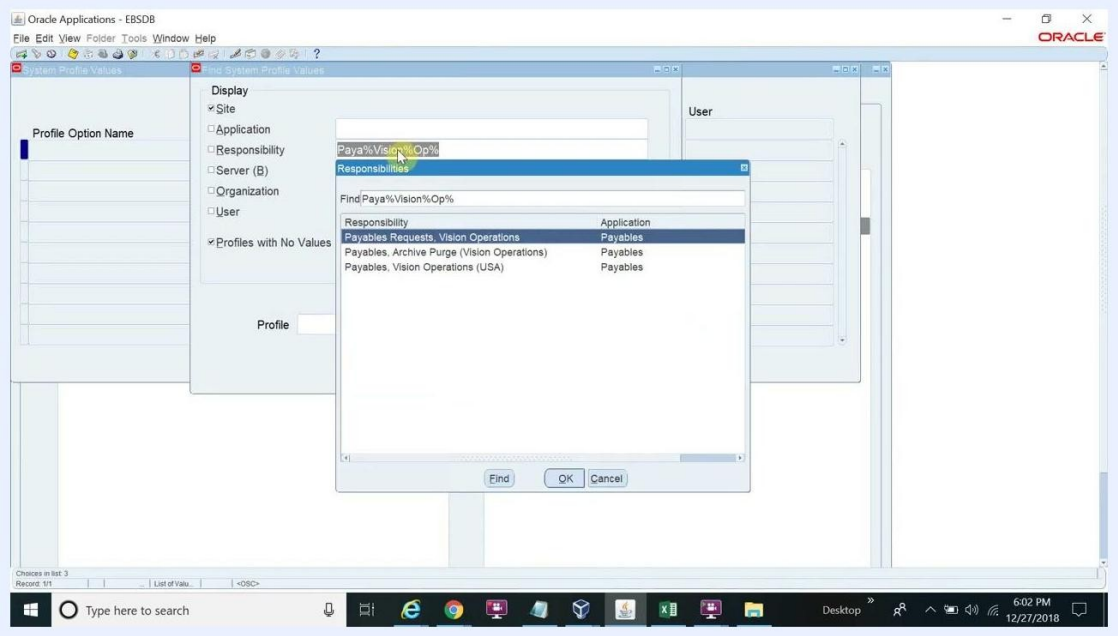


Profile System Values window searching for the Payables, Vision Operations (USA) responsibility.

Step 4: Set the HR security profile for Payables

1. In the Profile Option Name field, enter or select **HR: Security Profile**.
2. Confirm that the **Site** column is set to **Vision Corporation**.
3. Confirm that the **Responsibility** column is set to **Payables, Vision Operations**.
4. In the value field for this responsibility, enter your business group (for example, **ABC BG**).
5. Save your changes.

Look for a confirmation message at the bottom of the window, such as "FRM-40400: Transaction complete. 1 records applied and saved."



System Profile Values window with HR: Security Profile set to business group ABC BG for Payables, Vision Operations.

Step 5: Assign the business group to the Purchasing responsibility

When you create a new operating unit, do not leave the HR Security Profile for the Purchasing responsibility on the default Vision Corporation business group. Make sure your business group (for example, **ABC BG**) is assigned to the Purchasing responsibility as well. This prevents misconfiguration and keeps the operating unit tied to the correct business group.

Create the operating unit

Step 6: Switch to Purchasing and open Organizations

1. Change your responsibility to the appropriate Purchasing responsibility (for example, "Purchasing, ABC"). Do not use the Payables responsibility for this step.
2. In the Purchasing navigator, expand **Setup** and then **Organizations**.
3. Select **Organizations** from the list.

Step 7: Start a new organization

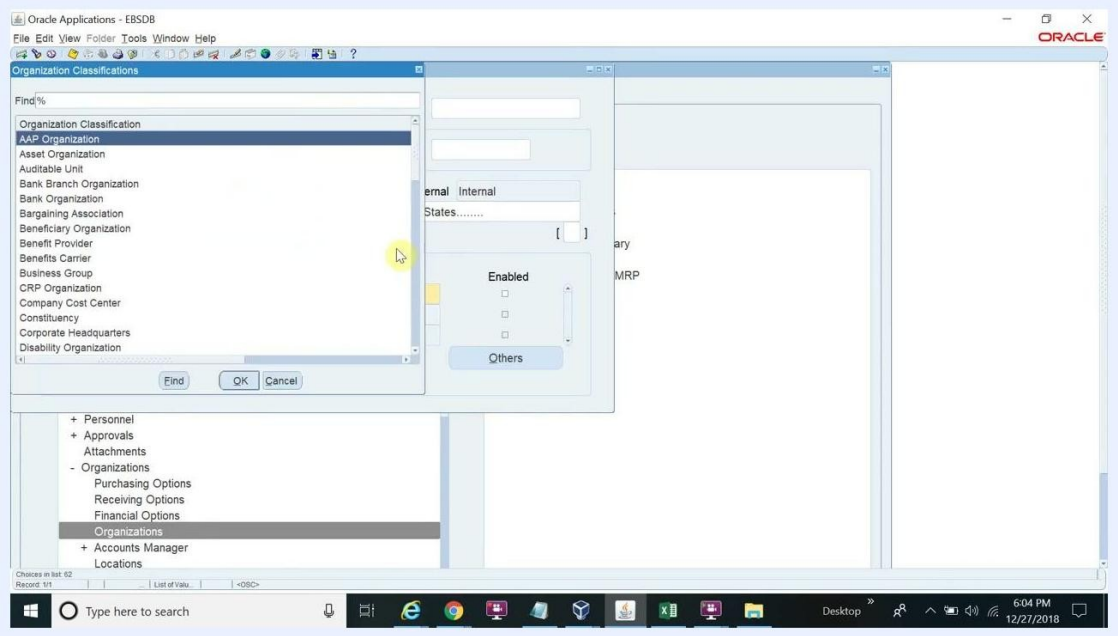
The Organizations window shows your existing business groups. You cannot view operating units at this stage.

Click the **New** button or tab to start defining a new organization, which will become your operating unit.

Step 8: Enter the basic organization details

In the Organization form, enter the following:

- **Name:** ABC OU
- **Type:** Leave blank, or select the value that fits your organization.
- **From Date:** 01-JAN-1951 (or the date you require).
- **Location:** Start typing the location (for example, ABC Company Address), then select it from the list of values.
- **Internal or External:** Set to Internal.
- **Location Address:** Enter the full address (for example, LA Street, New York, NY, 10017, United States).
- **Internal Address:** Enter if applicable.



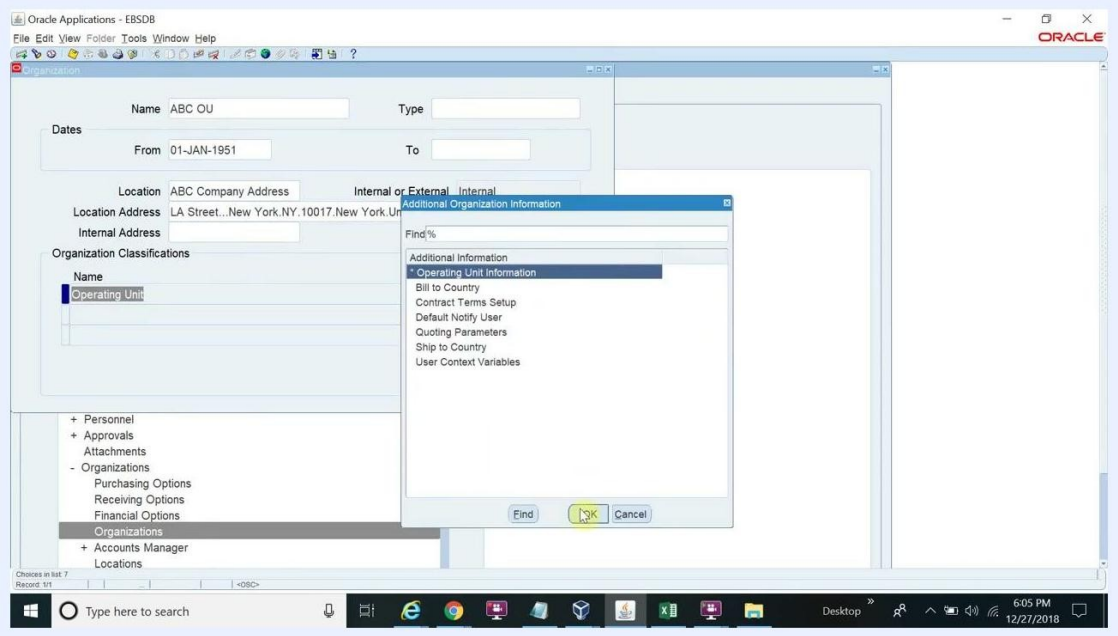
Organization form with Name ABC OU, From Date 01-JAN-1951, Location ABC Company Address, and the Operating Unit classification selected.

Step 9: Assign the Operating Unit classification

1. In the Organization Classifications section, click the list of values (LOV) for **Name**.
2. Select **Operating Unit** from the list of classifications.
3. Click **OK**.

Step 10: Open Operating Unit Information

1. In the Additional Organization Information window, select **Operating Unit Information**.
2. Click **OK**.

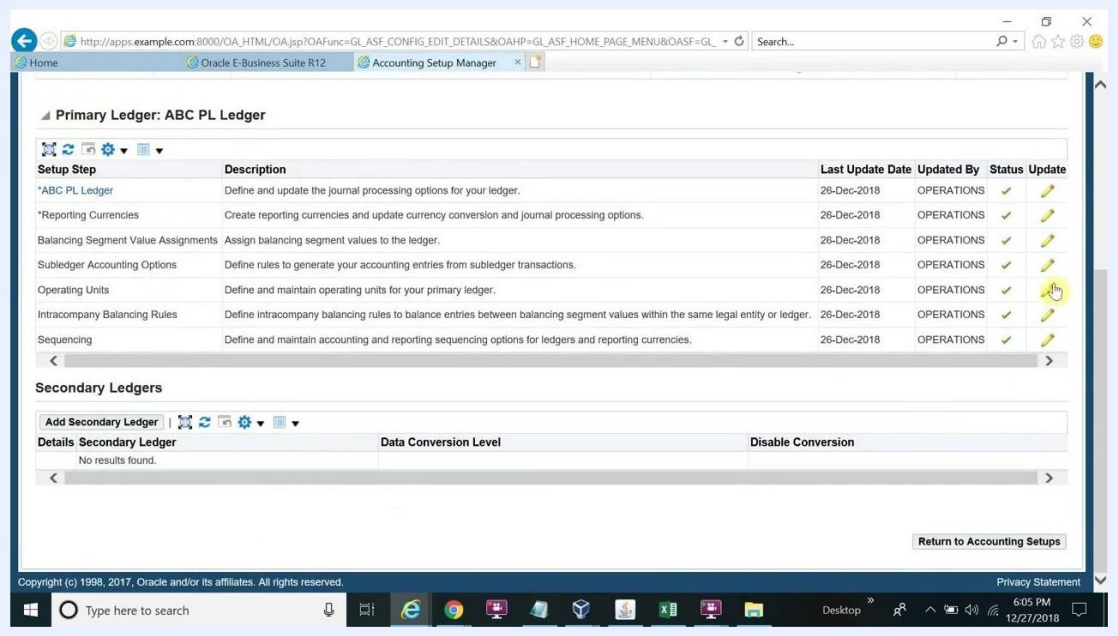


Additional Organization Information window with Operating Unit Information selected.

Step 11: Enter the ledger, legal context, and short code, then save

1. In the **Operating Unit Information** window, enter these values:
   - **Primary Ledger:** ABC PL Ledger
   - **Default Legal Context:** ABC Company
   - **Operating Unit Short Code:** AVC
2. Confirm all fields are correct.
3. Click **OK**.

4. Click **Save** in the main Organization form to finish creating the operating unit.



Operating Unit Information window with Primary Ledger ABC PL Ledger, Default Legal Context ABC Company, and the Operating Unit Short Code field being completed.

Step 12: Verify the operating unit in Accounting Setup Manager

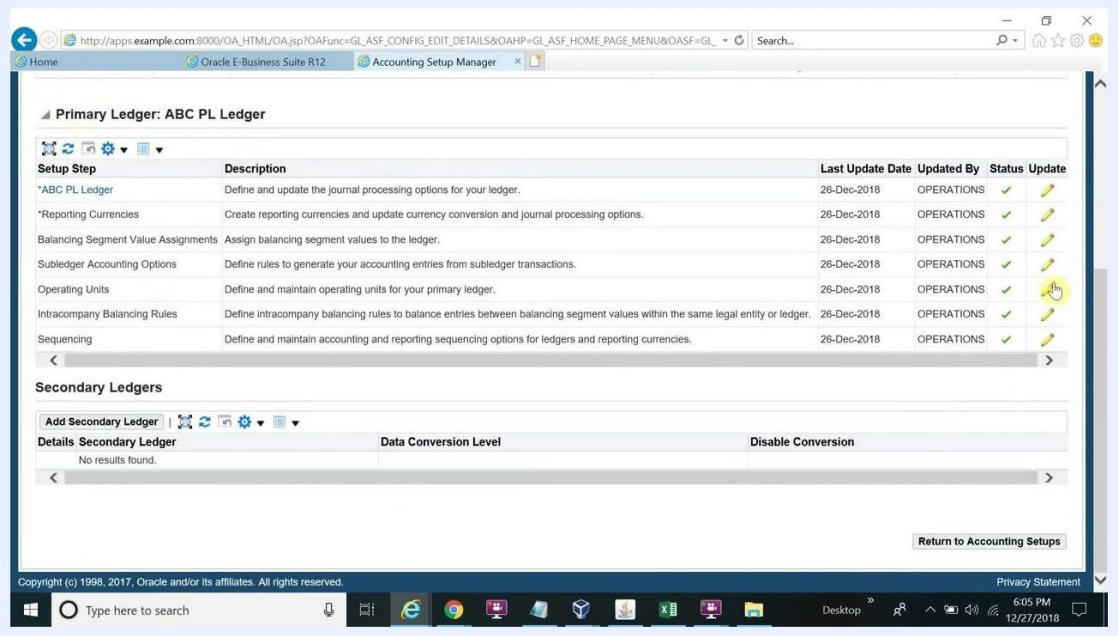
After you save, the new operating unit exists. The system automatically populates its information in the ledger setup.

1. Open the **Accounting Setup Manager**.
2. Locate your primary ledger (for example, ABC PL Ledger).
3. Confirm that ABC OU appears under the **Operating Units** section.

Check that these details are visible:

- **Operating Unit Name:** ABC OU
- **Operating Unit Short Code:** ABC OU
- **Business Group:** ABC BG

- **Default Legal Context:** ABC Company



Accounting Setup Manager showing Operating Unit Name ABC OU, Short Code ABC OU, Business Group ABC BG, and Default Legal Context ABC Company.

Verify that the business group assigned to the operating unit is correct. A different business group (for example, AVC for the vision) indicates a setup issue. Be careful during legal entity setup to avoid business group mismatches.

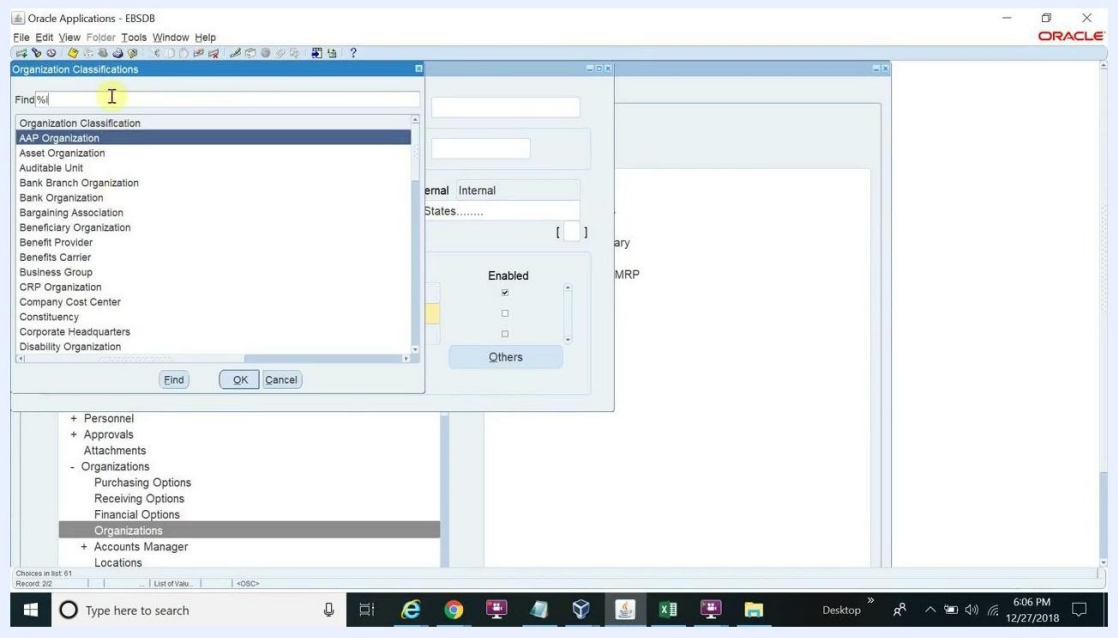
Add an inventory organization for AP setup

Your next step is to create an inventory organization. AP must be linked to an inventory organization, so this is required for AP setup.

Step 13: Add the Inventory Organization classification

1. Click the blank row under Organization Classifications.
2. Click the **Others** button to open the Organization Classifications selection window.
3. In the **Find** field, enter % to list all available classifications.

4. Select **Inventory Organization** and click **OK**.



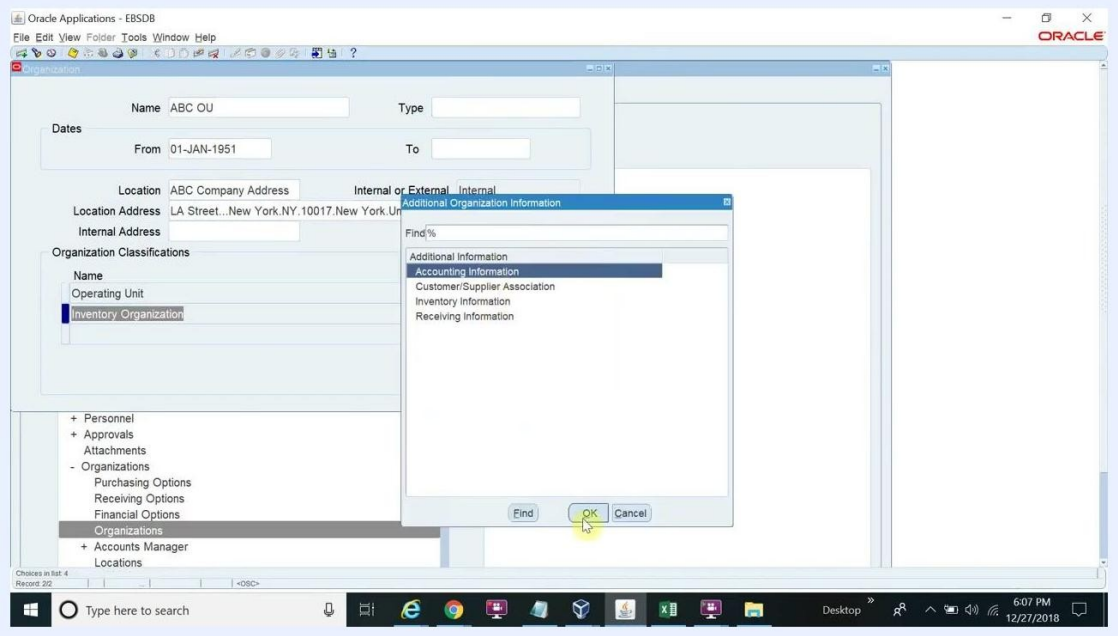
Organization Classifications window listing the available classifications with Inventory Organization highlighted.

Step 14: Enter the accounting information

After you add **Inventory Organization**, the Additional Organization Information window appears.

1. Select **Accounting Information** from the list.

2. Click **OK**.



Additional Organization Information window with Accounting Information selected.

In the **Accounting Information** window, enter:

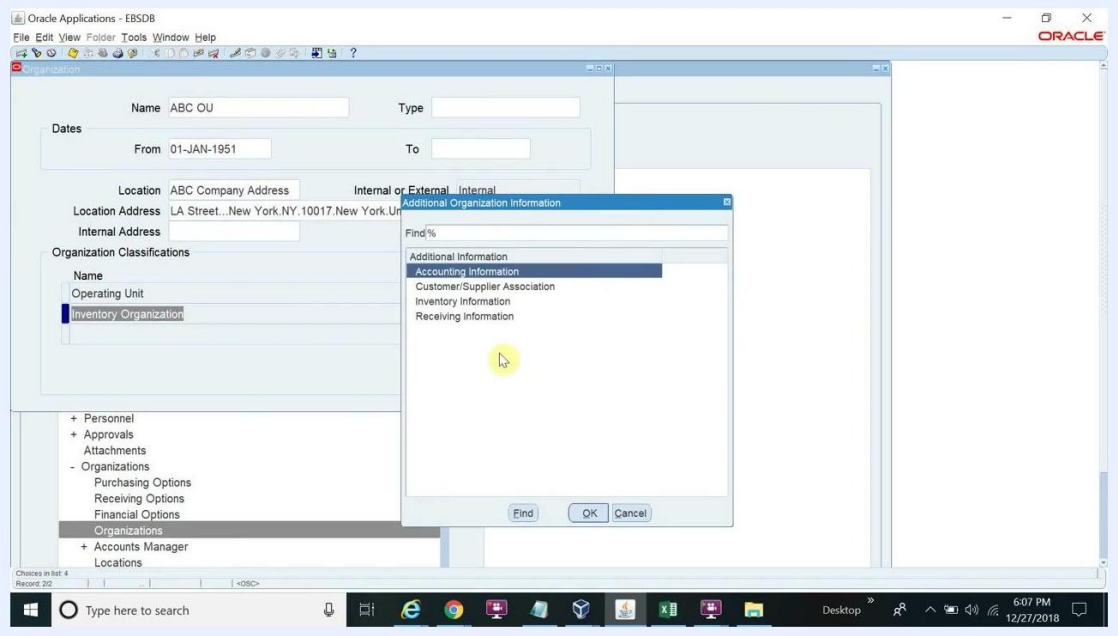
- **Primary Ledger:** ABC PL Ledger
- **Legal Entity:** ABC Company
- **Operating Unit:** ABC OU

Click **OK** to save and close the window.

Step 15: Enter the inventory information

1. In the Additional Organization Information window, select **Inventory Information**.

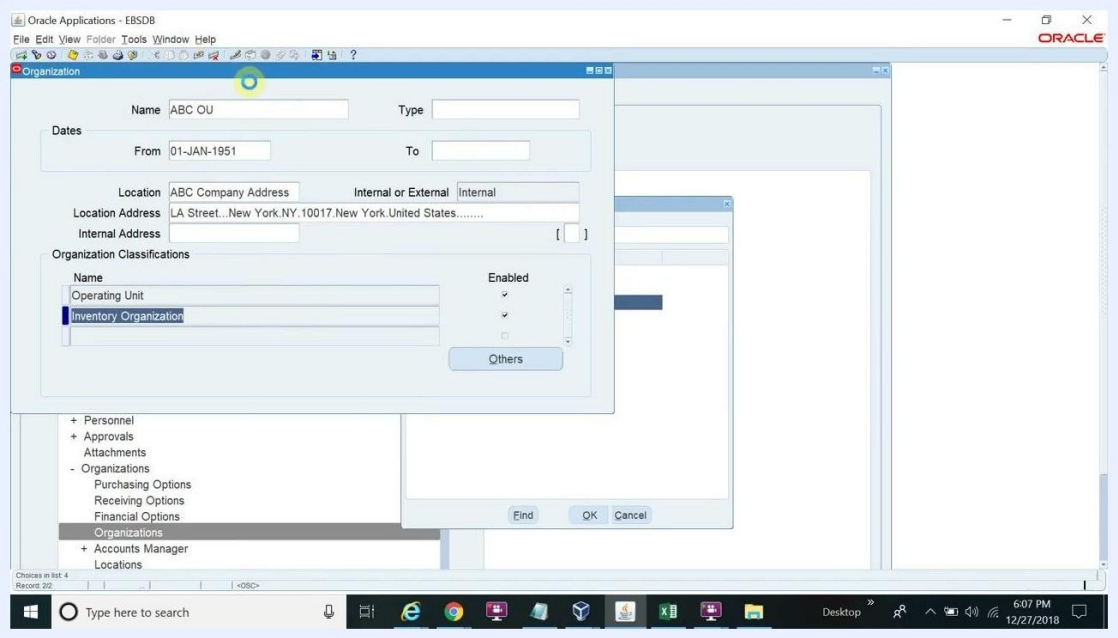
2. Click **OK**.



Additional Organization Information window with Inventory Information selected.

Step 16: Confirm both classifications are enabled

The Organization form now shows both the **Operating Unit** and **Inventory Organization** classifications enabled. You can select this inventory organization during Payables setup.



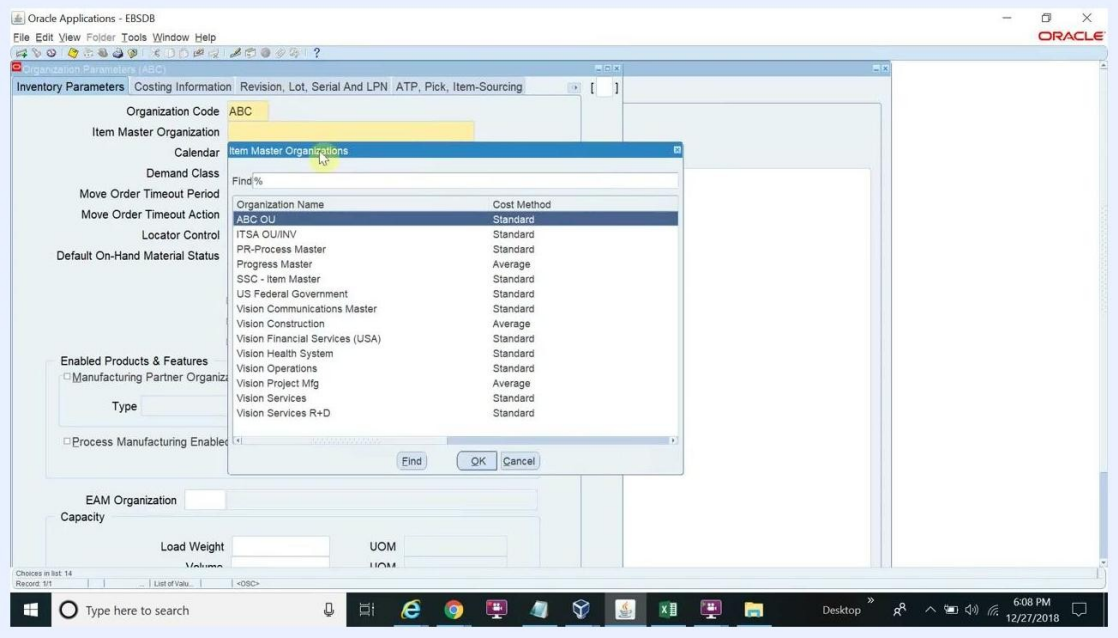
Organization form with both the Operating Unit and Inventory Organization classifications enabled.

Step 17: Complete the inventory parameters

The Organization Parameters window opens with several tabs, including Inventory Parameters and Costing Information. On the **Inventory Parameters** tab, fill in:

- **Organization Code:** for example, ABC
- **Item Master Organization:** leave blank for now
- **Calendar:** leave blank for now
- **Move Order Timeout Action:** Approve automatically
- **Locator Control:** None

Additional checkboxes and fields are available for further configuration.



Organization Parameters window on the Inventory Parameters tab with fields such as Organization Code and Item Master Organization.

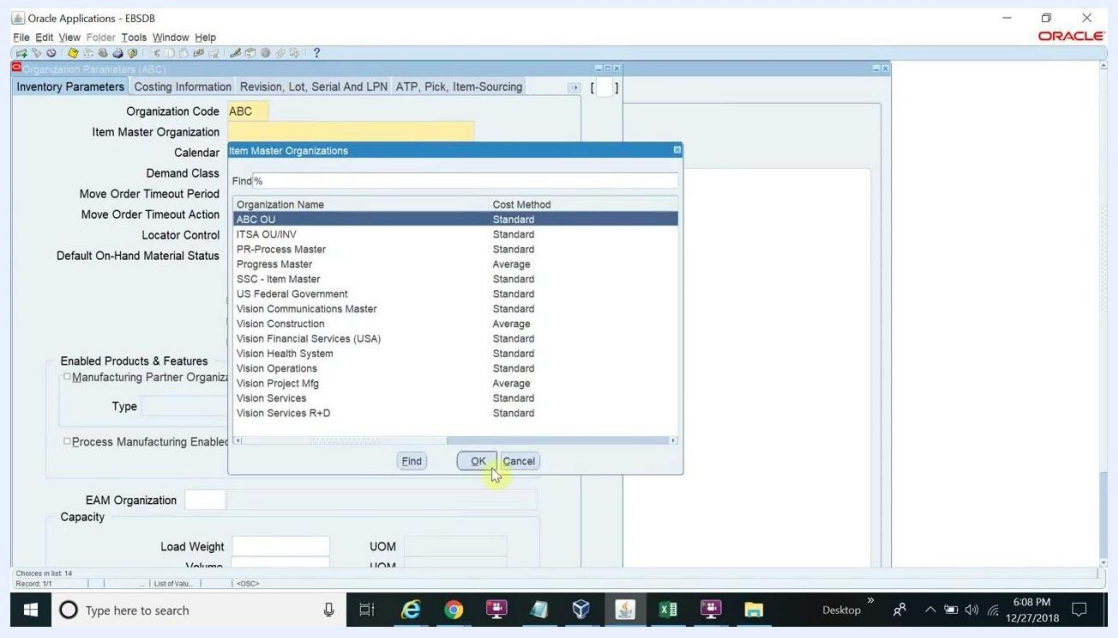
Step 18: Select the item master organization

1. In the **Item Master Organization** field, click the list of values (LOV) button.
2. In the Item Master Organizations window, select the appropriate organization (for example, ABC OU) with the cost method you want (for example, Standard).
3. Click **OK**.

The Organization Parameters window now shows these values:

- **Organization Code:** ABC
- **Item Master Organization:** ABC OU
- **Calendar:** Vision01
- **Move Order Timeout Action:** Approve automatically
- **Locator Control:** None
- **Allow Negative Balances:** checked

Options for enabled products and features are visible but not selected.



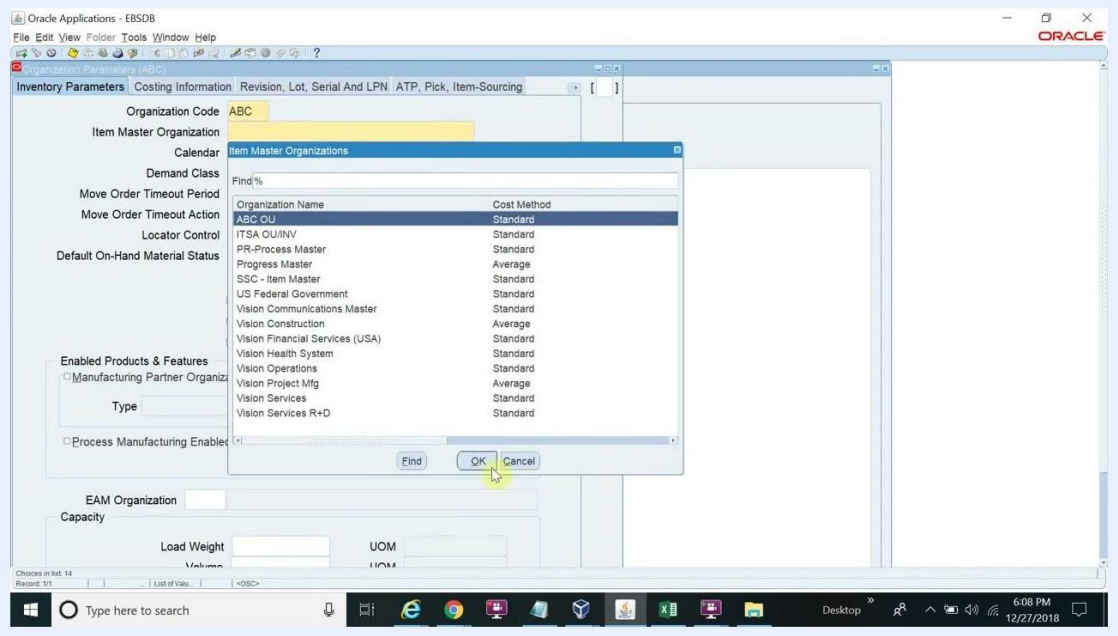
Organization Parameters window with the Inventory Parameters tab completed, including the selected Item Master Organization.

Step 19: Open the Material valuation account

1. On the **Costing Information** tab, click into the **Material** field under Valuation Accounts.
2. In the "ABC Chart of Account" window that appears, enter:

    - **Company:** 01 (ABC Company)
    - **Branch:** 000 (Default)
    - **Department:** 000 (Default)
    - **Account:** 0000 (None)
    - **Intercompany:** leave blank

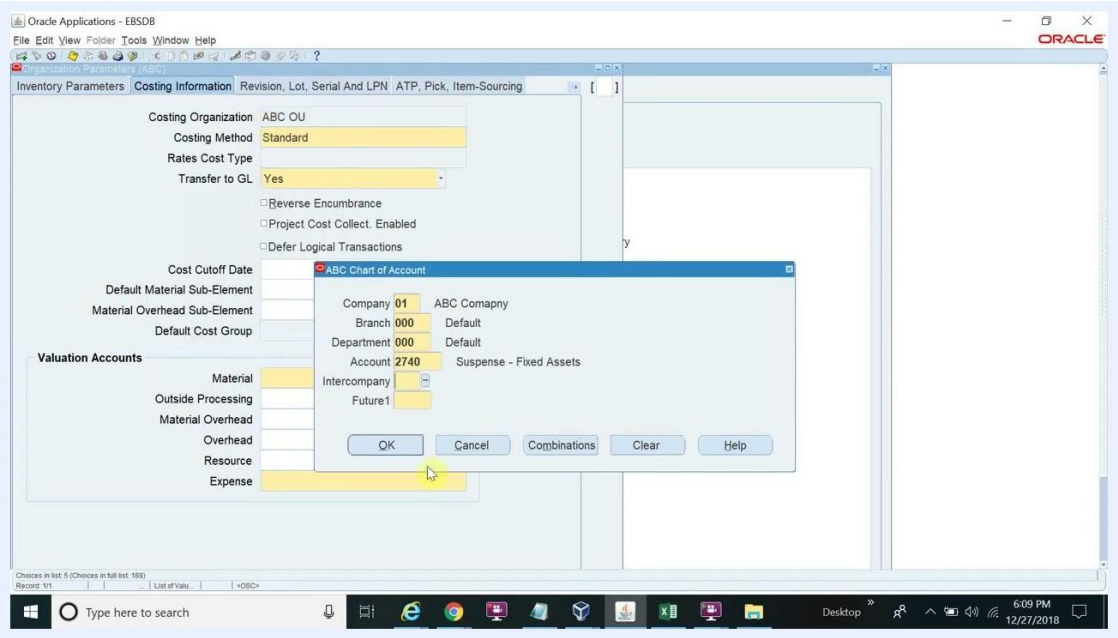
- **Future1:** leave blank



ABC Chart of Account window with Company 01, Branch 000, Department 000, and Account 0000.

Step 20: Update the Account field

If you need a specific account, update the **Account** field. For example, change it to 2740 (Suspense - Fixed Assets). Then click **OK**.



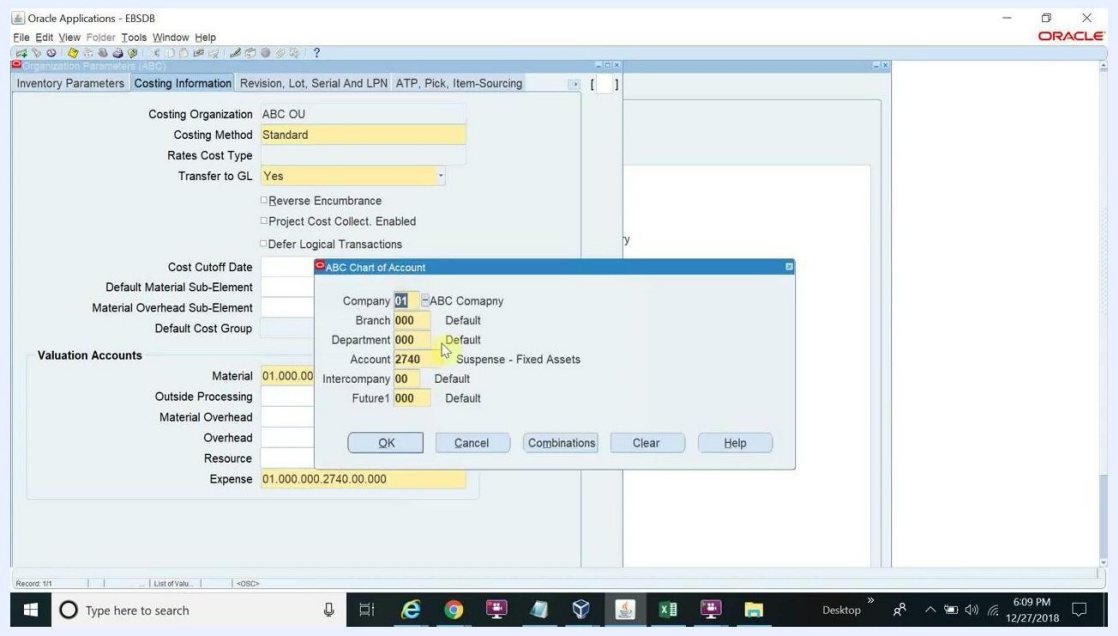
ABC Chart of Account window with Account 2740 (Suspense - Fixed Assets) entered.

Step 21: Complete the account combination

Make sure all required fields are filled:

- **Company:** 01
- **Branch:** 000
- **Department:** 000
- **Account:** 2740 (Suspense - Fixed Assets)
- **Intercompany:** 00 (Default)
- **Future1:** 000 (Default)

Click **OK** to save the account combination.



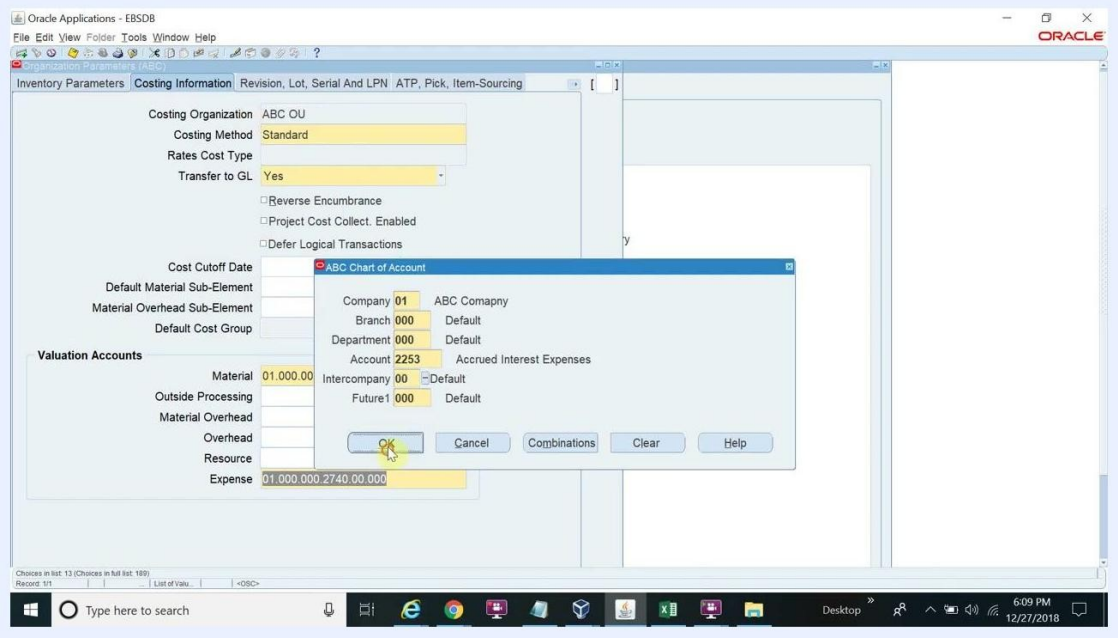
ABC Chart of Account window with all fields filled and the OK button highlighted.

Step 22: Enter the remaining valuation accounts

Repeat the process for the other fields: **Outside Processing**, **Material Overhead**, **Overhead**, **Resource**, and **Expense**.

1. Click the field.
2. Enter or select the appropriate account combination. For Expense, for example, use Account 2253 (Accrued Interest Expenses).

3. Click **OK** to confirm each entry.



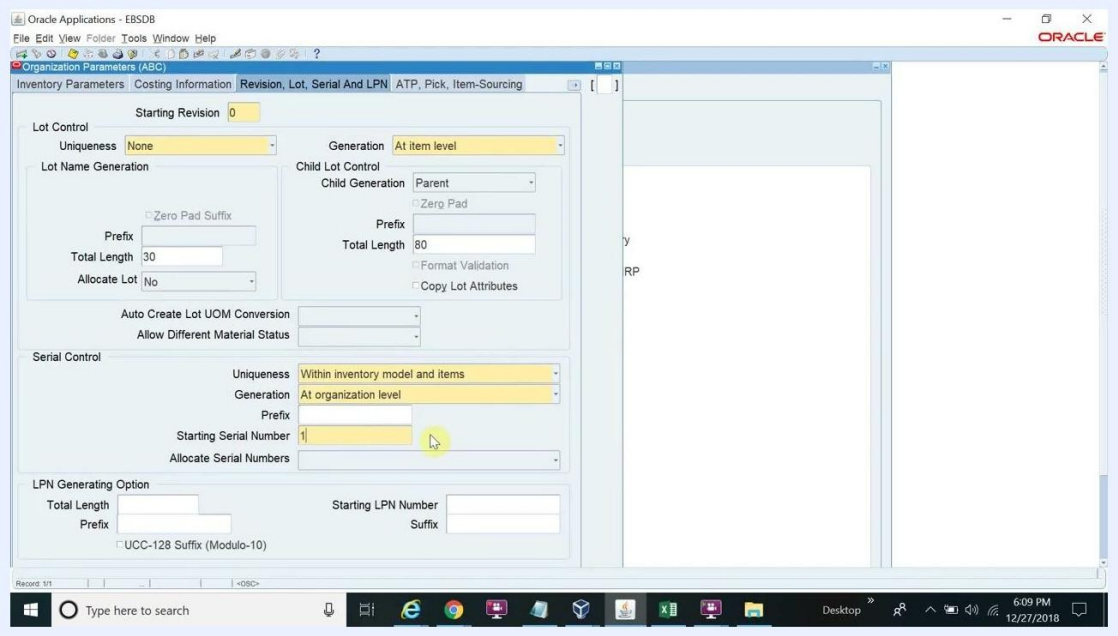
ABC Chart of Account window with Account 2253 (Accrued Interest Expenses) entered.

Step 23: Configure revision, lot, serial, and LPN parameters

Open the **Revision, Lot, Serial And LPN** tab and set these values:

- **Starting Revision:** 0
- **Lot Control, Uniqueness:** None
- **Lot Control, Generation:** At item level
- **Total Length:** 30
- **Prefix:** leave blank
- **Allocate Lot:** No
- **Serial Control, Uniqueness:** Within inventory model and items
- **Serial Control, Generation:** At organization level
- **Prefix:** leave blank
- **Starting Serial Number:** 1

The LPN Generating Option settings are available but left unfilled in this example.

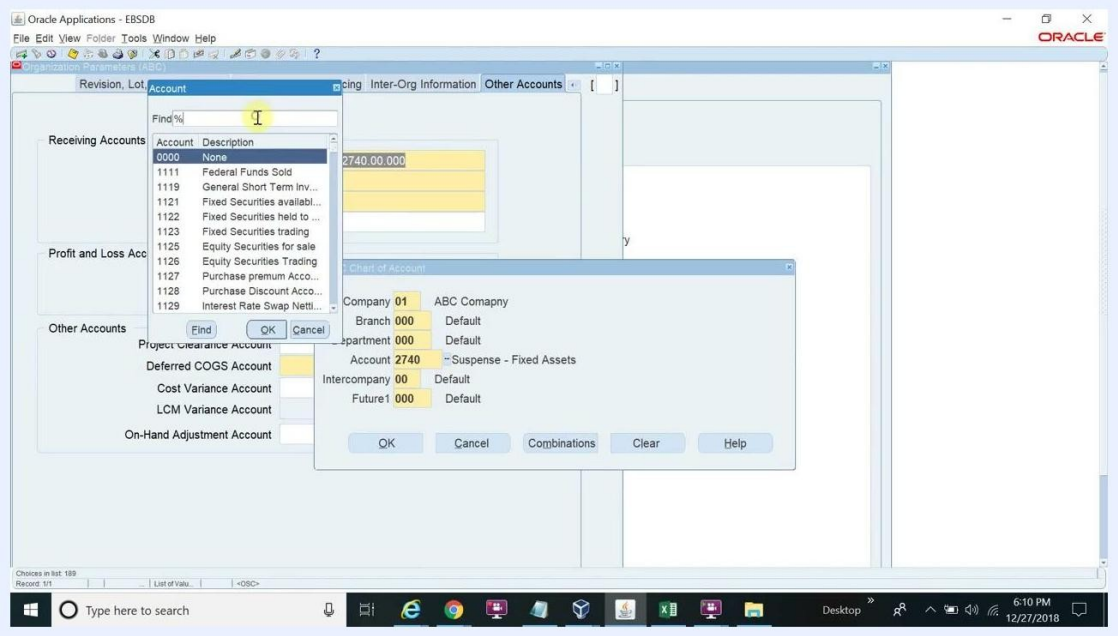


Revision, Lot, Serial And LPN tab with the Lot Control and Serial Control fields filled in.

Step 24: Enter the other accounts

1. On the **Other Accounts** tab, click into each required account field (for example, Project Clearance Account, Deferred COGS Account, Cost Variance Account, LCM Variance Account, and On-Hand Adjustment Account).
2. In the Account selection window that appears, use the **Find%** search box to filter account codes by description or number. For example, enter Find%Price or Find%Varie%.
3. Select the appropriate account from the list (for example, 0000 None, 1111 Federal Funds Sold, or 2740 Suspense - Fixed Assets).
4. Click **OK**.

If no accounts match your search, the list is empty. Click **OK** or **Cancel** to exit the search.



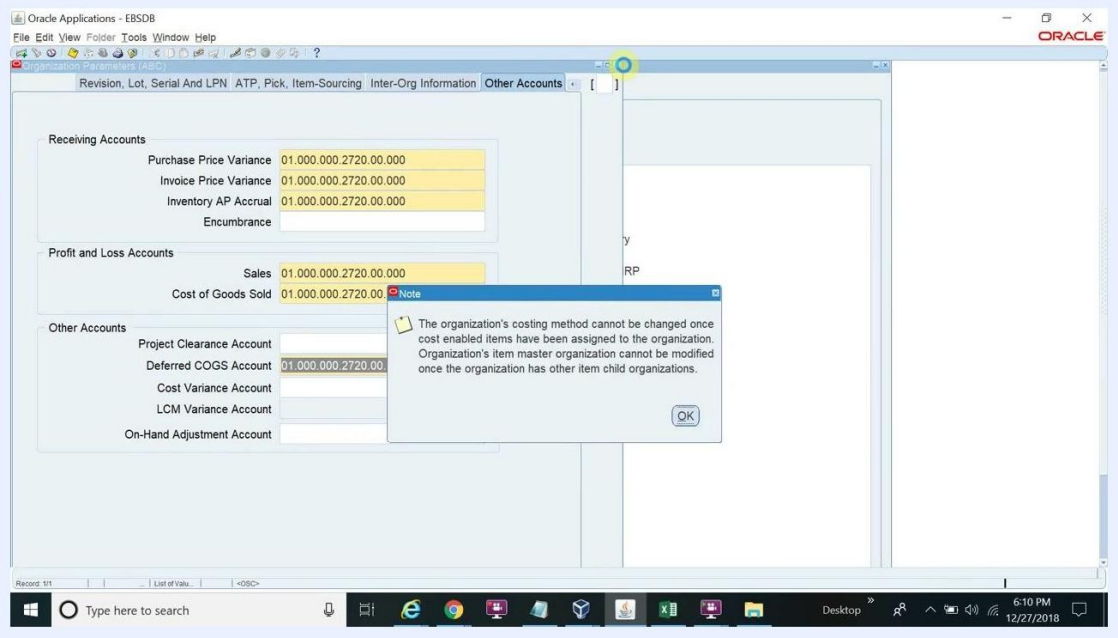
Account selection window searching for account codes, with the Chart of Account fields below it.

Step 25: Confirm and save each account combination

After you select an account, review the "ABC Chart of Account" window to confirm all fields are filled:

- **Company:** 01 (ABC Company)
- **Branch:** 000 (Default)
- **Department:** 000 (Default)
- **Account:** for example, 2720 (Suspense - Accounts Receivable)
- **Intercompany:** 00 (Default)
- **Future1:** 000 (Default)

Click **OK** to save the combination.



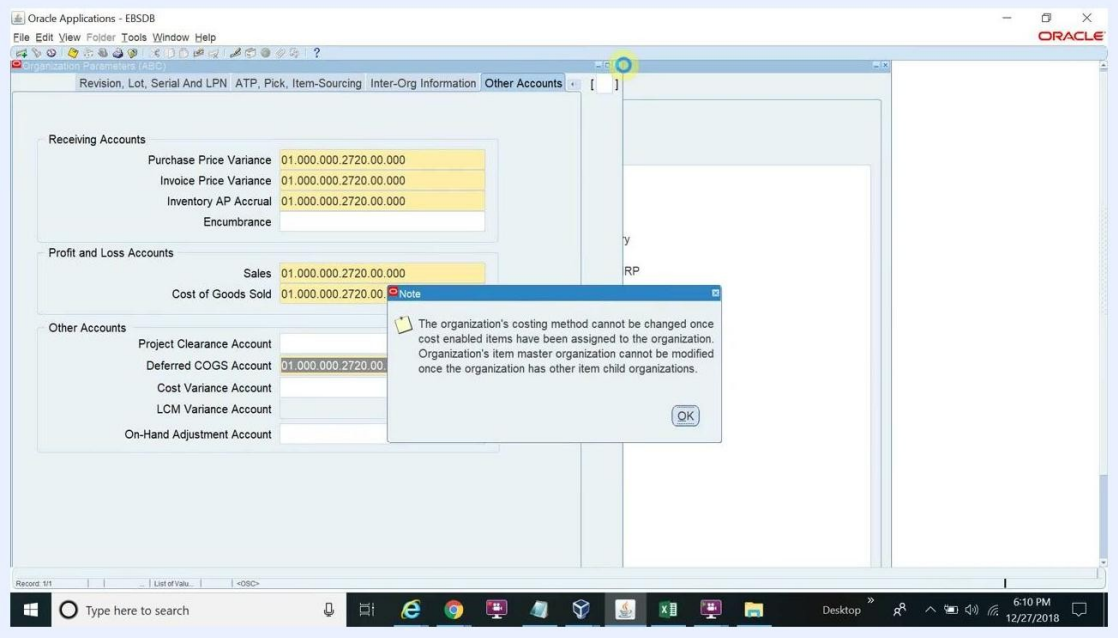
ABC Chart of Account window with Account 2720 (Suspense - Accounts Receivable) and the OK button highlighted.

Step 26: Review all entered account information

Make sure all required fields under **Receiving Accounts**, **Profit and Loss Accounts**, and **Other Accounts** contain the correct account combinations. For example:

- **Purchase Price Variance:** 01.000.000.2720.00.000
- **Invoice Price Variance:** 01.000.000.2720.00.000
- **Inventory AP Accrual:** 01.000.000.2720.00.000
- **Sales:** 01.000.000.2720.00.000
- **Cost of Goods Sold:** 01.000.000.2720.00.000
- **Deferred COGS Account:** 01.000.000.2720.00.000

You can leave other fields blank if they are not required.

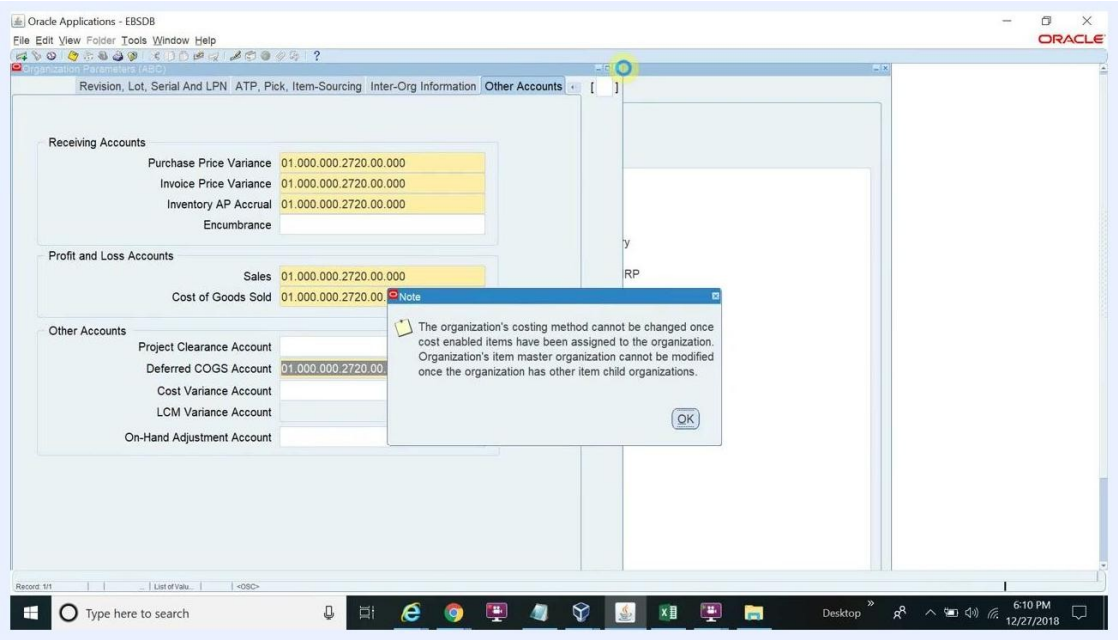


Organization Parameters window on the Other Accounts tab with all account fields filled with the 2720 account code.

Step 27: Save the organization parameters

Click the **Save** icon, or select **File > Save**, to save your changes.

A note may appear stating that the organization's costing method cannot be changed once cost-enabled items have been assigned to the organization. It also states that the item master organization cannot be modified once the organization has other item child organizations. Read the message carefully, then click **OK** to continue.



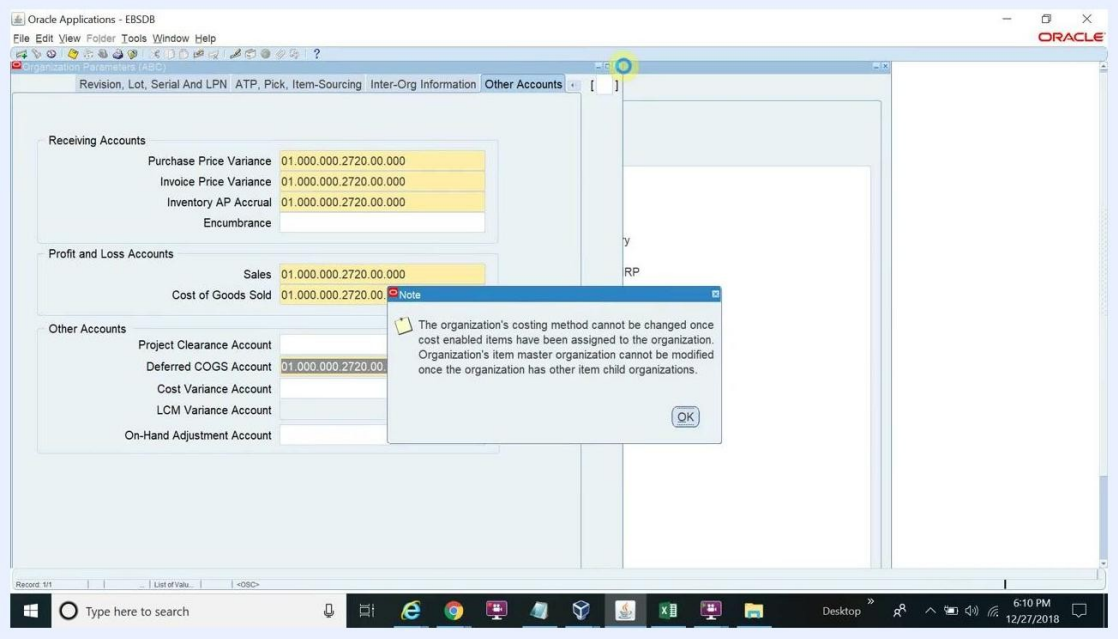
System note about costing method and item master organization changes, with the OK button.

Step 28: Return to the navigator and confirm the organization

1. Return to the main "Navigator - Purchasing, Vision Operations (USA)" window.
2. Confirm that the **Organizations** setup screen reflects your newly created inventory organization.

The left pane lists options such as Supplier Item Catalog, Requisitions, Buyer Work Center, Receiving, RFQ's and Quotations, Supply Base, Management, Items, Accounting, Reports, Change Organization, and Setup. The right pane shows the Top Ten List for quick access to common functions.

Make sure you have entered the calendar, currency, value set, and any other configuration details you need. The organization is then available for further configuration or use in Oracle Applications.



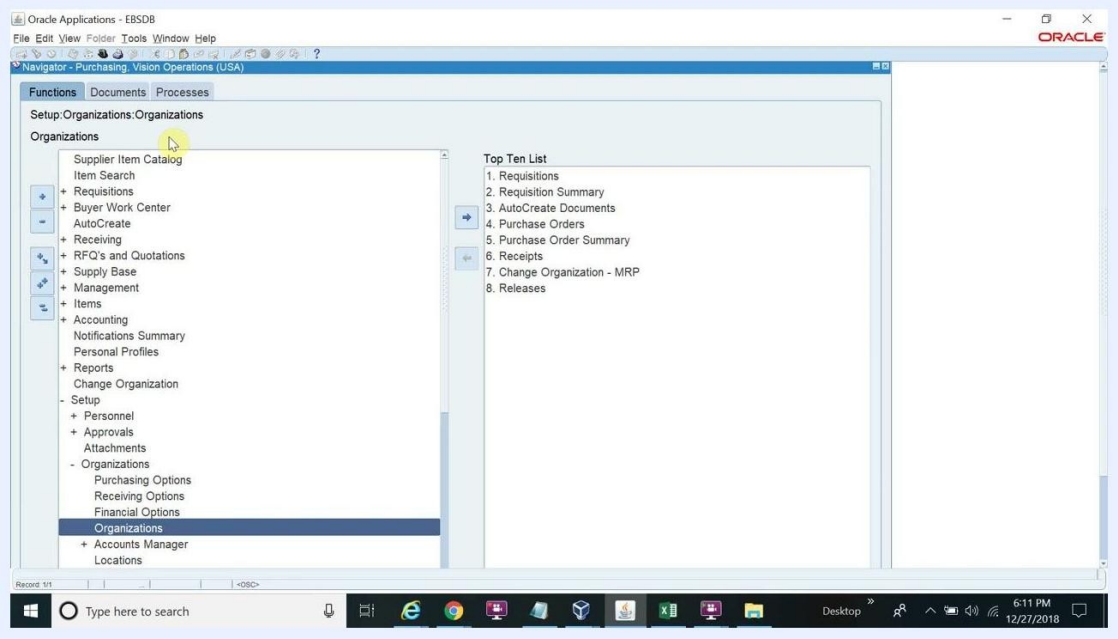
Navigator window showing the Organizations setup and the Top Ten List after the organization is created.

Step 29: Review the mandatory fields for AP setup

Confirm that all required organization information is entered:

- **Organization Code:** ABC
- **Item Master Organization:** ABC
- **Operating Unit:** ABC

Also confirm that the inventory organization is saved and its accounting information is complete. Verify that you can select the organization during Payables setup.



Navigator window showing the Organizations setup, with setup options in the left pane and the Top Ten List in the right pane.

Summary

You have now created an operating unit in Oracle EBS and:

- Associated the operating unit with your intended business group by setting the HR Security Profile.
- Entered the ledger, legal entity, and short code, and verified the result in the Accounting Setup Manager.
- Added an inventory organization with its accounting, inventory, valuation, and other account information.
- Prepared the organization for selection during Accounts Payable setup.

What's next

Continue with your Payables setup and select the new inventory organization when prompted. If the Accounting Setup Manager shows an unexpected business group for the operating unit, review your HR Security Profile settings and your legal entity setup.