Financial Accounting
SAP S/4 HANA 2020

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About Trainer

- Vikram Fotani

- 15+ Years of experience as SAP Functional Consultant

- Experience in SAP FICO, SAP FSCM, SAP Central Finance, SAP RAR, SAP MM, SAP SD, SAP PP etc.

- Certified SAP S/4 HANA Professional

- Worked on 7 end to end implementation projects including 3 SAP S/4 HANA Implementations & 1 project on Central Finance

- Global Exposure – Travelled & Worked on APAC, US, Europe, Middle East as well as African projects

- Industries – Served Manufacturing, Construction, Chemicals, Retail, Telecommunications, Container Terminal Industries
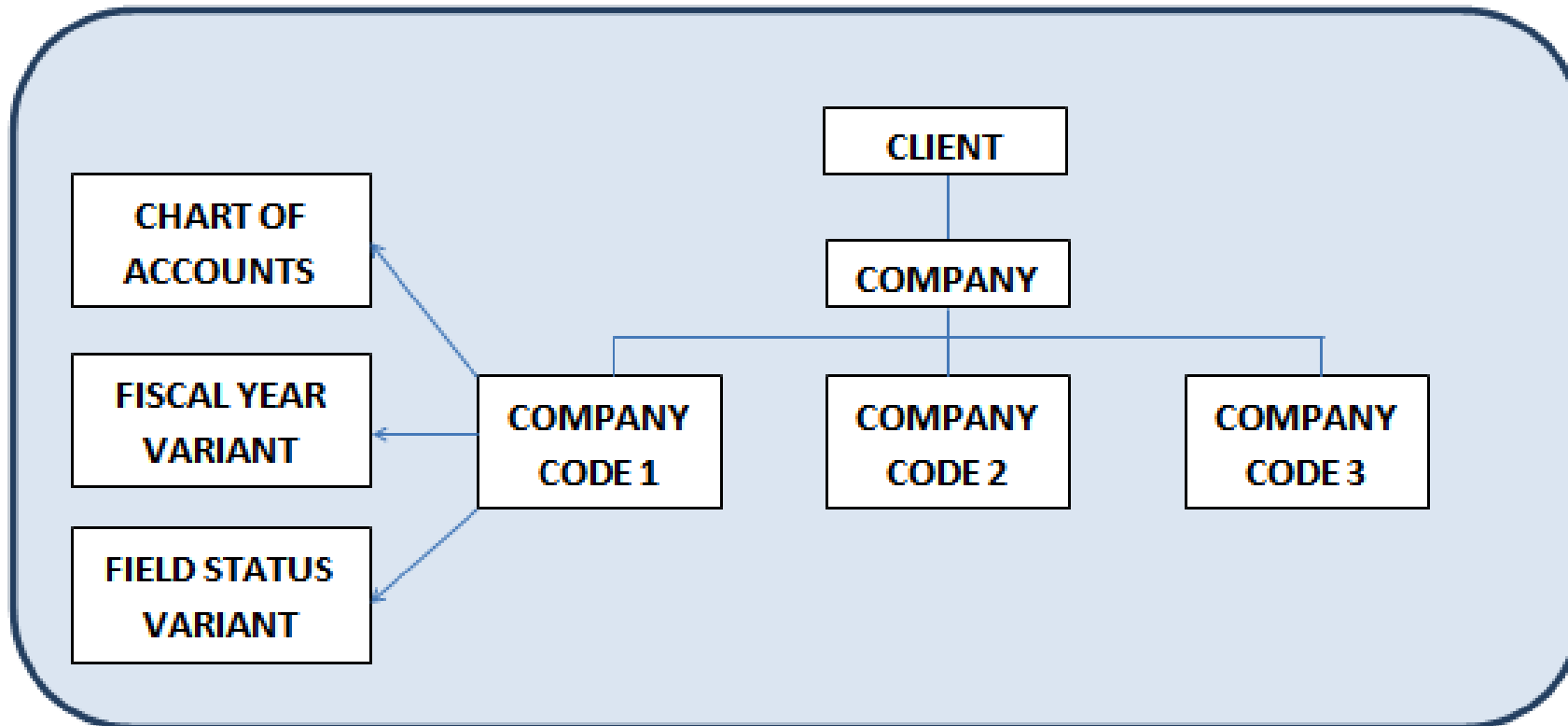
Unit 2
SAP Enterprise Structure

Enterprise Structure
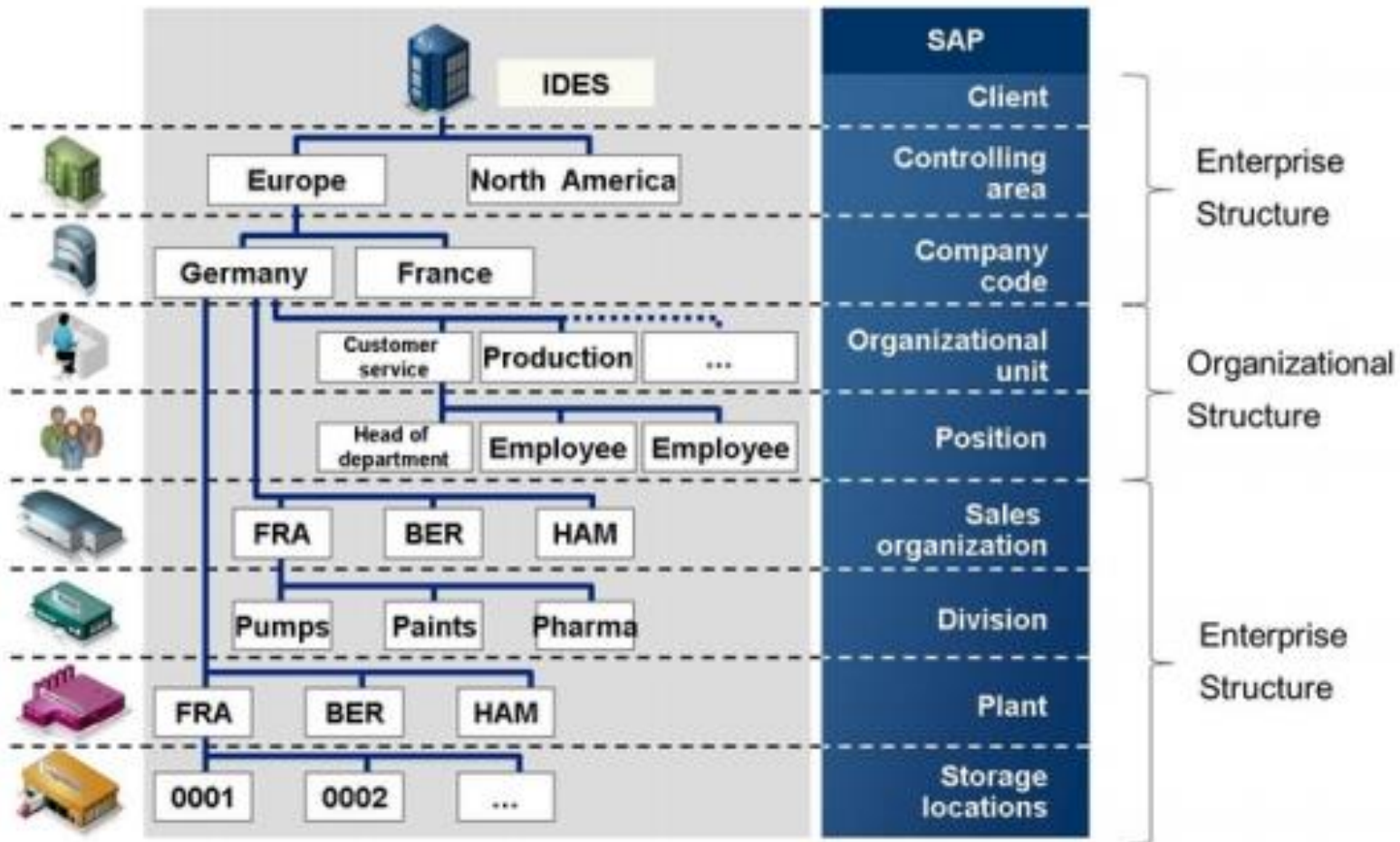
SAP FI Enterprise Structure

Client

- The client is the highest level in the SAP system hierarchy.

- Specifications or data that is valid for all organizational units in ERP applications (such as exchange rates, for example) are entered at the client level.

- This eliminates the need to enter this information more than once.

- Each client is an independent unit with separate master records and a complete set of tables and data.

- Users must enter a client key and have a user master record in the client in order to log on to the system.

Company

- A company is defined as the smallest unit for which financial statements can be created in accordance with commercial legal regulations.

- In SAP FI, a company can comprise of multiple company codes, however it acts as a single unit for which financial statements are available.

- Use of Company is Optional in SAP

Define Company (Trading Partner)
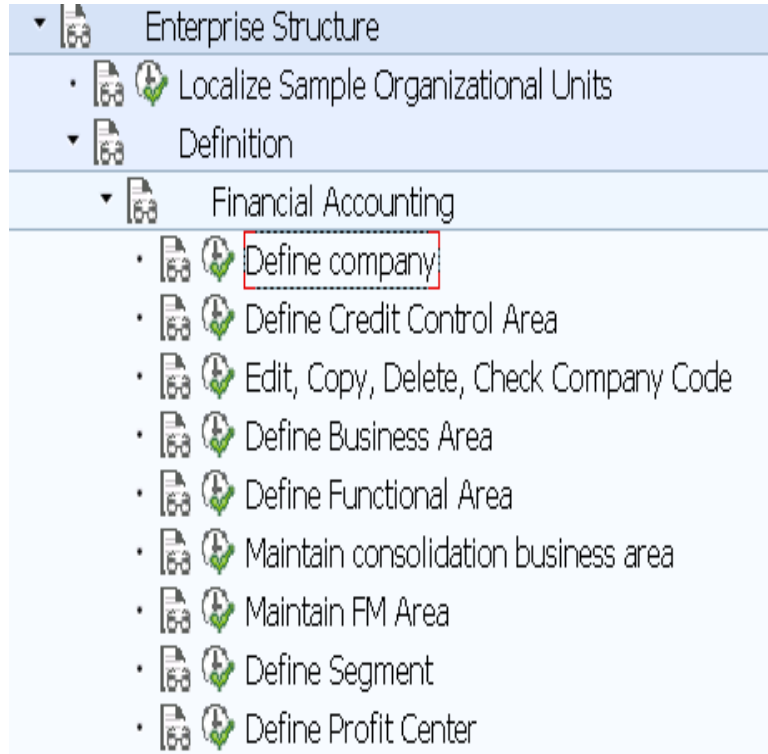
Edit, Copy, Delete, Check Company Code
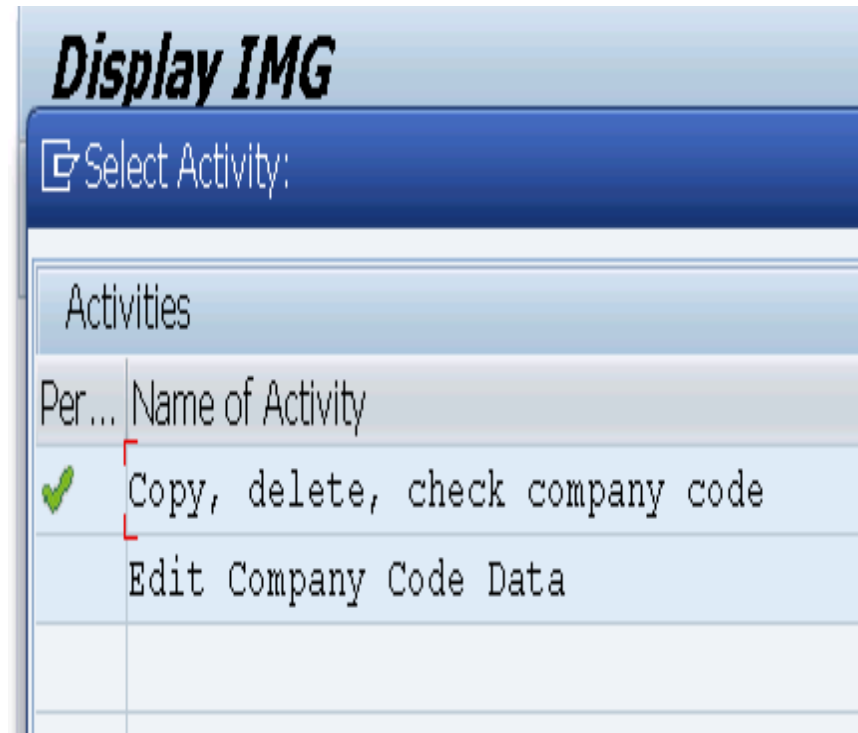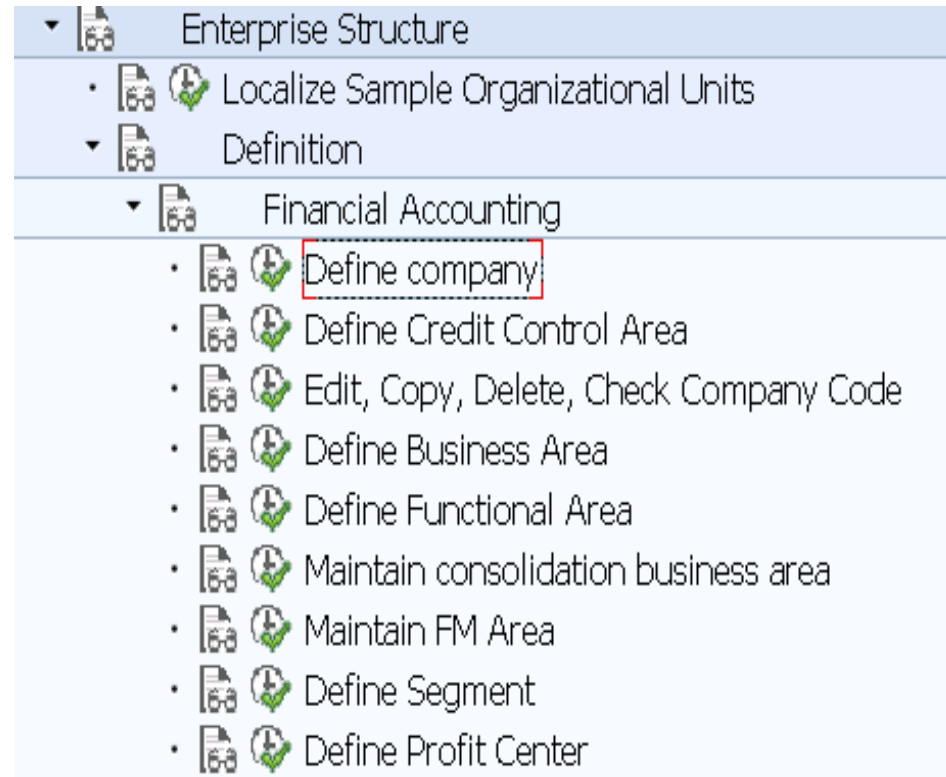
Company Code

- A company code represents an independent balancing/legal accounting entity.

- An example would be a company with independent accounts within a corporate group.

- Financial statements required by law can be created at company code level. Therefore, a company code is the minimum structure necessary in SAP ERP

- In an international business, operations are often scattered across numerous countries.

- Since most government and tax authorities require the registration of a legal entity for every company, a separate company code is usually created per country

Edit, Copy, Delete, Check Company Code

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Business Areas

- Business Area (for internal purposes) Business areas represent separate areas of operation within an organization and can be used across company codes.

- They are balancing entities that can create their own set of financial statements for internal purposes.

- It is therefore possible to save and evaluate transaction figures for each business area.

- The use of business areas is optional.

Define Business Areas

Define Segment

Variant Principle

- Variant principle is a 3 step method used in SAP to assign particular properties to one or more objects

- 3 Steps

- Define the Variant

- Determine Values for Variant

- Assign Variant to the objects

- Variant Principle is used for assigning below properties to objects

- Field Status

- Fiscal Year

- Posting Period

- Chart of Accounts

Fiscal Year Variant

- To assign business transactions to different periods, you have to define a fiscal year with posting periods.

- You define the fiscal year as a variant that is assigned to the company code.

- The fiscal year variant contains the definition of posting periods and special periods.

- Special periods are used for postings that are not assigned to time periods, but to the business process of .year-end closing.

- In total, you can define 16 periods.

- The system derives the posting period from the posting date. If the posting date falls within the last normal posting period, you can post the transaction in one of the special periods.

- Hint: The fiscal year variant does not specify whether a period is open or closed. This data is managed in Posting Period Variant. The fiscal year variant only defines the number of periods and their start and finish dates.

Year Independent Fiscal Year Variant

- If each fiscal year of a fiscal year variant uses the same number of periods, and the posting periods always start and end on the same day of the year, the variant is year-independent.

- A year-independent fiscal year variant can be defined as:

- Calendar year

- Non-calendar year

- If the fiscal year is defined as the calendar year, the posting periods are equal to the months of the year.

- Therefore, a fiscal year that is a calendar year must have 12 posting periods.

Year Specific Fiscal Year Variant

- A fiscal year variant has to be defined as year-specific if one of the following conditions is fulfilled: The start and end dates of the posting periods for some fiscal years are different to the dates for other fiscal years.

- Some fiscal years use a different number of posting periods.

- f all of the fiscal years of a fiscal year variant have the same number of posting periods, only the different period dates for the different years have to be defined

Fiscal Year Variant

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Field Status Variant

- During document entry, different fields are displayed depending on the transaction and the accounts used. For example, when posting expenses, a cost center and tax information is usually required.

- However, when posting cash, this same information is not necessary. These different displays during document processing are controlled by the field status.

- As a general rule, you customize the account-specific field status for general ledger accounts.

- For customer and vendor processing, you customize the field status specific to the posting key as necessary.

- Just as in the field status definition in G/L accounts, the field status with the higher priority applies.

- The field status Hide cannot be combined with the field status Required entry. This combination causes an error.

Field Status Variant

Posting Periods

- Posting periods are defined in the fiscal year variant.

- System automatically determines the posting period and fiscal year based on the posting date entered.

- To prevent documents from being posted to an incorrect posting period, you can close certain posting periods.

- Usually the current posting period is open and all other periods are closed.

- At the end of a period this period is usually closed and the next period is opened.

- You open a posting period by entering a range in the posting period variant that encompasses this period. You can have as many posting periods open as desired.

- During period closing, you open special periods for closing postings.

- During closing, two period intervals must be open at the same time. Therefore, two period intervals can be entered in the posting period table.

Posting Period Variant

Financial Accounting
  Financial Accounting Global Settings
    Regenerate CDS Views and Field Mapping
    Ledgers
      Fields
      Ledger
    Fiscal Year and Posting Periods
      Maintain Fiscal Year Variant
      Edit Fiscal Year Calendar
      Assign Company Code to a Fiscal Year Variant
      Posting Periods
        Define Variants for Open Posting Periods
        Assign Variants to Company Code
        Open and Close Posting Periods

Undo Change   Select All   Select Block   Deselect All   Configura

CoCd	Company Name	City	Variant	
1809	XYZ Limited	New York	1809	

SAP

Delete   Select All   Select Block   Desele

Variant	Name
1809	Posting Period Variant for 1809

Posting Periods: Specify Time Intervals

	Var.	A	From Acco...	To Account	From Per.1	Year	To Per. 1	Year	AuGr	From Per.2	Year	To Per. 2	Year	From Per.3	Year	To Per. 3	Year
	1809	+			4	2019	4	2019		13	2019	16	2019				
	1809	A		ZZZZZZZZZZ	4	2019	4	2019		13	2019	16	2019				
	1809	D		ZZZZZZZZZZ	4	2019	4	2019		13	2019	16	2019				
	1809	K		ZZZZZZZZZZ	4	2019	4	2019		13	2019	16	2019				
	1809	M		ZZZZZZZZZ	4	2019	4	2019		13	2019	16	2019				
	1809	S		ZZZZZZZZZZ	4	2019	4	2019		13	2019	16	2019				

Posting Period Variant

- Several company codes can use the same posting period variant.

- For all company codes assigned, the posting periods are opened and closed simultaneously.

- This simplifies the period maintenance.

- In the document header, the periods assigned to the account type "+" are checked. This is the first check. The account type .+. must therefore be open for all periods that are supposed to be open for all other account types.

- At the line item level, the system checks the account type of the posting key to ensure that the period is open for the assigned account type.

Chart of Accounts

- The chart of accounts is a variant which contains the structure and the basic information about general ledger accounts.

- Properties

- language,

- length of the G/L account number (Max 10)

- group chart of accounts,

- status.

- The chart of accounts must be assigned to every company code for which accounts are to be set up based on the structure concerned.

Group Chart of Accounts

- For internal purposes, cross-company code reporting may be useful, for example, financial statements that contain the items of several company codes.

- This is no problem as long as all company codes use the same chart of accounts. However, some company codes may have to use special charts of accounts because of legal requirements. If this is the case, the following procedure applies for internal reporting:

- A group chart of accounts can be used. This group chart of accounts must contain all of the group accounts.

- The group chart of accounts must be assigned to each operational chart of accounts. After you have done this, the .Group Account Number field in the chart of account segments of the operational charts of accounts becomes a required entry field.

- Different accounts of one operational chart of accounts can refer to the same group account.

- You must use a financial statement version for the group chart of accounts.

- Disadvantage: Because the company codes use different operational charts of accounts, you cannot carry out cross-company code controlling.

Country COA

- An alternative to using a group chart of accounts is to use a country chart of accounts. All company codes use the same operational chart of accounts.

- Company codes that nevertheless require a special chart of accounts for external reporting have the following option:

- A country chart of accounts is assigned.

- The country chart of accounts number (alternative account number) is entered in every company code segment. Every country chart of accounts number can only be used once.

- Since all company codes use the same operational chart of accounts for postings, you can carry out cross-company code controlling.

- Disadvantage: Accounting clerks who may be familiar with the country charts of accounts will first have to get used to using the operational chart of accounts.

Chart of Accounts

Financial Accounting
  > Financial Accounting Global Settings
  ∨ General Ledger Accounting
    ∨ Master Data
      ∨ G/L Accounts
        ∨ Preparations
          Revise Chart of Accounts
          Edit Chart of Accounts List
          Assign Company Code to Chart of Accounts
          Define Account Group
          Define Retained Earnings Account

Delete   Previous Entry   Next Entry   More ∨

*Chart of Accts: 1809
Description: Chart of Accounts for 1809

General specifications

Maint. Language: EN English
Length of G/L Account Number: 10

Consolidation

Group Chart of Accts: [ ]

Status

☐ Blocked

SAP   Change View "Assign Company Code -> Ch

Undo Change   Select All   Select Block   Deselect All   Configuration Help

Co...	Company Name	City	Chrt/Accts	Cty ch/act
180...	XYZ Limited	New York	1809	

Account Groups & Retained Earning

- Financial Accounting
  - Financial Accounting Global Settings
  - General Ledger Accounting
    - Master Data
      - G/L Accounts
        - Preparations
          - Revise Chart of Accounts
          - Edit Chart of Accounts List
          - Assign Company Code to Chart of Accounts
          - Define Account Group
          - Define Retained Earnings Account

Chrt/Accts	Acct Group	Name	From Acct	To Account
1809	1000	Liabilities	1000000000	1999999999
1809	2000	Assets	2000000000	2999999999
1809	3000	Revenues	3000000000	3999999999
1809	4000	Expenses	4000000000	4999999999
1809	9000	Secondary Cost Accounts	9000000000	9999999999

Change -> Display   Field status   Delete   Select all   Select block

New Entries   Copy   Delete   Posting Key

Chart of Accounts: 1809   Chart of Accounts for 1809
Transaction: BIL   Balance carried forward

Account assignment

P&L statm...	Account	
x		

GL Documents

- The SAP System works according to the document principle: A document is saved for every posting.

- The document remains as a complete unit in the system until it is archived.

- Every document is uniquely identified by the following fields:

- Document number

- Company code

- Fiscal year

- Every Document has

- A document header (information that applies to the entire document)

- Between 2 and 999 document items (information that applies to the line item)

Universal Journal Documents

- Two Important Control Keys

- Document Type

- Posting Key

- Each document receives a unique document number

- The system can assign the document numbers (= internal number assignment) or the user can assign the number during document entry (= external assignment).

- A business transaction can create one or more documents. For example, when goods arrive from a vendor, a material document is created to record data that is important for inventory management. An accounting document is created to track financially-relevant information, such as G/L accounts and amounts

Document Types

- The document type is used to differentiate the business transactions to be posted, for example, vendor invoices, customer payments, and so on.

- Document types are defined at client level and are therefore valid for all company codes.

- The standard system is delivered with document types that can be changed or copied.

- Document types define the following:

- Number ranges for document numbers

- Account types permitted for postings

Document Types

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Document Number Ranges

Financial Accounting
  Financial Accounting Global Settings
    Regenerate CDS Views and Field Mapping
    > Ledgers
    > Global Parameters for Company Code
    > Functional Area for Cost of Sales Accounting
    Document
      > Document Types
      Document Number Ranges
        Define Document Number Ranges

	Overview	Copy Subobject	Change Documents	More ∨

Number Range Object: RF_BELEG   Number Ranges For Accounting Documents

Company Code: 1809

👓 Intervals	✏ Intervals	✏ NR Status

Copy: Company Code

From: 0001
To: 1809

Copy   Cancel

N..	Year	From No.	To Number	NR Status	Ext
00	9999	0090000000	0099999999	0	✔
01	999…	0100000000	0199999999	0	☐
02	999…	0200000000	0299999999	0	☐
03	999…	0300000000	0399999999	0	✔
04	999…	0400000000	0499999999	0	☐
05	999…	0500000000	0599999999	0	☐

Posting Keys

Financial Accounting
- Financial Accounting Global Settings
  - Regenerate CDS Views and Field Mapping
  - Ledgers
  - Global Parameters for Company Code
  - Functional Area for Cost of Sales Accounting
  - Document
    - Document Types
    - Document Number Ranges
    - Define Posting Keys

		Choose	Create...	Delete	More ⌄

Posting Key	Name	Debit/Credit	Account Type
00	Act assignment model		
01	Invoice	Debit	Customer
02	Reverse credit memo	Debit	Customer
03	Expenses	Debit	Customer
04	Other receivables	Debit	Customer
05	Outgoing payment	Debit	Customer
06	Payment difference	Debit	Customer
07	Other clearing	Debit	Customer
08	Payment clearing	Debit	Customer
09	Special G/L debit	Debit	Customer
0A	CH Bill doc. Deb	Debit	Customer

Employee Tolerance

Financial Accounting
  Financial Accounting Global Settings
    Regenerate CDS Views and Field Mapping
    > Ledgers
    > Global Parameters for Company Code
    > Functional Area for Cost of Sales Accounting
    Document
      > Document Types
      > Document Number Ranges
      Define Posting Keys
      Screen Variants for Document Entry
      > Rules for Changing Documents
      > Bar Code Entry
      Tolerance Groups
        Define Tolerance Groups for Employees
        Assign User/Tolerance Groups

New Entries   Copy As...   Delete   Undo Change   Previous

Group:

Company code: 1809   XYZ Limited   New York

Currency: USD

Upper limits for posting procedures

Amount per document: 1.000.000.000.000,00

Amount per open item account item: 1.000.000.000,00

Cash discount per line item: 5,000 %

Permitted payment differences

	Amount	Percent	Cash discnt adj.to
Revenue:	100,00	10,0	% 10,00
Expense:	100,00	10,0	% 10,00

Ledgers

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Management accounting

- Management Accounting provides information that management can use to make decisions. It facilitates the coordination, supervision and optimization of all processes within a company. This involves recording both the consumption of production factors and the services provided by an organization.

- In S/4HANA Finance, all relevant cost information from Financial Accounting and Management Accounting is available in real-time on line item level in the central table ACDOCA.

- Costs and revenues are assigned to different CO account assignment objects such as cost centers, projects, or orders.

- These Financial Accounting accounts are managed in Management Accounting as cost or revenue elements.

Controlling components

- You use Cost Center Accounting for controlling purposes in your organization. Cost center accounting takes the costs incurred in a company and allocates them to the actual subareas that caused them.

- Product Cost Controlling calculates the costs incurred when a service is provided or a product is manufactured. It enables you to calculate the minimum price at which a product can be profitably marketed.

- Profitability Analysis analyzes the profit or loss of an organization according to individual market segments. In Profitability Analysis, costs are assigned to the revenues of each market segment. This gives you a basis for calculating prices, targeting customers, determining conditions, and choosing sales channels, for example.

- Overhead costs are costs that cannot be directly assigned to the manufacture of a product, or the provision of a particular service. The purpose of overhead cost controlling is the planning, allocation, control, and monitoring of overhead costs. You assign all overhead costs to the locations at which they were incurred, or to the activities from which they arose

Organizational units

- The operating concern is the highest reporting level for profitability and sales and marketing controlling, and the central organizational unit in Profitability Analysis (CO-PA) used to segment and structure the market.

- Controlling areas structure the internal accounting operations of an organization within Management Accounting. They represent closed units that are used to calculate costs. All internal allocations relate solely to objects that belong to the same controlling area.

- Company codes are independent accounting units within Financial Accounting. They represent the smallest organizational units for which an account group can be set up for the purposes of external reporting. The process of external reporting involves recording all relevant transactions and generating all supporting documents for financial reports (such as balance sheets and profit and loss statements).

- Segments are used to portray the items in the financial statements by segment. The detailed results are then presented by segment. Annual financial statements supplemented by the segment information from segment reporting provide deeper insights into the financial position, asset position, and profit situation of a company. Segment reporting is required by some accounting principles, such as US GAAP and IFRS.

Cost Center Accounting

- Cost centers are separate areas within a controlling area at which costs are incurred. You can create cost centers according to various criteria including functional considerations, allocation criteria, activities provided, or according to their physical location and/or management area.

- An activity type defines the type of activity that can be provided by a cost center. Activity outputs supplied by one cost center (the sending cost center) to other cost centers, orders, or processes, represent the utilization of resources for this sending cost center. You valuate activities using a price calculated on the basis of certain business or management information.

- Internal orders are used to plan, collect, and analyze the costs arising from internal activities.

- There are different methods for allocating values and quantities, depending on the type of Management Accounting object. In an enterprise scenario in which only costs are allocated, at period end you can use plan/actual comparisons to analyze costs. When allocating quantities, you can use extended analysis tools at period end, which take operating rate into account

Organizational units

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Organizational Units

- Profit Centers are organizational units in accounting that reflects a management-oriented structure of the organization for the purpose of internal control.

- You can analyze operating results for profit centers using either the cost-of-sales or the period accounting approach. By calculating the fixed capital as well, you can use your profit centers as investment centers.

- The plant is an organizational unit within Logistics.

- It is used to break an organization down according to production, procurement, plant maintenance, and material planning considerations.

- Plants are used in Materials Management, Logistics, and Production Planning and Control.

- In a plant either materials or goods are manufactured, or services are provided

Controlling area

- The controlling area is the organizational unit within a company for which complete, closed cost controlling can be carried out. You cannot allocate costs outside of controlling areas.

- The settings you make for your controlling areas must reflect the organizational controlling structure of your company.

- A controlling area may contain more than one company code and these company codes can include more than one currency. However, the company codes assigned to a controlling area must all use the same operational chart of accounts

Assignment

- Having created the controlling area and the operating concern, you then define their assignment.

- You can assign more than one controlling area to a given operating concern, enabling you to analyze these controlling areas together within the operating concern.

- You can link company codes and controlling areas to each other in different ways in accordance with the way your enterprise is structured.

- If Financial Accounting and Controlling perspectives are identical, you can assign one company code to one controlling area.

- If you assign more than one company code to a given controlling area, you are then able to carry out controlling on a cross-company code basis.

- You assign a plant to a company code and therefore also to a controlling area, based on the valuation level.

- You can assign one plant, multiple plants, or no plant at all to a company code.

- Changes to assignments are not a problem provided you have not created any master data or transaction data.

1:1 Assignment

- Here you see a structure in which the financial and cost accounting views are identical and the controlling area is the same as the company code.

- You can use the following three currencies in Management Accounting to perform evaluations in the information system:

- Controlling area currency: If you are using a 1:1 assignment (that is, if your controlling area and company codes are identical), the controlling area currency must be the same as the company code currency. The controlling area is then managed in the controlling area currency.

- Object Currency: An object currency is defined for each account assignment object in Management Accounting. When using a 1:1 assignment, an object currency that is different to the controlling area or company code currency can be defined for the account assignment object.

- Transaction currency: The currency in which a document is posted to Management Accounting is the transaction currency.

- You have to use the same chart of accounts and Fiscal Year Variant in Management Accounting and in the assigned company code.
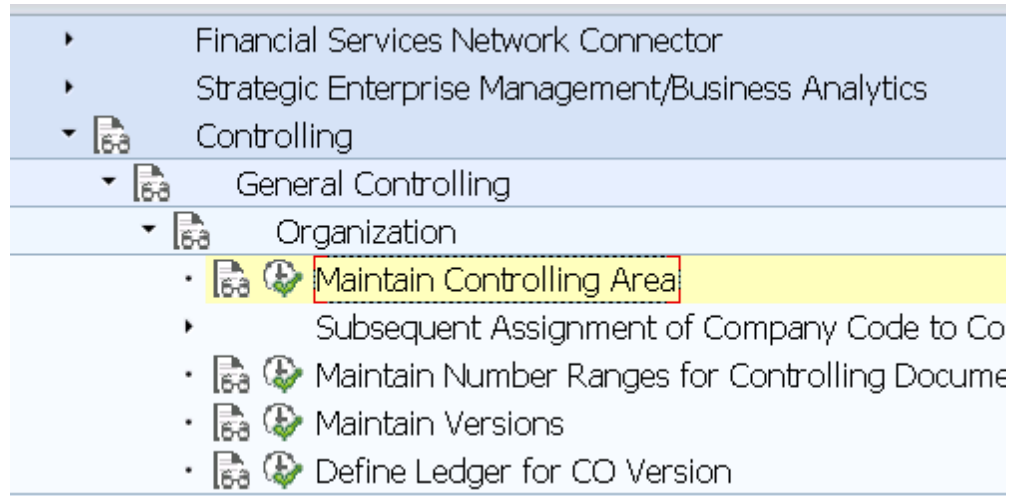
1:n assignment

- By assigning multiple company codes to a controlling area, you can perform cross-company code cost accounting. You can allocate costs in Management Accounting to more than one company code.

- There are three currencies available for your evaluations:

- Controlling area currency: In cross-company-code cost accounting, the controlling area and company codes may possess different currencies. You can define a controlling area currency that is identical to one of the company code currencies. You can also use an additional currency in Management Accounting.

- Company code currency: In cross-company code cost accounting, you are only free to choose an object currency if all the assigned company codes have the same currency and this is the same currency as the controlling area currency. If this is not the case, the object currency in the account assignment object will automatically be the company code currency.

- Transaction currency: The currency in which a document is posted to Management Accounting is the transaction currency.

- The operational chart of accounts is used in both Financial Accounting and cost and revenue accounting. As well as an operational chart of accounts, each company code can have a country-specific chart of accounts with alternative account numbers. This country-specific chart of accounts is structured according to the legal requirements of the country it refers to.
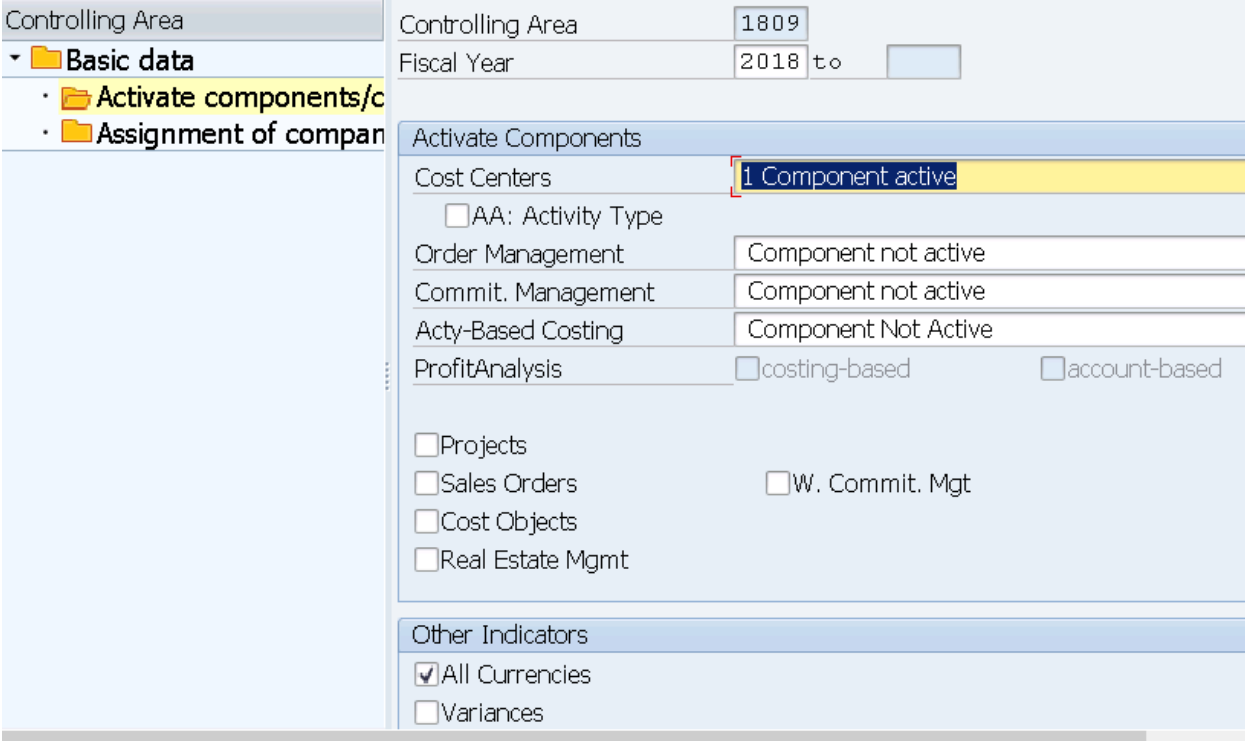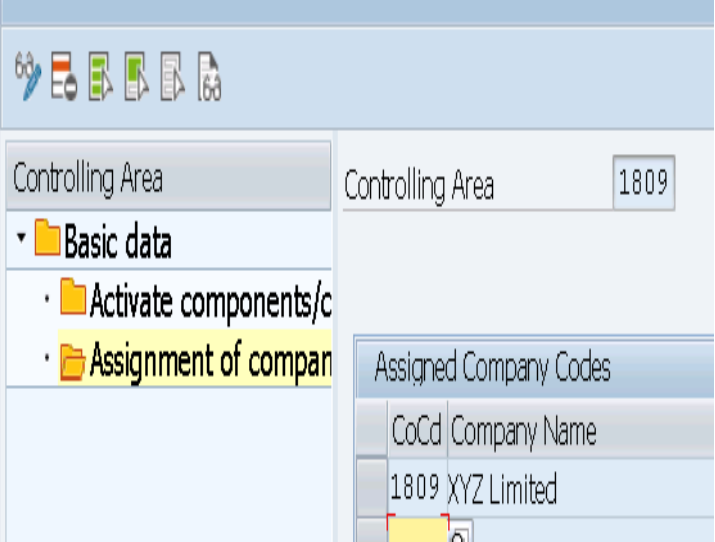
When is 1:n advisable

- If you require cross-company code reporting.

- If you require cross-company code postings such as activity allocations or assessments, for example

- Where logistical considerations make it necessary (production in an associate plant)

- Where a calculated value is to be spread over more than one company code

- If profit centers cover more than individual company codes

- Where the logistics of your company set-up make it necessary to implement cross-company code processes (production in an associate plant)

- Where group costing is required

- Where multi-level production cost management is required

- Where you require cross-company code postings, for example, to allocate activities, activate internal activities, or for assessments

- In a productive system, combining company codes that were previously separate in a controlling area, or splitting a controlling area (1:n) into several new controlling areas necessitates conversion of data.
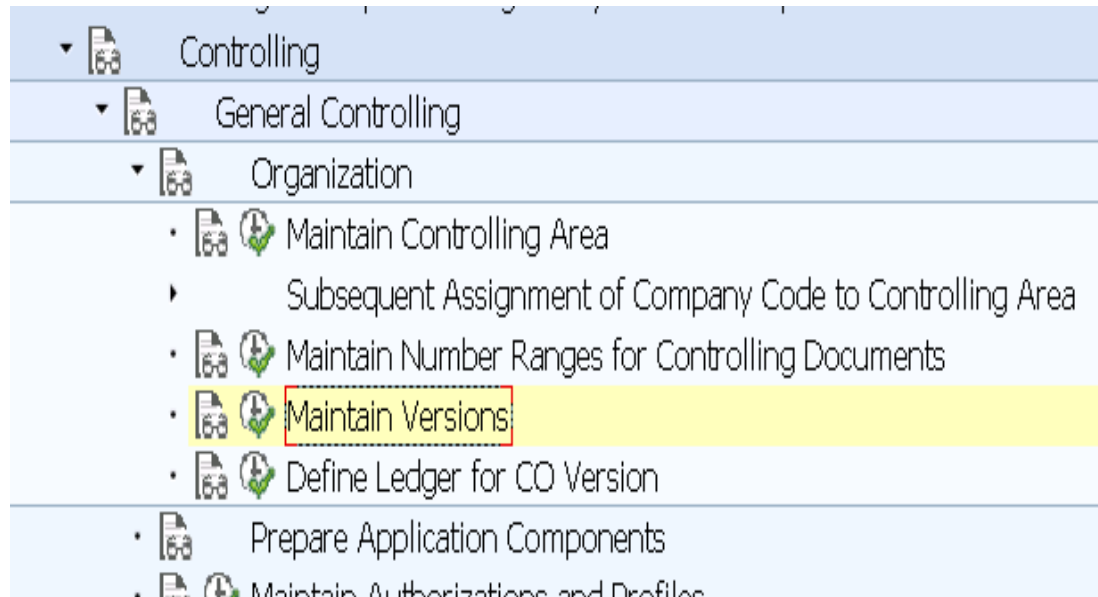
Controlling Area
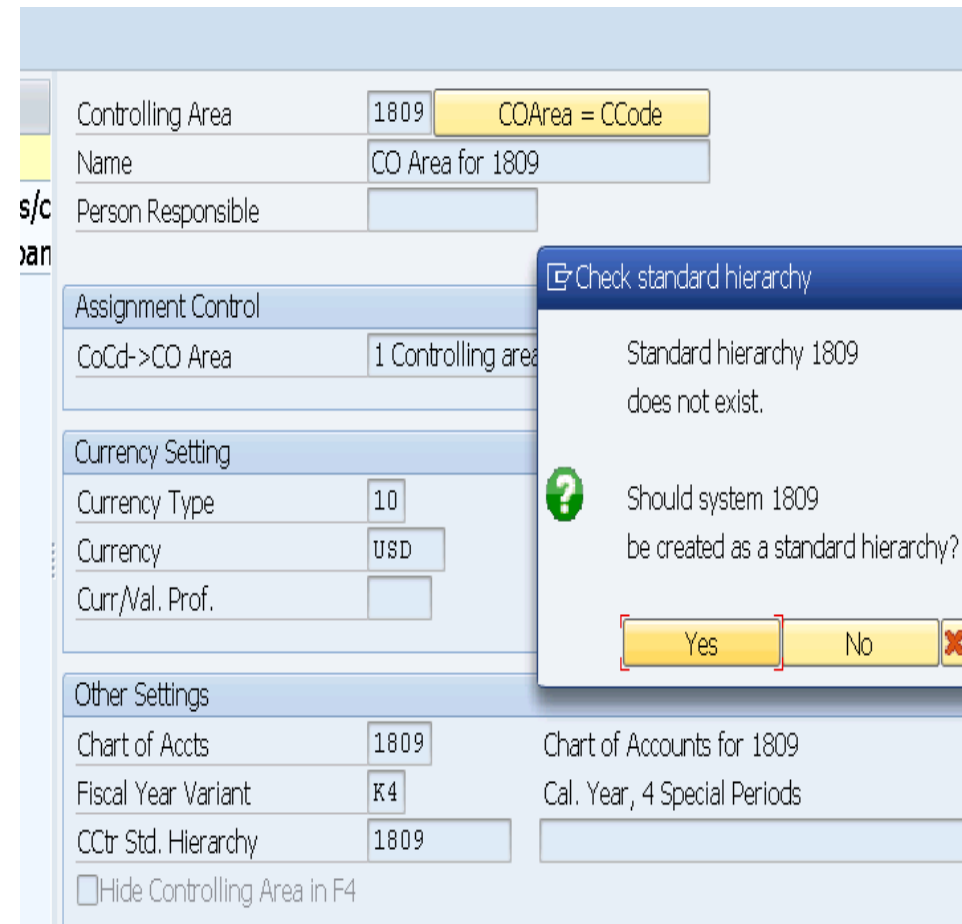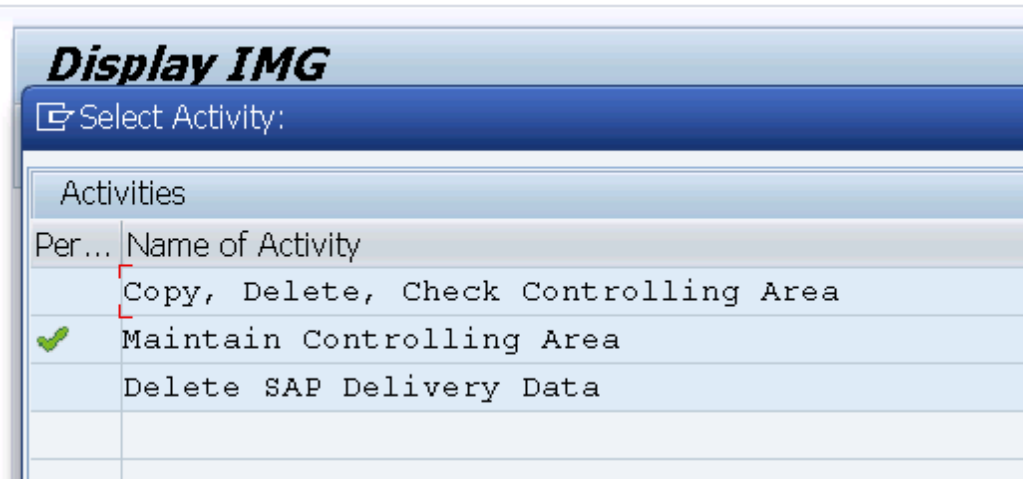
Assign Company Code to Controlling Area

Maintain Number Ranges

Maintain Versions

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Define Ledger for CO Version
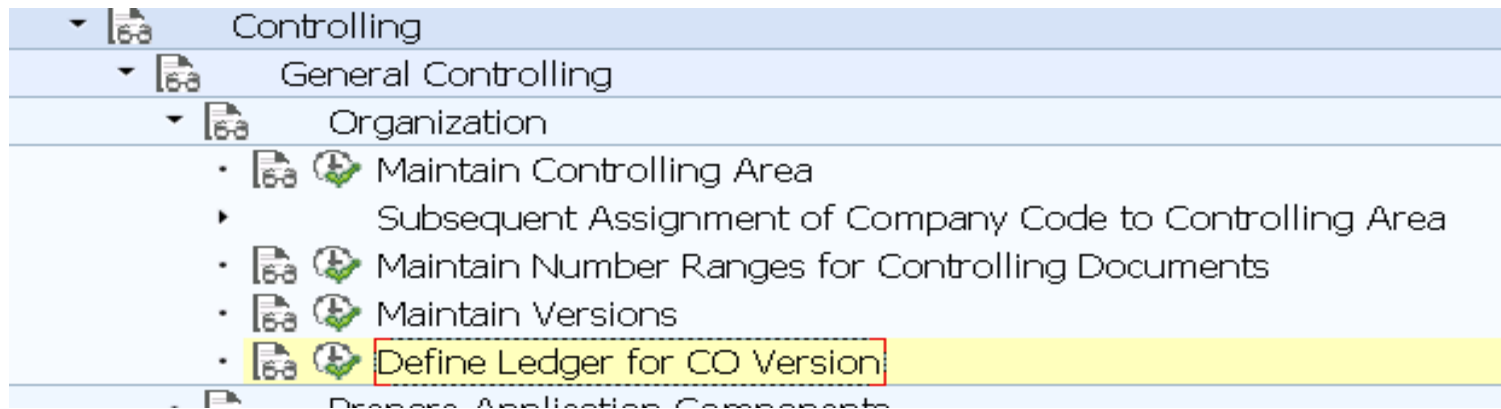
Activate Profit Center Accounting