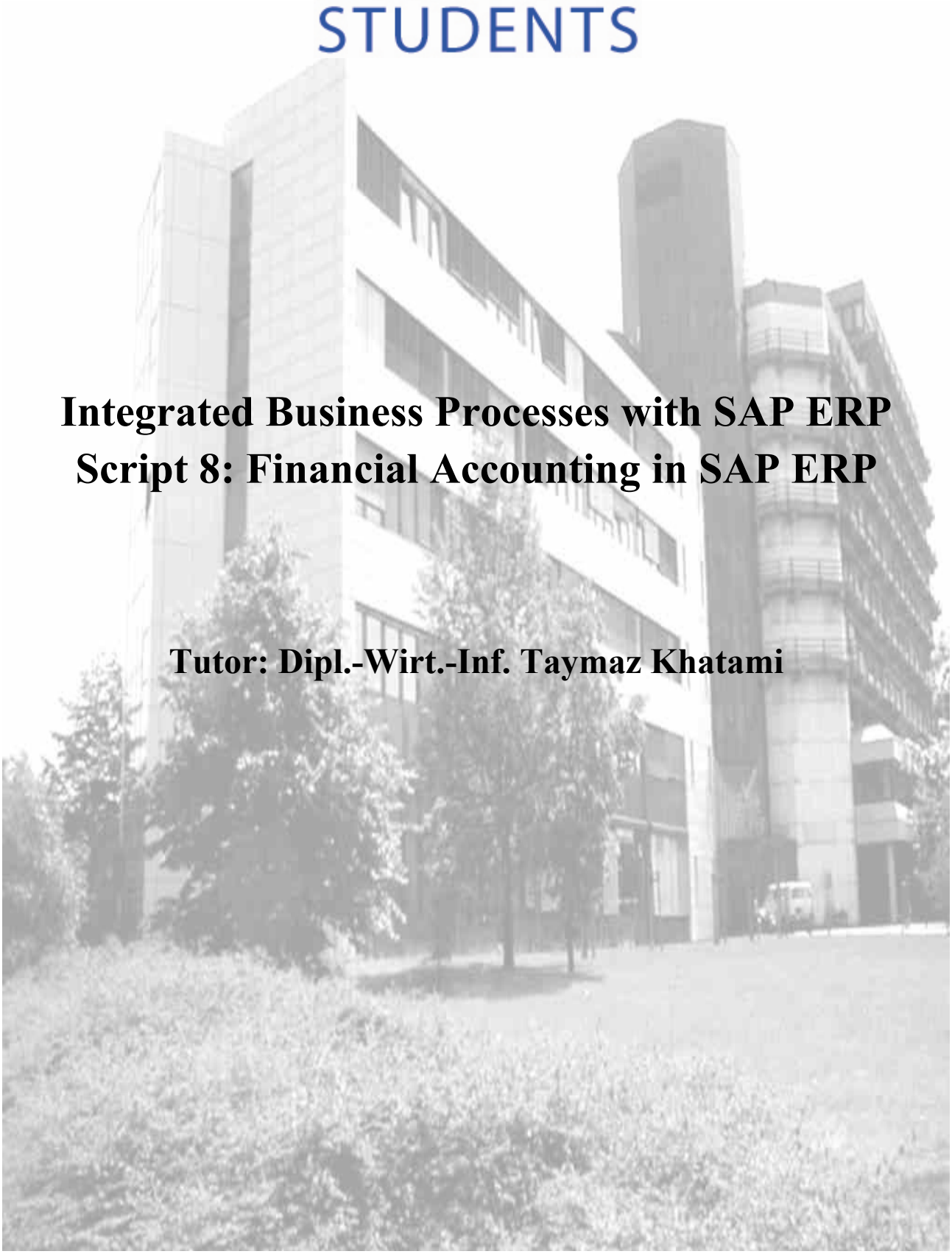
ERP4 STUDENTS



# Integrated Business Processes with SAP ERP
# Script 8: Financial Accounting in SAP ERP

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# 1 Financial Accounting in SAP ERP

This unit aims at giving you an understanding of financial accounting in the SAP ERP system.

**Educational objectives in this unit:**

At the conclusion of this unit, you will be able to

- describe the tasks in Financial Accounting
- explain the functionality of the main structures used in Financial Accounting
- display the chart of accounts
- create G/L accounts
- describe the special role of reconciliation accounts
- perform G/L postings
- understand the use of Financial Statement Versions
- describe the vendor master record
- post vendor invoices
- describe the Purchase to Pay business process and how it integrates with the General Ledger and Accounts Payable
- run the automatic payment program
- describe the customer master record
- maintain credit management data
- describe the integration between the Order to Cash business process and Financial Accounting
- maintain an asset master record
- describe the role of an asset class
- explain asset postings
- describe the role of depreciation areas in Asset Accounting

**Scenario for the Case Study**

In the practical application section of this unit, you will focus on the enterprise structures of financial accounting and controlling in customizing. Consequently, you will get a short overview of the chart of accounts. Tasks related to the chart of accounts are predominantly carried out in customizing (IMG: implementation guide) of the SAP ERP system even if it belongs to the general ledger topic-wise. Moreover, you will create an impersonal account in the general ledger and carry out postings to this account.

In the accounts payable section, you will enter an invoice from your vendor and trigger the automatic payment of the open item. In account receivable, you will focus on credit management. At this point, you will also access the SD module. In asset accounting, you will enter a new asset and take a look at its posting and depreciation in the asset explorer. Finally, you will deal with the balance sheet and profit and loss statement of your company.

In the following figure, you can see the entire process that you will deal with independently in the practical application section of this unit by using the SAP ERP system. Except for the enterprise structures in customizing and entering a sales order, you will focus exclusively on the functional area financial accounting.

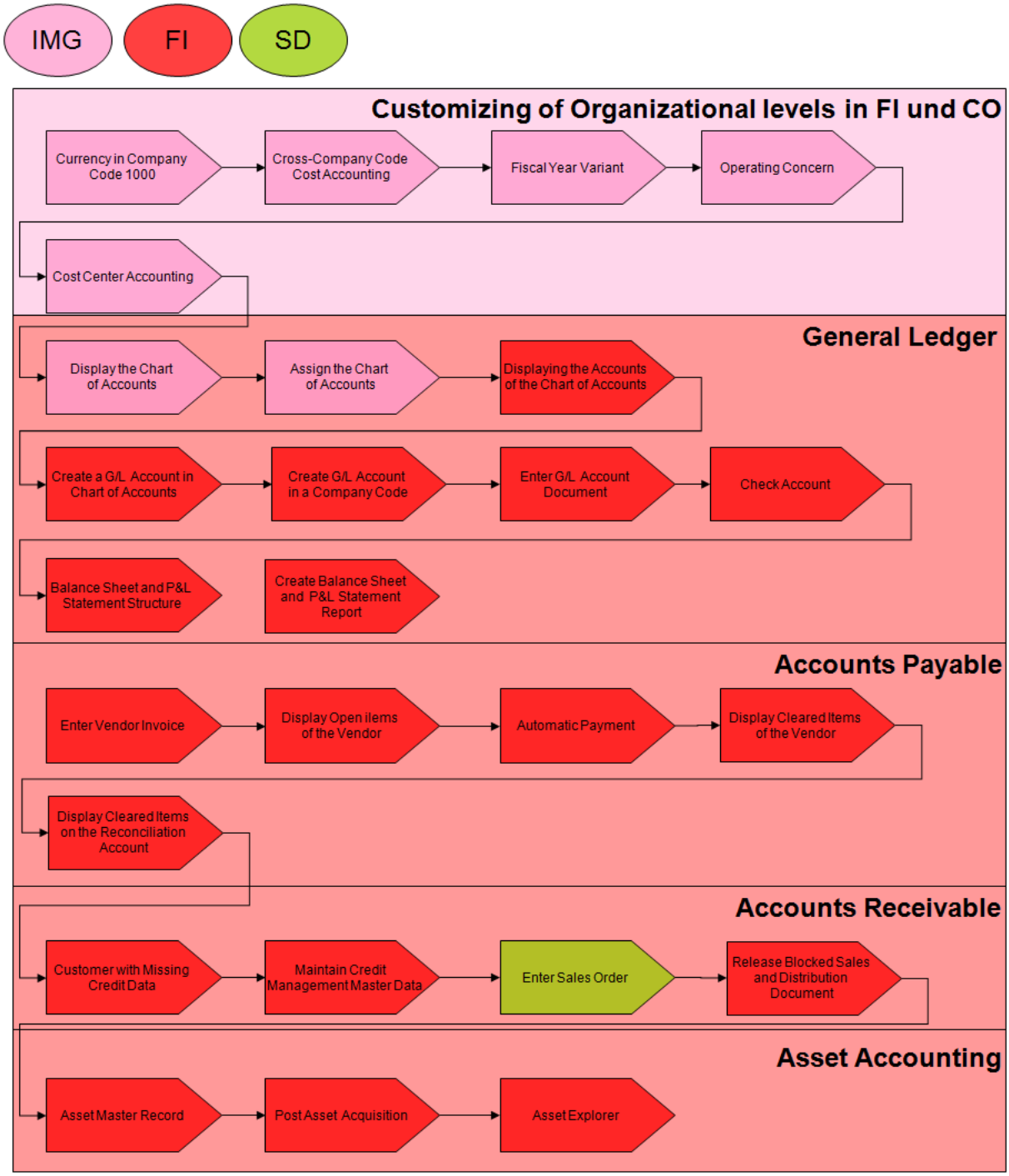
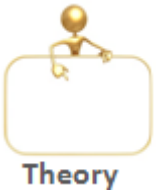



**Figure 1: Process Overview: Financial Accounting**

# 2 Overview of Financial Accounting

This section gives an overview of the tasks of Financial Accounting and explains organizational levels of the SAP ERP system that are relevant for the Financial Accounting application.

## 2.1 Theory: Central Aspects of SAP Financial Accounting




Financial accounting predominantly focuses on maintaining and processing the general ledger, processing receivables and payments and asset accounting. Important tasks of financial accounting are the recording of monetary- and value flows as well as valuation of inventories.

The central task of **general ledger accounting** is to provide a comprehensive picture of external accounting and accounts. From a business perspective, in the **general ledger** (GL), all business transactions relevant to accounting are recorded on G/L accounts. The general ledger is structured according to a chart of accounts. A ***chart of accounts*** contains structured definitions of all G/L accounts in the general ledger. These definitions include the account number, the G/L account designation and the categorization of the G/L account as ***income statement (Profit & Loss Statement)*** or ***balance sheet*** account.

Due to clarity reasons, the general ledger usually contains collective positions. In these cases, posting data are represented in more detail in so-called ***sub-ledgers***, from where data are transferred in compressed form to the general ledger. Using ***reconciliation accounts***, sub-ledgers are linked to the general ledger in real-time, i.e., when a posting is made to a sub-ledger, the same posting is carried out on the respective reconciliation account in the general ledger.

There are four sub-ledgers in the SAP ERP system (that are relevant in this course):

- **The accounts payable accounting** (FI-AP) contains all business events concerning relationships to suppliers (vendors). **Accounts Payable** records and manages accounting data for all vendors. Thereby, the main source application of the data is ***purchasing*** (SAP MM, materials management). That is, it takes much of its data from and is an integral part of the **Procure to Pay** business process. Postings made in Accounts Payable are simultaneously recorded in the General Ledger where different G/L accounts are updated based on the transaction involved (e.g., payables and down payments).
- The **accounts receivable accounting** (FI-AR) records all business events concerning customer relationship. Thereby, the main source of data is ***sales and distribution*** (SAP SD, sales and distribution). That is, it takes much of its data from and is an integral part of the **Order to Cash** business process. All postings in Accounts Receivable are also recorded directly in the General Ledger. Different G/L accounts are updated depending on the transaction that is involved (e.g., receivables, down payments and bills of exchange).
- The **asset accounting** (FI-AA) records all business events concerning asset management. **Asset Accounting** is used for managing and supervising fixed assets and serves

as a subsidiary ledger to the FI General Ledger. Thereby, it provides detailed information on transactions involving fixed assets.

- The **bank ledger** (FI-BL) supports posting cash flows. It is used to handle accounting transactions that a company processes with its bank. It includes the management of bank master data, cash balance management (check and bill of exchange management) and the creation and processing of incoming and outgoing payments.

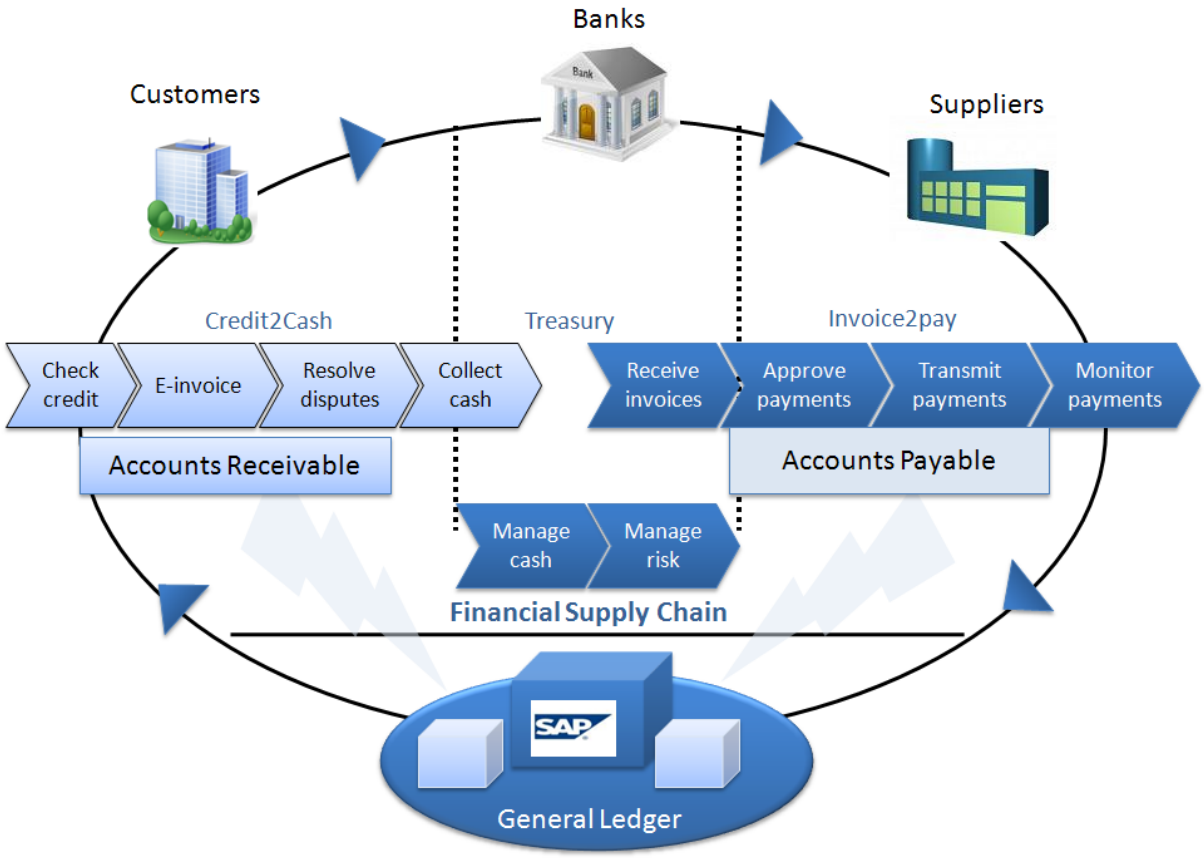



**Figure 2: Central Aspects of SAP Financial Accounting**

The **general ledger** is managed on ***company code*** level. All accounting-relevant transactions made in other applications (Logistics (LO) or Human Resources (HR)) are posted in real-time to Financial Accounting by means of automatic account determination. This data can also be passed on to Controlling (CO). This ensures that logistical goods movements (such as goods receipts and goods issues) are reflected in the value-based updates in accounting. The aim of recording business transactions is to create a Balance Sheet and Profit & Loss Statement.

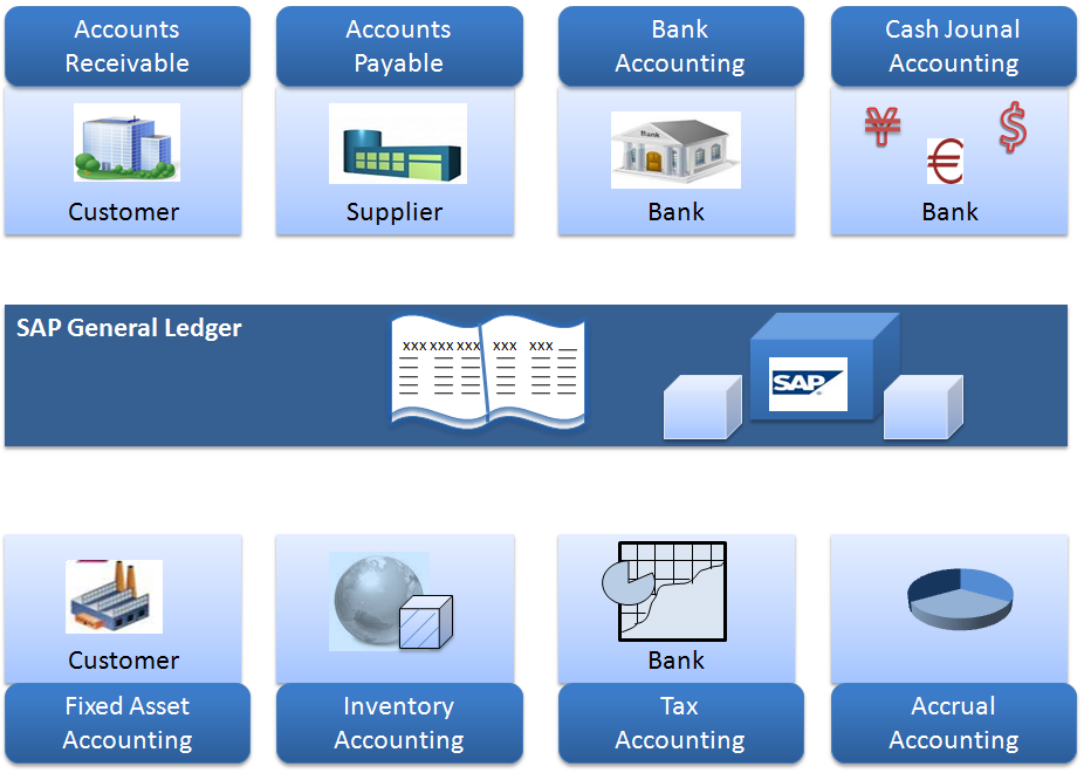



**Figure 3: General Ledger and Subledger**

### 2.1.1 Integration of G/L Accounts in Financial Accounting

The **general ledger** is managed on ***company code*** level. From general ledger, the ***balance sheet*** and the ***P/L statement*** are created, as required by law. Thereby, **assets** of a company are separated into ***assets*** (application of funds) and ***liabilities*** (source of funds). Regarding the integration with the sub-ledgers, business events that are recorded in the ***sub-ledgers*** (AP, ARP, etc.), in ***materials management*** (material stock) or in ***treasury*** (management of financial resources), are considered in the balance sheet in real-time.
The **treasury** component (TR) focuses on functions such as payment means, treasury management (including, e.g., financial resources, foreign currency, derivatives and shares), loans and market risk management.

The recording of business events aims at the creations of a ***balance sheet*** and ***P/L statement*** in form of a report. These reports need to be adjusted to specific national requirements and laws. Since a company can be subject to different reporting requirements regarding balance sheet and P/L statement, different balance sheet and P/L statement structures can be created. With these structures, you can determine which accounts appear in which balance sheet items; in the SAP ERP standard delivery, many Balance Sheet/P&L structures are already predefined.

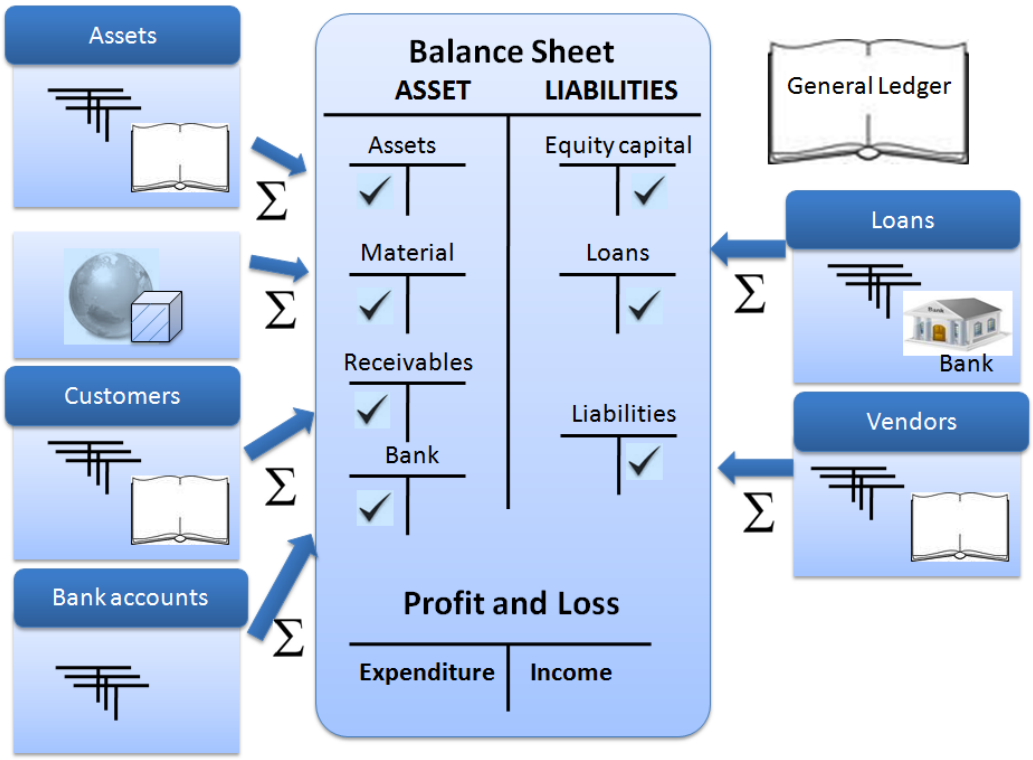



**Figure 4: Integration of G/L Accounts in Financial Accounting**

Financial reports required for external reporting purposes (e.g., balance sheet, P/L statement) are created in FI. These external reporting requirements are provided by general accounting standards such as US-GAAP or IAS according to the respective law requirements of financial authorities.

In new General Ledger Accounting, one ledger has the role of the "leading" ledger. You can have parallel ledgers that are not the leading ledger, e.g., to record business transactions according to country-specific requirements (e.g., German HGB) or for special purposes (e.g., Special Ledger).

- **There is exactly one leading ledger in each client.**
- **Other leders can also exit (within the G/L), however.**

**Example:**

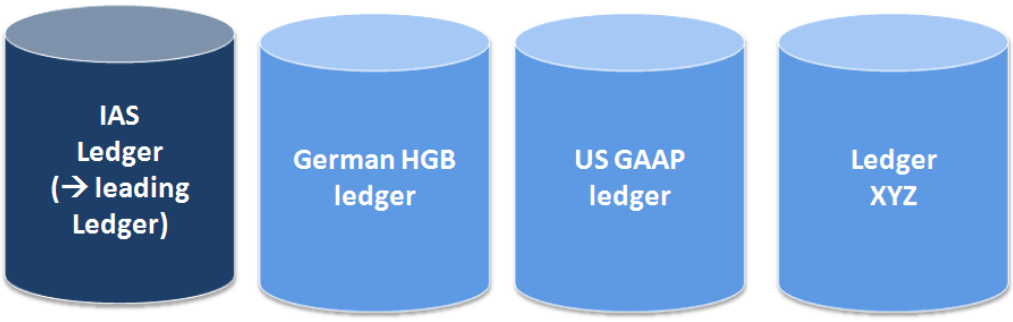



**Figure 5: Parallel Financial Reporting**

### 2.1.2 Financial Supply Chain Management

Over the last several decades, there were little improvements in the areas of billing, accounts receivable, collections, dispute resolution, credit scoring and cash management. Nowadays, these functions are seen as a prime area for process improvement and a source of greater cost savings. SAP Financial Supply Chain Management represents a major area of process innovation and improvement for enterprises in a broad range of industries.

SAP Financial Supply Chain Management (FSCM) supports companies optimizing their cash flows within the whole supply chain (from vendor to customer). That is, the financial process that accompanies the "real" business process from a financial point of view often offers potential for improvement in the areas of invoicing and reconciliation. Here, enterprises can save time by preventing arrears and process related delays in payment such as printing and sending invoices.

The aim of the FSCM component is to improve an organization's cash flow mainly in the **Order to Cash** business process. The following figure displays all the tools that support this goal. These tools provide functionalities to facilitate and accelerate the invoicing process and handle any customer disputes regarding invoices at the back end of the Order to Cash process, and to insure that an organization does not sale material and/or services to a customer with bad credit on the front end of this business process.

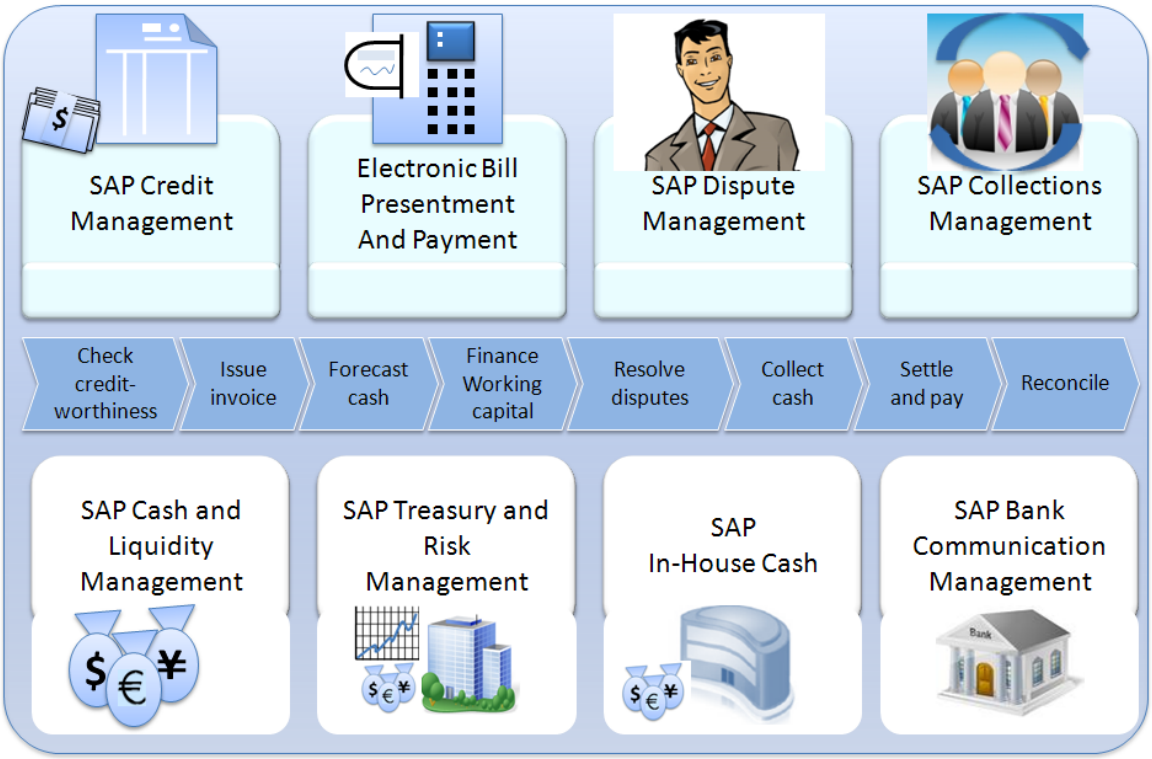



**Figure 6: SAP Financial Supply Chain Management**

Components of FSCM are:

**SAP Credit Management** provides companies that have a large customer base with the opportunity to monitor the total liability of their customers by using appropriate credit lines. A decisive advantage of this is a centralized and company-wide management of credit lines. This means that different distribution channels use the same data to check credit worthiness and utilization. This eliminates the risk of customers exceeding the credit limit granted to them by using different distribution channels, without this being recognized by the credit department.

**Electronic Bill Presentment and Payment** (SAP Biller Direct) allows billers to send – and customers to receive – invoices electronically and making invoicing more efficient. In addition, customers can access account information via the Internet. SAP Biller Direct not only reduces media fragmentation, it also allows vendors to interact with their customers, for example, when processing insufficient payments or providing customer service. SAP Biller Direct cuts costs and boosts customer retention, giving companies a competitive edge by providing up-selling and cross-selling options.

**SAP Dispute Management** offers you system support for processing payment deductions. There are more and more payment deductions due to these reasons as payment behavior continues to get worse. SAP Dispute Management enables cross-departmental resolution of dispute cases, including workflow support and escalation procedures. Collaboration with customers is supported by correspondence with customers as well as self-service via the Internet by using SAP Biller Direct. This improves receivables management and speeds up invoice settlement.

**SAP Collections Management**, allows you to structure, classify and minimize the receivables owed to your organization. You can make receivables management in your company more efficient and process an ever-increasing receivables balance in a short time period.

**SAP Cash and Liquidity Management** supports the cash manager in efficiently managing liquidity and currency risk. Redundant data entry is entirely eliminated. All corporate sectors operate on a unique and consistent database, which is used for different purposes. For example, the A/R accounts manager might use it to control incoming payments, the A/P accounts manager to control cashed checks or the cash manager to control bank transfers. At the same time, the cash manager is free to choose his or her focus on the accurate and up-to-date cash reports – across countries, currencies, subsidiaries or even across the whole group.

**SAP Treasury and Risk Management** offers a comprehensive set of functions for managing your financial transactions and risk. With SAP Treasury and Risk Management, you get straight-through processing for all conventional types of instruments within investment, debt and foreign exchange management.

The **SAP In-House Cash** application allows diversified companies to optimize their intragroup payment transactions by opening an in-house bank. An In-House Cash Center is a virtual bank within the corporate group with which each associated company has one or more accounts. The In-House Cash Center is used to process all payments between company units,

thus, keeping cash resources within the group and optimizing how they are applied. This saves on the costs of external netting services and gives you greater flexibility when you process payment netting transactions.

**SAP Bank Communication Management** is used for managing multiple bank communication interfaces, enabling you to connect to your bank, track the entire payment life cycle of a transaction and improve straight-through processing rates and internal compliance. Bank Communication Management is also responsible for the creation and approval of batches, the payment status monitor and the bank statement monitor.

### 2.1.3 Financial Accounting versus Management Accounting

This teaching unit focuses on **financial accounting**, which aims at legal reporting. Balance sheets and P/L statements can be created at the level of legal units. In contrast, management accounting serves the purpose of informing the company-internal management regarding cost and revenue.
The level on which ***financial accounting (SAP FI)*** is required is predominantly determined by law (e.g., commercial code), since it is an external obligation. Correspondingly, financial accounting is carried out differently in each country.
In contrast to financial accounting, ***management accounting (SAP CO, also referred to as Controlling)*** focuses predominantly on planning, controlling and coordination of valued business processes to increase corporate performance. Determined information is used for the objective foundation of management decision-making. Therefore, sources of corporate success are analyzed and aggregated, especially by using cost accounting and investment appraisal, to an encompassing controlling concept. Management accounting features advanced techniques of cost monitoring within a company (cf. next unit).
Costs and revenue (from financial accounting) are the focus of management accounting. In management accounting, these financial data could be allocated across several (financial accounting) boundaries. That is, management accounting could analyze cost and revenues at a higher level than company codes, for instance, across the boundaries of countries (e.g., analyzing costs for all production departments worldwide). Usually, you want to ensure that results of financial accounting can be compared to the results of management accounting (reconciliation).

Example:
Within SAP FI, every company has a General Ledger, which is made up of G/L accounts. During the current period, management asks you for the balance for the Travel Expense account for Company X. You query the G/L account in SAP FI and report that Travel Expense for Company X in the current period is 10.000 €.
After you provide that figure, management then wants to know “who or where” incurred that Travel Expense. The task of Management Accounting (SAP CO) is to identify who generated these costs or where these costs incurred.
Thus, Controlling focuses on a cost-oriented, internal view of a company, whereas Financials focuses on external financial value flows (expenses and income).

The graphic below provides examples of the different CO objects that can accumulate expenses.

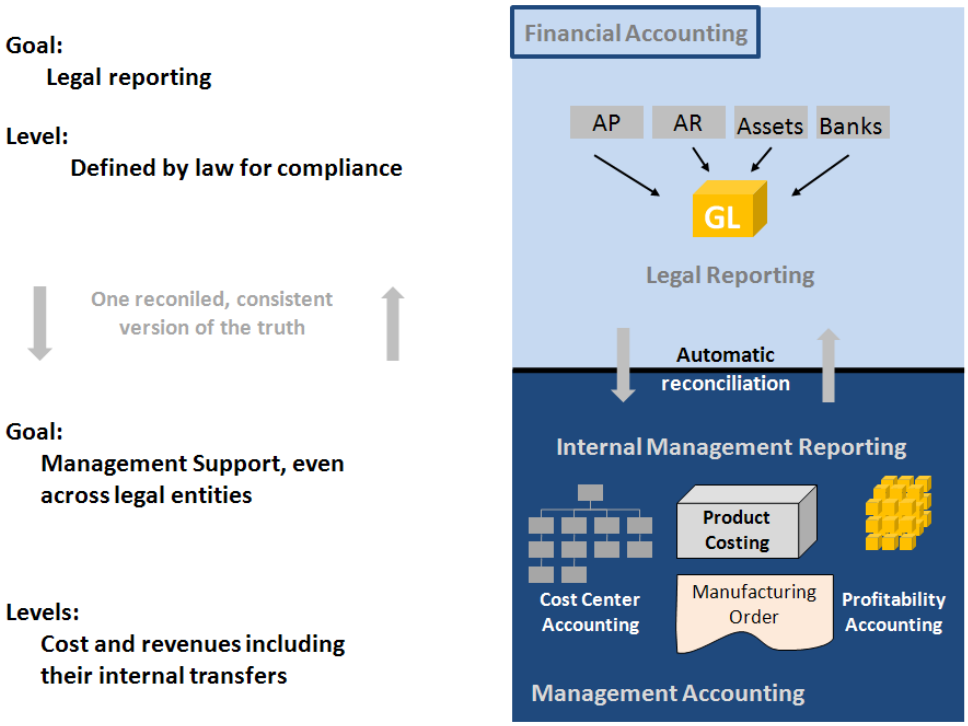
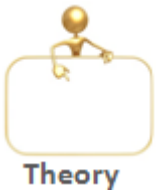



**Figure 7: Financial Accounting versus Managerial Accounting**

## 2.2 Theory: Organizational Levels in Financial Accounting




You have already learned from all the previous teaching units which organizational levels are relevant for the Financial Accounting application in SAP ERP. However, here the three central organizational levels for SAP FI are discussed (again). Especially, pay attention to the integration aspect between SAP FI and SAP CO

### 2.2.1 Company Codes

Usually a **company code** is defined based on geographical considerations. Thereby, a company code must be created according to tax law, commercial law and other accounting-specific criteria. Thus, company codes seldom extend across national boundaries. However, you can create multiple company codes for one country if applicable.

The company code is the smallest organizational unit in SAP ERP for which you can issue a ***balance sheet*** and a ***P/L statement*** and which provides a full legal set of books (General Ledger and Sub-ledgers).

Within the productive environment, at least one company code must be present so that a company can be productive within the SAP ERP system (i.e., the system can be implemented and you can go live). The ***company code key*** is a four-digit alphanumeric field.

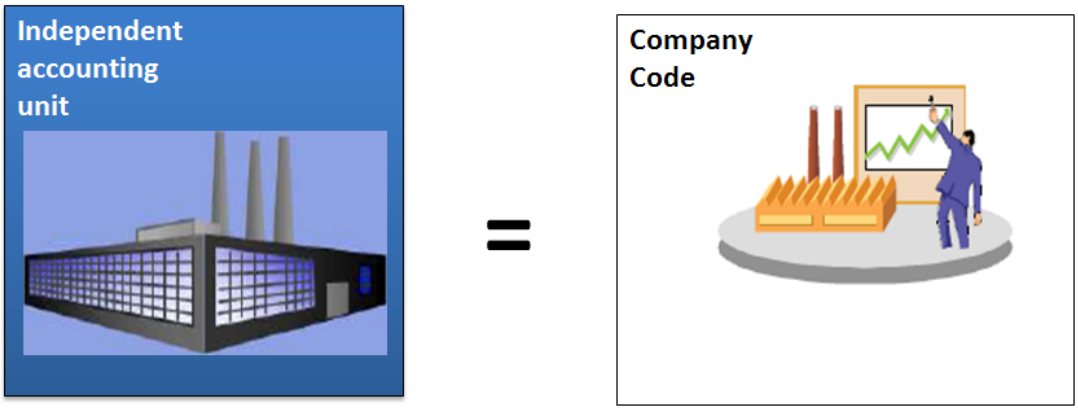



**Figure 8: Company Codes**

### 2.2.2 Business Areas

You can create several **business areas** in the SAP ERP system to which you can assign postings from any company code defined in a client. Business areas can be used to facilitate segment reporting. They cover the central operation areas (product lines, subsidiaries) whenever required by law.

Implementing business areas is flexible within the constraints of business area definition and is optional in case no external business segment reporting is required by law. The business area key is a four-digit alphanumeric field.

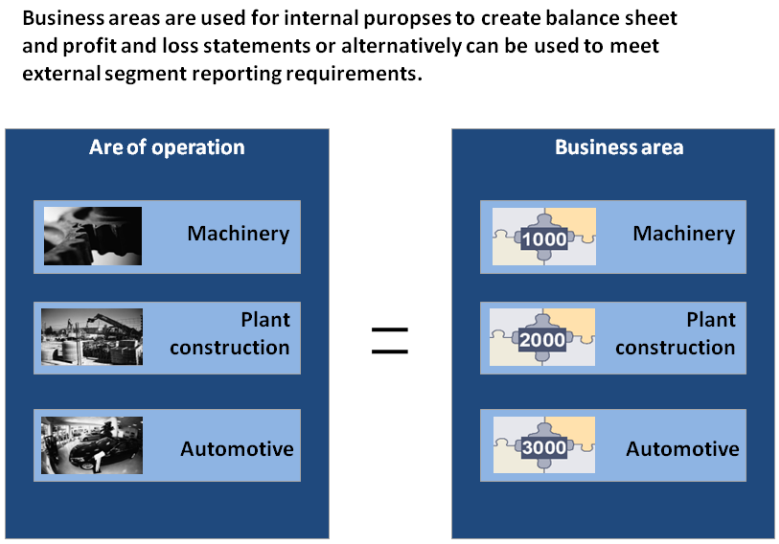



**Figure 9: Business Areas**

Generally, business areas are independent of company codes, i.e., you can post to them from all company codes. For example, the following figure shows the business areas mechanical engineering, plant engineering and automotive used commonly by different company codes (USA, Canada, and Mexico).

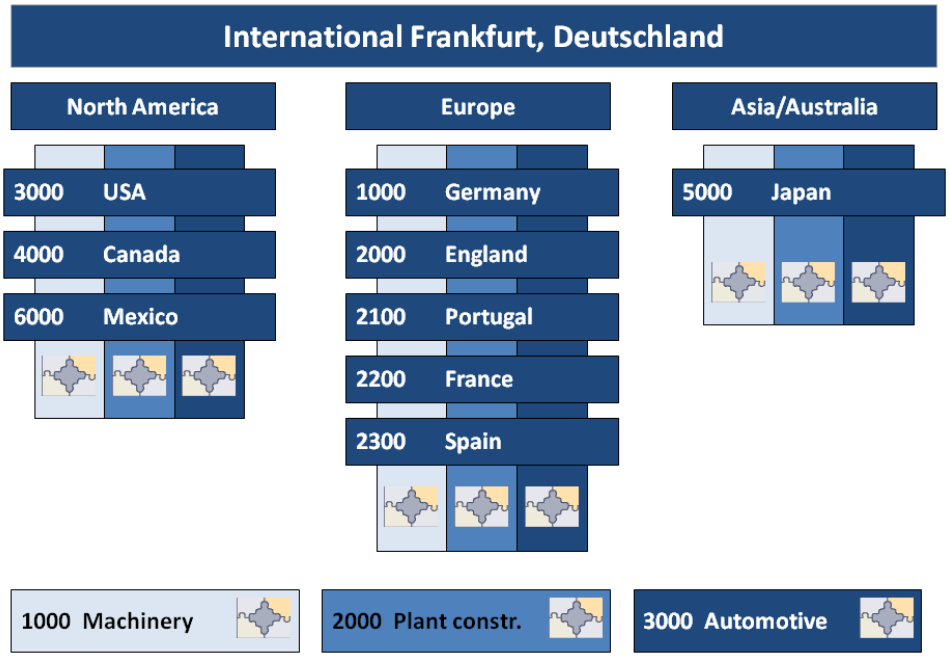



**Figure 10: Organizational Levels**

## 2.2.3 Segments

Segments represent a new organizational unit in SAP ERP and are available as of SAP ERP 2004 (ECC 5.0). In new General Ledger Accounting, segments can also be used as a dimension for reporting purposes (Market and Segment Analysis). A segment can correspond to a business area.

The aim of segmented reporting is to provide an insight into different business activities of a diversified company and give insight into information about the general environment of the company.
With the help of segments, you can provide a better overview of a company's economic performance, improve forecasting of the potential sales and financial reserves of a company, and better anticipate risks and opportunities of a company

The International Accounting Standards (IAS) distinguishes between business and geographical segments.

- A **business segment** represents a subactivity of a company involving the manufacture of a product or provision of a service with risks and revenues that differ from those of other business segments.
- A **geographical segment** provides information about risks and revenues that differ from other geographical segments in terms of economic or political factors, for example.

According to US-GAAP, a segment is a part of the company that incurs costs, generates revenue and has its own financial data with regard to profit and resource consumption.

SAP recommends using segments only in combination with profit centers. In SAP FI postings for which profit center information is not relevant, the segment can be determined by a SAP routine (BAdI - Business Add-In) or entered manually.

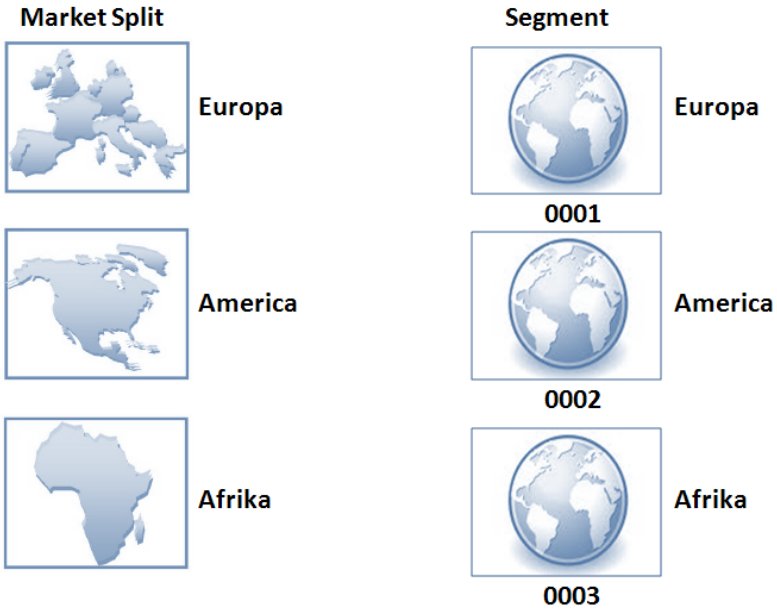



**Figure 11: Segments**

## 2.2.4 Controlling Area

A **controlling area** is an independent organizational structure for which you can manage and allocate costs and revenues. It is a separate unit of cost accounting.
You can assign one or several company codes to a controlling area. Thus, you can carry out cross-company code postings between company codes. However, this is only possible when

the assigned company codes and controlling areas feature the ***same operating chart of accounts*** and the ***same fiscal year variant***.

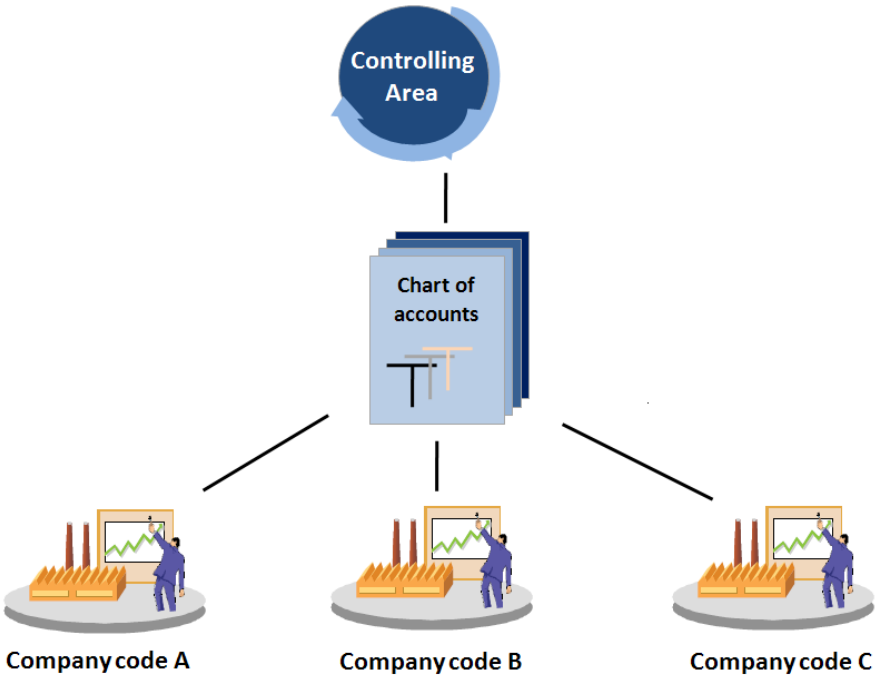



**Figure 12: Controlling Area**

## 2.3 Practice: Organizational Levels in Financial Accounting


In the following section, you will focus on the organizational levels of financial accounting in the SAP ERP system. Accounting generally and in SAP ERP as well, is separated into financial accounting and management accounting (or controlling, respectively). The main focus of this teaching unit is on financial accounting. However, you will learn about organizational levels of controlling (controlling area, operating concern), since management accounting and financial accounting are closely linked to each other. For this reason, it would not be helpful to consider them separately.

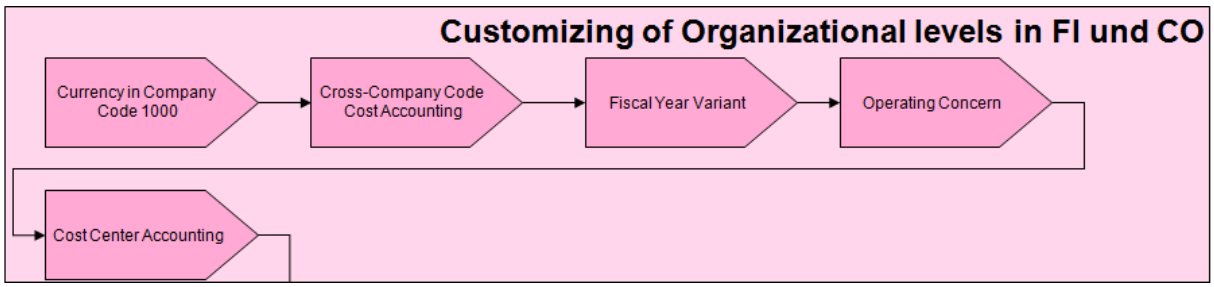



**Figure 13: Process Overview: Customizing of the Company's Structure in FI and CO**

During this chapter, you should answer the following questions. Answering these questions is supposed to increase your learning progress.

1. Which currency is assigned to company code 1000?
2. Is there cross-company code cost accounting in controlling area 1000?
3. Which company codes are assigned to controlling area 1000? List five of them.
4. What is a fiscal year variant?
5. Which fiscal year variant is assigned to controlling area 1000?
6. Which operating concern is assigned to controlling area 1000?
7. Can you carry out cost center accounting in controlling area 1000?

To answer these questions, go to customizing in the SAP ERP system.

### 2.3.1 Definition: Customizing

The following chapter is meant to refresh your knowledge.
When a company decides to implement a SAP ERP system, the software needs to be adjusted to the business requirements. Customizing is carried out in SAP ERP by using the implementation guide (IMG). In customizing, relationships, selection options, etc., for the application menu are determined ("Which functions are executable in the menu!").

Customizing can be called up with **transaction <SPRO>** and then by choosing the **SAP reference IMG (F5);** or alternatively, by selecting the SAP easy access menu:

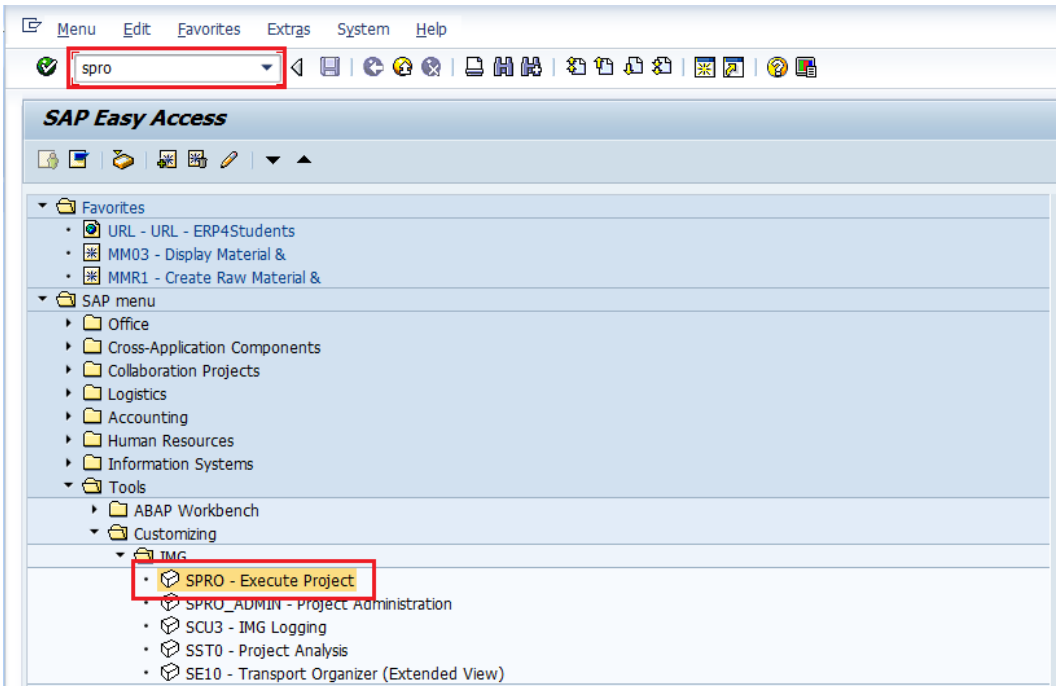



**Figure 14: IMG - Step 1: SAP-System-Screenshot**

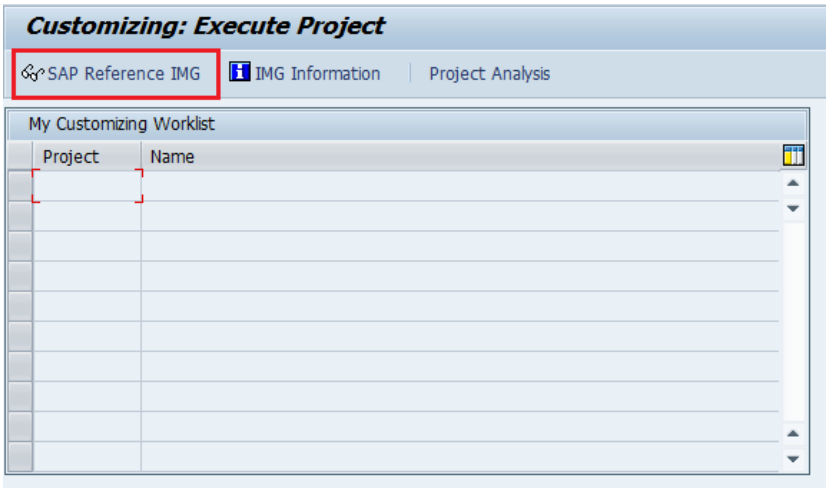



**Figure 15: IMG - Step 2: SAP-System-Screenshot**

Browsing in **customizing** consists initially of a tree structure:

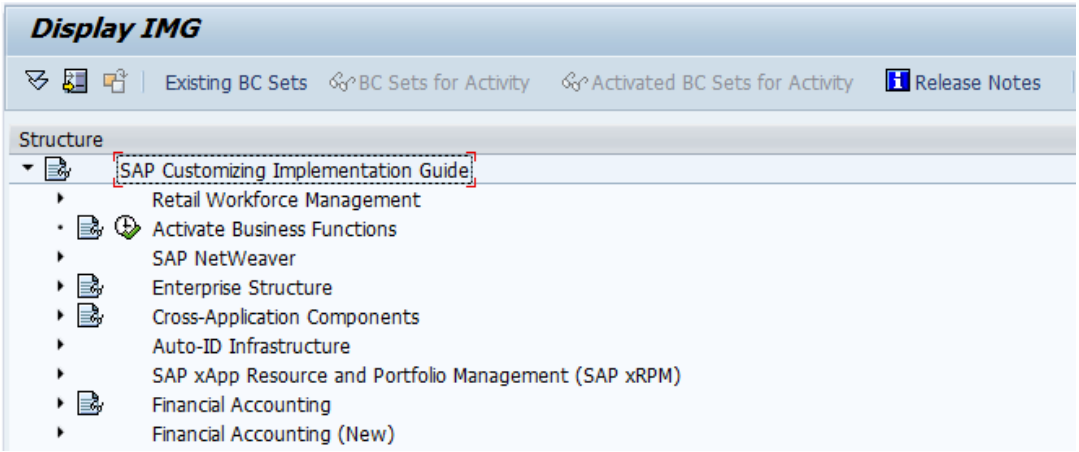



**Figure 16: Implementation Guide - Customizing Menu: SAP-System-Screenshot**

**Relationship of customizing and easy access:** Customizing determines the **functionality** of the **SAP ERP system**.

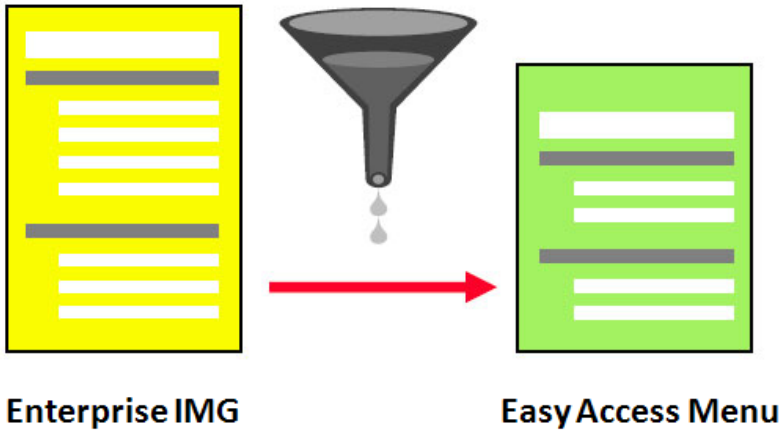



**Figure 17: Relationship of Customizing and Easy Access Menu; Rimmelspacher (2004)**

Settings in customizing determine the functionalities in the SAP easy access menu. Consequently, you can determine **all basic data and structures** in customizing. Thus, you can find the **information regarding the organizational structure relevant** for answering the questions above.

## 2.3.2 Organizational Structures in Accounting

From an accounting perspective, you can gain the following overview of a company:

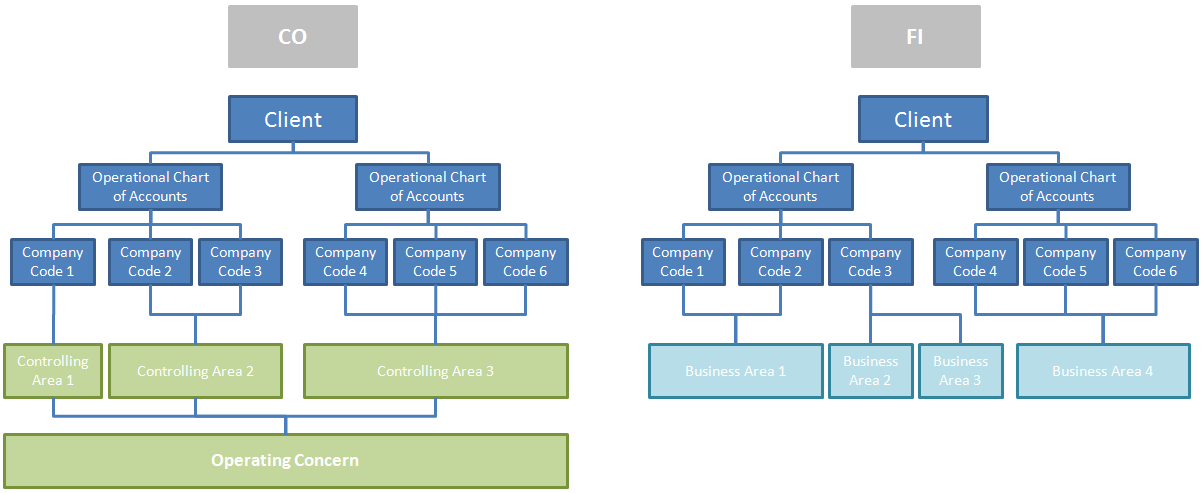



**Figure 18: Organizational Structures in Accounting; Rimmelspacher (2004)**

As you can see from the figure above, the company codes 1, 2 and 3 use the same operational chart of accounts. The operational chart of accounts is used by FI and CO commonly, i.e., primary cost and revenue elements in CO are revenue and expense accounts in FI **simultaneously**. Consequently, a controlling area takes over the chart of accounts of the assigned company codes. In cross-company code cost accounting (e.g., common product controlling

across several company codes), controlling area and all assigned company codes **must** use the same chart of accounts.

### 2.3.3 Questions

*Now, we are coming back to answering the questions: all tasks in this part of the case study **start in customizing**. Since you are already experienced in SAP customizing from the previous case studies, you are supposed to process the questions independently. You will find an approach to solve each task at its end that you can use if necessary.*

*Due to restrictions of your account, you do not need to worry about, for example, unintended momentous changes to the IDES group, since you are only **authorized to read** but you do not have a writing authorization.*

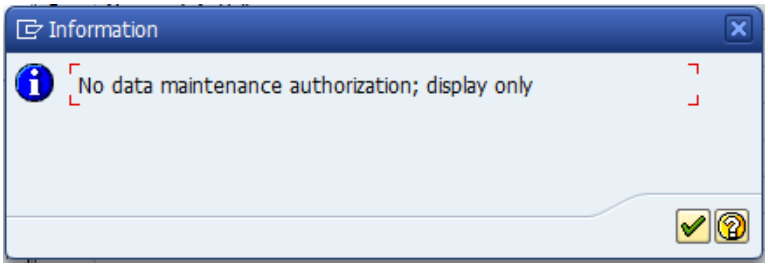



**Figure 19: No Authorization: SAP-System-Screenshot**

#### 2.3.3.1 Currency in company code 1000

**Question 1:** Which currency is assigned to company code 1000?

**Approach for question** 1:

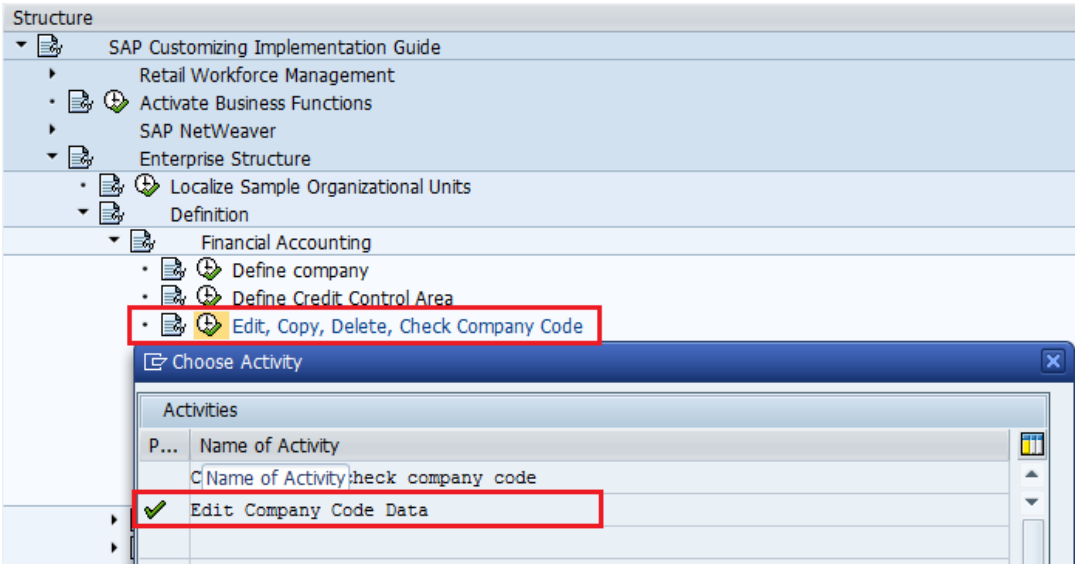



**Figure 20: Company Code - Step 1: SAP-System-Screenshot**

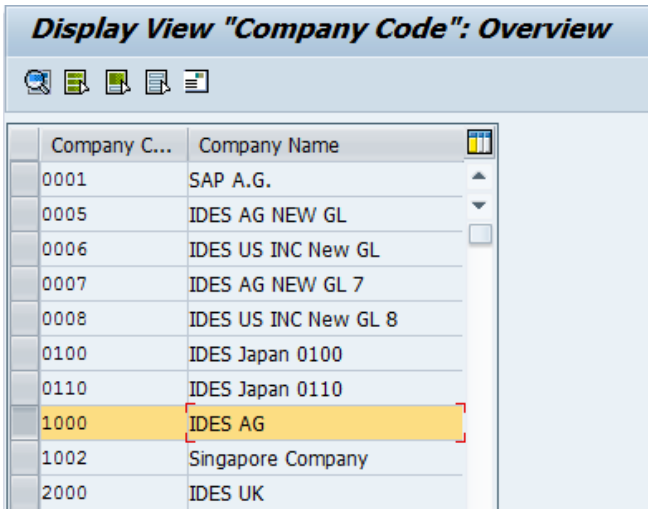



**Figure 21: Company Code - Step 2: SAP-System-Screenshot**

### 2.3.3.2 Cross-Company Code Cost Accounting

**Question 2:** Is there cross-company-code cost accounting in controlling area 1000?
**Question 3:** Which company codes are assigned to controlling area 1000? List five of them.

**Approach for questions 2 and 3:**

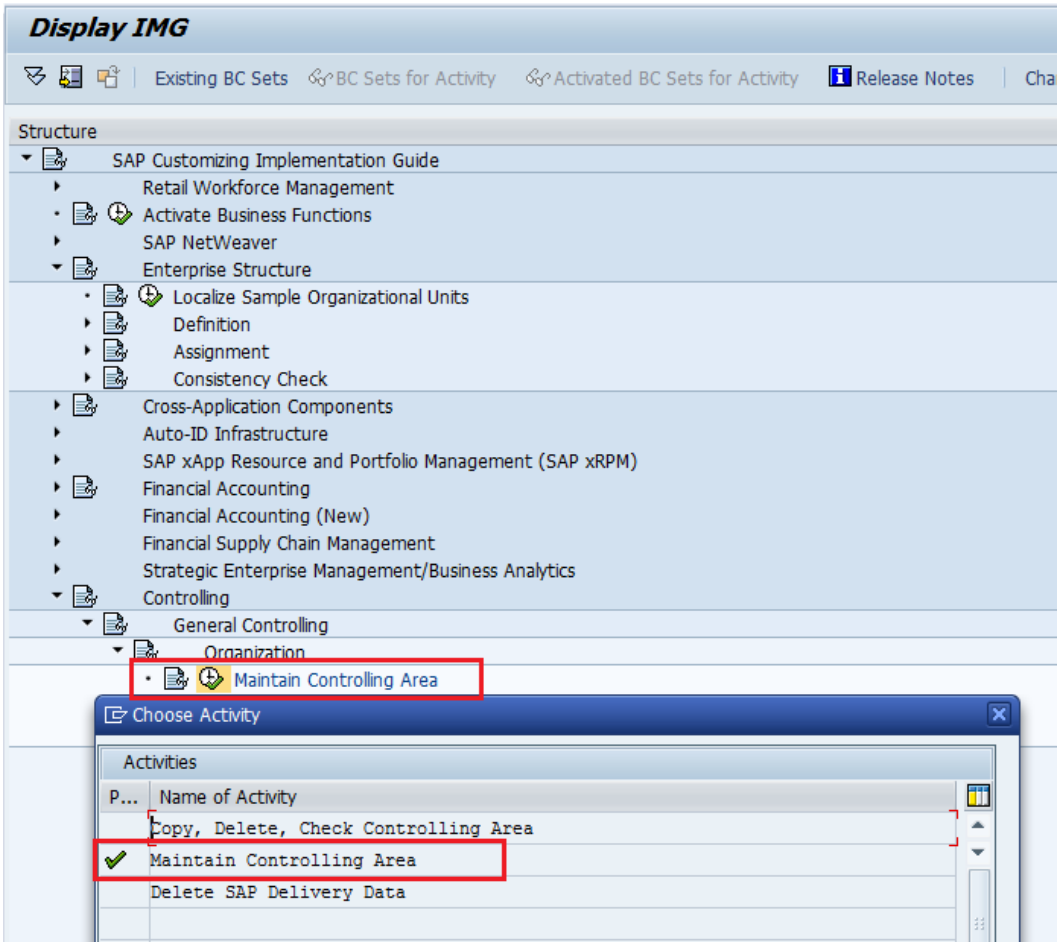



**Figure 22: Controlling Area - Step 1: SAP-System-Screenshot**

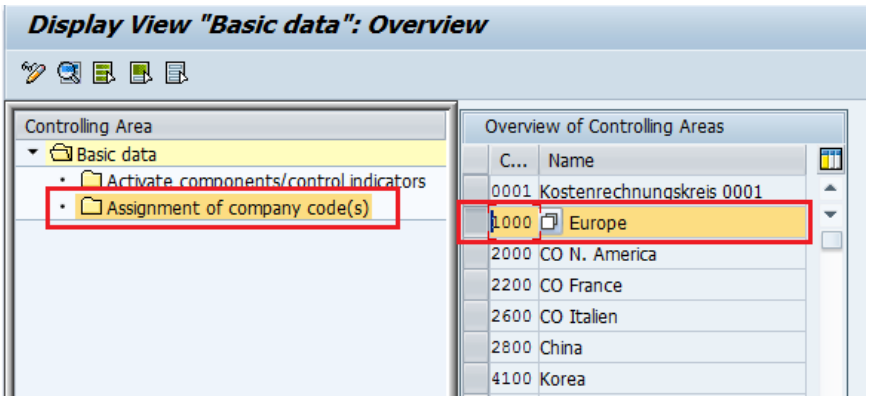



**Figure 23: Controlling Area - Step 2: SAP-System-Screenshot**

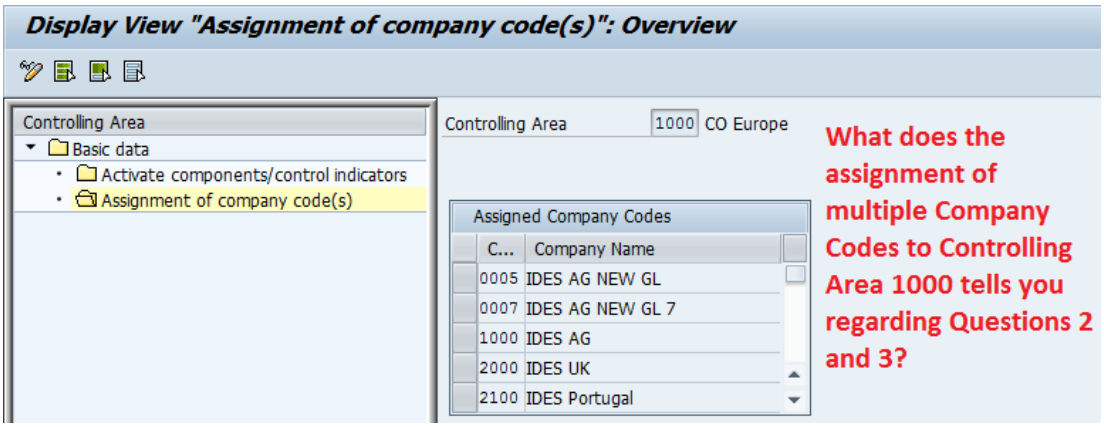



**Figure 24: Controlling Area - Step 3: SAP-System-Screenshot**

### 2.3.3.3 Fiscal Year Variant

**Question 4:** What is a fiscal year variant?
**Question 5:** Which fiscal year variant is assigned to controlling area 1000?

**Approach for questions 4 and 5**:

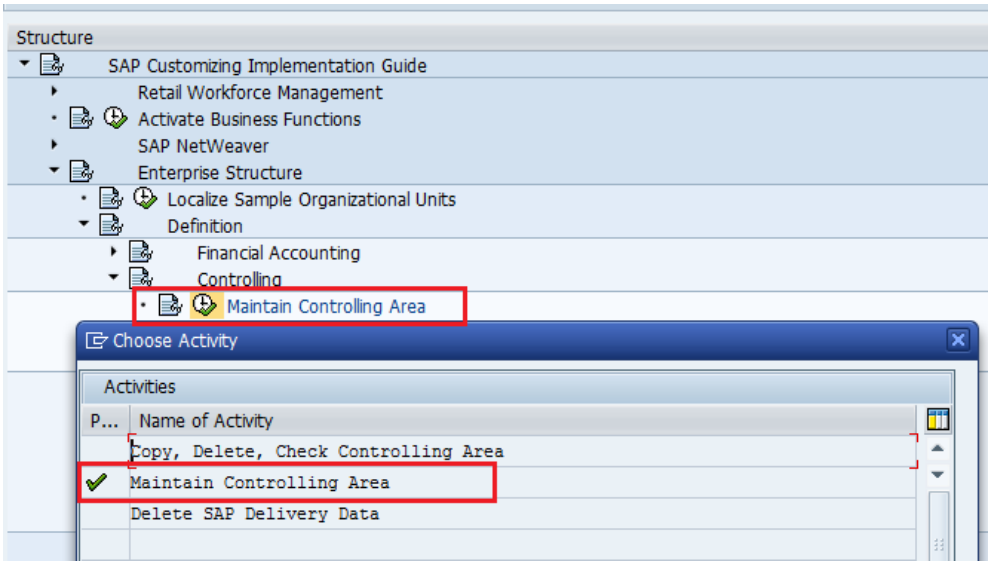



**Figure 25: Controlling Area – Step 1: SAP-System-Screenshot**

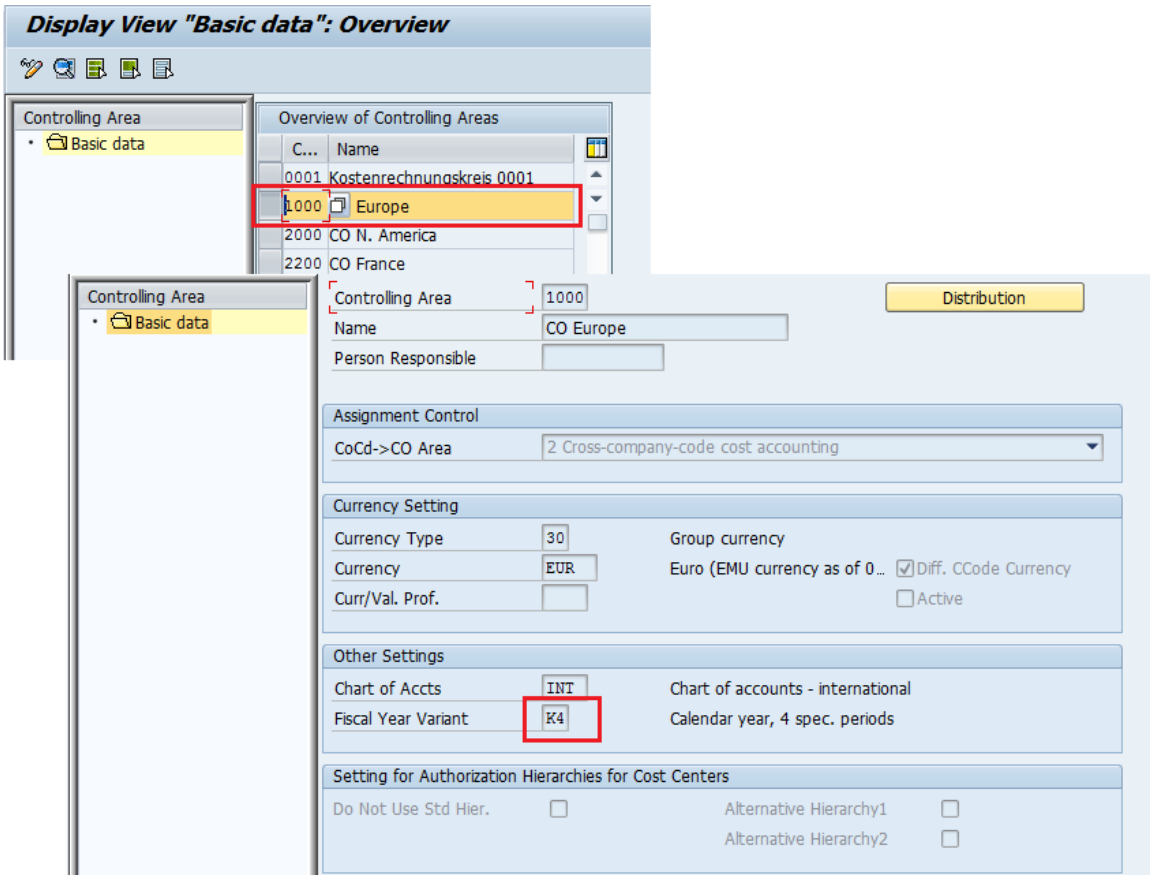



**Figure 26: Controlling Area – Step 2: SAP-System-Screenshot**

### 2.3.3.4 Operating Concern

**Question 6:** Which operating concern is assigned to controlling area 1000?

**Approach for question 6:**

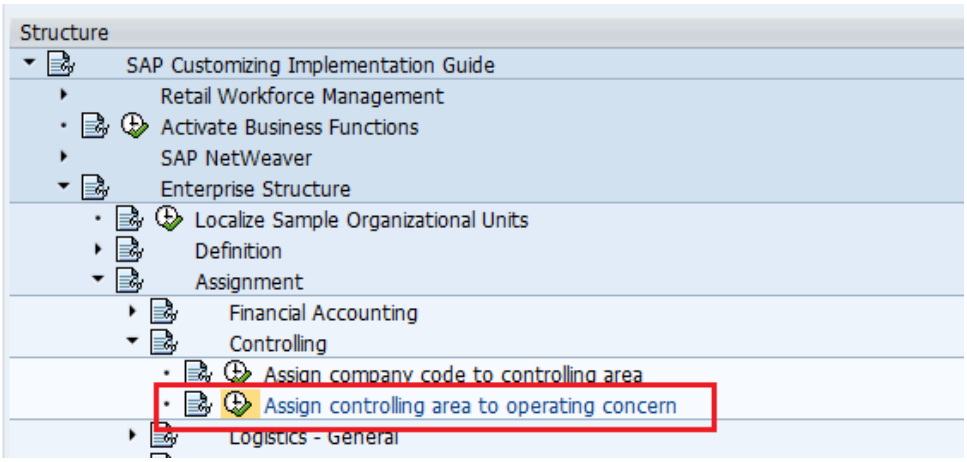



**Figure 27: Operating Concern: SAP-System-Screenshot**

### 2.3.3.5 Cost Center Accounting

**Question 7:** Can you carry out cost center accounting in controlling area 1000?

**Approach for question 7:**

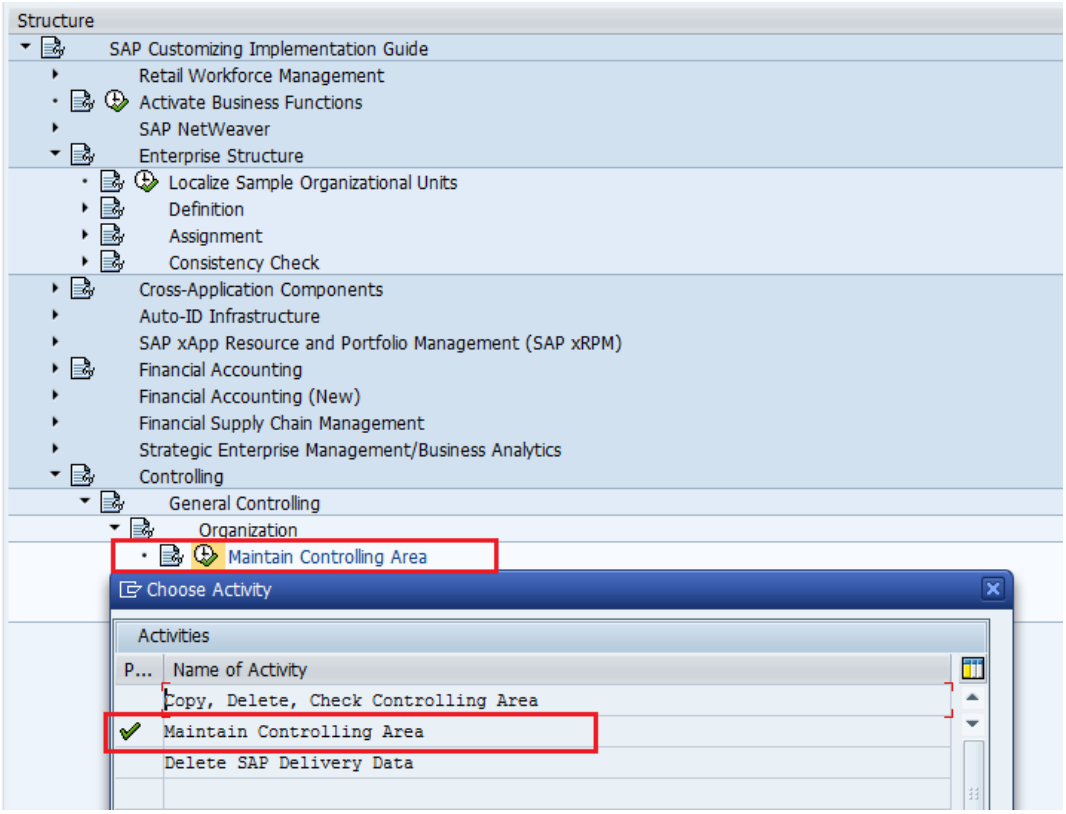



**Figure 28: Cost Center Accounting - Step 1: SAP-System-Screenshot**

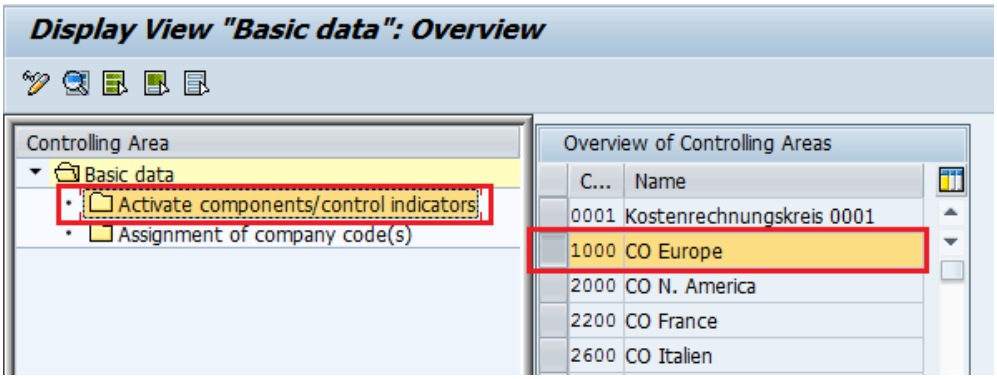



**Figure 29: Cost Center Accounting - Step 2: SAP-System-Screenshot**

## 2.4 Elucidation


**What have we learned so far?**
So far you got an overview of the components of SAP Financial Accounting, its integration with SAP Management Accounting (SAP CO) and the involved organizational levels.

### 2.4.1 Central Aspects of Financial Accounting

The purpose of Financial Accounting (SAP FI) is to fulfill all the international and legal requirements that must be met by the financial accounting department of an organization. It allows the management and representation of all accounting data, since all business transactions in a company are recorded according to the document principle. Thereby, SAP FI provides an unbroken audit trail from the financial statements to the individual documents. That is, you can backtrack any post reported in the Balance Sheet and Profit & Loss Statement to the business transactions that caused these posts, since all monetary- and value flows as well as valuation of inventories are recorded in accounting documents.

**Components of SAP FI:**
SAP FI consists of several books (so called Ledgers). Every ledger has a certain purpose, thereby, SAP FI comprises the following sub-components:

- General Ledger (FI-GL)
- Sub-ledger: Accounts Payable (FI-AP)
- Sub-ledger: Accounts Receivable (FI-AR)
- Sub-ledger: Bank Accounting (FI-BL)
- Sub-ledger: Asset Accounting (FI-AA)
- Sub-ledger: Funds Management (FI-FM)
- Sub-ledger: Travel Management (FI-TV)
- Sub-ledger: Special Purpose Ledger (FI-SL)

In the context of this course, the following components are relevant:

- **General Ledger** (GL): The general ledger is the main book of SAP and it is managed on ***Company Code*** level.
    - GL is structured according to a chart of accounts. A ***Chart of accounts*** contains structured definitions of all accounts in the general ledger.
    - ***Income statement (Profit & Loss Statement)*** and ***Balance Sheet***, which are obligatory by law, are reports in SAP FI generated from the General Ledger.
    - GL records all business transactions (in HR, MM, PP, LE, SD etc.) relevant to accounting. That is, every time those "real" business processes are accomplished and cause a value change, the financial accounting process records these value changes on specific accounts. Postings in the G/L mostly are on aggregate level. This is done for clarity reasons and, therefore, GL usually contains ***collective positions***.

  - Details of all business transactions are stated in ***Sub-ledgers***. GL is integrated with all the sub-ledgers mentioned above in ***real-time***. That is, when a posting is made to a sub-ledger, the same posting is carried out on the ***respective re-conciliation account*** in the general ledger. Data from the sub-ledgers are transferred in compressed form to the general ledger by using ***reconciliation accounts***.
  - Example: You already got acquainted with the reconciliation accounts for synchronizing of FI-GL with FI-AP (160000) and FI-AR (140000). For instance, all business transactions of your customer 5xxyy that are accountable were posted to the FI-AR account 5xxyy and ***at the same*** time to the reconciliation account 140000 in the FI-GL. Consider that all postings of all customers are transferred to the GL account 140000. That is what "compressed" or "aggregated" means in this context. The balance of account 140000, thus, displays the sum of all customer postings coming from the sub-ledger FI-AR, not only of your customer. Whereas, on account 5xxyy in FI-AR, only postings for your customer are posted.
- **Accounts Payable** (FI-AP)
  - Contains all business events concerning relationships to suppliers.
  - The main source application of data is ***purchasing*** (SAP MM).
- **Accounts Receivable** (FI-AR)
  - Records all business events concerning customers.
  - Main source of data is ***sales and distribution*** (SAP SD).
- **Asset Accounting** (FI-AA)
  - Records all business events concerning asset management.
- **Bank Ledger** (FI-BL)
  - supports posting cash flows.

**Integration of G/L Accounts in Financial Accounting**

- All accounting-relevant transactions made in Logistics (LO) or Human Resources (HR) components are posted in real-time to Financial Accounting by means of automatic account determination. That is, based on the processes involved, the system automatically finds the appropriate account to post the value- or money flow to. This data can also be passed on to Controlling (CO). This ensures that logistical goods movements (such as goods receipts and goods issues) are exactly reflected in the value-based updates in accounting.
- As you already know, every posting that is made in the sub-ledgers generates a corresponding posting to the assigned G/L accounts (reconciliation accounts). This ensures that the sub-ledgers are always reconciled with the general ledger.
- There is a close connection between the ***Chart of accounts***, the ***GL accounts*** and the ***Balance sheet*** and the ***P/L statement***
  - Chart of accounts is a structure containing all accounts of the GL.
  - There are multiple charts of accounts available in SAP ERP. The most commonly used is INT, which aims at mapping the requirements of international organizations regarding accounting. Thus, INT contains all accounts a multinational company might need. You can use several charts of accounts in Fi-

nancial Accounting in parallel, to apply to legal or organizational requirements (e.g., using charts of accounts INT for international reporting and chart of accounts GKR for national reporting).

- The chart of account can be considered as a template from which a GL is created from. The GL then contains all the accounts available in the chart of accounts assigned to the company code for which the GL is responsible.
- Balance sheet and P/L statement are reports that are obligatory by law. These reports are created annually on basis of the GL. That is, all the financial flows (expenditures, incomes) and assets/liabilities recorded in the GL during a year are structured in a certain way and presented in the Balance and P/L statement. In this context "certain way" means that according to the company type (corp., inc., ltd. etc.), the national law and requirements of the stakeholder, the Balance sheet and the P/L statements are differently structured. For instance, external reporting requirements are provided by general accounting standards such as US-GAAP or IAS, according to the respective law requirements of financial authorities. In that you can choose (or create your own) from different variants of the report structure to meet those requirements. You can determine which accounts are displayed in these two reports.

**Financial Accounting versus Management Accounting**

- **SAP FI and SAP CO are highly integrated**. "One reconciled, consistent version of the truth" means that everything going on in SAP FI should be reflected in SAP CO and vice versa.
- **Financial accounting (FI)** aims at legal reporting:
  - Balance sheets and P/L statements, which are created at the level of legal units (Company Code).
  - The level on which ***financial accounting*** is required is predominantly determined by law (e.g., commercial code), since it is an external obligation. Correspondingly, financial accounting is carried out differently in each country.
- **Management accounting (CO)** serves the purpose of informing the company-internal management regarding cost and revenue.
  - Costs and revenue from financial accounting are used in ***management accounting***.
  - In management accounting, financial data from SAP FI could be allocated across several (financial accounting) boundaries (Cross-Company Code accounting regarding Controlling Areas will be discussed later).
  - Management accounting focuses on planning, controlling and coordination of valued business processes to increase corporate performance.
  - Determined information is used for the objective foundation of management decision-making. Therefore, sources of corporate success are analyzed and aggregated, especially when using cost accounting and investment appraisal to an encompassing controlling concept.
  - Management accounting features advanced techniques of cost monitoring within a company.
- Conclusion (simplified):

- SAP FI accounts for all monetary (or better value-based) changes in the company.
- SAP FI is for external reporting (tax authorities, shareholders, stakeholders, etc.).
- You also refer to Financial Accounting as External Accounting.
- SAP CO is primarily for cost accounting, cost management, cost structures, revenue and profit analysis, etc.
- SAP CO is for internal reporting (line managers, board of directors). However, many controlling measures are required by law, e.g., equity position for banks and, thus, are also reported in the financial statements.
- You also refer to Management Accounting (or Controlling) as Internal Accounting.

### 2.4.2 Financial Supply Chain Management

The aim of the FSCM component is to improve an organization's cash flow mainly in the **Order to Cash** business process.

Components of FSCM are:

**SAP Credit Management**

- Monitoring of the total liability of customers by using appropriate credit lines.
- Advantage: Centralized and company-wide management of credit lines for all different distribution channels to check credit worthiness and utilization eliminates the risk of customers exceeding the credit limit.

**Electronic Bill Presentment and Payment** (SAP Biller Direct)

- Allows billers to send – and customers to receive – invoices electronically.
- Customers can access account information via Internet.
- Advantage:
  - Reduction of media fragmentation,
  - allows vendors to interact with their customers, and
  - provides up-selling and cross-selling options

**SAP Dispute Management**

- Supports for processing of payment deductions.
- Enables cross-departmental resolution of dispute cases, including workflow support and escalation procedures.
- Collaboration with customers is supported by correspondence with customers as well as self-service via the Internet using SAP Biller Direct.
- Advantage: Improves receivables management and speeds up invoice settlement.

**SAP Collections Management**,

- Allows structuring, classifying and minimizing the receivables owed to your organization.
- Advantage: Receivables management is made more efficient.

**SAP Cash and Liquidity Management**

- Supports managing liquidity and currency risks.
- Advantage: Redundant data entry is entirely eliminated as well as accurate and up-to-date cash reports – across countries, currencies, subsidiaries or even across the whole group.

**SAP Treasury and Risk Management**

- Offers a comprehensive set of functions for managing financial transactions and risk within investment, debt and foreign exchange management.

**SAP In-House Cash**

- Allows diversified companies to optimize their intra-group payment transactions by opening an in-house bank. An In-House is used to process all payments between company units.
- Advantage: Keeps cash resources within the group and optimizes how they are applied and, thus, saves on the costs of external netting services and gives you greater flexibility when you process payment netting transactions.

**SAP Bank Communication Management**

- Allows managing multiple bank communication interfaces enabling you to connect to your bank, track the entire payment life cycle of a transaction and improve straight-through processing rates and internal compliance.
- Bank Communication Management is also responsible for the creation and approval of batches, the payment status monitor and the bank statement monitor.

### 2.4.3 Organizational Levels in Financial Accounting

**Company Codes**

- Smallest organizational unit in SAP ERP for which you can issue a ***balance sheet*** and a ***P/L statement*** and which provides a full legal set of books (General Ledger and Sub-ledgers).
- Usually defined based on geographical considerations.
- Created according to tax law, commercial law and other accounting-specific criteria.
- Seldom extend across national boundaries.
- You can create multiple company codes for one country.
- Within the productive environment, at least one company code must be defined.
- ***Company code key*** is a four-digit alphanumeric field.

**Business Areas**

- Organizational unit of external accounting that corresponds to a specific business segment or area of responsibility in a company.
- Financial statements can be created for business areas for internal purposes. If you have defined business areas, the transaction figures for the G/L accounts are managed

separately for internal evaluation purposes. Therefore, you can create internal financial statements for business areas.
- Business areas are used in external segment reporting (over and above company codes), based on the significant areas of operation of a company (e.g., product lines, branches).
- The definition of the business area organizational unit is optional.

**Segments**

A segment is a part of the company that incurs costs, generates revenue and has its own financial data with regard to profit and resource consumption.
- A **business segment** represents a sub-activity of a company, involving the manufacture of a product or provision of a service, with risks and revenues that differ from those of other business segments.
- A **geographical segment** provides information about risks and revenues that differ from other geographical segments in terms of economic or political factors, for example.

In new General Ledger Accounting, segments can also be used as a dimension for reporting purposes (Market and Segment Analysis in SAP CO).

The aim of segmented reporting is to:
- provide an insight into different business activities of a diversified company
- provide information about the general environment

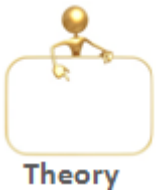
Purpose (includes):
- to provide a better overview of a company's economic performance
- to improve forecasting of the potential sales and financial reserves of a company
- to better anticipate risks and opportunities of a company

**Controlling Area**
- Is an independent organizational structure for which you can manage and allocate costs and revenues.
- Is a separate unit of cost accounting.
- Is a central organizational unit of SAP CO but also highly relevant to SAP FI.
- One or several company codes can be assigned to a controlling area.
- You can carry out cross-company code postings between company codes if the assigned company codes and controlling areas feature the ***same operating chart of accounts*** and the ***same fiscal year variant***

# 3 General Ledger in Financial Accounting

The following section delivers insight into the General Ledger of SAP FI.

## 3.1 Theory: General Ledger in Financial Accounting




The General Ledger is the central book in SAP ERP and controlls all processes in SAP FI. In the following, the components and the structure of SAP FI-GL is explained. Furthermore, the advanteges of the New General Ledger are presented.

### 3.1.1 Structure of the General Ledger

A **General Ledger** in SAP ERP is created based on a ***Chart of Accounts***.

#### 3.1.1.1 Chart of Accounts

Each general ledger is created based on a chart of accounts. A chart of accounts contains the definition of ***all G/L accounts*** in structured form. The definition of a G/L account includes predominantly the account number, the G/L account name and the G/L account type (P&L type account or balance sheet type account).
You can define an unlimited number of charts of accounts in the SAP system. Many country-specific charts of accounts are included in the standard version of the system.

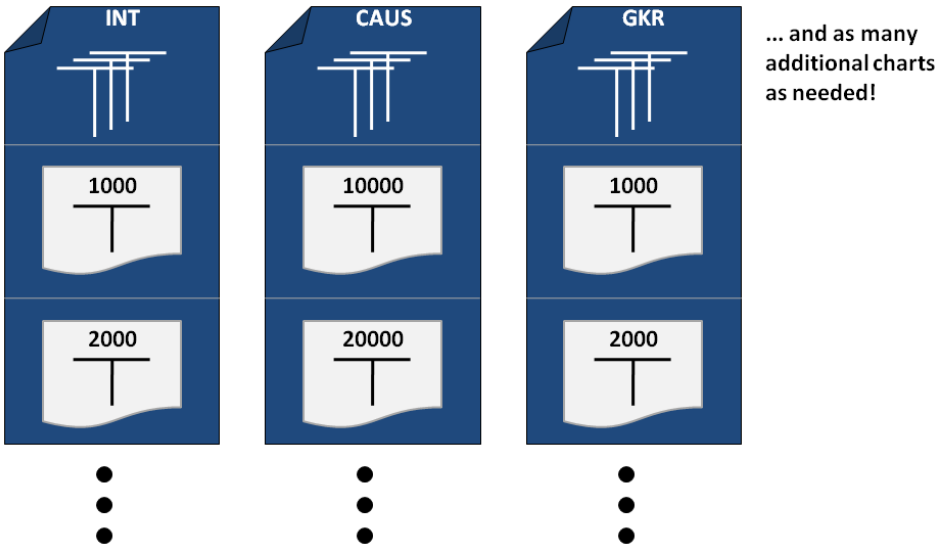



**Figure 30: Chart of Accounts**

#### 3.1.1.2 Chart of Account Assignment

Each company code has one chart of accounts assigned for the general ledger, since the company code is an independent accounting entity. This chart of accounts is referred to as the operating chart of accounts. It is used for the daily postings in this company code.
A chart of accounts can be used by several company codes (see figure below). Consequently, the general ledgers of these company codes are set up identically.

Consider that the chart of accounts is only a template on which the G/L of the respective company code bases. Thus, if you assign the same chart of account (e.g., INT) to multiple company codes, then these company codes have the same structure for their general ledgers.

When you have multiple company codes in your company (e.g., in international organization), you have the following options for assigning the charts of accounts to those company codes:

- You can use the **same chart of accounts** for all company codes: If all company codes have the same requirements regarding accounting, you assign all of the individual company codes to the same chart of accounts. This could be the case if all company codes are in the same country.
- You can assign up to **two additional charts of accounts** in addition to the operating chart of accounts: If the individual company codes need different charts of accounts due to country-specific requirements, you can assign up to two charts of accounts in addition to the operating chart of accounts. This is often the case in multi-national companies where each company code is responsible for different countries.

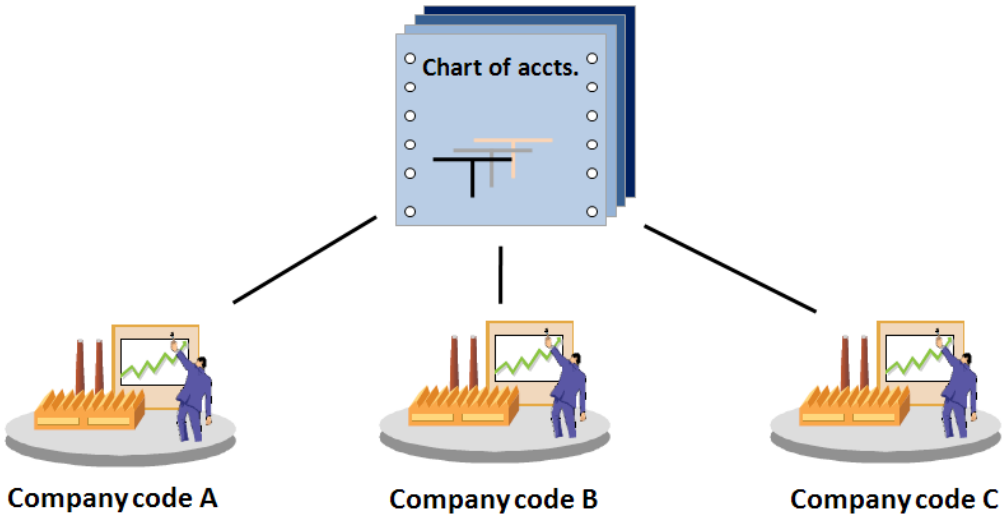



**Figure 31: Chart of Account Assignment**

### 3.1.1.3 G/L Account Master Record

A **G/L account master record** contains two segments – chart of *accounts segment* and *company code segment*. With this structure company codes using the same chart of accounts can also use the same G/L accounts, a master record is created for the G/L account in the chart of accounts and in company code-specific areas.

The first segment of the G/L account master record is the ***chart of accounts segment***. This area contains information about the G/L account that is valid for all company codes. Furthermore, it contains data that controls how a G/L account is created in the company code-specific area.
In the chart of accounts segment, control features are defined on high level. For example, you can determine the account description, i.e., whether it is a balance sheet account or a P&L account (that controls the company code segment fields) and the number of the consolidation account.

The second segment is the ***company code segment***, which describes how the company code that uses the specific account, manages this account. The data entered in this segment of the account master data is only valid for one company code such as the currency in which the account may be is posted. This segment contains control elements for the following functions:

- account control
- account management
- financial details
- joint ventures
- interest calculation
- document control

Consider that before postings to a G/L account in a company code can be made, you have to create a master record for this account in the particular company code. Before creating the company-code-specific segment of the account, the G/L account must already be defined in the chart of accounts (chart-of-account-specific segment).

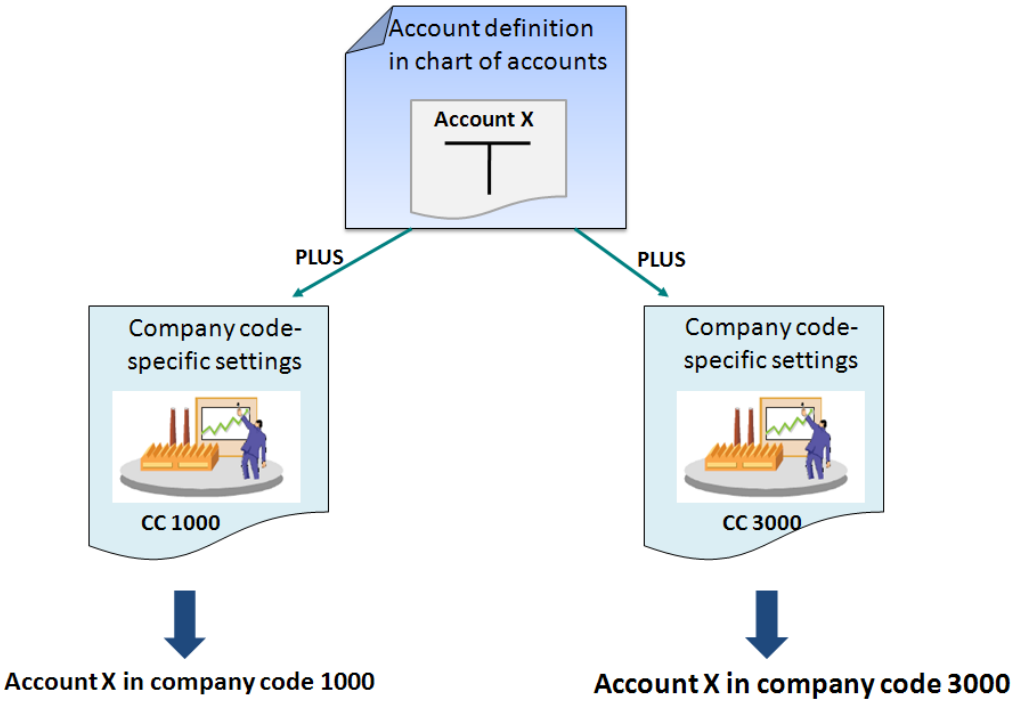



**Figure 32: G/L Account Master Record**

### 3.1.1.4 Account Groups for G/L Accounts

The account group is a summary of characteristics that control the creation of account master records. Using **account groups**, G/L account can be classified in user-defined segments. Account groups are defined in Customizing and serve mainly the following purposes:

- It is used to determine which fields **must** or **can** be filled when creating the account master record. The **field status** of the company code segment of the master record is determined at the time of creating, changing or displaying the same. The four field statuses of a field in the G/L master record are ***suppress, required, display*** and ***optional***.

You can determine in customizing, which field status a field has at the time of its creation.

- It can be used to predefine a number interval from which the numbers for the account master records should be chosen. Accounts that require the same master record fields and use the same number interval are created with the same account group.

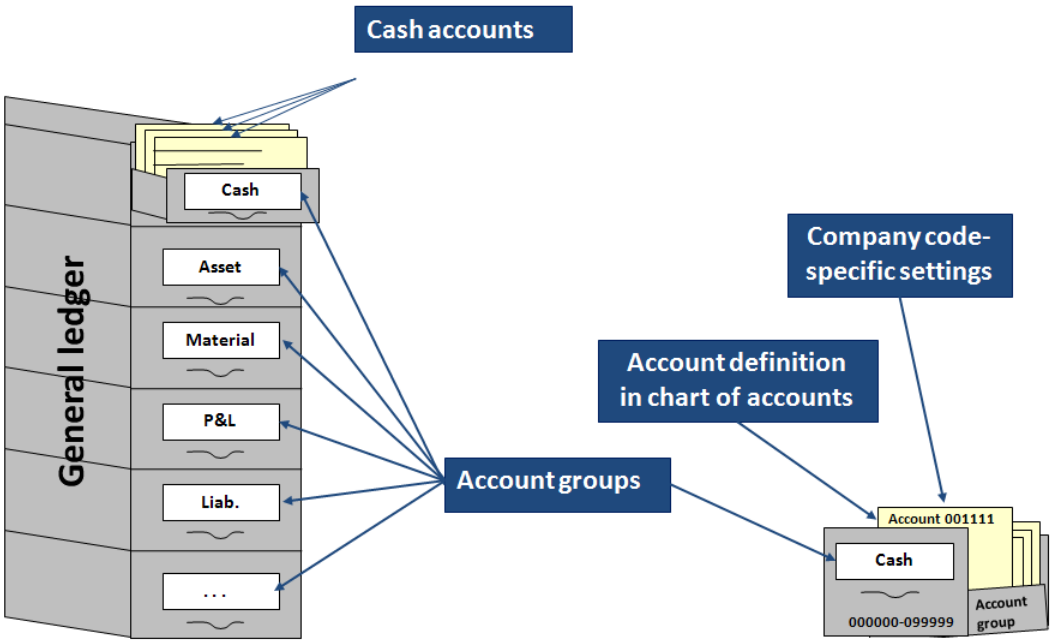



**Figure 33: Account Groups for G/L Accounts**

### 3.1.1.5 Reconciliation Accounts and Sub-ledgers

Customers, Vendors and Assets represent subledgers within the system. For each subledger account, there must be at least one **reconciliation account** in the general ledger. When posting to an account in one of the subledgers, the system automatically posts to the corresponding reconciliation account in the general ledger.

Thus, **reconciliation accounts** ensure the real-time integration of a sub-ledger with the general ledger. The reconciliation account itself is not meant for direct postings, i.e., no business transactions can be posted directly to a reconciliation account.

For example, customer receivables are debited to the customer account of the customer sub-ledger. The balance of the customer account is transferred to reconciliation account 140000 in the general ledger. Thus, the reconciliation between sub-ledger and general ledger is always ensured. In the general ledger, postings are limited to reconciliation accounts by the usage of reconciliation account types.

You are already familiar with reconciliation accounts (e.g., 140000 and 160000) from the customer master data and the vendor master data. These are used to directly transfer liabilities and receivables from the sub-ledgers in the general ledger.

Using the reconciliation account procedure, it is possible to create a balance sheet and a profit and loss statement at any time, since the amounts posted to subledger accounts are also posted automatically in the general ledger. Stress that you cannot manually post directly to reconciliation accounts.

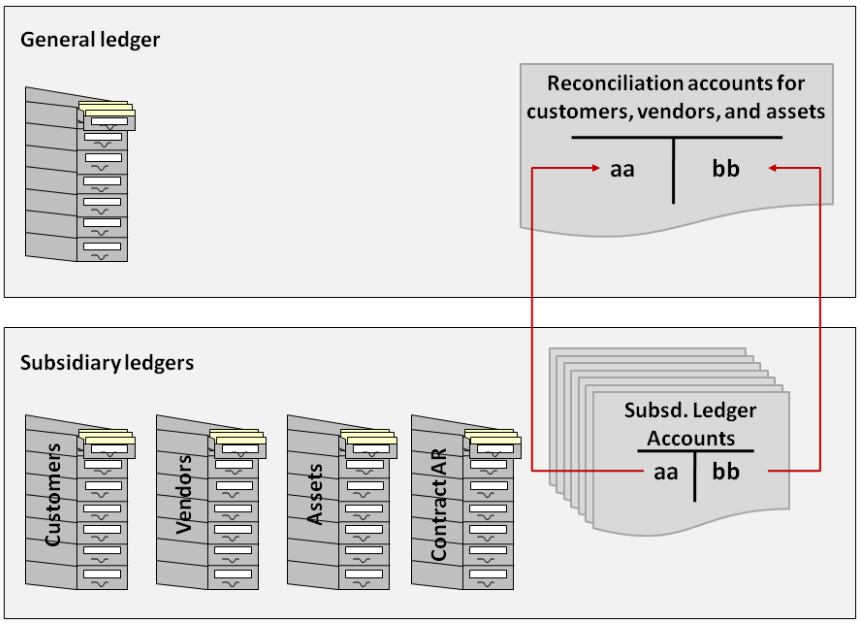



**Figure 34: Reconciliation Accounts and Sub-ledger**

## 3.1.2 Financial Statement Versions

The main purpose of the general ledger is to provide the information needed to create a balance sheet and a profit-and-loss statement. These reports have to meet country-specific requirements. To conform to the various reporting requirements of each country, various financial statement versions are available in the system. In these financial statement versions, you define exactly which accounts should appear at what position of the financial statement.
When running financial statement reports, you select a financial statement version that contains the details of the report structure you want to generate.

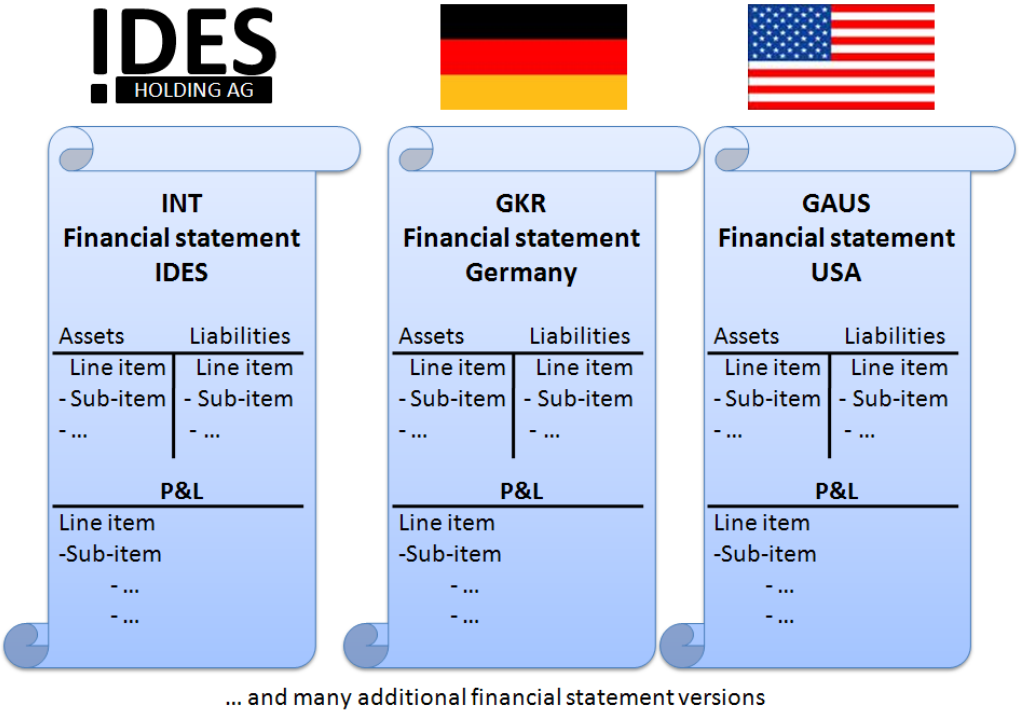



**Figure 35: Financial Statement Version**

### 3.1.3 Profit Centers

In new General Ledger Accounting, profit centers are also part of Financial Accounting (In earlier releases, profit center accounting was only part of Controlling). Like company codes, they can be used as a dimension for financial reporting. This means that financial statements can be created for profit centers as standard. Profit Centers allow the organization to get financial statements for organization structures defined **internally**. This differs from Company Codes that focus on **external** reporting requirements.

A profit center can represent:

- an organizational unit within the company (such as a plant)
- a line of business
- a geographical location


*Consider that a profit center is a "profit" area of responsibility and must not be confused with a cost center. As of SAP ERP 2004 (ECC 5.0), profit centers are not separate components but rather an integral part of the general ledger itself. However, unlike the other dimensions in new General Ledger Accounting, profit centers are still considered as master data, despite being organizational units.*

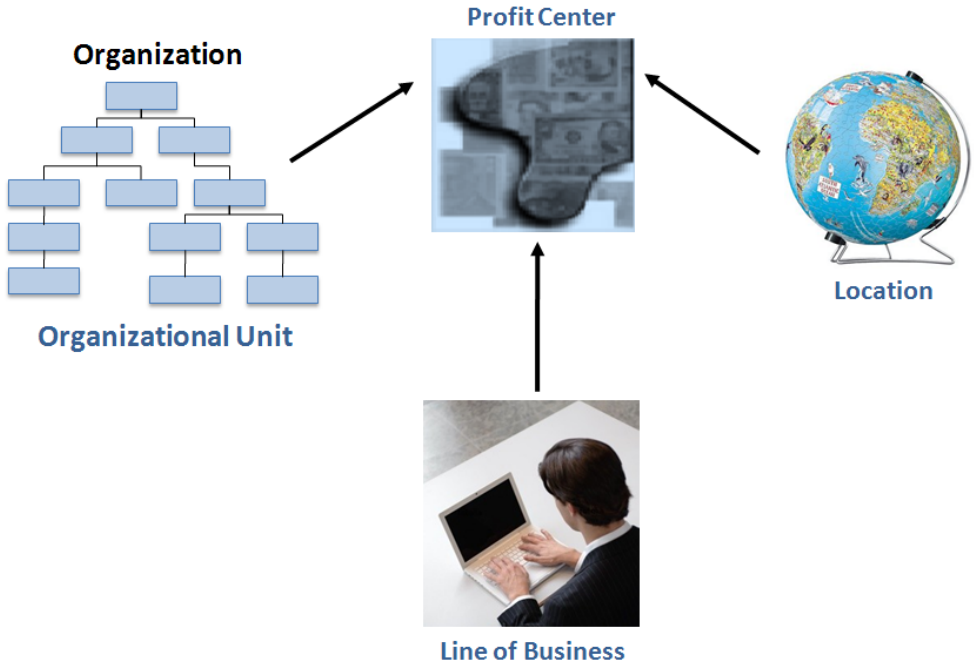



**Figure 36: Profit Center**

### 3.1.4 G/L Account Postings and Queries

**G/L account documents** can be created and posted by using a single-screen transaction. The screen for the creation is divided in four sections (templates and information section).

- In the **work template** section, you can select screen variants, account assignment templates or held documents reference. A held document is a document that a user saved but that was not posted, yet. The held document is supposed to be completed and posted later.
- **Header data** are valid for the entire document, for example, the booking date and the document type. Some header data are only available in display format or they are hidden by the user by using editing options.
- In the **line item information** section, line items (posting positions) for the document are recorded.
- In the **information section,** debit and credit amounts of the document are displayed.

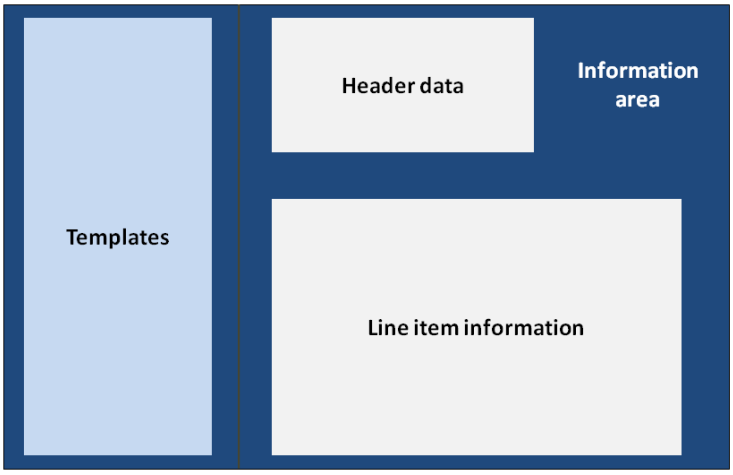



**Figure 37: G/L Account Posting**

### 3.1.4.1 Posting Key

The posting key is defined as a two character numerical key that controls the entry of line items. Each document line item contains a **posting key**. The posting key is used for internal control and for complex postings. It provides the system with the following information:

- account type to be posted
- either it is a debit or credit posting
- which fields of the line item have or need an entry (layout of entry screen)

In the latest G/L transactions, the posting key does not need to be entered anymore. However, it appears in the document and its control functionality is still necessary. You merely need to enter debit or credit and the system will automatically determine the posting key.

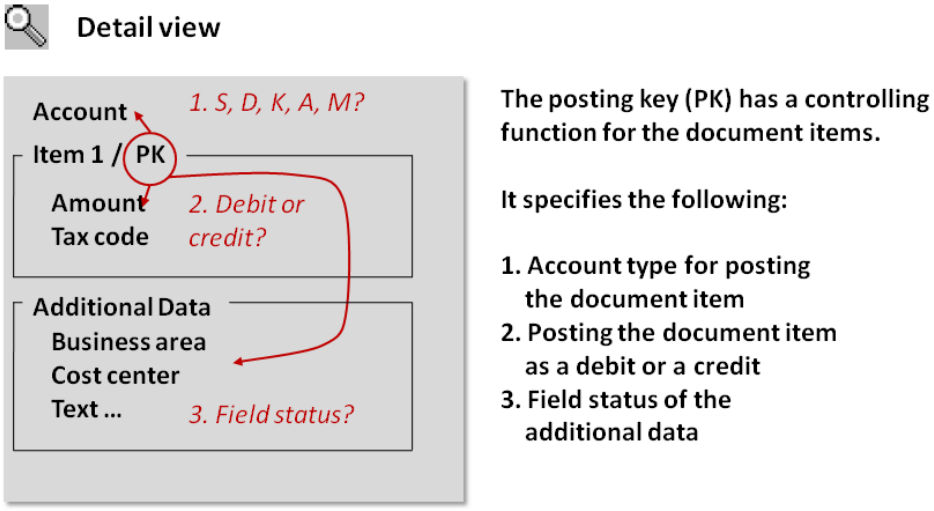



**Figure 38: Posting Key**

### 3.1.4.2 Account Data

Balance display and line item display provide account data. Only if the particular function in the G/L master record is activated, **line item display** is possible for a G/L account.
When you post accounting documents, the system automatically always updates the account balance involved. In addition to the balance of an account, G/L accounts can also be set to record each line item of an accounting document posting. That is, for G/L accounts that have line item display activated, the system notes, which items from the accounting document were posted to the account. Therefore, it is possible to view the account balances **and** (depending on the specifications in the account master record) the line items for every G/L posting.

**Balance display** is an overview of the saved transaction totals of an account. The account balance displays the opening balance (the balance carried forward from the previous year) and the total of all transactions for each posting period, broken down into debit and credit postings (transaction figures). From these numbers, the system also calculates the balance per posting period and the accumulated account balance.
For accounts, which have line item display activated, each accounting posting to this account can be displayed as line item. The total of all line items results in the account balance.

You can navigate (drilldown) from the **balance display** to the **list of line items** via double click on the account balance. From this line item list, you can in turn drilldown to the original accounting document, which posted this line item to the account. By choosing the **document overview** function, you can display the entire transaction. In case a **real document** is available for this SAP ERP document, which was optically archived, you can display it as well.

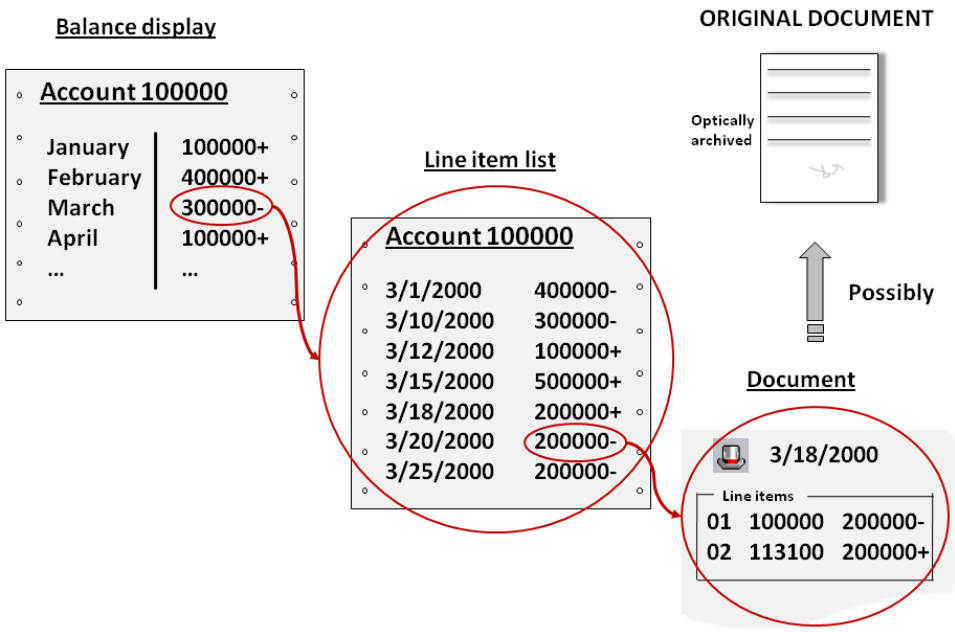



**Figure 39: Account Data**

## 3.2 Practice: General Ledger Accounting in SAP ERP


You want to create a new G/L account from an FI point of view for department expenses concerning the new department that you created in the human capital teaching unit. Prior to this, you need to focus on the chart of accounts principle in the SAP system. Moreover, you need to determine whether the G/L account (account number that you want to create) already exists or must be created.

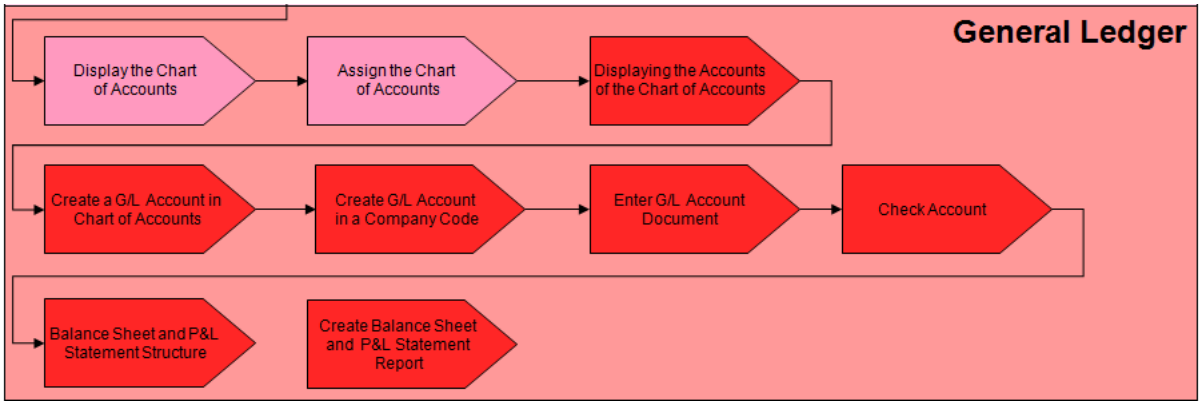



**Figure 40: Process Overview: General Ledger Accounting**

### 3.2.1 Chart of Accounts


*As explained in the theoretical section, a chart of accounts contains all accounts of a company and structures them according to business-related characteristics. It is used by one or several company codes for account validation in document posting and it is referred to as operating chart of accounts.*

*In addition, SAP ERP provides two other types of charts of accounts (alternative charts of accounts), which reflect the law requirements of different countries and consolidate reporting on enterprise-level.*

*The operational chart of accounts is used commonly by financial accounting and cost accounting. The items of a chart of accounts can be expense or revenue accounts in FI and cost or revenue elements in cost accounting.*

*You must assign one chart of accounts to each company code. Moreover, you can assign each company code to a country-specific chart of accounts. Using the country-specific chart of accounts, you can fulfill the country-specific accounting requirements and at the same time, carry out management accounting consistently.*

*The chart of accounts and country-specific chart of accounts are linked by using alternating account numbers. Since the accounts in financial accounting and management accounting are managed with an integrated accounting system (i.e., there is no second accounting system for cost accounting and primary cost types, and revenue types are transferred from the P/L expense accounts), you must consider the charts of accounts of the company codes at the time of controlling area set-up. The controlling area uses the chart of accounts of the assigned company code. In cross-company code accounting, the controlling area and all assigned company codes must use the **same** chart of accounts.*

In the subsequent section, you will work with the INT (international) chart of accounts of the SAP standard version. Thus, it is a pre-defined structuring scheme for recording values and value flows for appropriate accounting. Multiple accounts are already assigned to the INT chart of accounts.

### 3.2.1.1 Display the chart of accounts

Display the INT chart of accounts. Therefore, choose the following transaction in the customizing menu.

***IMG → Financial Accounting (new) → General Ledger Accounting (new) → Master Data → G/L Accounts → Preparations → Edit Chart of Accounts List***

Look for the chart of accounts INT and double-click it.

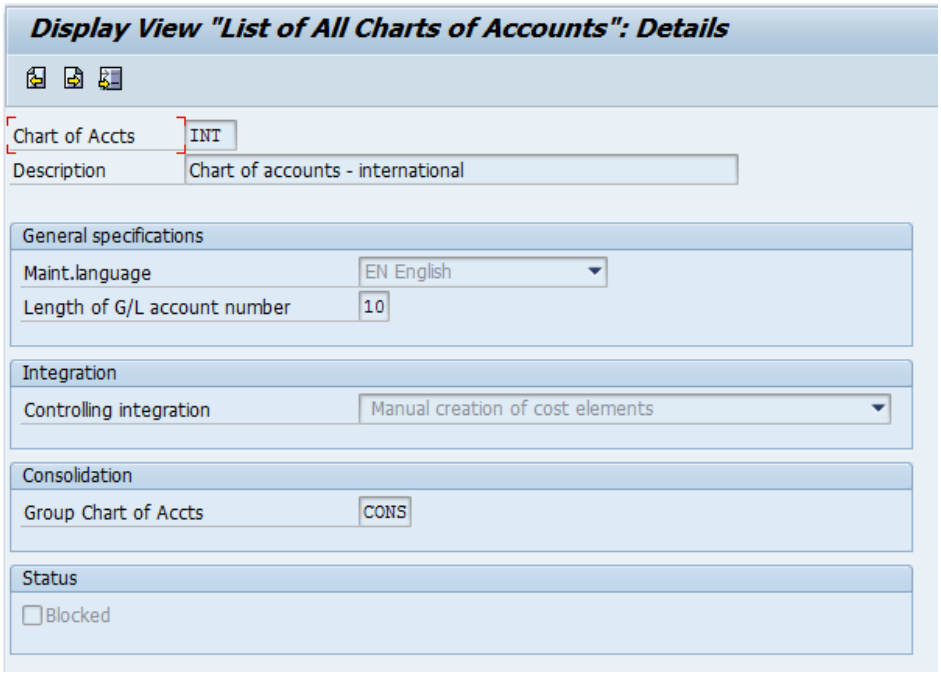



**Figure 41: INT Chart of Accounts: SAP-System-Screenshot**

At this point, you can maintain general control parameters for the chart of accounts. For example, G/L accounts in the INT chart of accounts have a maximum length of ten digits. In the G/L accounts of the present chart of accounts, you can also enter additional information such as an enterprise account number. The system checks whether the enterprise account number exists in the enterprise chart of accounts.
If a chart of account structure is given, for example, due to national requirements, you can define an enterprise chart of accounts. All accounts contain an enterprise account number that is the same for equivalent accounts in different charts of accounts. The definition of balance sheet and P/L statement from an enterprise point of view can then be carried out by using the enterprise account number, as opposed to individual computation per country. For example, the enterprise chart of accounts CONS is here assigned to chart of accounts INT.

### 3.2.1.2 Assign the Chart of Accounts

Check the assignment of chart of accounts INT to company code.

***IMG → Financial Accounting (new) → General Ledger Accounting (new) → Master Data → G/L Accounts → Preparations →***  ***Assign Company Code to Chart of Accounts***

Check whether the INT chart of accounts is assigned to company code 1000. The INT chart of accounts should be entered in the chart of accounts column. You should see that the INT chart of accounts is assigned to several company codes. This only means that all these company codes use the same account scheme. For the definition of G/L accounts in the chart of accounts, an additional step is required that assigns the G/L account to a company code so that the account is relevant to this company code in terms of accounting.

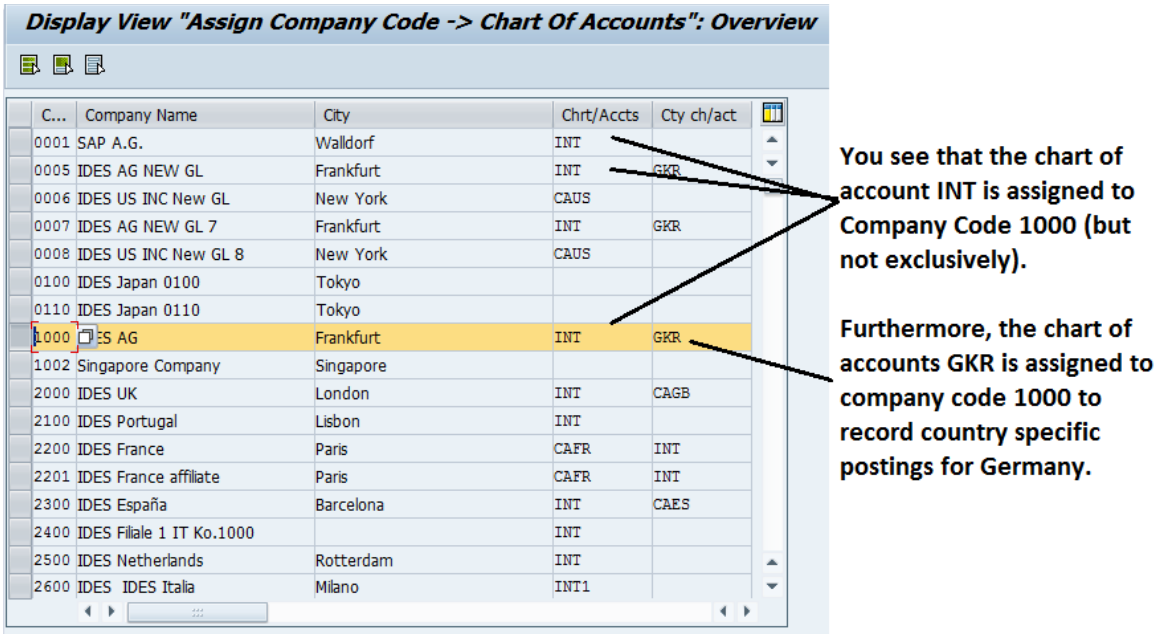



**Figure 42: Assignment of Chart of Accounts to Company Code: SAP-System-Screenshot**

Go back to the IMG screen and choose

***IMG → Controlling → General Controlling → Organization →***  ***Maintain Controlling Area (→ Maintain Controlling Area)***

Look for controlling area 1000 and double-click the entry. You can see here that the INT chart of accounts was assigned as well. Next, focus on the chart of accounts in more detail.

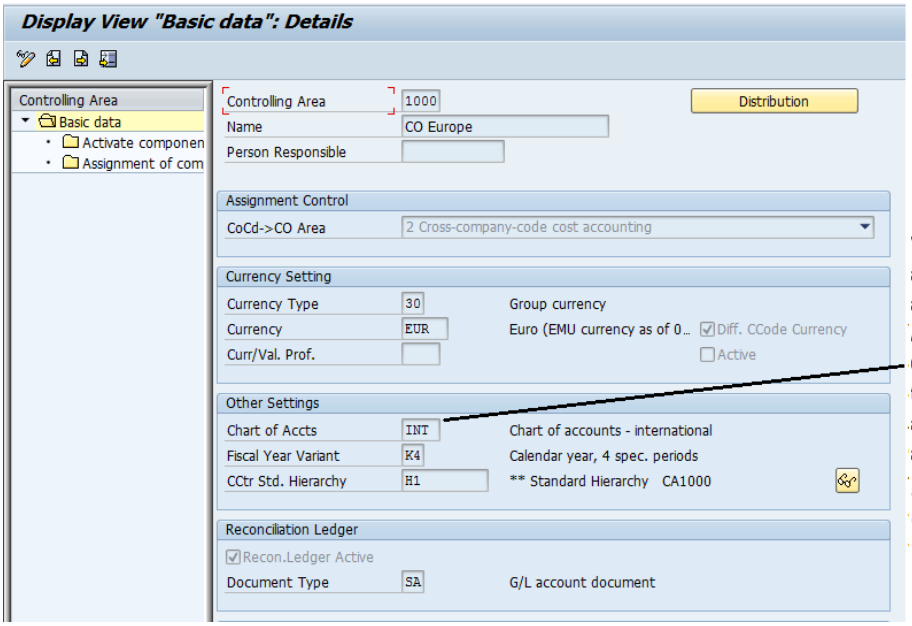



**Figure 43: Cross-Company-Code Postings allowed: SAP-System-Screenshot**

### 3.2.1.3 Displaying the Accounts of the Chart of Accounts

To check which accounts are included in the INT chart of accounts, display the ***chart of accounts report***. Therefore, go back to the SAP easy access menu and choose

***Information System → Accounting → Financial Accounting → General Ledger → Chart of Accounts (transaction F.10)***

Enter INT in the chart of accounts field and choose *Execute.* The system displays **all** G/L accounts of the INT chart of accounts.

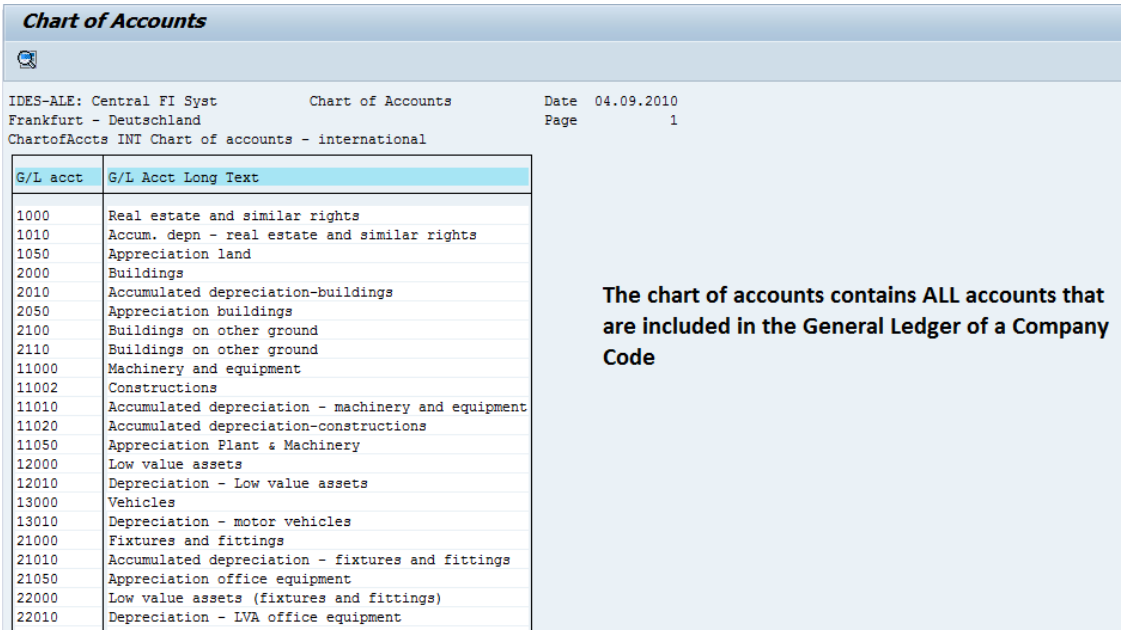



**Figure 44: Chart of Accounts INT: SAP-System-Screenshot**

Look for account 140000 (Trade Receivables domestic). In the procurement process and sales order management case studies, you already heard about the sub-ledgers. This account is a reconciliation account in the general ledger for customer accounts receivables. This account records all changes regarding money values (receivables and liabilities) for all customers in the general ledger. For example, if customer 59999 claims 10,000 Euro, then this amount is recorded in customer account 59999 (the customer master record is the corresponding account in the customer sub-ledger as well). This amount is simultaneously recorded in the general ledger on account 140000. Account 140000 is the standard reconciliation account in the SAP INT chart of accounts for customers and is entered in the customer master record when creating the customer in the reconciliation account field. Of course, you can use other accounts as reconciliation accounts as well or create own accounts.

## 3.2.2 G/L Accounts

Next, create a G/L account in the INT **chart of accounts** for expenses of your new department.

### 3.2.2.1 Create a G/L Account in Chart of Accounts

The new account is supposed to be a P/L account. By the end of the year, the balance of this account is closed via retained earnings account 900000. Assign the account to the account group ***all G/L accounts*** due to organizational reasons. It is assigned with account number 312600 to the enterprise chart of accounts CONS.

To create the G/L account in the charts of accounts, choose

***Accounting → Financial Accounting → General Ledger → Master Records → G/L Accounts → Individual Processing → In Chart of Accounts (FSP0)***

1. On the Edit *G/L Account: Chart of accounts data* screen, enter the following data:
   - **G/L account** ***90xxyy***
   - **Chart of accounts** ***INT***
   - Choose  .
2. In the ***Type/Descriptions*** tab, enter the subsequent data:
   - **Account group** ***SAKO General G/L accounts***
   - **P&L statement acct** ***select***
   - **P&L statmt. acct type** ***X***
   - **Functional area** ***0400***
   - **Short text** ***expenses SD&M xxyy***
   - **Group account number** ***312600***
   - *Save* your entries.

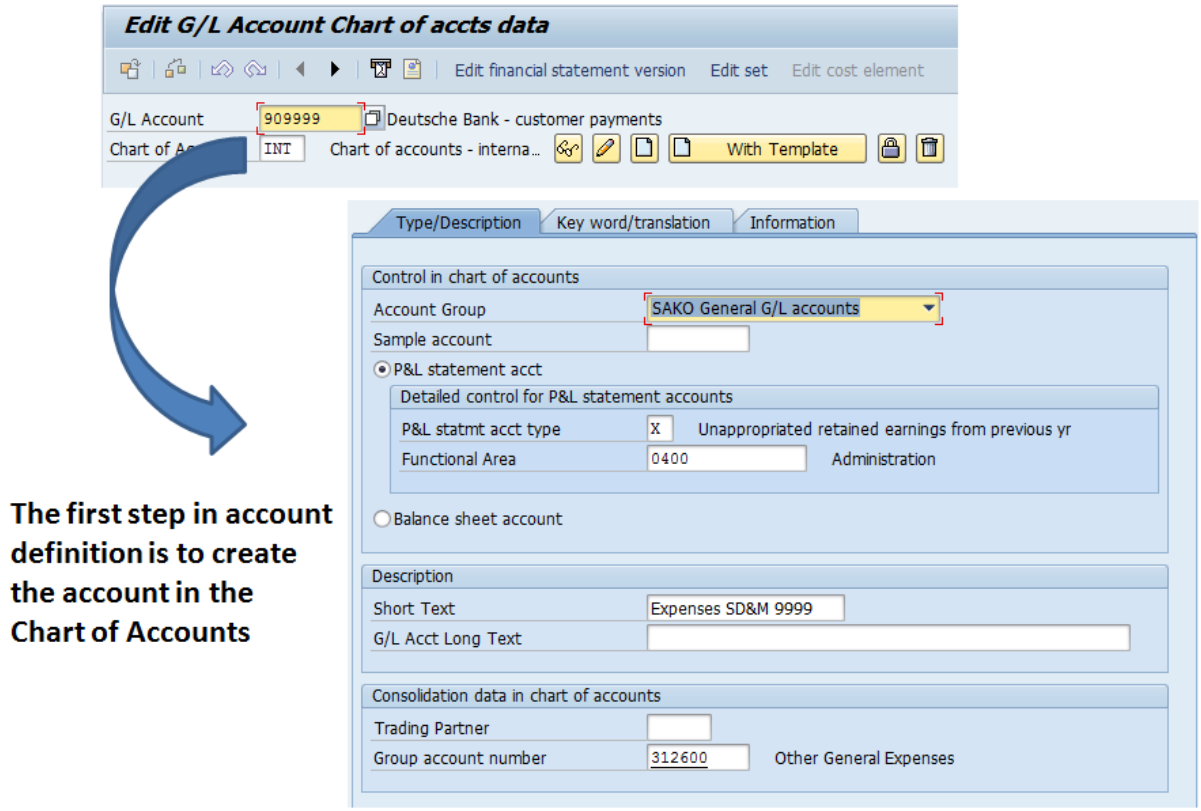



**Figure 45: Create Account in Chart of Accounts (1): SAP-System-Screenshot**

3. In the chart of Accounts INT you should now see your account (Transaction F.10)

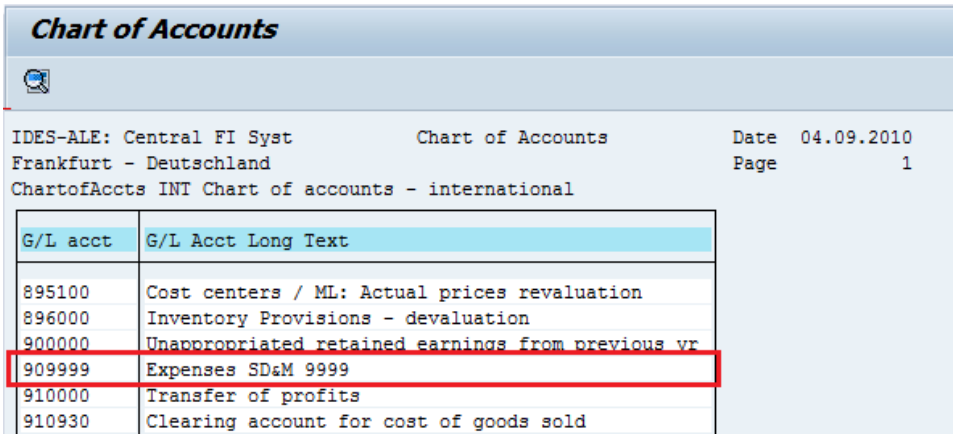



**Figure 46: Create Account in Chart of Accounts (2): SAP-System-Screenshot**

### 3.2.2.2 Create G/L Account in a Company Code

Make the new G/L account available in company code 1000. Line item display is required for the new account. For line item display, sorting criteria are document number and fiscal year (sort key 002). Since it is an expense account, fields regarding expenses are supposed to be displayed when processing document for this account. Assign the account to field status group G033. Assign the account to commitment item 1423 for cash management reasons. Set the tax category to input tax "-". Set the flag "posting without tax permitted".

***Accounting → Financial Accounting → General Ledger → Master Records → G/L Accounts → Individual Processing → In Company Code (FSS0)***

1. On the ***Edit G/L Account: Company code data*** screen, enter the following data:
   - **G/L account** ***90xxyy***
   - **Company code** ***1000***
   - Choose  .
2. In the ***Control data*** tab, enter the following data:
   - **Tax category** ***- (only input tax allowed)***
   - **Posting without tax permitted** ***select***
   - **Line item display** ***select***
   - **Sort key** ***002***
3. Go to the ***Create/bank/interest*** tab
   - **Field status group** ***G033***
   - **Commitment item** ***1423***
   - Choose *Save.*

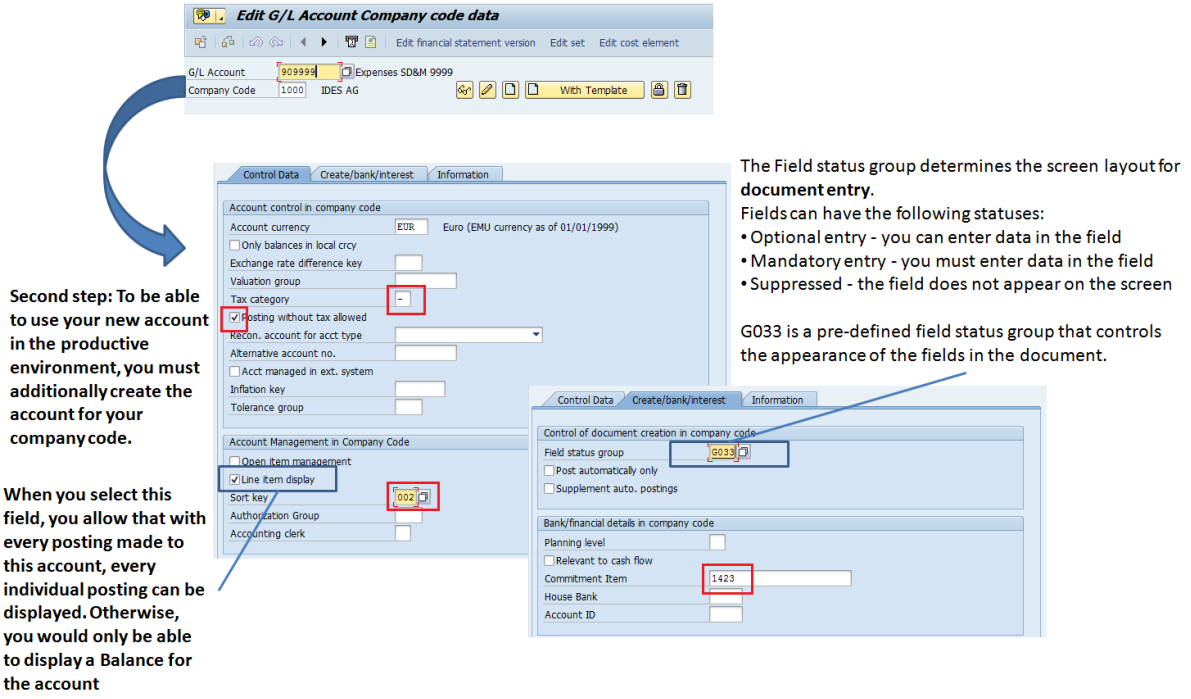


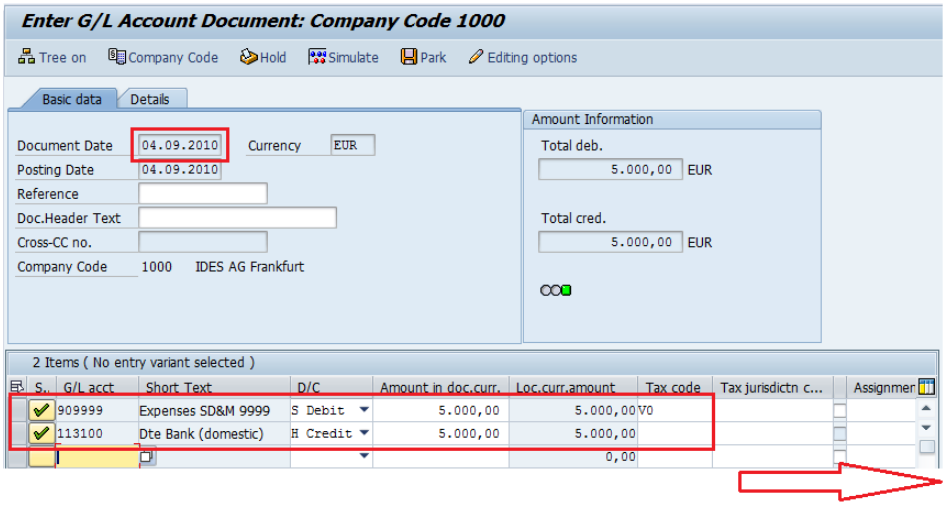

**Figure 47: Create Account in Company Code: SAP-System-Screenshot**

### 3.2.2.3 Enter G/L Account Document

In your new department, expenses amount to 5,000 Euro in Company Code 1000. Therefore, you need to enter the expenses in the general ledger. To record the expenses, carry out a G/L account posting. Use account 113100 for the corresponding bank payment posting. Choose

***Accounting → Financial Accounting → General Ledger → Posting → Enter G/L Account Document (FB50)***

1. When prompted to do so, enter company code 1000.
2. Enter the following data:
   - **Document date** *current date*
   - **currency** *EUR*
   - **G/L account** *90xxyy*
   - **D/C** *S Debit*
   - **Amount in doc. curr** *5000*
   - **Tax code** *V0 (use F4-Help!)*
   - **G/L account** *113100*
   - **D/C** *H Credit*
   - **Amount in doc. curr** *5000*
   - Press *Enter*.




Note: if you scroll to the right, you will see all the extended fields (columns) mentioned in the chapter "Advantages of the New GL). These fields are Profit Center, Costen Center, Segment etc.

**Figure 48: Enter G/L Account Document: SAP-System-Screenshot**

3. Save the document and list the document number on your data sheet.

   **G/L account document:** _____


*In case you receive a message, select the* ***second*** *line and choose*  *from the lower part of the screen. Enter the* ***current date*** *in the* **submit on** *field. Choose*  *and save the document again.*

4. Press  to leave the transaction.

### 3.2.2.4 Check Account

To ensure that the posting was carried out properly, check the balance of account 90xxyy in company code 1000 and go to the document. Choose

***Accounting → Financial Accounting → General Ledger → Account → Display Balances (FS10N)***

1. Enter the following data:
   - **G/L account** ***90xxyy***
   - **Company code** ***1000***
   - **Fiscal year** ***current fiscal year***
   - **Business area** ***no entry***
2. Choose *Execute*.
3. The account's balance for the current period is 5,000 €. Display the items of account 90xxyy by double-clicking the passive balance (debit column) for the current period.

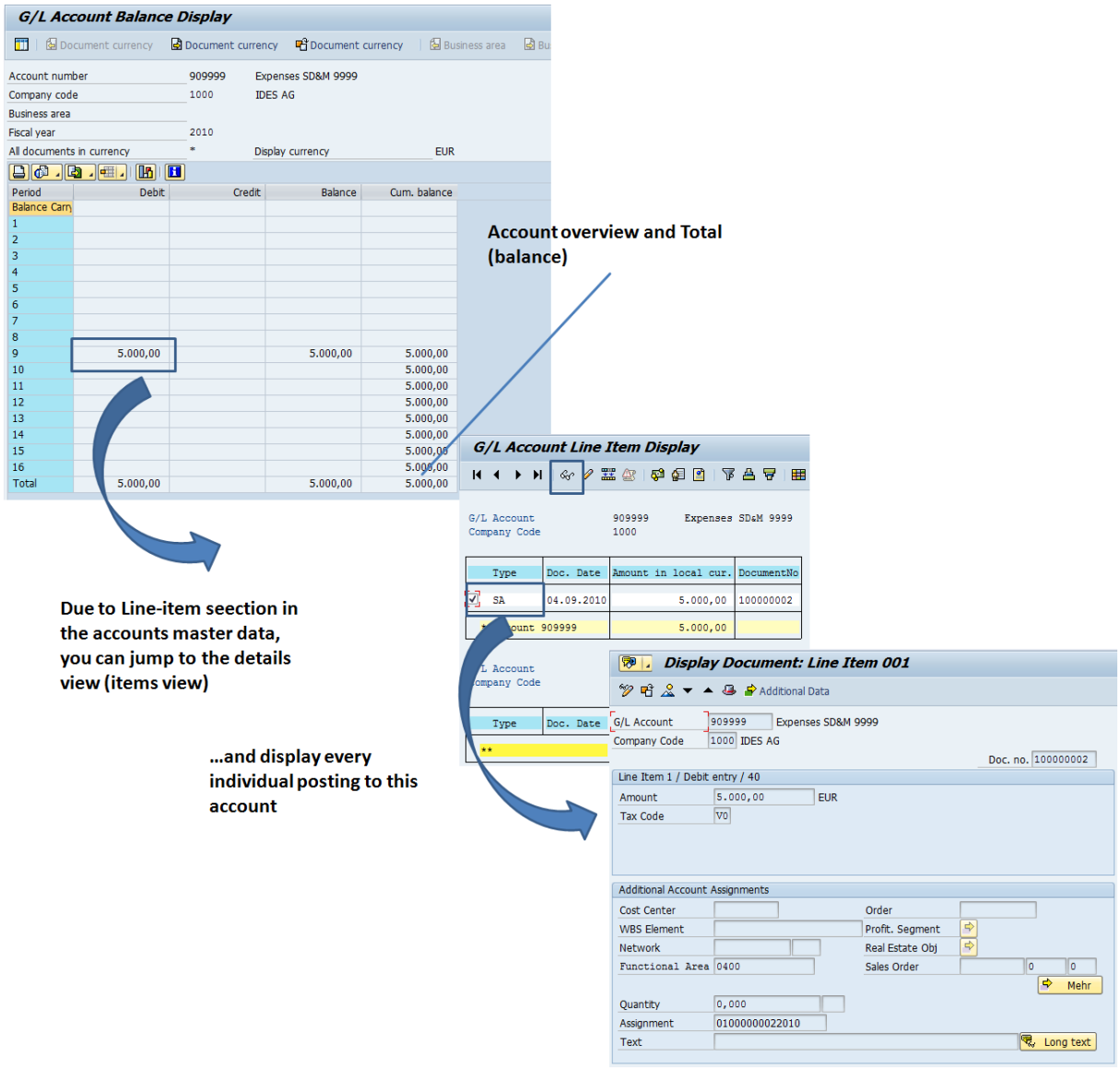



**Figure 49: Display Balance in General Ledger: SAP-System-Screenshot**

**Is the document number the same as the G/L account document posting?**
**List the answer on your data sheet.** _____

### 3.2.3 Balance Sheet and P&L Statement Structure

The balance sheet and income statement report can be run using different versions, called financial statement versions. Some versions can be very detailed such as for the controller, and others can be summarized such as for the board of directors. In order for an account to show up at a proper location in the balance sheet or income statement, it must be included in the financial statement version used when the balance sheet/income statement is run. If it is not put in the financial statement version, it will show up at the bottom of the income statement under a category called *Unassigned Accounts*.

Enter the newly created G/L account 90xxyy into the balance sheet/P&L statement version (financial statement version) INT so that it appears at the right position when running the balance sheet.

***Accounting → Financial Accounting → General Ledger → Master Records → General Ledger Accounts → Individual Processing → In Company Code (FSS0)***

1. Enter the following data:
   - G/L account 90xxyy
   - Company code 1000
2. Choose ***change***  .
3. Select 

.
4. In the *select financial statement* dialog, enter the financial statement version **INT.** Confirm with *Enter*.
5. You can now see the **financial statement** version INT. This is a standard version in SAP for entering all accounts of the INT chart of accounts. For example, when you are running a balance sheet/P&L statement report, all accounts from the INT chart of accounts are listed according to this structure in the balance sheet or P&L statement. If you, for example, do not assign your newly created G/L account to a respective node, it is displayed in the report under node 8000000 (unassigned accounts).


*Unfortunately, the account and node descriptions in the training system are only available in German language.*

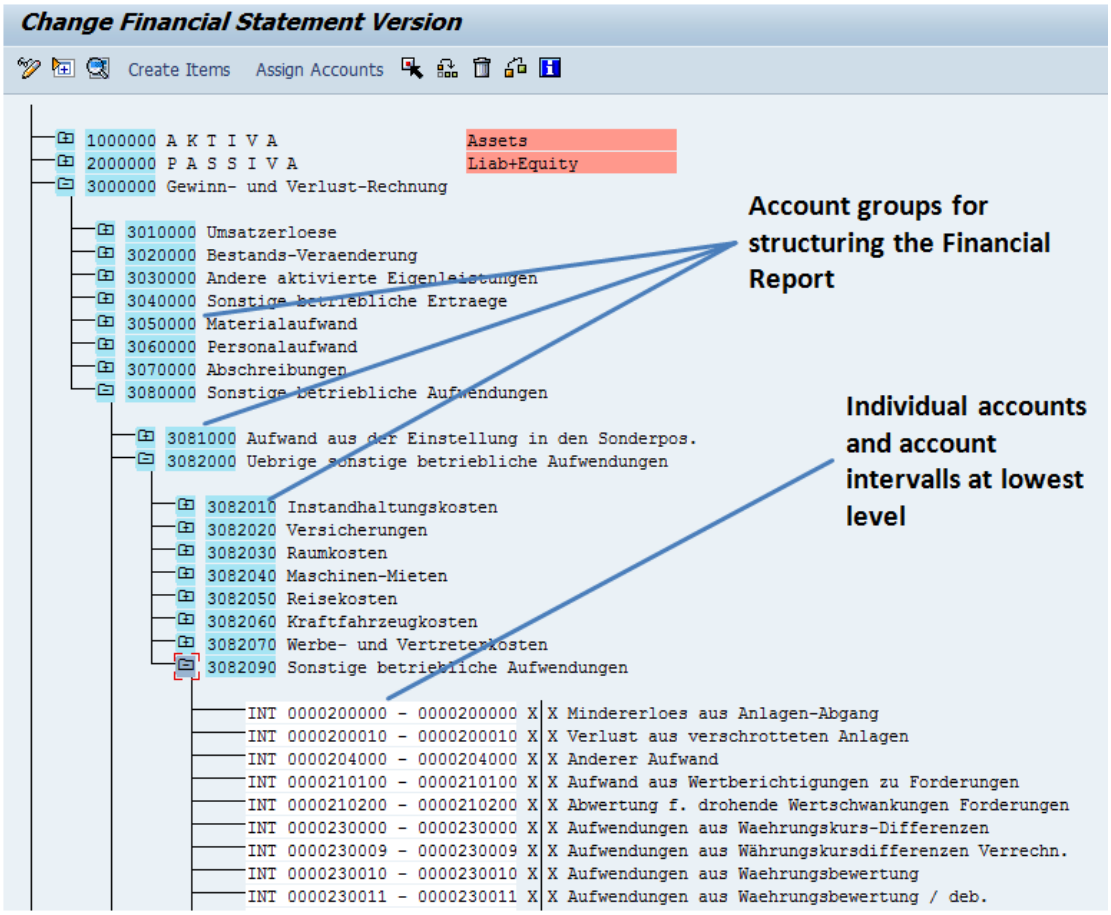



**Figure 50: Financial Statement Version: SAP-System-Screenshot**

6. Expand the path ***3000000 → 3080000 → 3082000 → 3082090***. Click on the node **3082090** and choose Assign Accounts. In the ***from acct*** and ***to acct column,*** enter your account number ***90xxyy*** in the next empty row. If there is no empty line for entering your account, click the symbol to create an empty line.


***The financial statement version can only contain 40 accounts per node. In case there is no space left in node 3082090, overwrite the first account in the list, which begins with the digits 90xxyy. At that point, the other course participants should have completed their case study ;-)***

7. Check the box' **debit (D)** and **credit (C).**

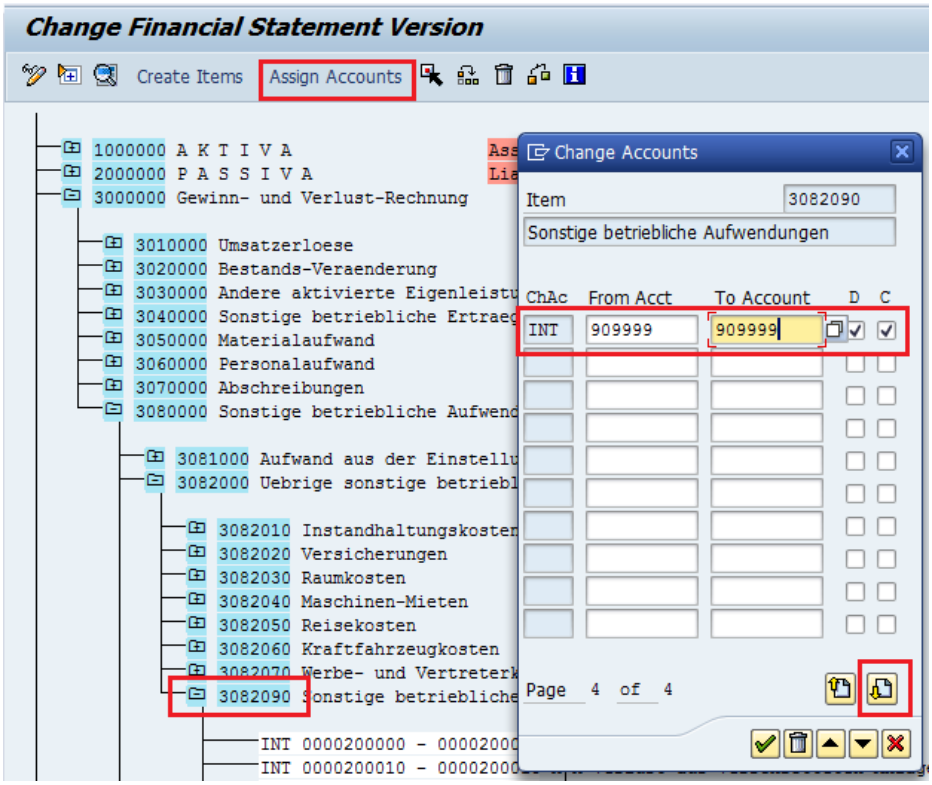



**Figure 51: Change Financial Statement Version: SAP-System-Screenshot**

8. Confirm with *Enter* and *save* the change.


*If you receive a change request, just click on the New-button ( ) and enter any description in the Text field. Save the change request.*

### 3.2.4 Create Balance Sheet and P&L Statement Report

A company creates balance sheets displaying an *actual/actual period comparison* with the previous period when closing its books. Use the financial statement version INT. Choose

***Accounting → Financial Accounting → General Ledger → Information System → General Ledger Reports → Balance Sheet/Profit and Loss Statement/Cash Flow → General → Actual/Actual Comparison → Periodic Actual/Actual Comparison (S_ALR_87012252)***

1. Confirm possible system messages.
2. Enter the following data:
   - **Company code** ***1000***
   - **Financial statement version** ***INT***
   - **Fiscal year** ***current fiscal year***
   - **period** ***current period***
   - ***The field Business Area must be empty!***
3. Select *Execute*. If prompted, select ***New Selection***.

4. You receive the balance sheet of the current period in comparison to the same period of the previous year. In the balance sheet, you can drill down until the account transaction figures.
5. Expand the ***other operating charges*** folder and make sure that your account 90xxyy is displayed in this balance sheet.
6. Save your report and leave the transaction.

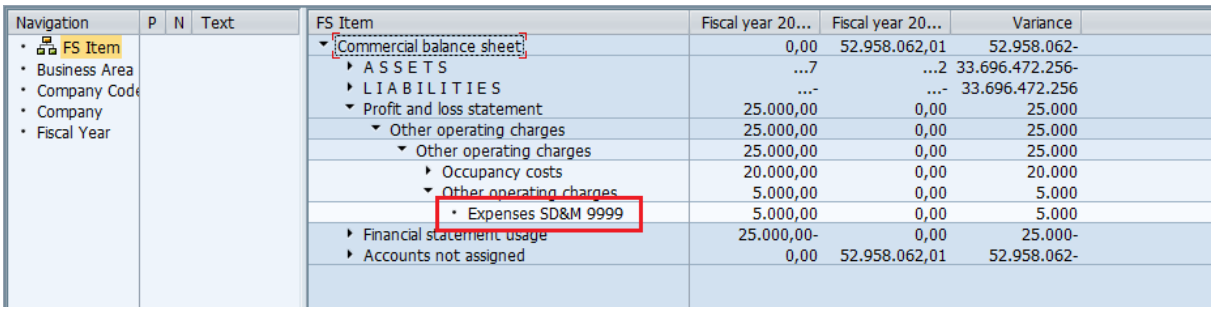



**Figure 52: Balance Sheet and P&L Statement Report: SAP-System-Screenshot**

## 3.3 Elucidation


**What have we learned so far?**
You got acquainted with the components and the structure of the new General Ledger in SAP FI and its advantages compared to the classic General Ledger.

### 3.3.1 Structure of the General Ledger

#### 3.3.1.1 Chart of Accounts

**Definition**

- The Chart of Account is a list of all G/L accounts used by one or several company codes.
- Each general ledger is created based on a chart of accounts.
- For each G/L account, the chart of accounts contains
    - account number
    - account name
    - information that controls how an account functions and how a G/L account is created in a company code

**Use of Chart of Accounts**

- You have to assign a chart of accounts to each company code. This chart of accounts is then the operating chart of accounts and it is used for the daily postings in this company code.
- The following options are available when using multiple company codes:
    - You can use the same chart of accounts for all company codes: If the company codes all have the same requirements for the chart of accounts set up, assign all of the individual company codes to the same chart of accounts. This could be the case if all company codes are in the same country.
    - In addition to the operating chart of accounts, you can use two additional charts of accounts: If the individual company codes need different charts of accounts, you can assign up to two charts of accounts in addition to the operating chart of accounts. This could be the case if company codes lie in multiple countries.
    - The use of different charts of accounts has no effect on the balance sheet and profit and loss statement. When creating the balance sheet or the profit and loss statement, you can choose whether to balance the company codes, which use different charts of accounts together or separately.

**Structure of Chart of Accounts**

Charts of accounts can have three different functions in the system:

- **Operating chart of accounts**

The operating chart of accounts contains the G/L accounts that you use for posting in your company code during daily activities. Financial Accounting and Controlling both use this chart of accounts.
You have to assign an operating chart of accounts to a company code.

- **Group chart of accounts**
  The group chart of accounts contains the G/L accounts that are used by the entire corporate group. This allows the company to provide reports for the entire corporate group.
  The assigning of a corporate group chart of accounts to a company code is optional.
- **Country-specific chart of accounts**
  The country-specific chart of accounts contains the G/L accounts needed to meet the country's legal requirements. This allows you to provide statements for the country's legal requirements.
  The assigning of a country-specific chart of accounts to a company code is optional.

**Integration of Chart of Accounts**

- The operating chart of accounts is shared by Financial Accounting as well as Controlling.
- The accounts in a chart of accounts can be both
  - expense or revenue accounts in Financial Accounting (SAP FI)
  - and cost or revenue elements in cost/revenue accounting (SAP CO)

### 3.3.1.2 G/L Account Master Record

- G/L account master records contain the data that is always needed by the General Ledger to determine the account's function. The G/L account master records control the posting of accounting transactions to G/L accounts and the processing of the posting data.
- Before making postings to a G/L account, a master record for the account must be created in the chart of account **and** the company code.
- In the standard system, all business transactions, which are posted to G/L accounts are updated in the general ledger. Additionally, you can define further ledgers to which data can be posted too (Parallel Accounting in New GL).

**Structure**

- G/L account master records are divided into two areas so that company codes with the same chart of accounts can use the same G/L accounts.
  - **Chart of accounts area**
    G/L account master data in the chart of accounts area contains information about the G/L account that is valid for ***all*** company codes. The chart of accounts area also contains data that controls how a G/L account is created in the company code-specific area.
    The following information is contained in the chart of accounts area of a G/L account master record.
    - the chart of accounts, e.g., INT

  - the account number and account name (short and long text)
  - The indicator that specifies whether the account is a ***balance sheet*** account or an ***P&L statement*** account.
  - The ***account group*** is used to group similar accounts together and control the creating and changing of master records.
  - Entries which are necessary for consolidation are trading partner and group account number.
- **Company code specific area**
  The company code specific area contains data that may vary from one company code to another such as the currency in which the account may be posted. This segment contains control elements for the following functions:
  - account control
  - account management
  - financial details
  - joint ventures
  - interest calculation
  - document control

- To make sure that company codes that are using the same chart of accounts can also use the same G/L accounts, a master record is created for the G/L account in the chart of accounts (transaction FSP0) **and** for the company code (transaction FSS0).

#### 3.3.1.3 Account Groups for G/L Accounts

- The account group is a summary of accounts based on criteria that effects how master records are created. When you create a G/L account in the **chart of accounts area** (**FSP0**), you **must** specify an account group.
- Using the account group, you can group the G/L accounts according to functional areas. For example, you can group all bank accounts, giro accounts and cash in the account group FIN for "liquid funds".
- The account group contains the following definitions:
  - **Number interval**
    Standard charts of accounts are available for most countries. These are generally created. That is, the numbers of accounts belonging to the same functional area begin with the same digits (e.g., 400000er numbers for material accounts). You use the account group in the chart of accounts to indicate this grouping principle.
  - **Screen Layout**
    The accounts within a functional area require the same fields for storing information when entering and processing business transactions. Using the account group, you determine which fields are visible, hidden, must-entries and can-entries for each functional area. Furthermore, you determine the form that is needed. You must maintain the field status when defining an account group. Otherwise, all fields are hidden.

#### 3.3.1.4 Reconciliation Accounts and Sub-ledgers

- **Reconciliation accounts** ensure the real-time integration of a sub-ledger with the general ledger.
- Reconciliation accounts are not meant for direct postings.

## 3.3.2 Financial Statement Versions

The general ledger is assigned to a company code and is based on a chart of accounts. The chart of accounts contains all accounts required in a company. All accounts relevant for the particular company code are defined in the company code additionally to the definition in the chart of accounts.

All financial postings made during a fiscal year are recorded in the general ledger. You use the general ledger to create the balance sheet and the profit-and-loss statement (mainly at the end of the fiscal year).

Each country has tax and reporting-specific requirements on how these financial reports must look like, what accounts they should display, how they should be structured and what totals must be presented. These legal reporting requirements are met with the help of financial statement versions. There are multiple pre-defined financial statement versions available in the SAP system.

When creating the financial reports, you can choose a financial statement version and the system generates the appropriate balance sheet and P&L statement. You can also define financial statement versions on your own. Here you can determine, which accounts are displayed in the balance sheet and P&L statement, how these accounts are structured, etc.

## 3.3.3 Profit Centers

A profit center is an organizational unit (mainly of Controlling; see teaching unit 9) that is used to structure a company regarding the cost and revenue structure. You use profit centers mainly for analytical purposes to retrieve information on how good a particular area in your company performs.

Thereby, a profit center can represent:

- an organizational unit within the company (such as a plant)
- a line of business
- a geographical location

Since ECC 5.0 (since new General Ledger Accounting is implemented) profit centers are also part of Financial Accounting. That is, in a financial process, e.g., posting revenues from a sales order, you can enter the responsible profit center directly in the account posting document. Hence, you can use profit centers as a dimension for financial reporting, since the financial postings can be associated with the profit center responsible. This means that financial statements can be created for profit centers.

### 3.3.4 G/L Account Postings and Queries

**G/L account documents** can be created and posted by using a single-screen transaction. The screen for the creation is divided in four sections (templates and information section).

- **Work template** for selecting
  - screen variants
  - account assignment templates
  - held documents reference
- **Header data**: The part of a document that contains information valid for the whole document, for example, document date and number. It also contains controlling information such as the document type.
- **Line item information**: The part of a document that contains information about an item. This includes an amount, an account number, the credit or debit assignment and additional details, specific to the transaction being posted. You can enter terms of payment, a cost center or an explanatory text in a line item, for example.
- **Information section** debit and credit amounts of the document are displayed.

**Posting Key**

- Two-character numerical key that controls the entry of line items. The posting key determines:
  - account type
  - debit/credit posting
  - layout of entry screens
- When entering a posting, a posting key must be entered for each item. This key determines how the item is posted. Posting keys are defined at client level and, therefore, apply to all company codes.
- The posting key determines:
  - the data you can enter in the line item
  - how data you post is processed
  - how the system updates the data you enter
- Posting keys are differentiated by customer, vendor and G/L accounts. Apart from the General Ledger Accounting (FI-GL) and Accounts Receivable and Payable (FI-AR/AP) components, there are also posting keys for asset and material accounts.
- The following figure illustrates the posting key:

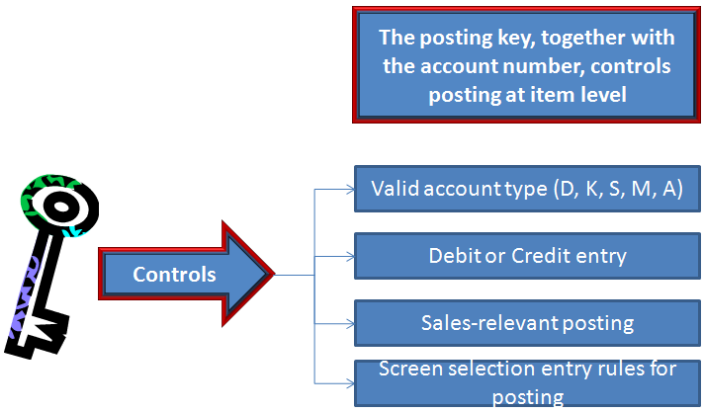



**Figure 53: Posting Key: help.sap.com**

**Account Data**

You can display balance and line item postings for a G/L account. That is, the amounts are posted to one account. Balance display is an overview of the saved transaction amounts of an account.

For a G/L Account, you must activate the line item posting to be able to display single (or individual) postings for the account. If this option is not activated in the G/L master record, you can only display the balances.

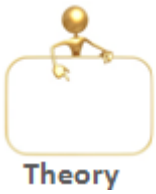
If the function is activated, you can:

- navigate from the **balance display** to a **list of line** items from which the balance is computed
- navigate from the **line item list** to the original document containing the respective line items
- display the entire transaction by choosing the **document overview** function
- In case a **real document** is available for this SAP ERP document, which was optically archived, you can display it as well.

# 4 Accounts Payable in Financial Accounting

This section explains the details of the Accounts Payable sub-ledger in SAP FI.

## 4.1 Theory: Accounts Payable in Financial Accounting




Whenever doing business with a vendor, the sub-ledger Accounts Payable is used. The following explains the details of the sub-ledger and the integration with the General Ledger.

### 4.1.1 The Vendor Master Record

The **vendor master record** contains data for controlling posting and processing of transactions regarding vendors. This includes all information required for doing business with the ***vendor***.

On client-level, vendor-specific information such as name and address are stored. Each company code assigned to the client can access this general information.

The Company code-specific data record contains the part of the vendor master record that a company needs to process vendor transactions by the respective company codes. This technique prevents individual company codes from maintaining data that would be identical in nature.

Goods and services purchased by a purchasing organization are procured from a vendor. Payment is posted in accounts payable. Therefore, different purchasing organizations of a group must store **purchasing-specific data** in the **vendor master record** before they can use the vendor master record.

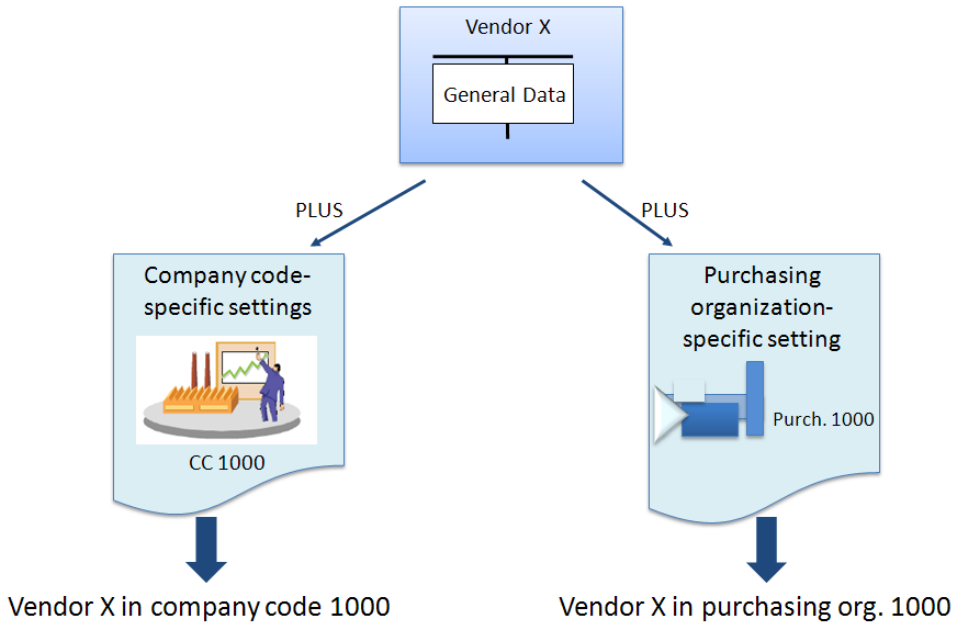



**Figure 54: The Vendor Master Record**

### 4.1.2 Accounts Payable Credit/Invoice Memo Entry

Using a single-screen transaction, you can easily create and post a **vendor invoice** or a **credit memo**. A vendor invoice or a credit memo is entered directly in vendor accounting. This type of invoice, entered directly in A/P, is a miscellaneous invoice without reference to a purchase order. The A/P entry screen to enter vendor invoices is structured in the following areas:

- In **work templates,** you can choose screen variants, account assignment templates or held documents as reference.
- In the **header and vendor data,** document header data and vendor line items are recorded.
- In the **line item information,** the G/L line items for the document are entered.
- In the **information area,** the document balance and vendor information are displayed.

Using this transaction, you can also create documents in different currencies. The foreign currency amount is converted in the local currency by using defined exchange rates.

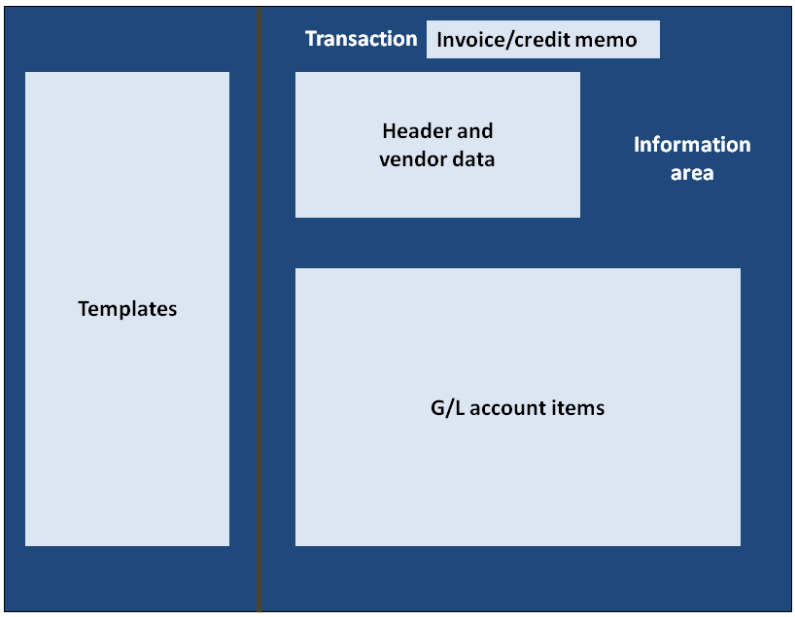



**Figure 55: Vendor Invoice and Credit Memo**

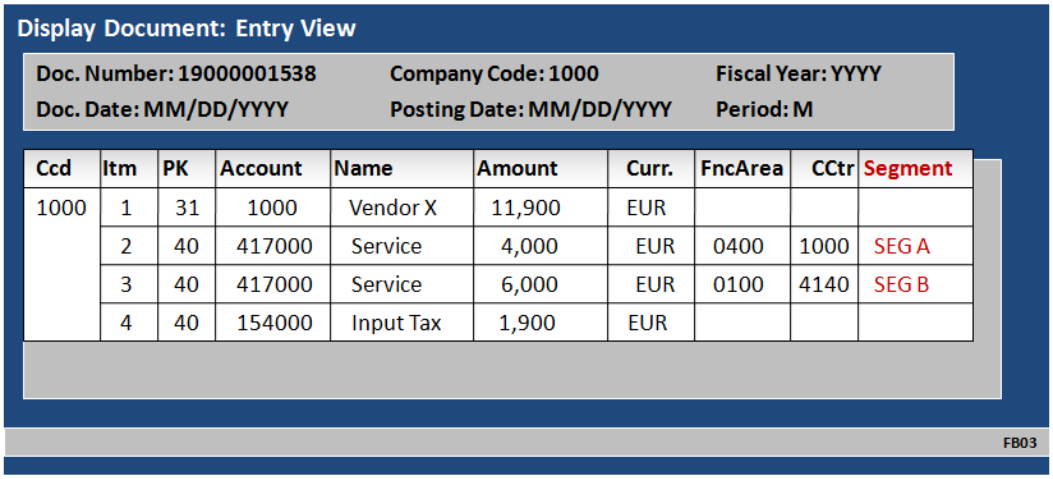
### 4.1.3 Document Splitting (Online Split)

Document splitting is a feature of the New General Ledger. It allows companies to create real-time balance sheets for segments and profit centers. For this purpose, on the one hand, SAP ERP supports the derivation of segments from profit centers. In turn, profit centers can, for instance, be derived from a cost center, a management accounting internal order or a project. On the other hand, the system performs document splits regarding segments.

Example:
A corporate group requires creating balance sheets at segment level. That is, they want to create a balance sheet for each segment (or profit center) of the company (at any time required). Now you have the following business transaction as shown in the figure below:

- In the accounts payable, you post a vendor (1000) invoice for the amount of € 11,900.

- However, these expenses need to be assigned to two segments (and/or two cost centers, profit centers or business areas).
- An input tax rate of 19 % (German VAT) is assumed.
- The segments A and B are derived from the master data of, e.g., the profit center and entered automatically by the system.
- You enter this business transaction as follows (entry view):



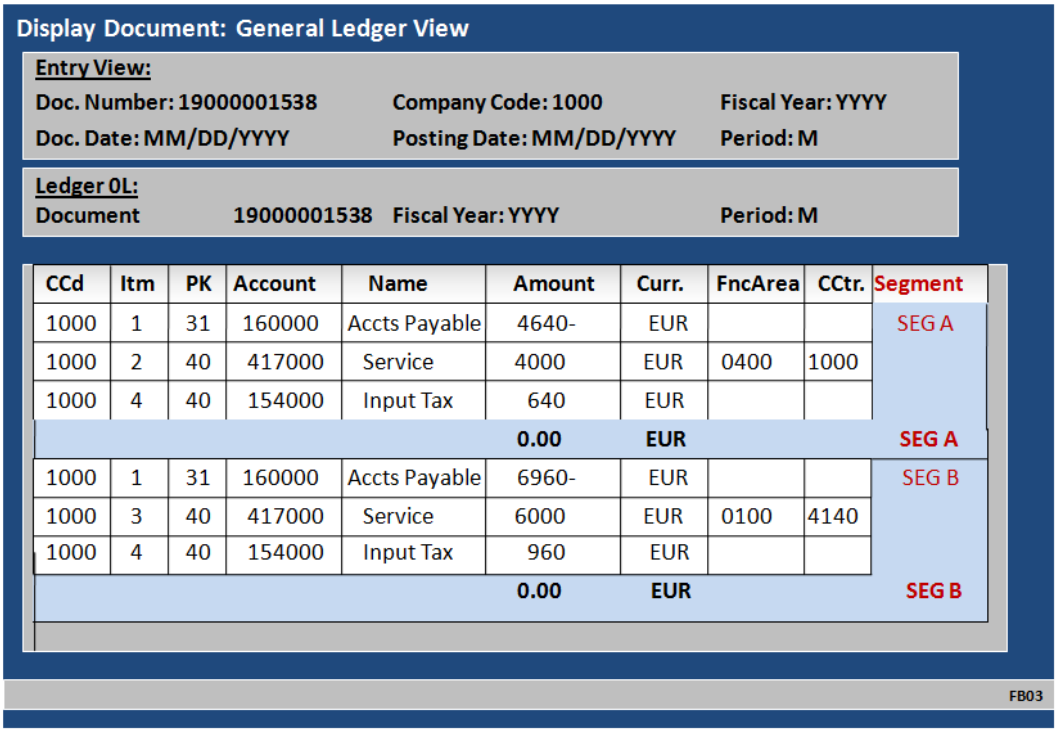

| Ccd | Itm | PK | Account | Name | Amount | Curr. | FncArea | CCtr | Segment |
|---|---|---|---|---|---|---|---|---|---|
| 1000 | 1 | 31 | 1000 | Vendor X | 11,900 | EUR | | | |
| | 2 | 40 | 417000 | Service | 4,000 | EUR | 0400 | 1000 | SEG A |
| | 3 | 40 | 417000 | Service | 6,000 | EUR | 0100 | 4140 | SEG B |
| | 4 | 40 | 154000 | Input Tax | 1,900 | EUR | | | |

**Figure 56: Document Splitting (Online Split): Entry View**

In the New General Ledger, the following happens automatically:

- You do not need to enter the segments, since they are derived automatically from the profit center. The profit center might have been derived from the entered cost center, thus, you not even have to enter those.
- The system automatically splits the document according to the segments and records the values segment-specific. The document now consists of six line items (as shown in the following figure). The vendor (accounts payable) line item and the tax item are split across the two (segments A and B). The balance for each segment is now zero. The balance sheet and P&L statement can be created in full and the balance sheet per segment is balanced.
- **As well as the split**, the illustration also clearly shows how the segment entity is **inherited** by the accounts payable and tax items in the document.

Note that the following figure is the general ledger view, whereas the document entry view from the previous figure displays the accounts payable document entry. In the general ledger view, you can see that the posting is made against the accounts payable reconciliation account (160000), whereas in the account payable document from the previous figure the posting is made against the vendor account. You can specify in Customizing that the system is to complete the missing segment entries automatically. The amended and now full amount is shown in the following figure.



Display Document: General Ledger View

Entry View:
Doc. Number: 19000001538 Company Code: 1000 Fiscal Year: YYYY
Doc. Date: MM/DD/YYYY Posting Date: MM/DD/YYYY Period: M

Ledger 0L:
Document 19000001538 Fiscal Year: YYYY Period: M

| CCd | Itm | PK | Account | Name | Amount | Curr. | FncArea | CCtr. | Segment |
|---|---|---|---|---|---|---|---|---|---|
| 1000 | 1 | 31 | 160000 | Accts Payable | 4640- | EUR | | | SEG A |
| 1000 | 2 | 40 | 417000 | Service | 4000 | EUR | 0400 | 1000 | |
| 1000 | 4 | 40 | 154000 | Input Tax | 640 | EUR | | | |
| | | | | | 0.00 | EUR | | | SEG A |
| 1000 | 1 | 31 | 160000 | Accts Payable | 6960- | EUR | | | SEG B |
| 1000 | 3 | 40 | 417000 | Service | 6000 | EUR | 0100 | 4140 | |
| 1000 | 4 | 40 | 154000 | Input Tax | 960 | EUR | | | |
| | | | | | 0.00 | EUR | | | SEG B |

FB03

**Note:** The layout/display variant of the document sorts those segments with subtotals in the Segment column in ascending order.

**Figure 57: Document Splitting (Online Split): General Ledger View**

What would happen without these functionalities of the New General Ledger?

- First, the "old" General Ledger did not support the entry of segments or profit centers in an accounting posting.
- Second, without the segment, entries exist in two line items (the Service-lines) that means that the balance sheet for those segments would not be complete. Furthermore, the balance is not zero for the segments that means that the balance sheet would not be balanced.

Another advantage of document splitting is that it reduces the time and effort for the user to enter documents. Entering the six account assignment items, as shown in this example, would be very time consuming.

This introduced document splitting is only possible in new General Ledger Accounting. Thereby, the transaction (or form) where you enter the posting contains two “views” of the posted documents: the “entry view” and the “general ledger view”. Depending on what is of interest, users can decide which view they want and switch between views as required. That is, only one document is saved in the database. These are only two views of the same posting.
If document splitting is not required or has not been “activated” (for example, the company only needs to create balance sheets at company code level), the two views are identical.

You have to activate **document splitting** to ensure uniform splitting of the segment characteristic (or any other entity). Systematic segmentation means that a “zero balance position” is reached for **each document** with regard to the entity in question. Therefore, the online split

(and inheritance) dispenses with the need for the period-end closing activities "balance sheet adjustment" (→ SAPF180) and "profit and loss adjustment" (→ SAPF181).


*Document splitting naturally also works with "postprocessing processes" such as payments. Cash discounts, paid or received, are distributed among the entities in relation to the amount of the original expense postings (in the case of an original vendor invoice).*
*Customer invoices for which the revenues are distributed, among various entities, are also handled in the same way.*

### 4.1.4 Elements of the Payment Process

The SAP ERP system provides functionalities to pay an organization's vendors either manually or through the use of the automatic payment program. The standard SAP system contains the usual payment methods and corresponding forms that were entered for each country separately

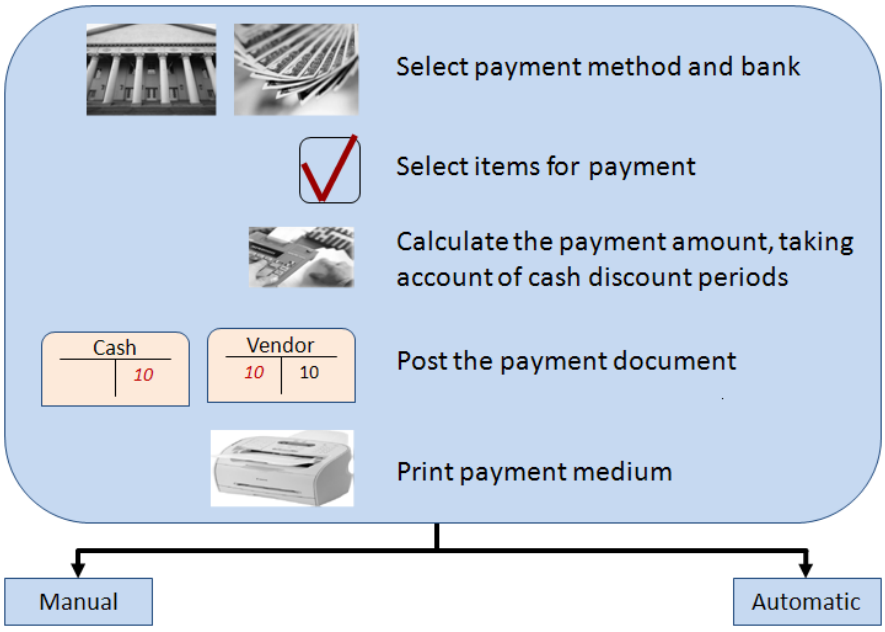



**Figure 58: Elements of the Payment Process**

**Overview of the Payment Program**

During the payment program, the system completes the following steps:

- posting payment documents
- clearing open items
- preparing data for printing payment media

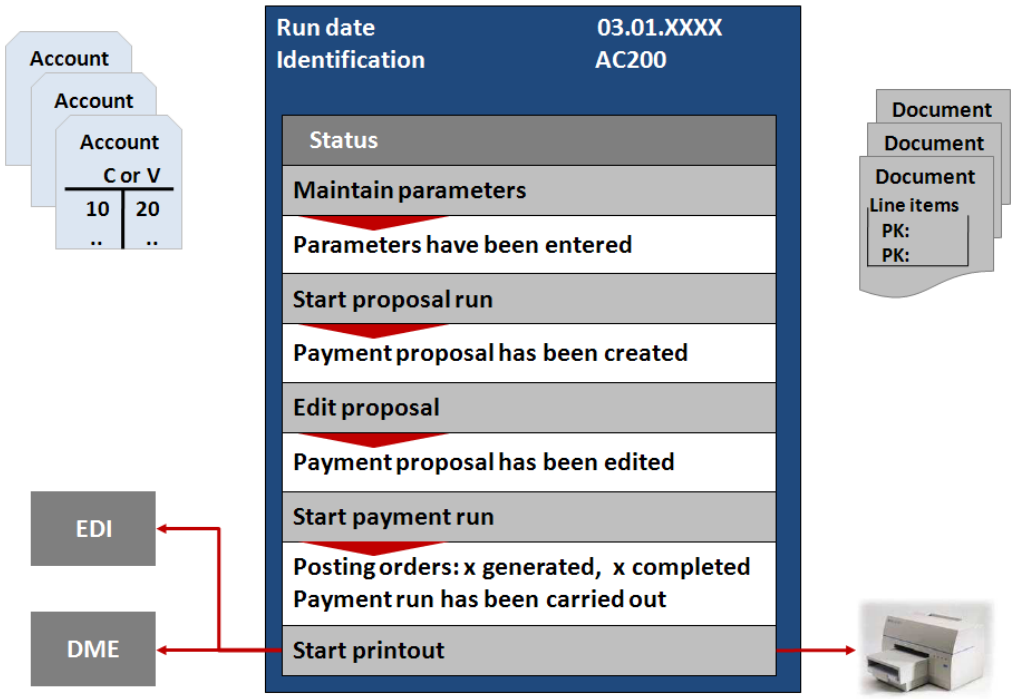



**Figure 59: Overview of the Payment Program**

### 4.1.5 Purchase to Pay Business Process from an Accounting Point of View

The following two figures display the Purchase to Pay business process. The first one is an overview of the individual steps; the second one displays the same process from an accounting point of view including all accounts that are posted to during the process:

1. In the first step, the purchasing pre-requisites are defined. The purchasing for a plant is carried out by a **Purchasing Organization**. The purchasing organization buys from suppliers who are then paid by the vendor accounting. Before a vendor can be utilized in the process, the involved purchasing organization must create the purchase-specific data in the **Vendor Master Record**.

2. In the second step, the order is created with the specified vendor. An order is a formal request of the purchasing organization to the supplier. In another scenario (transfer posting for instance), a transfer order requests a different plant to provide or deliver a certain amount of goods or services at a particular time. **An order NEVER creates a posting in Financial Accounting**. That is, with the order creation no accounting document is created. But, an order can create a commitment if, for example, it is not an order to the warehouse but a consumption order (e.g., consumable material for a cost center). In our case, we will look at a general order to the warehouse. During **purchase order handling**, data such as supplier master record, material master record, plant and other data relevant to the purchasing organization must be provided by the user. Again, **no postings** are made yet in financial accounting.

3. In step three, we **receive the goods** and the system checks, among other things, the quantity of goods received against the order quantity. A **material document** is created

upon **Goods Receipt** to update the stock quantity. At the same time, **a document is created in financial accounting** to post the valuated Goods Receipt to the material stock account or the consumption account (debit) and to a goods receipt/invoice receipt account (credit).

4. After the invoice has been received in **logistics invoice verification**, the vendor invoice is checked for correctness of computation and content. All of these purchasing processes are handled as part of logistics in the SAP system. The vendor invoice is posted and, at the same time, **another document is created in financial accounting** to post the invoice amount to the ***goods receipt/invoice receipt account*** (debit) and the ***vendor account*** (credit). As you can see, the GR/IR account is a clearing account. That is, this account is used to make sure that a goods receipt is executed for every invoice and vice versa.

5. **Payment processing** takes place in accounts payable (SAP FI-AP). It is here that decisions are made about the payment process such as, for example, the payment methods and the bank settlement. Consider that only the payment is not part of the logistics process.

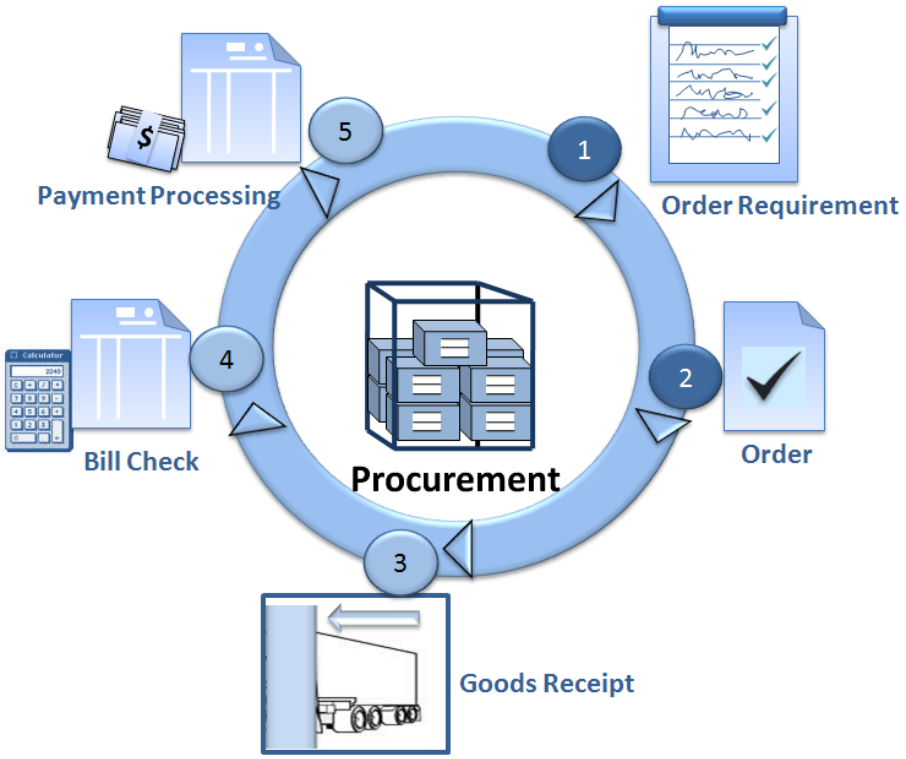



**Figure 60: Purchase to Pay Business Process Overview**

The following figure is similar to the one above, but it adds the integration point between SAP MM and SAP FI, by showing when a FI document is generated and what accounts are posted to. The figure starts with step 3, since this is the step that effects SAP FI (or SAP FI-AP).

3. With the goods receipt, following happens:

a. A material document is created, which records the quantity change on stock (increase of material quantity due to the order).
b. An accounting document is created, which records the value change on stock (increase of material value - since you have now more material on stock - due to the order).
c. This accounting document posts the value increase on the material account in the General Ledger (this is a debit posting) and makes a credit posting on the GR/IR clearing account.

4. Now you receive the invoice from your vendor. This invoice balances the GR/IR account with a debit posting and creates a liability against the vendor on the General Ledger account Liabilities (this is a credit posting). Again, another accounting document is created, which records this posting.
5. In step five, you run the payment program and, thus, pay the bill. The built up liabilities are balanced again (debit) by the payment and the bank clearing account is credited. Here again, an accounting document is created, which records these postings.
6. The account statement reduces the amount of money you have on your bank (debit) and balances the bank allocation (or bank clearing) account out. Here again, an accounting document is created, which records these postings.

IMPORTANT: Every time a posting is made, an accounting document is created.

From the balance sheet point of view, the procurement into the warehouse is a material stock increase bound to a bank account reduction. External price fluctuations, which may arise, can be recorded – depending on the price control of the material – as a price difference in the P&L statement.

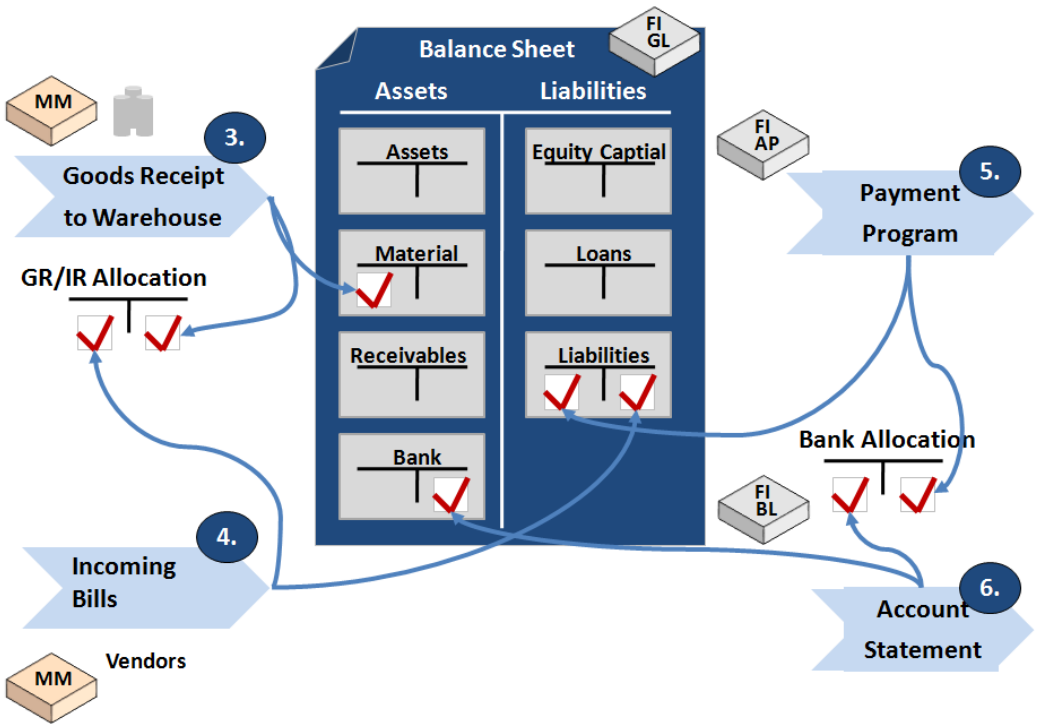



**Figure 61: Purchase to Pay Process from an Accounting Point of View**

## 4.2 Practice: Accounts Payable in Financial Accounting


You received a rent invoice of 10,000 Euro from your vendor (who is also your hirer due to simplification reasons) from the procurement process case study. This invoice is dated to yesterday. Post the invoice to the cost center of your new department CCMSD-xxyy. Use G/L account 470000 as offset account.

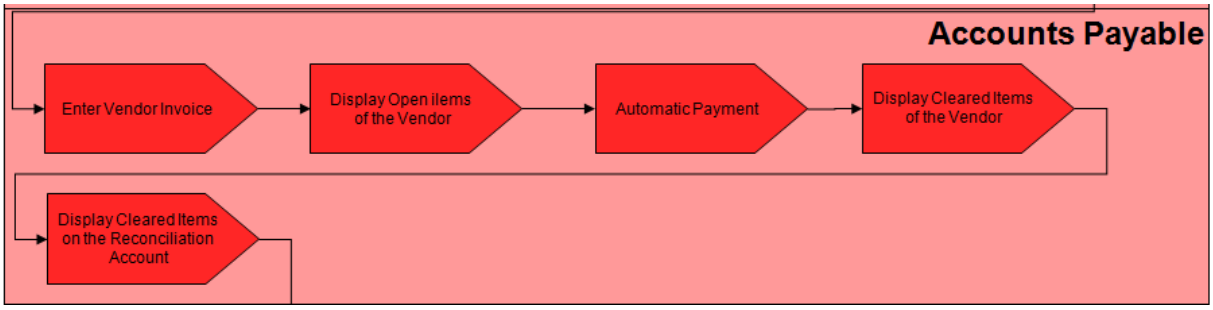



**Figure 62: Process Overview: Accounts Payable**

### 4.2.1 Enter Vendor Invoice

You received the invoice from your vendor (hirer). Now, you need to enter the invoice in the System. Therefore, choose

***Accounting → Financial Accounting → Accounts Payable → Document Entry → Invoice (FB60)***

1. If prompted, enter Company Code 1000.
2. Enter the subsequent data:
   - **Vendor** — ***Number of your vendor from case study 1***
   - **Invoice date** — ***Yesterday's data***
   - **Posting date** — ***Current date***
   - **Amount** — ***10000***
   - **Tax amount** — ***0***
   - **Tax code** — ***0I (income tax 0%)***
   - **Text** — ***rent xxyy***
3. In the first line of the Item area, enter the following data (you must scroll to the right to see the cost center):
   - **G/L account** — ***470000***
   - **D/C** — ***S Debit***
   - **Amount in doc. curr** — ***10000***
   - **Cost center** — ***CCMSD-xxyy***
4. Choose *Save* and list the document number and the vendor number on your data sheet.

**Vendor invoice:** _____

**Vendor:** _____

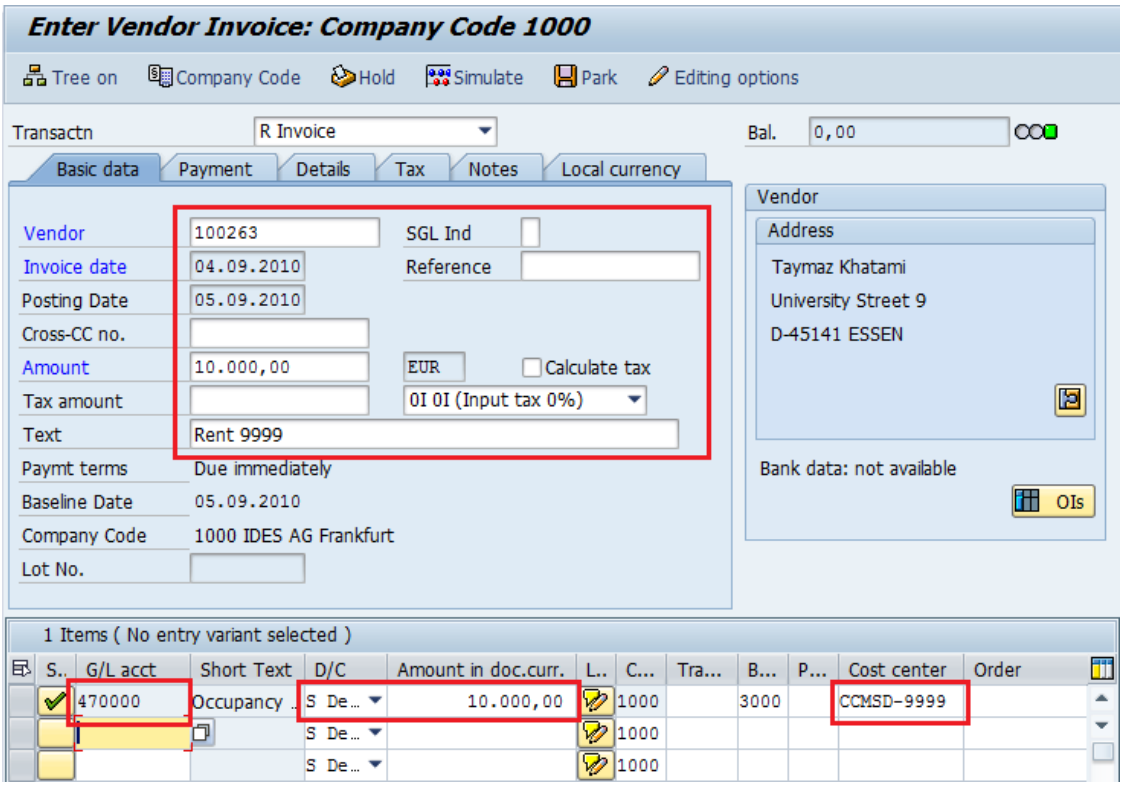



**Figure 63: Enter Vendor Invoice: SAP-System-Screenshot**

## 4.2.2 Display Open Items of the Vendor

To check whether an open item was created for the vendor when posting your document, use the report ***display/change line items.*** Determine the created open item by using the vendor number from the previous exercise.

Choose

***Accounting → Financial Accounting → Accounts Payable → Account → Display/Change Line Items (FBL1N)***

1. Enter the following data:
   - **Vendor account** *your vendor number*
   - **Company code** *1000*
   - **Open items** *select*
   - **Open to key date** *current date*
2. Choose *Execute*.
3. You can see, the document from the previous exercise as open line item. Moreover, you can see that the vendor is also an account in the vendor sub-ledger (account 100248), as mentioned earlier in the script. This account does not have a corresponding one in the general ledger and is merely "synchronized" with the general ledger by using reconciliation account 160000.

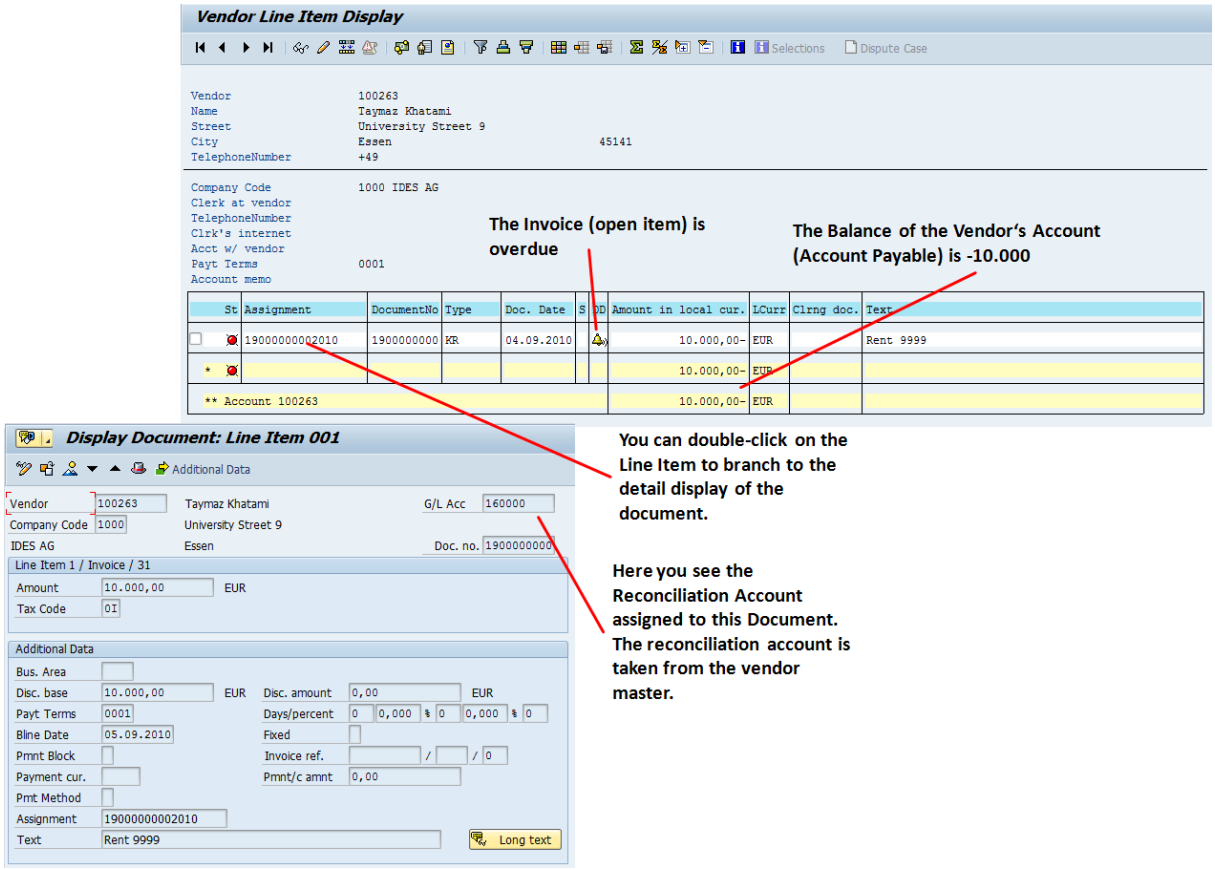



**Figure 64: Open Items of the Vendor: SAP-System-Screenshot**

### 4.2.3 Automatic Payment

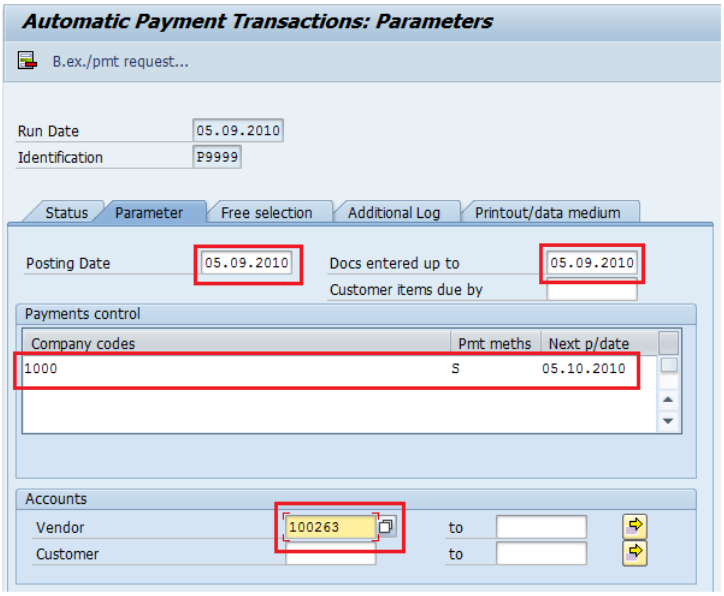
Create your own payment run. Carry out a payment selection run to pay the newly created invoice of your vendor. Choose

***Accounting → Financial Accounting → Accounts Payable → Periodic Processing → Payments (F110)***

1. Enter the following data:
   - **Run date** *current date*
   - **Identification** ***Pxxyy***
2. Press *Enter*.
3. The status of your new pay run should be "*no parameters entered as yet*".

Maintain the run parameters. Therefore, choose the ***parameters*** tab. The payment run selects all recorded documents for your vendor in company code 1000 up to the following month. All payments in this run are to be out using checks (S). You have to enter the posting date of the next pay run so that the system can determine whether the payment is carried out in this run or whether it can wait until the next one. The next pay run is supposed to be carried out today plus one month.

4. In the **Parameters** tab, enter the following data:
   - Posting date current date
   - Documents entered up to current date
   - Company code 1000
   - Pmnt meths S
   - Next p/date current date + 1 month
   - vendor your vendor number
5. Choose ***Save*** and go back to the ***status*** tab.




**The Payment run is a program that automatically executes payments to vendors. This is especially usefull when you have many invoices to pay and when the payments are recurring.**

**The Parameter specification tells the program:**
**- Open items from what time intervall?**
**- Who to pay? (every vendor in CC 1000 or from a special vendor number range)**
**- How to pay (Check, Bank transfer etc.)**

**Figure 65: Automatic Payment Run (1): SAP-System-Screenshot**

The second step in preparing the payment run is to let the system create the payment proposal. Based on the parameters you entered, the system searches all open items that have to be paid. In your case, this is only one open item of your vendor.

6. Plan a proposal run by choosing the ***proposal*** button ( Proposal ).
7. Choose ***start immediately.***
8. Schedule the payment run by pressing *Enter*.
9. Update the status ( Status ).
10. The status should now be ***payment proposal has been created***.

You want to check the proposal generated by the system. Therefore, display the payment proposal.

11. Select the display proposal button Proposal .
12. The system displays a created check for the vendor.

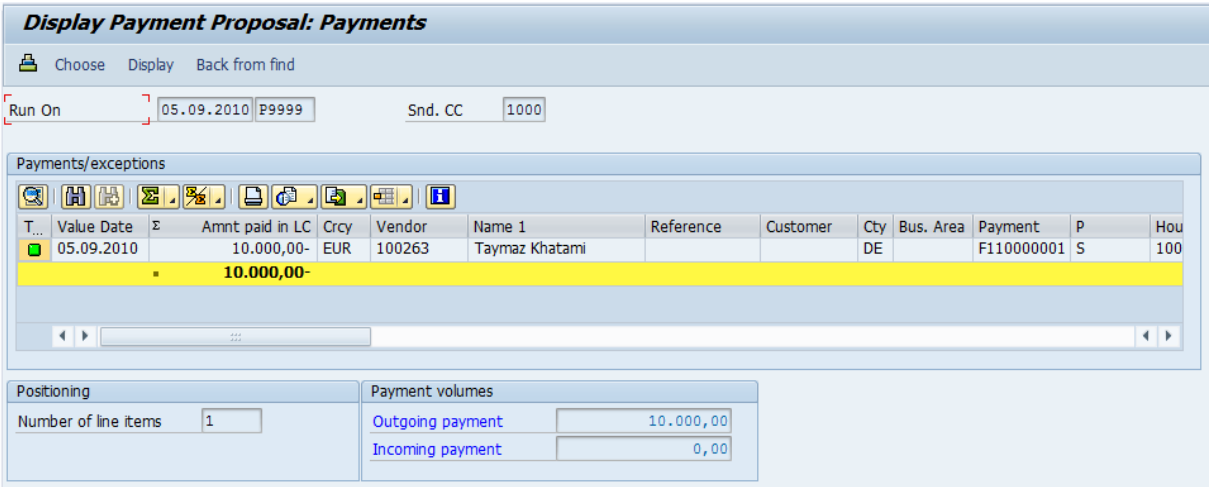



**Figure 66: Automatic Payment Run (2): SAP-System-Screenshot**


*In case the system does not display any payments or only the exception list, you made a mistake at some point. To find the mistake, call up the initial screen and select the proposal protocol by choosing* ***display proposal protocol****. Delete the proposal (Edit → Proposal → Delete) and remove the mistake. Start the payment proposal again. Repeat the procedure until payments are displayed in the proposal.*

13. After making sure that the system-generated proposal is correct, return to the ***Status*** tab ( ).

Now you can execute the payment run.

14. Select schedule ***payment run*** ( Payment Run ).
15. Choose ***immediate start.***
16. Choose *Enter*.

The document is posted directly. Thus, a document is created recording the payment transaction.

17. Update by using the status button until you receive the system message that postings were created and completed.
18. Now you can leave the transaction.

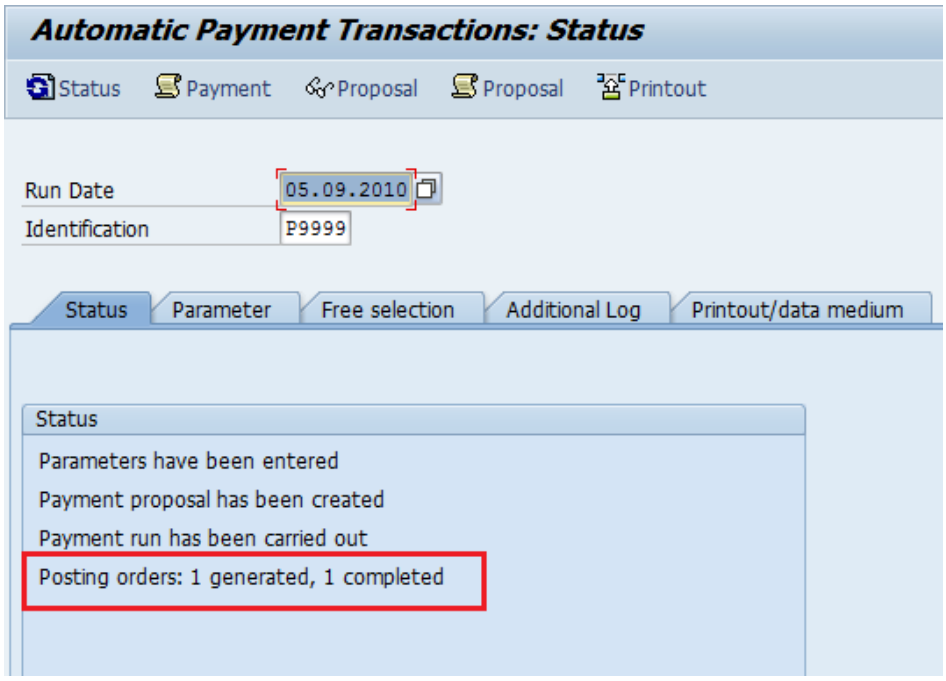



**Figure 67: Automatic Payment Run (3): SAP-System-Screenshot**

### 4.2.4 Display Cleared Items of the Vendor

Next, check whether the originally open item was cleared by the automatic pay run by using the ***display/change line items*** function.

***Accounting → Financial Accounting → Accounts Payable → Account → Display/Change Line Items (FBL1N)***

1. Enter the following data:
   - **Vendor account** *number of your vendor*
   - **Company code** *1000*
   - **All items** *select*
   - **Posting date** *current date*
2. Choose *Execute*.

**Was the originally open item cleared? Which document type is the new payment item?**
List the answer on your data sheet.

_____

_____

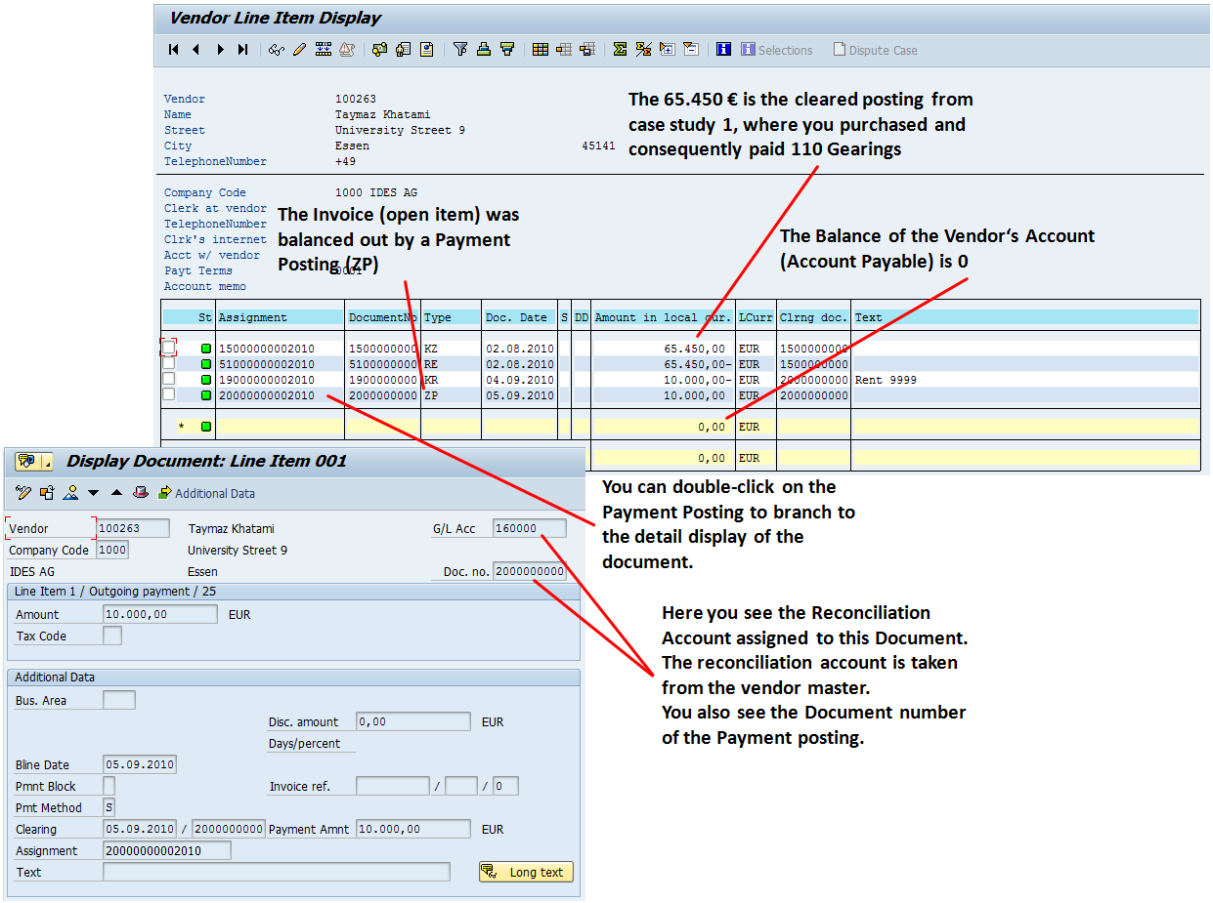



**Figure 68: Cleared Items of the Vendor: SAP-System-Screenshot**

## 4.2.5 Display Cleared Items on the Reconciliation Account

Finally, check the Balance of the Reconciliation Account 160000. As you should know by now, all postings in the Accounts Payable sub-ledger affect this account in the General Ledger.

Choose

***Accounting → Financial Accounting → General Ledger → Account → Display Balances (New) (FAGLB03)***

1. Enter the following data:
   - **Account Number** ***160000***
   - **Company Code** ***1000***
   - **Fiscal Year** ***Current Year***
2. Press *Execute*.

Now you see an overview of the postings to the Reconciliation account 160000. With your posting, you have first debited (FB60 - Invoice) and then credited (Payment - F110) the Reconciliation account. The Balance should be 0 (no entries in the balance column!).


*Consider that the list presented below will differ from the display you will get (also compare next figure). In this case, only one posting was made and cleared. In your case, probably many students already have made this posting. Since the Reconciliation account is a summary account, all postings for all vendors are debited/credited here. Thus, the amounts will sum up during the semester.*

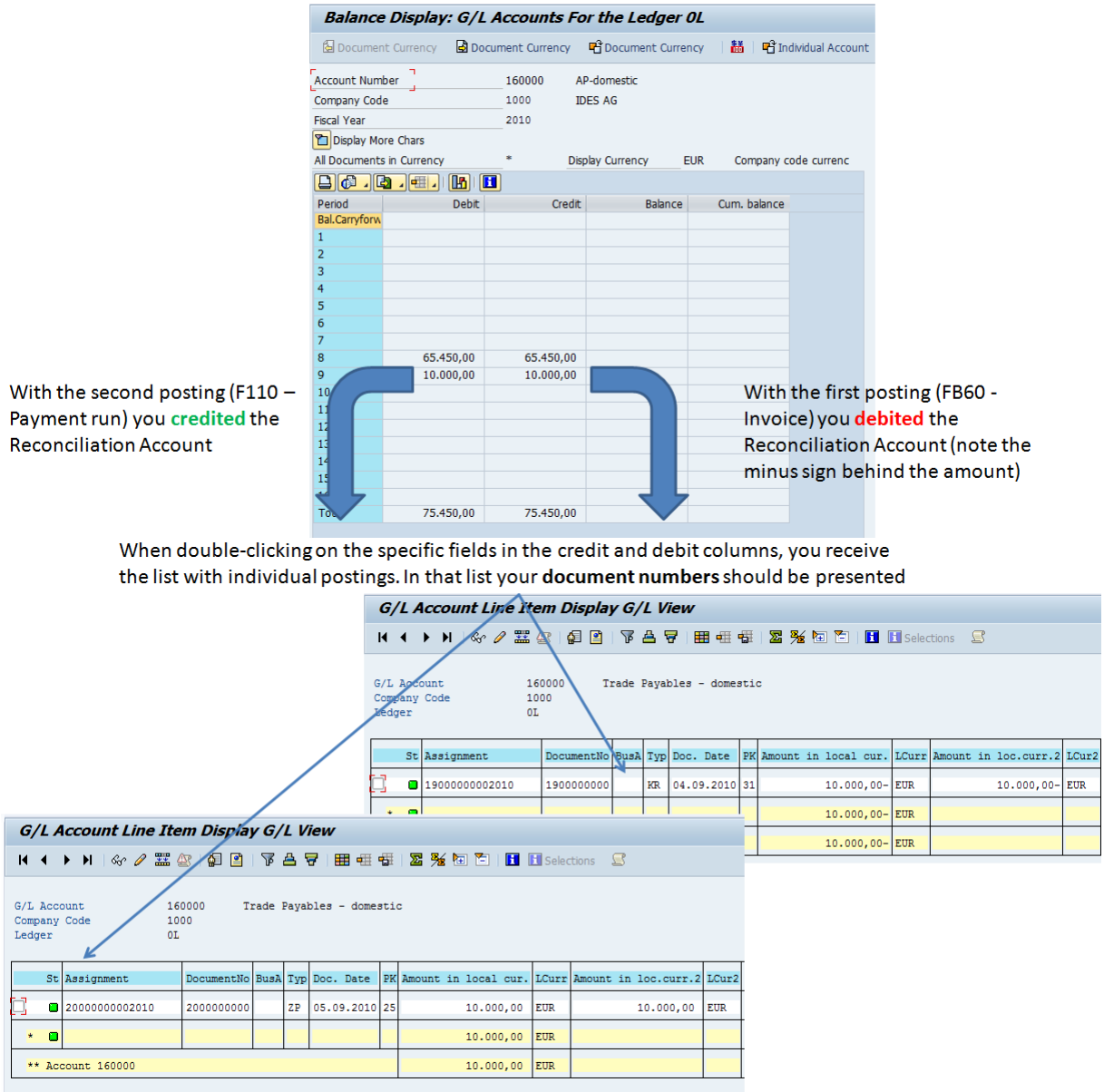
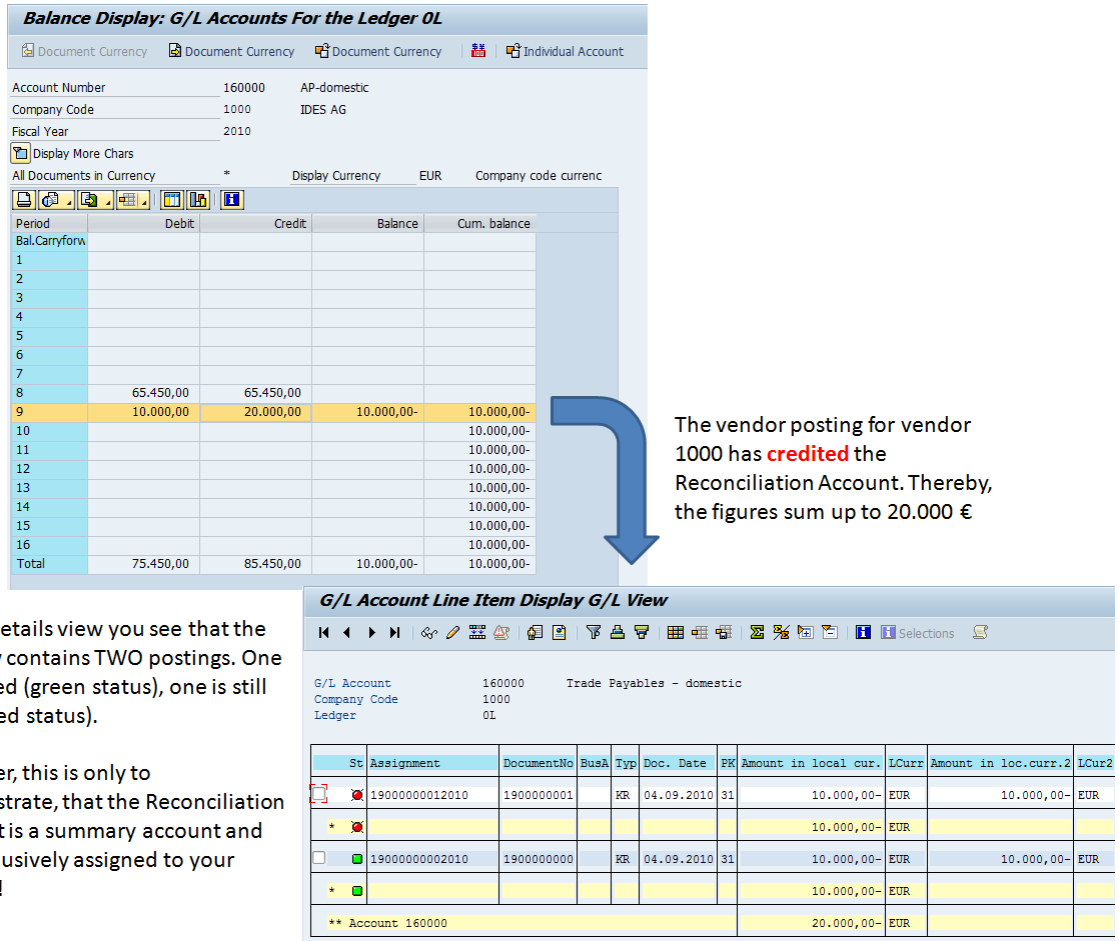



**Figure 69: Reconciliation Account (1): SAP-System-Screenshot**

In the following figure, another not cleared (open) item about 10,000 € was posted to another vendor's account (vendor 1000). Here you see that the balance is not zero (-10.000) and the credit column cell sums up to 20,000 €.




In the details view you see that the list now contains TWO postings. One is cleared (green status), one is still open (red status).

However, this is only to demonstrate, that the Reconciliation account is a summary account and not exclusively assigned to your vendor!

**Figure 70: Reconciliation Account (2): SAP-System-Screenshot**

## 4.3 Elucidation


**What have we learned so far?**

We have learned how the vendor master is integrated in the sub-ledger Accounts Payable and, thus, integrated with the General Ledger. Furthermore, we have learned how the payment process is carried out to balance out the Account Payables.

The **Accounts Payable** application component records and administers accounting data for all vendors. It is also an integral part of the purchasing application (SAP MM): Deliveries and invoices are managed according to vendors. The system automatically makes postings in response to the operative transactions.

Payables are paid with the payment program. The payment program supports all standard payment methods (such as checks and transfers) in printed form as well as in electronic form (data medium exchange on disk and electronic data interchange). This program also covers country-specific payment methods.

If necessary, dunning notices can be created for outstanding receivables (for example, to receive payment for a credit memo). The dunning program supports this function.

Postings made in Accounts Payable are simultaneously recorded in the General Ledger where different G/L accounts are updated based on the transaction involved (payables and down payments, for example). The system contains due date forecasts and other standard reports that you can use to help monitoring open items (e.g., transaction FBL1N).

### 4.3.1 The Vendor Master Record

- Business transactions are posted to accounts and managed by using those accounts. You must create a master record for each account that you require. The master record controls how business transactions in Procurement are recorded and processed by the system.
- Information about a particular vendor (someone that sells material or services to your company) in the vendor master record.
- The Vendor master is subdivided in a general, a purchasing and an accounting view.
    - **General data** are valid on a cross-client basis (like the Basic view of material). This includes, e.g., communication data of a vendor. These data are detached from the purchasing and accounting view.
    - **Accounting data** are stored on company code level (company) and with the general data. That is, like the material master, a vendor master is created for a certain company code (e.g., 1000 – Germany). If the very same vendor sells products to a different company part (e.g., 2000 – UK), the vendor master must be additionally created (extended to) for the company code 2000 if the vendor wants to receive his money (Accounting view always has money involved).
    - **Purchasing data** about a vendor are managed separately for each purchasing organization, e.g., payment conditions for vendors. Some ***general data*** are also relevant to purchasing, e.g,. address data. That is, again like the material master, a vendor master is created for a certain purchasing organization (e.g., 1000

– Germany). If another purchasing organization (e.g., 2000 – UK) wants to purchase products from the same vendor, the vendor master must be additionally created (extended to) for the purchasing organization 2000.

- Users of the SAP ERP system may have distinct authorizations assigned regarding the maintenance of vendor data. These authorizations might be set in a way that, e.g., an employee of the procurement department can only maintain the purchasing data, whereas a company's accountant only can edit the accounting data.
- **The Vendor Number is an Account Number in the sub-ledger Accounts Payable at the same time!**

### 4.3.2 Accounts Payable Credit/Invoice Memo Entry

The screen elements of the Credit/Invoice Memo Entry are pretty much the same as for the accounting document entry in the General Ledger:

- You use a single-screen transaction for creating and posting a **vendor invoice** or a **credit memo**.
- A vendor invoice or a credit memo is entered directly in vendor accounting. This type of invoice is a miscellaneous invoice that does not refer to a purchase order.
- The screen to enter vendor invoices is structured in the following areas:
    - **Work templates**: select screen variants, account assignment templates or held documents as reference.
    - **Header and vendor data**: document header data and vendor line items are recorded.
    - **Line item information**: the G/L line items for the document are entered
    - **Information area**: the document balance and vendor information are displayed.

### 4.3.3 Document Splitting (Online Split)

A segment is a division of a company for which you can create financial statements for external reporting. The accounting principles US GAAP and IFRS require companies to perform segment reporting. You can define segments in your SAP system for this purpose.
You can enter a segment in the master record of a profit center. The characteristic Segment is only released in combination with the characteristic Profit Center. If no segment is specified manually during posting in Financial Accounting, the segment is determined from the master record of the profit center. This profit center can also be assigned manually or derived. SAP ERP supports the derivation of segments from profit centers. In turn, profit centers can, for instance, be derived from a cost center, a management accounting internal order or a project.

The **document split** is an automatic procedure for organizing line items in the document according to selected dimensions (such as organizing receivable lines by profit center). Moreover, you can effect a "real-time" zero balance setting for selected dimensions (such as profit center or segment). The zero balance setting causes additional clearing lines to be generated on clearing accounts in the document after the document has been created.

You can switch between the SAP FI-AP entry view and the SAP General Ledger View if required.
For example, the document splitting procedure is necessary for drawing up **financial statements** for the selected dimensions (e.g., segments).

### 4.3.4 Elements of the Payment Process

To carry out payments in SAP ERP, several elements must be entered resp. considered:

1. *Select payment method*: check, cash, bank transfer, etc.
2. *Select bank*: determine the bank account from which the payment is to be carried out.
3. *Select items for payment:* select the open post of the vendor/invoice of the vendor.
4. *Calculate the payment amount, taking account of cash discount periods*: amount from the invoice + surcharges, taxes - discounts or rebates, etc. (This takes payment conditions into account, e.g., "if I pay within 7 days, I receive a discount of 3%" → payment condition ZB01 in vendor master data).
5. *Post the payment document*: payment is carried out in the system and all accounts are balanced out.
6. Print payment medium: print out the payment medium (check, bank transfer documents, etc.).

This whole process can be carried out manually or automatically by a payment program (transaction F110).

**Overview of the Payment Program**
With the payment program you can process payment transactions with customers and vendors automatically. The payment program is used by the following components: Accounts Receivable (FI-AR), Accounts Payable (FI-AP), Treasury (TR) and Bank Accounting (FI-BL). The standard payment methods include check, transfer and bill of exchange.

During the payment program, the system completes the following steps:

- posting payment documents
- clearing open items
- preparing data for printing payment media

**Running the payment program for automatic payments**
Before you can use the payment program, you need to set several items

- **Set Parameters** for the payment run: banks, accounts, payment methods, payment forms, etc.
- **Start proposal run:** The payment proposal displays the open items for which payment is proposed by the payment program (depending on its configuration).
- **Edit proposal**: Once the payment proposal is created, you can edit it online. Both payments and line items can be processed and edited. You can divide payment proposal processing between different clerks. Therefore, it is possible for several people to process extensive proposal runs in parallel. You can then use the display function to track what changes were made and who made them. All changes made when editing

the payment proposal affect only the payment proposal. No changes are made to the source documents.

- **Start payment run:** Once you have edited and accepted the proposal, you can plan the payment run. Several programs are used in creating the payments:
  - The payment program creates the payment documents and prepares the data for printing the forms or creating the tape or disk.
  - Various payment medium programs use the data prepared by the payment program to create forms or files for the data media.
- **Start printout**

### 4.3.5 Procurement Process from an Accounting Point of View

The following figure displays the Procurement Process from an Accounting point of view:

1. You receive 500 Brakes from your vendor. From a **warehouse point of view,** this goods receipt increases the **material stock** (***Material Document*** created) by 500 PC and from a **balance sheet point of view,** a **value-based** increase (***Accounting Document*** created) of 75,000 € is posted to account 300000 (Raw Material). Since the Goods Receipt is not invoiced yet, an additional posting with the same amount is made to the GR/IR Account 191100 (also compare to teaching unit 1).
2. The vendor sends an invoice. This balances out the GR/IR Account and creates a credit posting on the Vendor account, which is simultaneously transferred to the General Ledger by using the reconciliation account 160000. In the balance sheet, this is referred to as Liability. The system creates ***an Accounting Document*** with reference to the billing.
3. The payment is carried out (an additional Accounting (Clearing) Document is created - not displayed in the figure) by the payment program (transaction F110) or by manual payment (transaction F-53, F-58, etc.). Thereby, the vendor account (Account Payable) and the corresponding reconciliation account are balanced out and a posting to the bank clearing account (113109) is booked. The Accounting Document with reference to the Billing Document is cleared by the ***Accounting Document*** created in the payment process.
4. The bank clearing account (113109) is balanced out when the bank account (113110) is debited. With this last step, your money amount on your bank account decreases about 75,000 €. Thereby, the system creates a last ***Accounting Document*** and the Accounting Document from the payment process in step 3 and thus, the item on the bank clearing account is cleared.


*You did not perform Step 4 in the case study of the procurement process. The **Account Statement** is a process in SAP ERP which uses a specific banking software provided by the bank of the company (which must be integrated with SAP ERP in the system's customizing). With this software the SAP ERP system synchronizes its bank accounts (here: G/L bank account 113110) with the according real account at the company's bank (bank account 123456 at the bank XY). The open items on the bank clearing account (here: account 113109) are transferred into payment requirements and the Bank transfers the money to the vendor. After the Account Statement*

*process is completed the bank clearing account (113109) is balanced out and the amounts paid are posted to the bank account (113110). In the "real World" the real bank account of the company (123456 at the bank XY) is charged and the Vendor is paid through bank transfer. At this point in time the bank account 113110 and the real-world bank account are synchronized.*

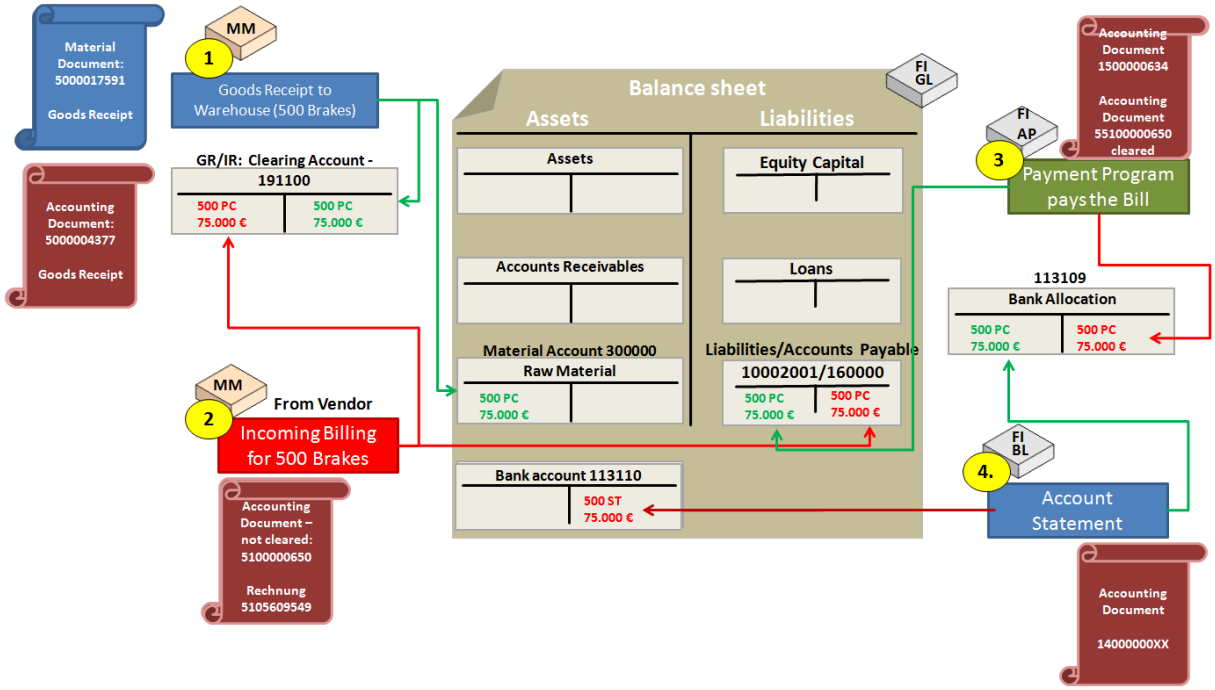



**Figure 71: Procurement Process from an Accounting Point of View**

## GR/IR Clearing Account

Regarding the posting on the GR/IR clearing account, the order of the postings can occur in the opposite way as described above. In that case (you receive the invoice before you receive the goods), just switch step 1 with step 2.

Thus, using the GR/IR clearing account, you can ensure that for each invoice receipt a goods receipt occurs and vice versa (GR/IR).

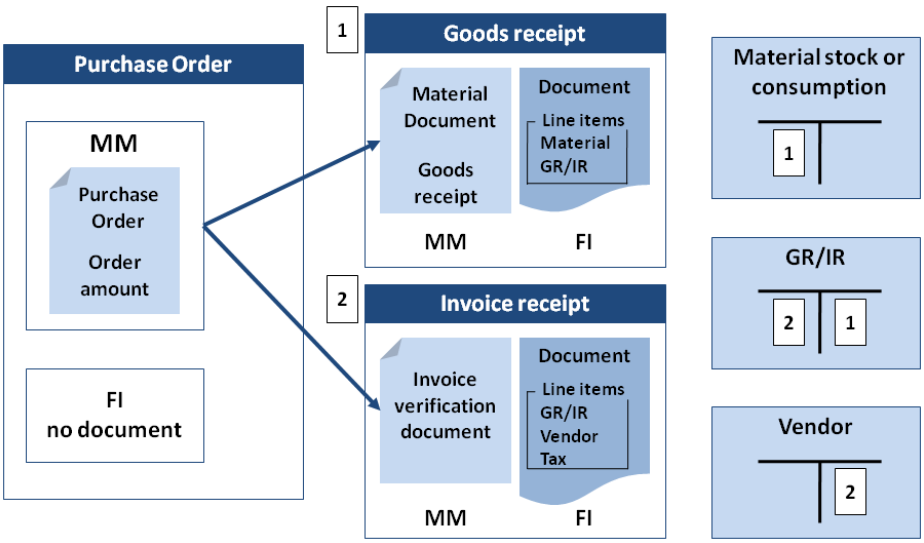
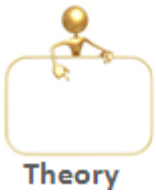



**Figure 72: Integration with Materials Management**

# 5 Accounts Receivable in Financial Accounting

This section explains the details of the Accounts Receivable sub-ledger in SAP FI.

## 5.1 Theory: Accounts Receivable in Financial Accounting




Whenever doing business with a customer, the sub-ledger Accounts Receivable is used. The following explains the details of the sub-ledger and the integration with the General Ledger.

### 5.1.1 The Customer Master Record

The **customer master record** contains data to control how transactions are posted and processed. This includes all information for processing business transactions concerning a ***customer***.

On client-level, customer-specific information such as name and address are stored. Each company code included in the client can access these data.

Master data, which a company needs to define how that particular company code will process transactions with the customer, is stored in company specific records. This technique prevents individual company codes from maintaining data that would be identical in nature.

Prior to processing any business transaction with customers, you need to determine sales area-specific settings for a customer in a **sales area** (combination of sales organization, distribution channel and division). These settings can, for example, include special payment conditions that the customer negotiated with the respective sales area.

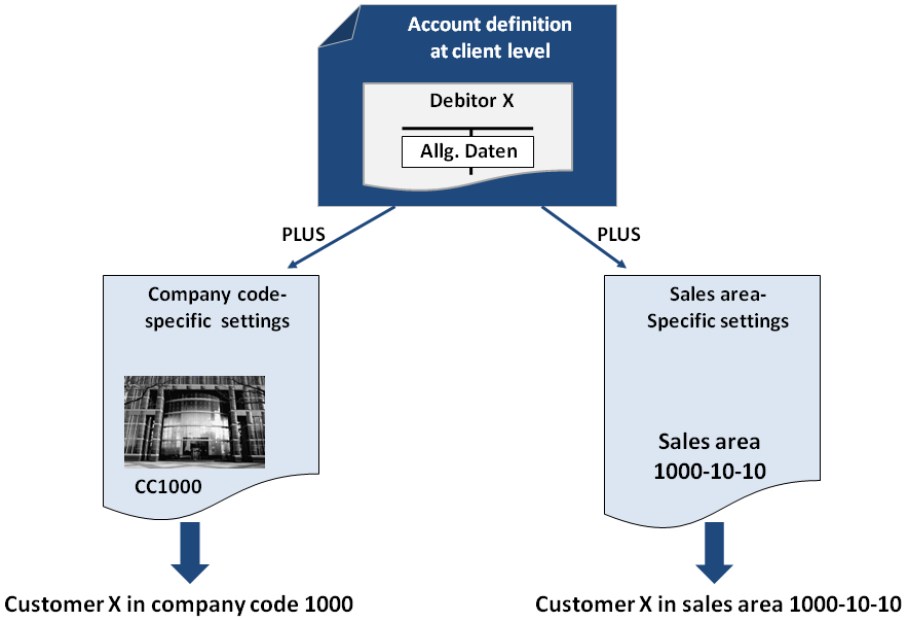



**Figure 73: The Customer Master Record**

### 5.1.2 Credit Management

Credit control is performed by the organizational unit **credit control area**. The credit control area can be assigned either to individual company codes (peripheral-organized company) or to a group of company codes (centrally organized company). There are two concepts for credit management in SAP ERP. The Financial Supply Chain Management (FSCM) component and the Accounts Receivables Accounting both offer credit management functionality. It depends on the SAP applications that are installed in the SAP ERP system to determine, which component can be used for credit management. The Accounts Receivable Accounting component is a sub component of Financial Accounting (SAP FI) and its credit management function is closely related to the SAP SD application. The FSCM component is a pretty new application in the SAP ERP system. The business partner concept that is used is related to the business partner concept you find in SAP CRM, for instance. This business partner (transaction BP) concept is more powerful regarding business partner categories and functionalities in comparison to the SAP SD customer concept (transaction XD01). Correspondingly, the credit management in FSCM provides more functionalities.

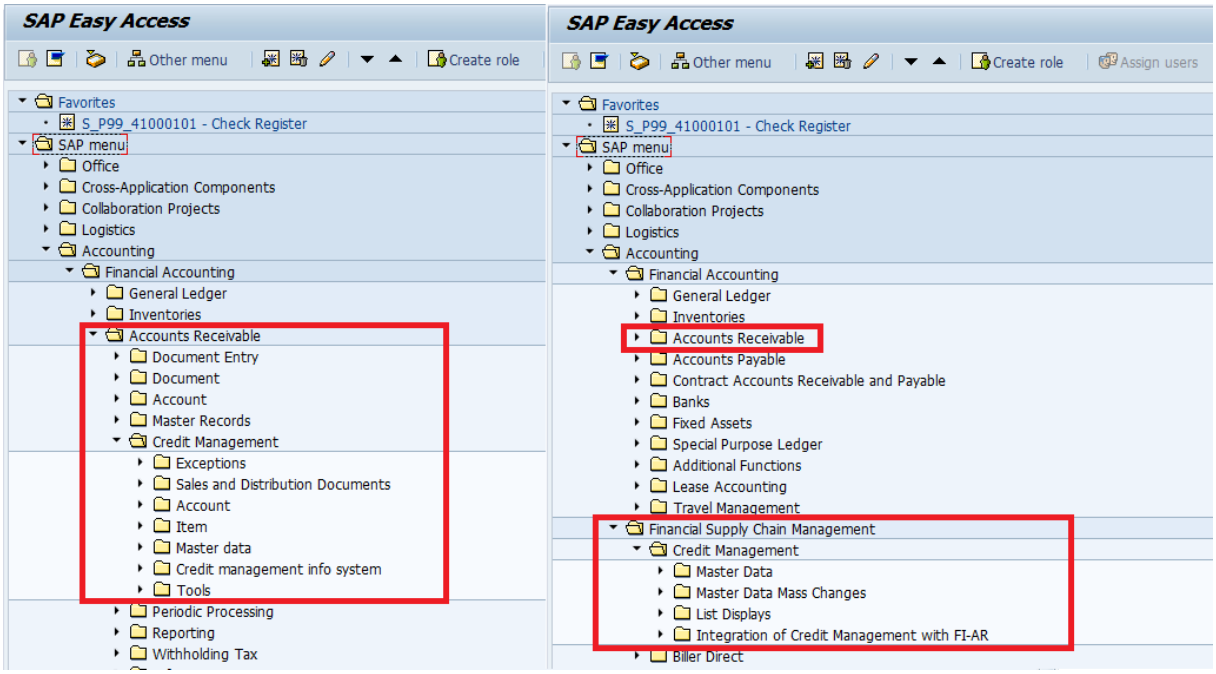



**Figure 74: Credit Management - Two Concepts: SAP-System-Screenshot**

#### 5.1.2.1 Credit Management in Accounts Receivable Accounting

**FI-AR: Credit Management Master Record**

The credit department creates a separate credit management master record, which is an extension of the customer master record. Thus, the credit department can maintain and monitor data regarding credit management.

The credit management master record consists of the following elements:

- **General data** that apply to all credit control areas. This includes, for example, address and communication data of a customer or the maximum total limit that is allowed for the sum of all granted credit limits.

- **Credit control area data,** which apply only to a particular credit control area. For example, you can set the credit limit on credit control area level or a customer risk category.
- **An overview**, which contains the most important data from all previous sections.

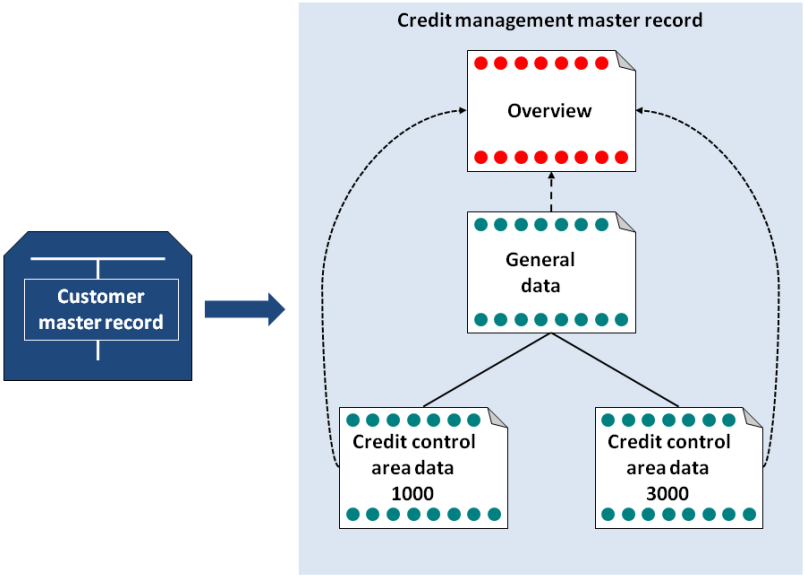



**Figure 75: FI-AR: Credit Management Master Record**

**FI-AR: Credit Control Process**

**Credit control** in SAP ERP is carried out as follows:

1. When an order is placed, the first thing to do is to check whether accepting the order exceeds the credit limit of the costumer. If the order is within the customer's credit limit, the sales process can be carried out as usual.
2. In case the order exceeds the credit limit, the order is blocked. Then, the credit department can carry out particular measures. The credit representative in charge can either be notified via remote email or can use a report to check all blocked orders.
3. The credit representative clarifies the next steps by either using the credit information system or calling the customer.
4. After clarification, the credit representative can release the order and it can be processed as usual. Alternatively, the credit representative can refuse to release the order and the order is rejected.

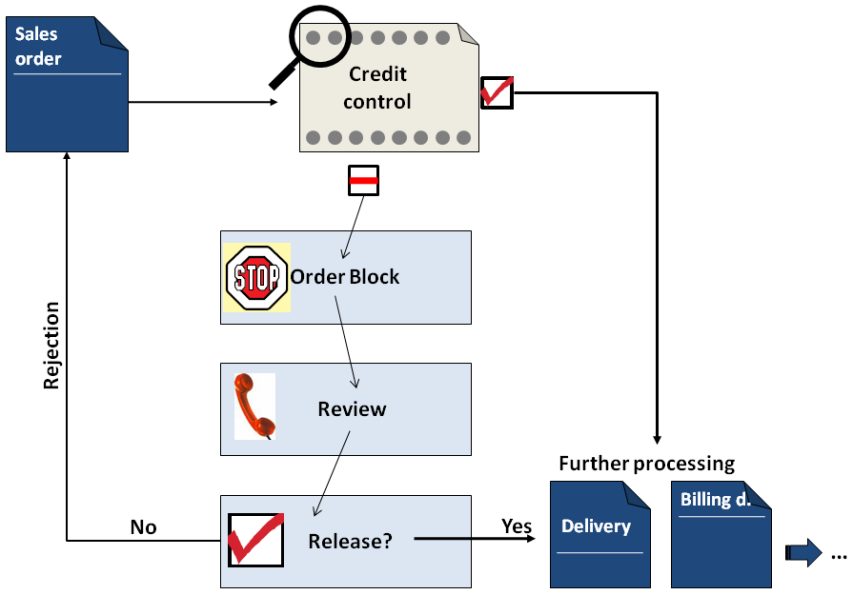



**Figure 76: FI-AR: Credit Control Process**

### 5.1.2.2 Credit Management in Financial Supply Chain Management

The business partner (customer) master data contains a credit segment, which is the basis for the accounts in SAP Credit Management. These accounts are maintained in a separate data basis in SAP Credit Management. Thereby, the credit data includes all the information about a business partner that is required for monitoring credit risk.

**FIN-FSCM: Credit Data**

In the business partner concept, functionalities for the business partner are controlled via Business Partner Roles. You must assign the Business Partner Role UKM000 to the business partner if you want to create credit management data for this business partner. The credit management master record adds several tabs (master data sections) to the business partner's master data. The following tabs are important regarding credit management:

- **Credit Profile** contains data such as the procedure for scoring and credit limit calculation, the internal scoring and, in some cases, external business partner ratings. Other data includes the risk class, check rules for controlling the credit limit check and notes.
- **Credit segment data,** which apply only to a particular ***credit control area***, contains all the data required for checking credit when a sales order is accepted and for the resulting order-related credit decision. You can define a main credit segment as well as additional segments, say, for specific company codes.
  Credit segment data is updated from SAP Sales and SAP Financial Accounting. For instance, when you create a sales order, outbound delivery (from ECC 6.0) and billing document in an SAP SD system, the relevant sales commitment data is updated automatically in SAP Credit Management. Data from SAP Financial Accounting is transferred in report UKM_TRANSFER_ITEMS

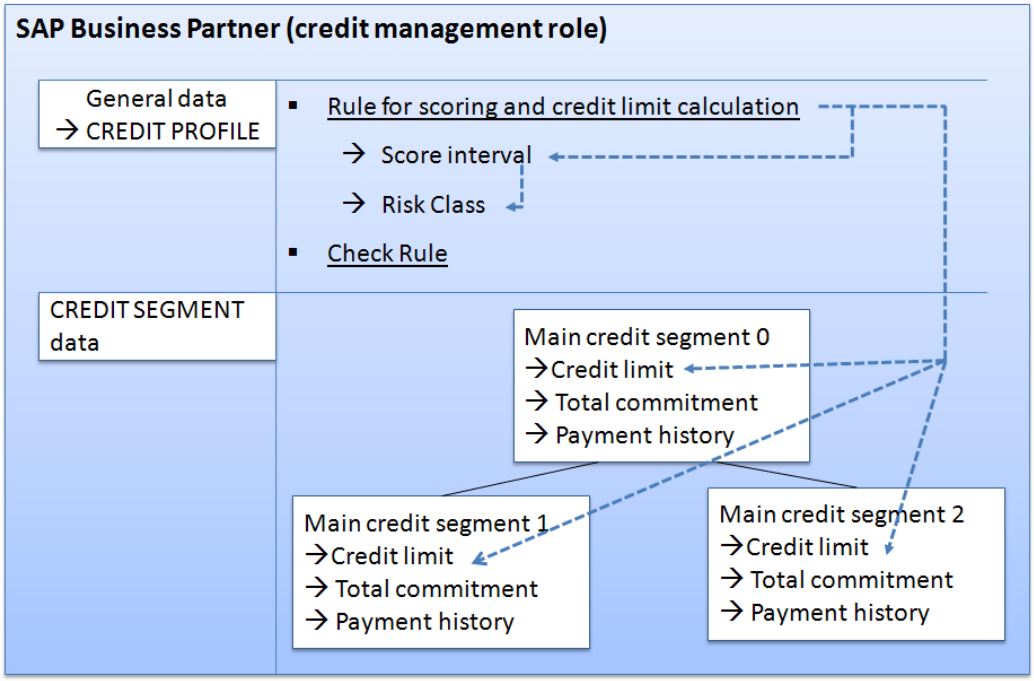



**Figure 77: FIN-FSCM: Credit Data**

**FIN-FSCM: Credit Control Process**

The credit management process in FSCM employs a far wider range of business partner data for analyzing his/her credit worthiness.

1. The system uses ***internal*** (payment history, sales history, credit limit utilization) and (if available) ***external data*** (such as account and bank data, General Credit Protection Agency data) about the business partner to calculate a **customer risk valuation**. This calculation is based on internal procedures stored in the systems customizing. The only thing you have to do is to enter general data about the business partner and press the calculate button.
2. The customer risk valuation generates a **scoring** for the business partner and assigns him/her to a **risk category**. Upon this risk valuation you can decide about giving a business partner a credit or not. This decision can also be automated via appropriate settings (such as credit limits, etc.)
3. Furthermore, the FSCM credit management component allows for **monitoring** the business partner's credit behavior, by constantly observing his/her payment, sales and credit limit utilization data and, thus, gaining a better inside into the business partner's credit worthiness. All business transaction and credit data are stored in the business partner's history and are used for further analyses.
4. These data and analyses are available for further decision making and strategy improvement regarding the credit management (credit and customer portfolios, segmentation, credit decision procedures, etc.). All company (sales, financial department, etc.) areas with the proper authorization may access these data.

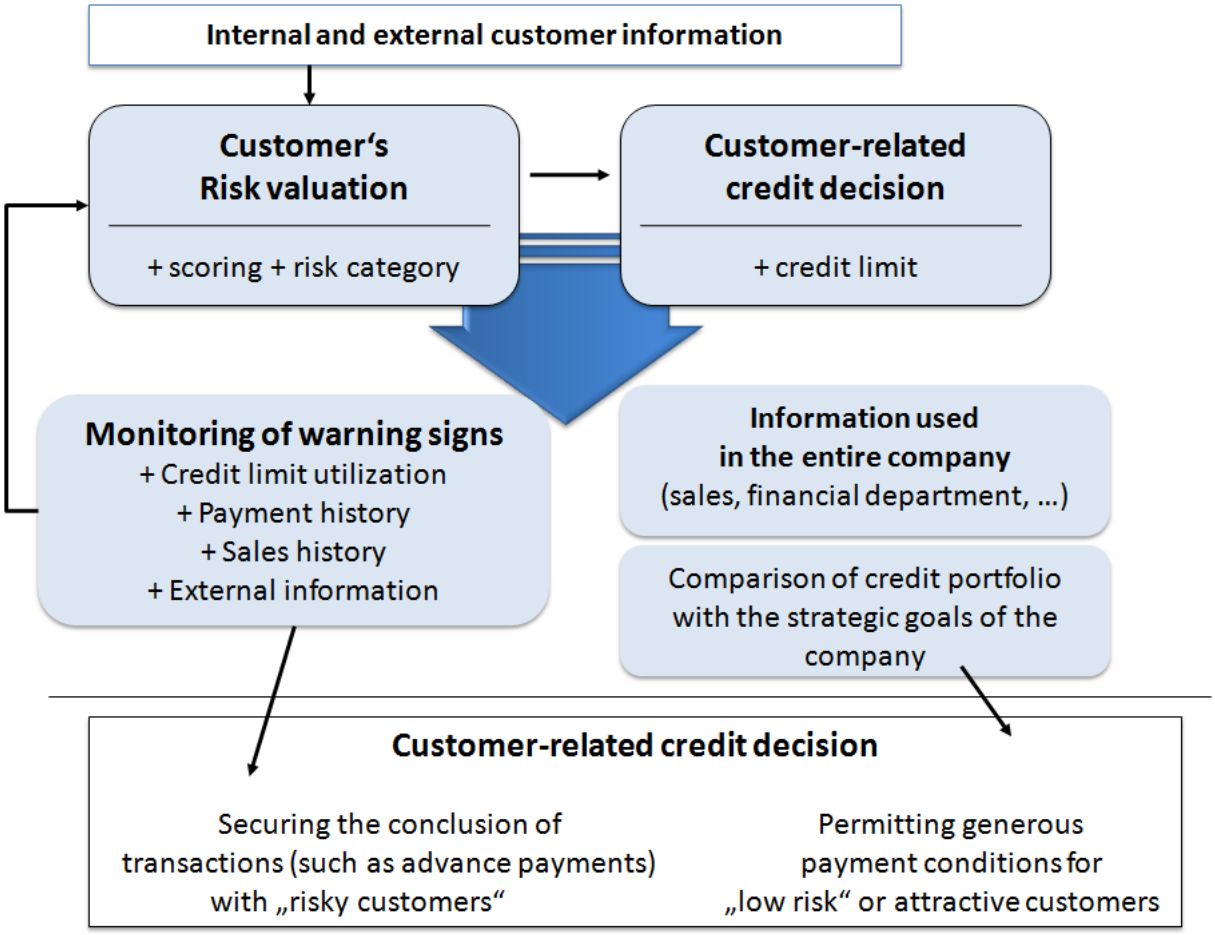



**Figure 78: FIN-FSCM: Credit Management Process**

### 5.1.3 Order to Cash Business Process and SAP FI Integration

The first step in sales order processing is the creation of the sales order document. The sales order contains all relevant information for processing the customer order within the framework of sales order transaction.

On the day of goods shipping, an **outbound delivery document** is created. The goods to be delivered are posted as goods issue. Then, a goods issue document (**material document**) is created in materials management and an **accounting document** is created in financial accounting. Thus, the goods issue is posted to the correct G/L accounts. The accounting document debits the ***costs of goods sold*** and credits the ***account for inventory***.

**Billing** completes the sales process. In the last stage of the sales process in SD, billing is carried out and the customer receives a printed invoice. Simultaneously, a document is created in FI. Thus, receivables and revenue can be posted to the correct accounts. The accounting document debits the ***customer*** and credits ***revenue***.

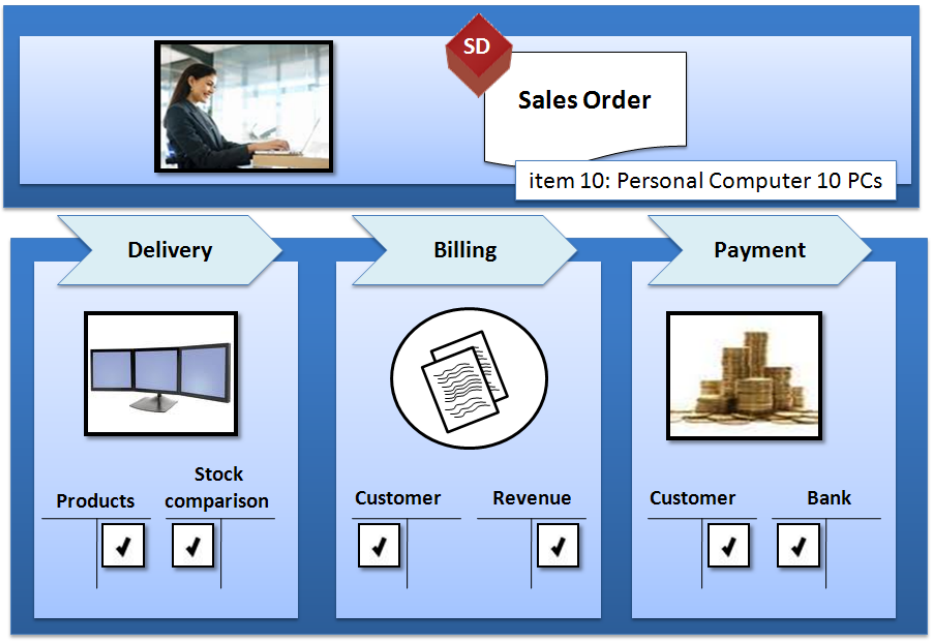



**Figure 79: Order to Cash Business Process**

**Sales Order Process from an Accounting Point of View**

You can see in the following figure that the **external stock sales process** creates several central documents from an accounting point of view.

For a better understanding, it is important to focus on the activity output of a product, first. No matter if an external procurement or an in-house production took place, expenditure were generated, which are paid through bank accounts (e.g., cost of a production order). In in-house production, a finished inventory was created from the **delivery** or **settlement of the production order**.

Delivery in the Order to Cash process reduces the stock account by withdrawing from this produced stock. **Billing** creates the income and the corresponding receivables regarding the customer. **Payment** clears these receivables and, thus, leads to a credit memo on the bank account.

Ideally, all accounts are settled exactly, except for a higher bank balance because the income is higher than the expenses, which is shown in the P&L statement by a corresponding profit.

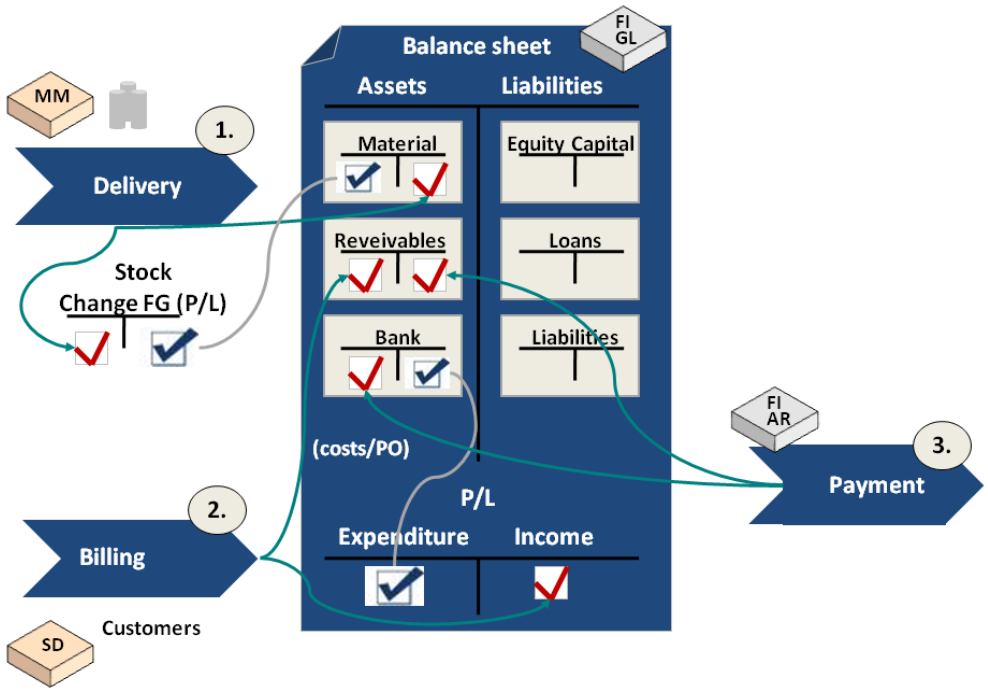



**Figure 80: Order to Cash Business Process from an Accounting Point of View**

**Sale of Services Business Process from an Accounting Perspective**

In the following figure, the sale process for service is displayed. This process is similar to the common Order to Cash process (stock sales process) and accordingly creates several central documents from the account point of view.

In order to understand the process more exactly, the activity output of the product must be focused. Expenses are incurred when services are procured outside the company and provided internally. External services are posted **without** and internal services **with** an account assignment to the cost center performing the activity (personnel expenses).

In comparison to the stock sales process, the delivery of goods does not apply here. Billing creates the income and the corresponding receivables vis-à-vis the customer. The payment settles these receivables, leading to a credit memo on your bank account. In the ideal case, all accounts are settled exactly, except with an adjusted, higher bank balance because the income is higher than the expenditure, which is also shown in the profit and loss statement by a corresponding profit.

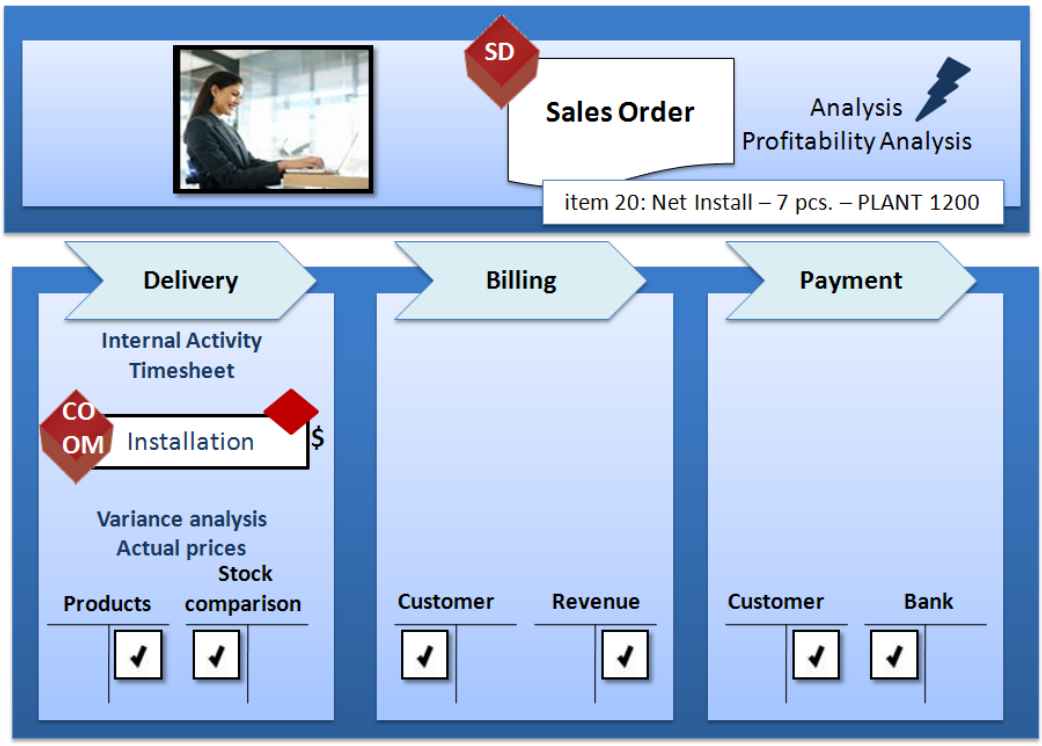



**Figure 81Sale of Services Business Process from an Accounting Perspective**

### 5.1.4 Incoming Payments in Accounts Receivable

A partial payment is a payment that is posted to an account without any open items being cleared. You assign this partial payment to an open item. When you post the partial payment, the system marks the document number of the original open item in the line item for the partial payment. The original open item and the partial payment remain open. A residual item results when a payment is made for less than the actual amount outstanding. You clear the original open item and the system posts a new open item. This new open item is for the same amount as the original open item minus the amount paid.
When the customer pays the open items to the full amount or with an approved cash discount, open items of the order are cleared. Small payment differences can be charged off automatically. The maximum amount that comes under minor payment is set in the tolerance group.

All payment differences outside the tolerance must be processed manually.

- **partial payment:** an item that is partially paid is not cleared
- **residual item:** an open invoice is paid and a new open item (residual item) of the amount of the payment difference is created

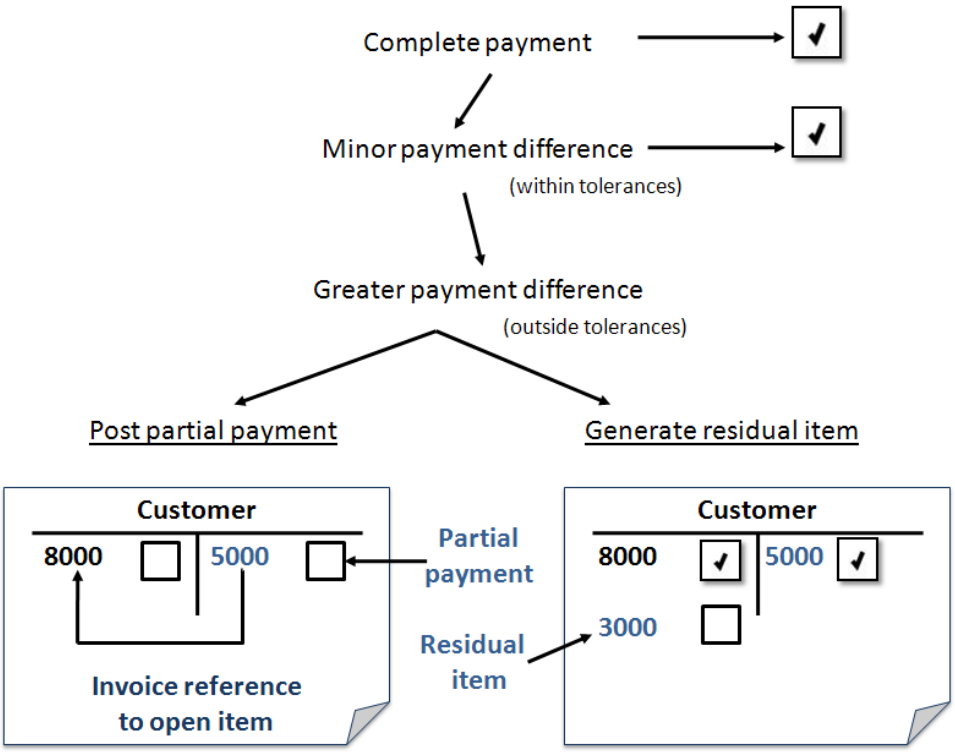



**Figure 82: Incoming Payments in Accounts Receivable**

## 5.2 Practice: Accounts Receivable in Financial Accounting


For proper automatic credit control, you must maintain the credit management master data for each customer. To ensure this, the credit department runs a program on daily basis that displays all customers for whom credit management master data have not been maintained, yet. Run this program for company code **1000**. Within the displayed master records, you can find your customer ***5xxyy***.

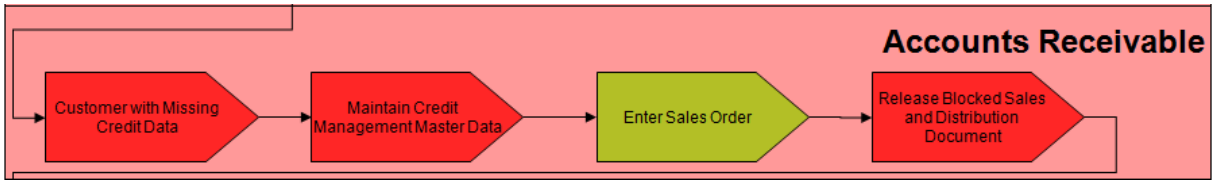



**Figure 83: Process Overview: Accounts Receivable**

### 5.2.1 Credit Management in SAP FI-AR

#### 5.2.1.1 Customer with Missing Credit Data

To display the customers **without** a properly maintained credit management master record in the system, choose

***Accounting → Financial Accounting → Accounts Receivable → Credit Management → Credit Management Info System → Missing Data (F.32)***

1. Enter company code ***1000***.
2. Select *Execute*. It might take the system a while to display the missing credit data report.
3. In the list, customer 5xxyy should be included. Select ***search (CRTL+F)*** to find your customer in the list.
4. You should see that credit data for several (all) Credit Control Areas are missing for your customer.

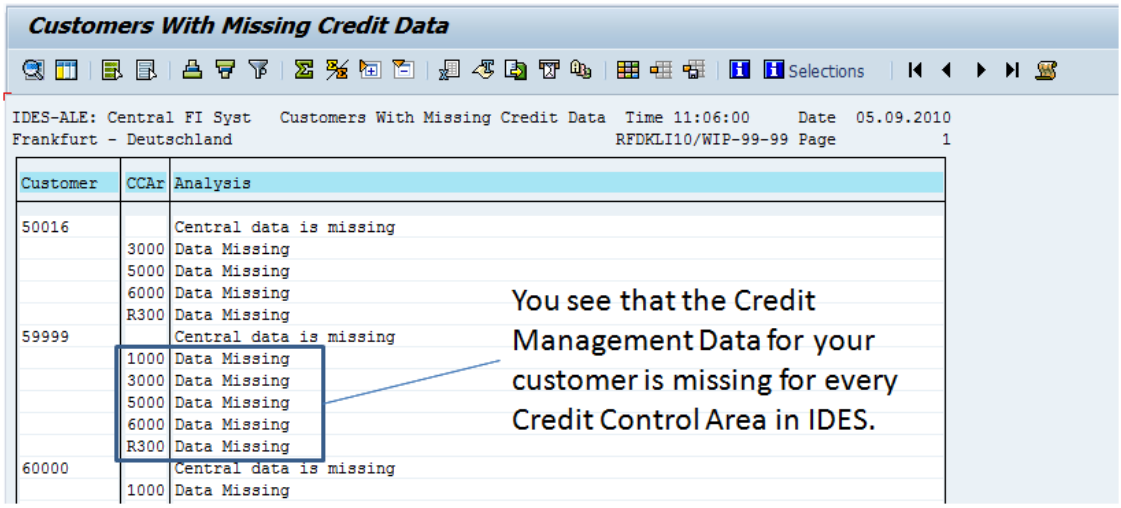



**Figure 84: Missing Credit Data: SAP-System-Screenshot**

5. Close the view.

#### 5.2.1.2 Maintain Credit Management Master Data

Maintain the credit management master data for customer 5xxyy. The credit management master data is an extension to the customer master data.
You want to maintain the following data, which should be valid across ALL credit control areas in IDES, and, thus, are maintained in the credit master section GENERAL DATA:

- Total credit limit should sum up to 500,000 €
- Individual credit limit should sum up to 100,000 €

You want to maintain the following data, which should be valid for credit control area 1000 only and, thus, are maintained in the credit master section CREDIT CONTROL AREA DATA:

- Credit limit is 10000.
- Risk category and Credit rep. group are both 001 (low risk customer).

Choose

***Accounting → Financial Accounting → Accounts Receivable → Credit Management → Master Data → Change (FD32)***

1. Enter the following data:
   - **Customer** ***5xxyy***
   - **Credit control area** ***1000***
   - **Central data** ***select***
   - **Status** ***select***
2. Confirm with *Enter*.
3. Enter the following CENTRAL data:
   - **Total amount** ***500000***
   - **Individual limit** ***100000***
   - **Currency** ***EUR***
4. Again, confirm with *Enter*.

Credit-control-area specific data: A credit limit of 10,000 Euro in credit control area 1000 is supposed to be entered for the customer. Assign the customer to the risk class for customers with low risk (001) and to the corresponding credit representative group (001).

5. Enter the following status data:
   - **Credit limit** ***10000 (Do not choose Enter, yet!)***
   - **Risk category** ***001***
   - **Credit rep. group** ***001***
6. *Save* your entries.

Therewith, you entered the credit limit for the customer.

### 5.2.2 Enter Sales Order

Enter a customer order for your customer 5xxyy. Your customer wants to order 10 Speedstarletts. Choose (…). You should already be familiar with the transaction to enter sales orders. Recall how to enter a sales order. Subsequently, you can find the data that belong to the sales order:

1. Initial screen:
   a. **Order type** ***OR***
   b. **Sales organization** ***1000***
   c. **Distribution channel** ***10***
   d. **Division** ***00***
2. Order data:
   a. **Sold-to-party** ***5xxyy***
   b. **PO number** ***1xxyy***
   c. **Desired delivery date** ***current date + 1 week***
   d. **Material** ***Speedstarlett-xxyy***
   e. **Order quantity** ***10***
3. If prompted, confirm the delivery date for **Complete delivery** ( ).
4. *Save* the order. The system notifies you that it is carrying out a dynamic credit check. The dynamic credit check issues a message that the credit limit was exceeded. Choose ***Enter*** to skip the message.

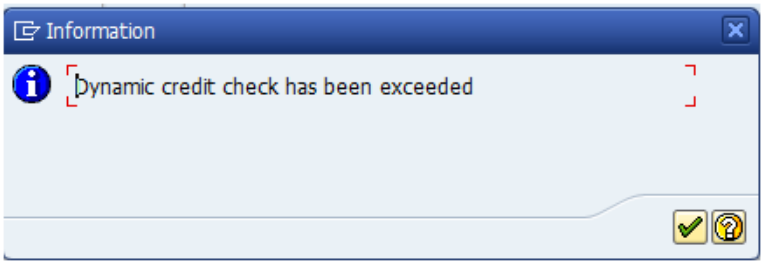



**Figure 85: Dynamic Credit Check: SAP-System-Screenshot**


*Note that the price for 10 Speedstars is about 24,000 € (without Tax) and, thus, exceeds your individual credit limit for credit control area 1000.*

5. Optionally, save the order **again** and skip a possible message regarding the billing date with *Enter*.

List the order number on your data sheet.

**Order number:** _____

### 5.2.3 Release Blocked Sales and Distribution Document in SAP FI-AR

Two times a day, the credit department runs a program that issues all SD documents blocked due to credit checks. Run this program for low-risk customers in credit control area 1000. Execute the report for blocked SD documents by choosing the following transaction:

***Accounting → Financial Accounting → Accounts Receivable → Credit Management → Exceptions → Blocked Sales Docs (VKM1)***

1. Enter the following data:
   - **Credit control area** ***1000***
   - **Representative group** ***001***
   - **Credit account** ***5xxyy***
2. Choose *Execute*.
3. Select your sales order.
4. Choose ***Release*** ( ).
5. Choose *Save*.

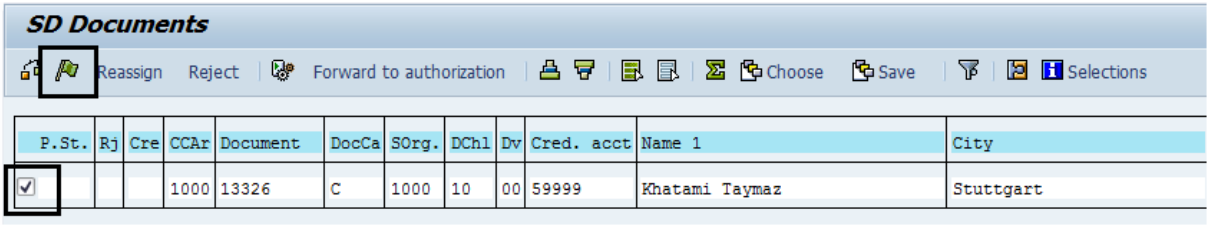



**Figure 86: Release blocked SD Document: SAP-System-Screenshot**

This is how you can manually release documents that are blocked by the system for further processing.

## 5.3 Elucidation


**What have we learned so far?**

We have learned how the customer master is integrated in the sub-ledger Accounts Receivable and, thus, with the General Ledger. Furthermore, we have learned how the credit control process is carried out in SAP FI.

### 5.3.1 The Customer Master Record

In the SAP System, all business transactions are posted to and managed in accounts. You must create a master record for each account that you require. The master record contains data that controls how business transactions are recorded and processed by the system. It also includes all the information about a customer that you need to be able to conduct business with him.

Both the accounting (FI-AR) and the sales (SD) departments of your organization use customer master records. By storing customer master data centrally, you enable it to be accessed throughout your organization, and avoid the need to enter the same information twice. You can also avoid inconsistencies in master data by maintaining it centrally. If the address of one of your customers changes, for example, you only have to enter this change once and your accounting and sales departments will always have up-to-date information.

Customer master data (analogously to the vendor master) contains all data relevant for customer processes. These data are grouped as follows:

- **General data** are valid client-wide and are relevant for sales and distribution as well as for accounting purposes.
- **Sales area data** are relevant to sales and distribution only and, thus, are only valid for a respective sales area (sales organization, distribution channel and division). That is, if you create a customer for sales area 1000/10/00 and you want to use this customer in sales area 2000/10/00, you need to extend its master data. These settings can, for example, include special payment conditions that the customer negotiated with the respective sales area.
- **Company code data** are relevant to accounting and, thus, are defined for a specific company code. That is, if you create a customer for company code and you want to use this customer in sales area 2000/10/00, you need to extend its master data to company code 2000, since sales organization 2000 is assigned to company code 2000.

### 5.3.2 Credit Management

- Credit control is performed by the organizational unit **credit control area**, which is an organizational unit that represents an area responsible for granting and monitoring credit.
- This organizational unit has either assigned one company code or, if credit control is performed across several company codes, has multiple company codes assigned. Credit information can be made available per customer within a credit control area
- There are two separate concepts for credit management in SAP ERP

- Financial Supply Chain Management (SAP FIN-FSCM) - Credit Management: More complex, more functionality, is based on the business partner concept, integration with SAP FI, SAP SD and SAP FI-AR via special transactions
- Accounts Receivable Accounting (SAP FI-AR) - Credit Management: less functionality, is part of FI-AR and SAP SD, thus, no data transfer or special integration procedures needed.

#### 5.3.2.1 Credit Management in Accounts Receivable Accounting

**FI-AR: Credit Management Master Record**

- Credit management master record is an extension of the customer master record
- Credit department can maintain and monitor data regarding credit management

The credit management master record consists of the following elements:

- **General data**
  - apply to all credit control areas
  - includes address and communication data of a customer, the maximum total limit that is allowed for the sum of all granted credit limits, etc.
- **Credit control area data**
  - apply only to a particular credit control area
  - you set the credit limit on credit control area level, a customer risk category, etc.
- **An overview**: contains the most important data from all previous sections

**FI-AR: Credit Control Process**

**Credit control** in SAP ERP is carried out as follows:

1. Order is created for customer. Upon creation or saving the system (or manually) checks whether the order exceeds the total credit limit of the costumer. Thereby, multiple sales orders add up for determining the exceeding of the limit. You can also set for customers individual item limits. That is, you set a limit for the customer for individual sales orders (in opposite to a total limit). If the order is within the customer's credit limit, the sales process can be carried out as usual.
2. In case the order exceeds the credit limit, the order is blocked.
   - The credit representative in charge can either be notified via remote email
   - or can use a report to check all blocked orders.
   - Credit department can now carry out particular measures (step 3 and 4)
3. The credit representative clarifies the next steps by either using the credit information system or calling the customer.
4. After clarification, the credit representative can
   - release the order and it can be processed as usual
   - refuse to release the order and the order is rejected

#### 5.3.2.2 Credit Management in Financial Supply Chain Management

FSCM Credit Management is based on the **Business Partner concept**. The credit data of a business partner includes all the information about a business partner that is required for monitoring credit risk and is stored in the **Business Partner Role** UKM000.

**FIN-FSCM: Credit Data**

The following tabs are important regarding credit management:

- **Credit Profile** is valid for whole client and contains:
  - procedure for scoring and credit limit calculation
  - internal scoring
  - external business partner ratings
  - risk class
  - check rules for controlling the credit limit check
  - notes
- **Credit segment data** is only valid for particular ***credit control area***
  - Contains all data required for checking credit when a sales order is accepted and for the resulting order-related credit decision.
  - Main credit segment and additional segments (for specific company codes) can be defined.
  - Credit segment data is updated from SAP Sales and SAP Financial Accounting.
  - Data from SAP Financial Accounting is transferred in report UKM_TRANSFER_ITEMS.

**FIN-FSCM: Credit Control Process**

1. ***Internal*** and ***external data*** are used to calculate a **customer risk valuation** for the business partner.
2. A **Scoring** is generated based on the customer risk valuation and a **risk category** is assigned.
3. FSCM credit management component allows for constant **monitoring** of the business partner's credit behavior and stores all data in the business partner's history.
4. These data and analyses are available for further decision making and strategy improvement regarding the credit management (credit and customer portfolios, segmentation, credit decision procedures, etc.). All company areas (sales, financial department, etc.) with the proper authorization may access these data.

### 5.3.3 Order to Cash Business Process and SAP FI Integration

**Sales Order Process from an Accounting Point of View**

You already know the following from the Elucidation of teaching unit 6. However, since it is an important issue regarding the SAP exam, it is repeated at this place, once again. Consider that for completeness reasons, the production process is included, too.

1. **Production Order Confirmation:**

When the production order is confirmed, a material document for the goods receipt to stock is created. Along with this material document, an accounting document is created. The accounting document debits the P/L Account 895000 (a debit from the accounting document point of view for a Profit/Loss Account is considered as income) and credits the G/L account 792000 for finished goods. Thus, in the General Ledger, the value-based increase on stock is now credited with the internal cost of production, since this is what the finished goods are worth before they are sold to any customer.

In the following figure you see the material document with the corresponding accounting document. You also see the assignment of the production order (60003508) to the account document item.

You can check the material document (Document (Speedstarlett)) in transaction MB03 and there click on the Accounts Document button to display the corresponding accounting document. However, you can also use transaction MIGO (Display/Material Document) as well.

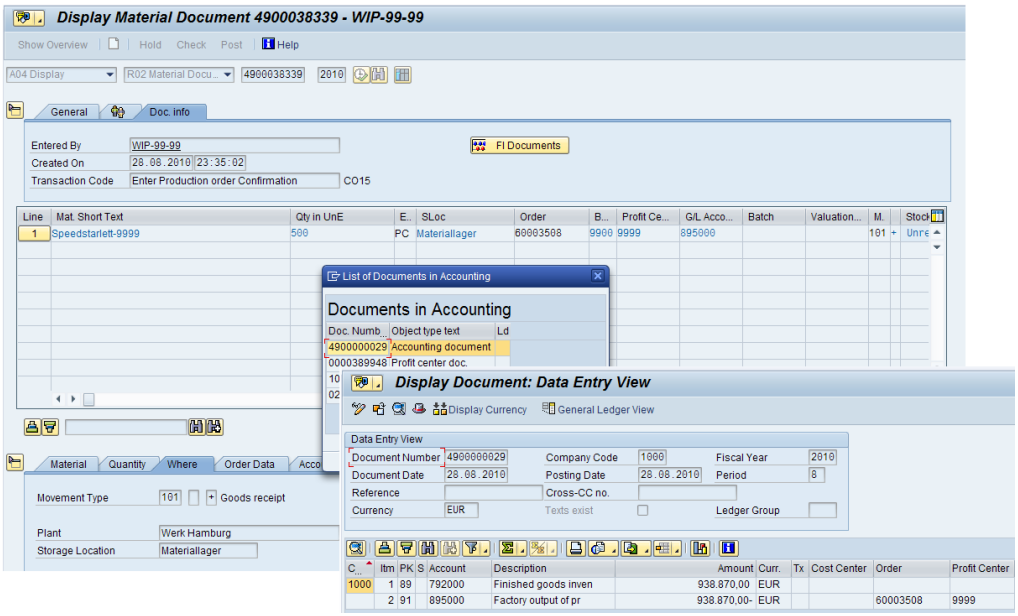
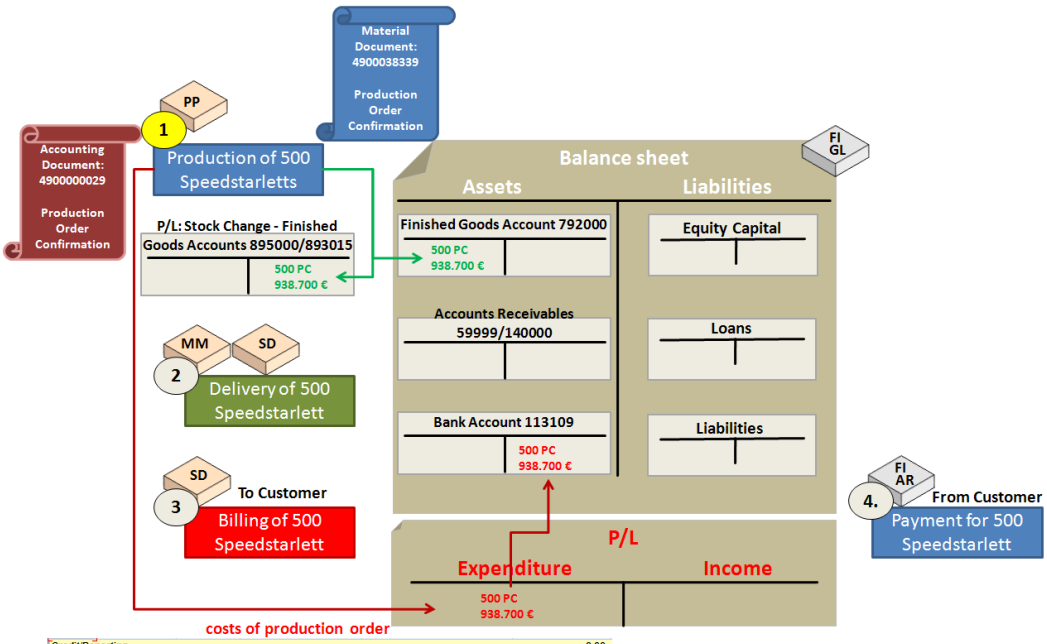



**Figure 87: Production Order Confirmation (1): SAP-System-Screenshot**

The following figure displays the principle behind the booking of different accounts in Financial Accounting when confirming the production order. You also see that expenditures (costs of the production order) are posted in divers P/L accounts. From the cost analysis of your production order (transaction CO03), you can see which accounts are debited with costs of production. These are, e.g., account 400000 for all raw material consumptions or account 619000 for activity type 1421 on work center 4210. The costs of production are paid from the company's bank account.




| | | | | | |
|---|---|---|---|---|---|
| Credit/Reporting | | | | | 0,00 |
| EUR | Goods Issues | 400000 | 1000/PEDAL | Pedal | 75.000,00 |
| EUR | Goods Issues | 400000 | 1000/BRAKES | Brakes | 150.000,00 |
| EUR | Goods Issues | 400000 | 1000/HANDLEBAR | Handlebar | 62.500,00 |
| EUR | Goods Issues | 400000 | 1000/SADDLE | Saddle | 75.000,00 |
| EUR | Goods Issues | 890000 | 1000/BASIS-MODULE2-99 | Basis-Module2-9999 | 544.435,00 |
| Material Components | | | | | 906.935,00 |
| EUR | Confirmations | 619000 | 4210/1421 | Motorcycle Assembly / Wage Hou | 25.820,00 |
| Production Labor | | | | | 25.820,00 |
| EUR | Confirmations | 620000 | 4210/1420 | Motorcycle Assembly / Machine H | 2.500,00 |
| Production Machine | | | | | 2.500,00 |
| EUR | Confirmations | 625000 | 4210/1422 | Motorcycle Assembly / Setup Hou | 7,23 |
| Production Setup | | | | | 7,23 |
| EUR | | | | | 935.262,23 |

**Figure 88: Production Order Confirmation (2)**

For simplicity reasons we do not account for variances in production costs here. Just consider that variances are settled to own accounts as well.

2. **Outbound Delivery:**
   The outbound delivery also creates a material document for the goods issue (you can retrieve the number of the goods issue document from the document flow of the delivery). With the delivery, 500 Speedstarletts are sent to the customer and, thus, leave your company and reduce the stock quantity. Simultaneously, the value of your stock decreases, too. This is accounted on the P/L-account 893015 and on the G/L-account 792000.

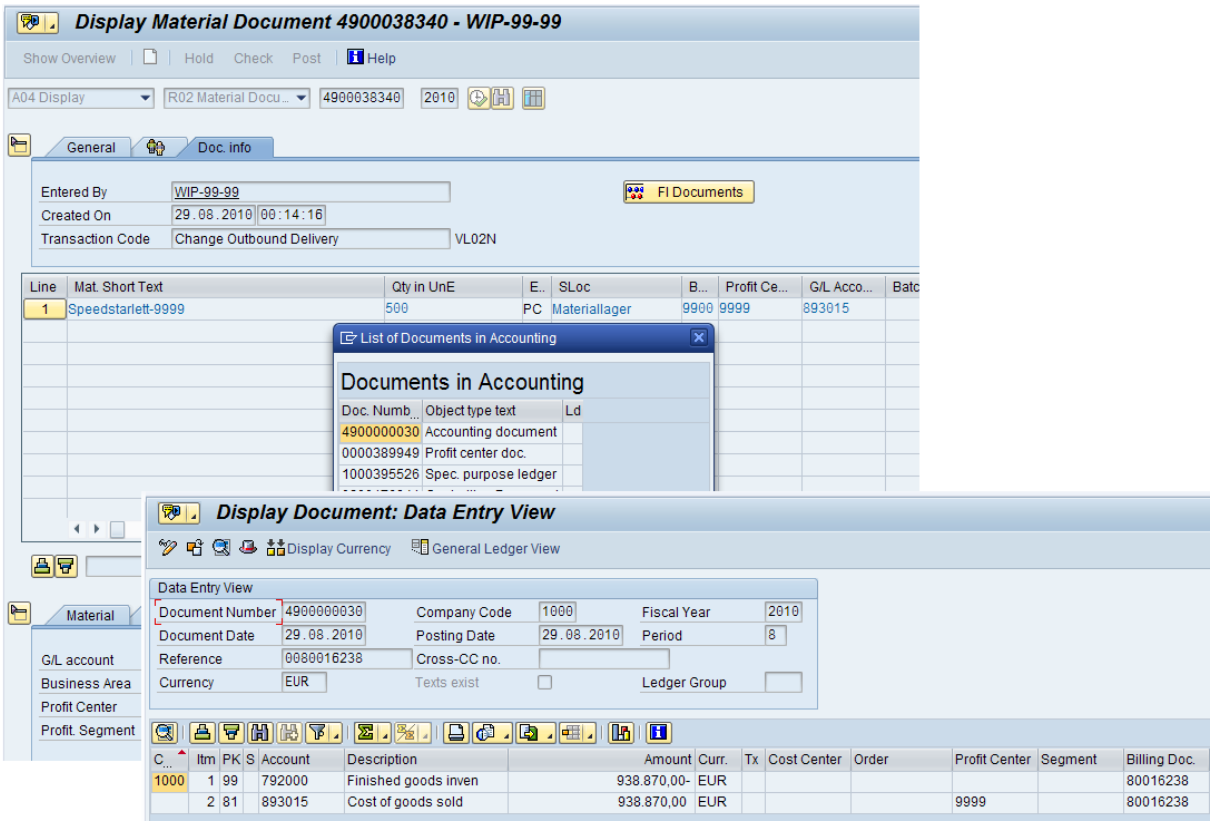



**Figure 89: Outbound Delivery/Goods Issue (1): SAP-System-Screenshot**

Again, the following figure displays the principle of accounting for the goods issue. After the goods issue is posted, the accounts 792000 and the stock change accounts are balanced out. However, the status of your delivery, as you might remember from the case study, is “in Process”, since you have not billed the customer yet. This is done that way because the customer account is not debited yet. If the delivery was completed at this point, you would never get your money from your customer. The status of the delivery, even though your customer already received his product, tells you that there is still work to do.

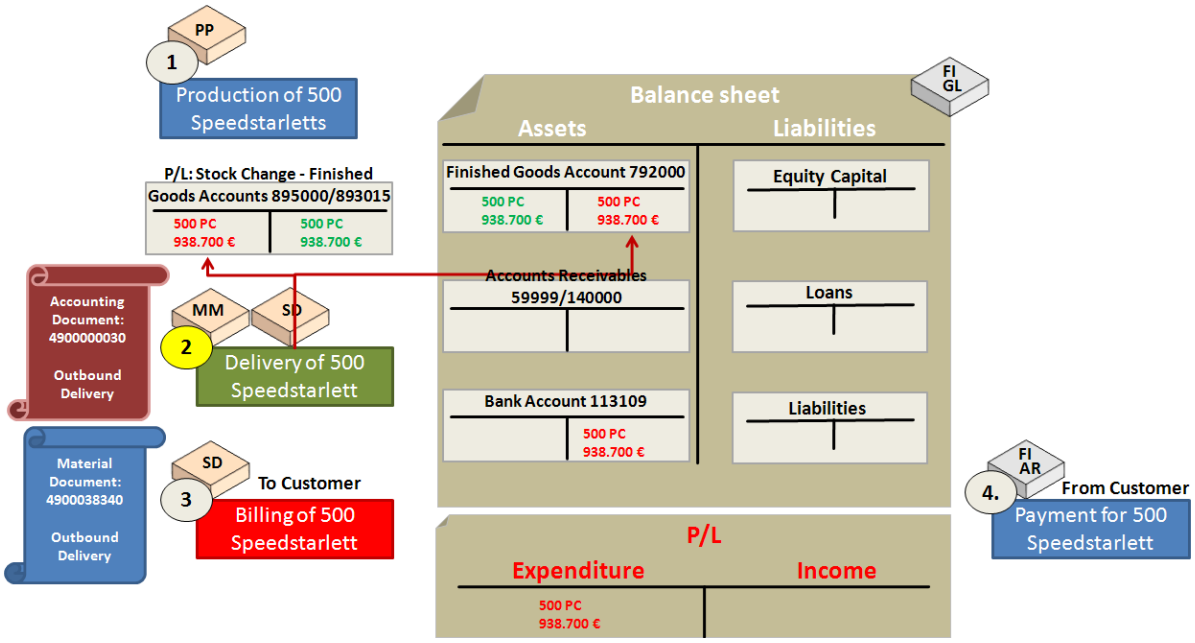



**Figure 90: Outbound Delivery/Goods Issue (2)**

### 3. Billing:

After the billing document is saved, the outbound delivery is updated and its status is set to "completed". The billing document also creates an accounting document with the full amount of the money the customer has to pay.

Consider that in the following, again for simplicity reasons, the taxes are not considered in the illustration. Taxes are also (like variances) posted to a special account (e.g., 175000) depending on the type of tax. Taxes are income neutral, since they are transferred to government completely. In the following, we pretend that the customer pays 1.100.000 € instead of 1.309.000 € (+VAT).

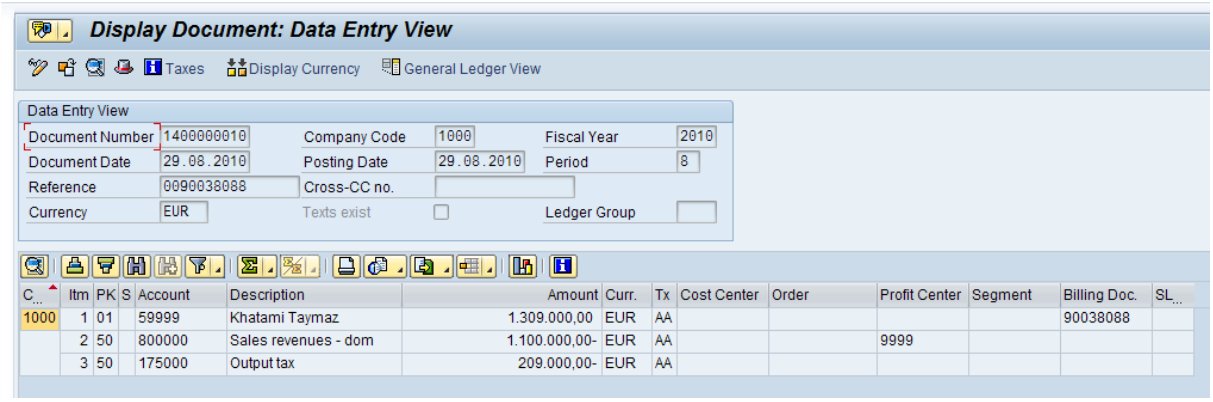



**Figure 91: Billing (1): SAP-System-Screenshot**

The billing document creates a receivable position (accounts receivable to sales revenue) on the customer account 5xxyy. This account is, as you already know, assigned to the reconciliation account 140000 in the General Ledger. This posting tells the system that you still receive money from the customer. The income of this sales order is already posted on the P/L account (Sales revenue - 800000) but the corresponding ac-

count document, which was generated from the billing document, is not cleared yet. You could see that in the document flow after you created your own billing document.

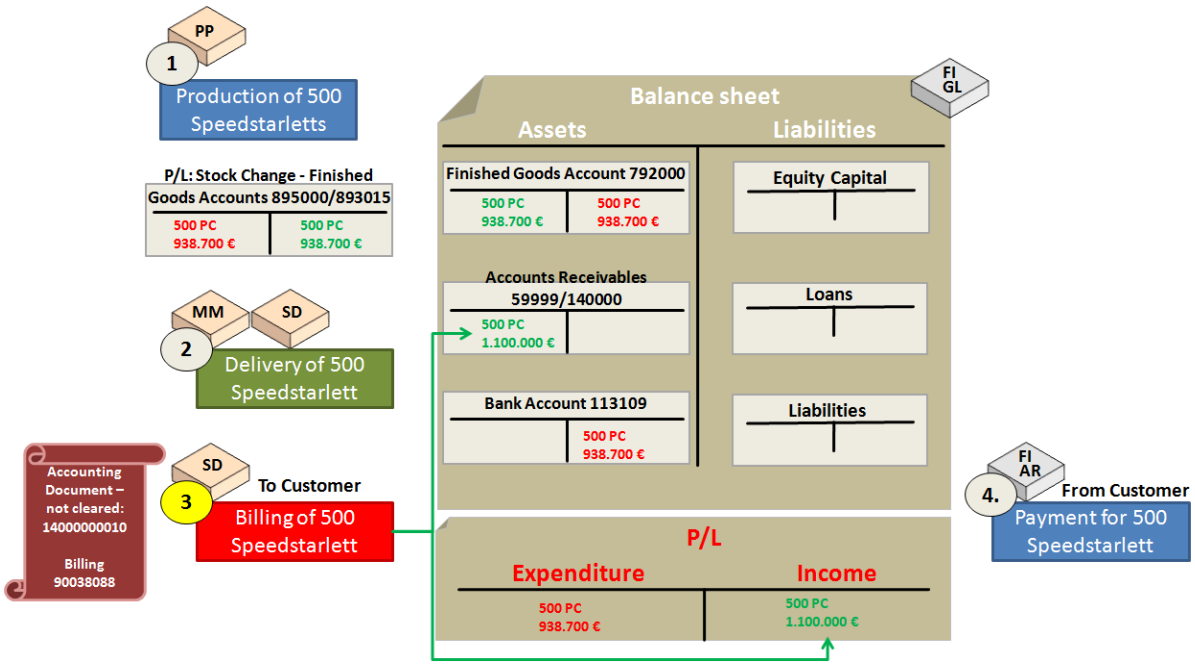



**Figure 92: Billing (2): SAP-System-Screenshot**

**4. Payment:**

Now you receive the payment from the customer. The money is posted on your company's bank account. The accounting document is cleared and the customer account 5xxyy and its counterpart (reconciliation account 140000) are balanced out, since the customer paid his outstanding debts (bank to accounts receivable).

Now, all accounts involved in this process are balanced out, except of your bank account of course. Here, you witness a profit of 161.300 €.

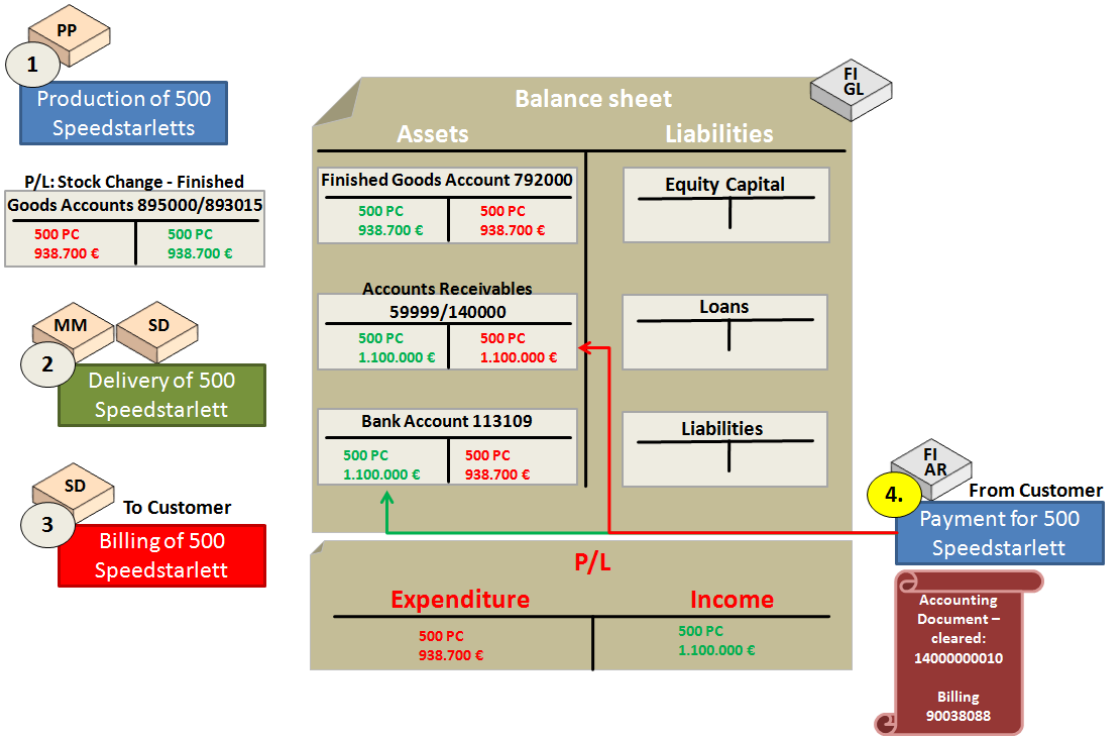



**Figure 93: Payment**

**Sale of Services Business Process from an Accounting Perspective**

The only differences of the Sale of Service business process to the stock sales process (that is, you selling a material from stock) are:

- When you procure a service externally for your own service process, expenses are incurred. These expenses are posted **without** an account assignment to the cost center, which provides this very same process to the customer
- In case you provide this service internally, that is, you do not procure it from a company-external service provider, then you must post this service **with** an account assignment to the cost center performing the activity (personnel expenses).
- Finally, since services cannot be delivered in the common sense, you cannot post a goods receipt or a goods issue for a service. That means that it is not until the billing is created when the income and the corresponding receivables vis-à-vis the customer are posted.
- The rest of the process (payment, etc.) is the same as with the stock sales process: The payment settles these receivables leading to a credit memo on your bank account. In the ideal case, all accounts are settled exactly, except with an adjusted, higher bank balance because the income is higher than the expenditure, which is also shown in the profit and loss statement by a corresponding profit.

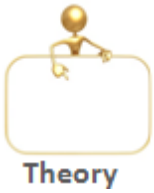
### 5.3.4 Incoming Payments in Accounts Receivable

- Customer pays the invoice to the full amount → open items of the order are cleared
- Customer pays the invoice with small difference to the full amount
    - If the difference is within a maximum amount in the tolerance group, the difference is posted against a special account and the open items of the order are cleared.
    - All payment differences outside the tolerance must be processed **manually**.
        - **Partial payment:** If the invoice is only paid partial, the item that is partially paid is not cleared and stays open till the rest is paid.
        - **Residual item:** The invoice is cleared and the difference is posted to a residual item. Therefore, a new item is created with the amount left. This item stays open until the amount is paid.

# 6 Asset Accounting

This section explains the Asset Accounting in SAP FI.

## 6.1 Theory: Assets in Financial Accounting




The Asset Accounting (FI-AA) component is used for managing and supervising fixed assets with the SAP System. In Financial Accounting, it serves as a subsidiary ledger to the General Ledger, providing detailed information on transactions involving fixed assets.

### 6.1.1 Organizational Units in Asset Accounting

An asset represents an economic good that is used in a company on a long-term basis (cf. unit 10, enterprise asset management). Assets can be, for example, machines, buildings or servers.
The asset master record contains general data information about the asset such as when the asset was acquired and when it was capitalized. Furthermore, the master record of an asset contains account determination information and asset values.
Each asset is assigned to a **company code** and to a **business area**. All postings (acquisitions, retirements, depreciations, etc.) are carried out in the assigned company code and business area.
Moreover, assets can be assigned to different Controlling objects (cost center, internal order, activity type, etc.) and to logistic **organizational units** (only for selection purposes).

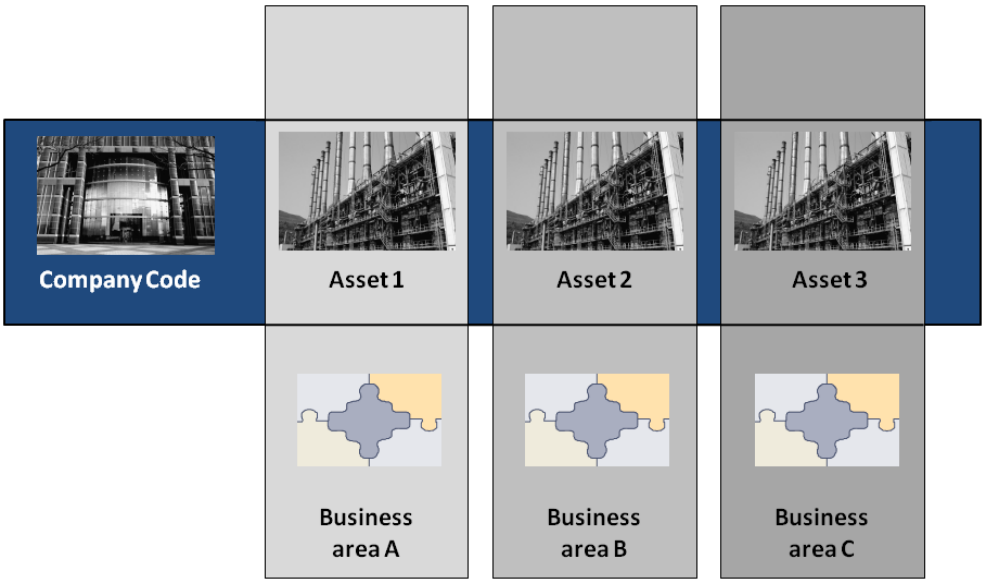



**Figure 94: Assets in FI Organizational Units**

### 6.1.2 Asset Class

Asset classes are the most important means of structuring fixed assets. You can define an unlimited number of asset classes in the system. You use the asset classes to structure your as-

sets according to the requirements of your enterprise. Asset classes apply in all company codes. The asset class provides default values to all asset master records in the class. In this way, the asset class functions as a sample master record and makes it possible to create new asset master records simply and without errors.
The screen layout, tab layout and the field characteristics (required/optional/suppressed) of the asset master record can be set for the asset class. The assignment of asset numbers can be controlled by the asset class. The asset class is a selection criterion in all standard reports in Asset Accounting. In addition, you can also request sorting and totaling by class-specific characteristics. The account determination key assigned to an asset class points to accounts in configuration for various postings to the asset such as for acquisition, retirement, etc. If you drill down on the account determination key in the asset master record, you will see the GL account for APC (acquisition, production and construction).

The main criterion when defining assets is the **asset class**. Each asset must be assigned to an asset class. In the asset class, you can define particular control parameters and default values for depreciation and other master data.
Assets that do not appear in the same line item of the balance sheet (e.g., buildings and equipment) are assigned to different asset classes. Additionally, there is at least one special asset class for assets under construction and low-value economic goods. IDES AG uses the following asset classes:

- 4000 for assets under construction
- 5000 for low-value economic goods


*You can also create asset classes for intangible assets and leased assets. There are functions available for processing leased objects.*
*The plant maintenance component (SAP PM) is used for the technical management of assets. The treasury component (SAP TR) is used for managing financial assets.*

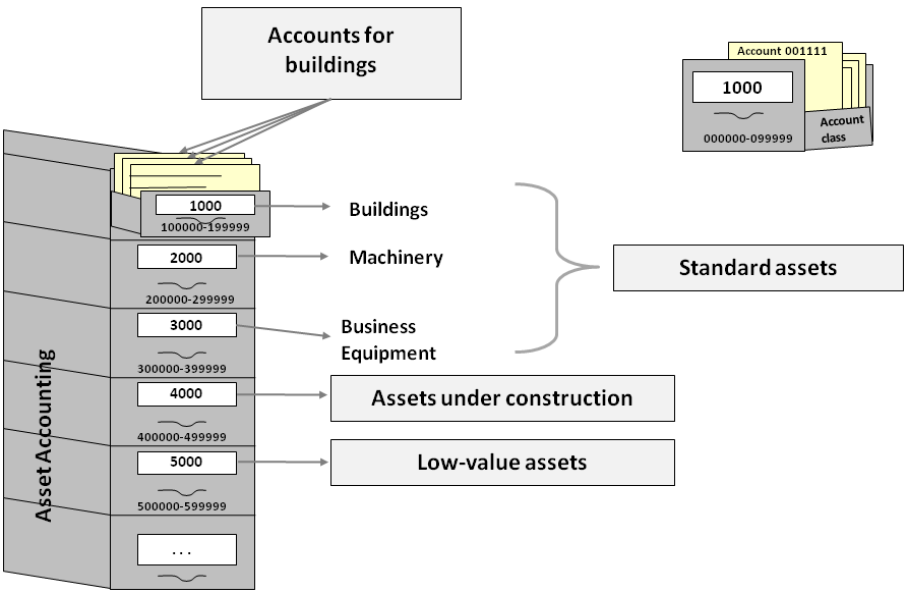



**Figure 95: Asset Class**

### 6.1.3 Asset Transactions

To fulfill the organizational and business-related requirements of a company, acquisitions and retirements (**asset transactions**) can be posted in several ways. In most cases, two subsidiary ledgers and, thus, two reconciliation accounts are involved: vendors and assets.
In FI-AA (financial accounting, assets accounting), you have the following options:

- Without a vendor or a purchase order: the offsetting entry is made to a G/L clearing account.
- To a vendor but without reference to a purchase order
- Via materials management using the MM functionality (purchase order, goods receipt and invoice receipt)

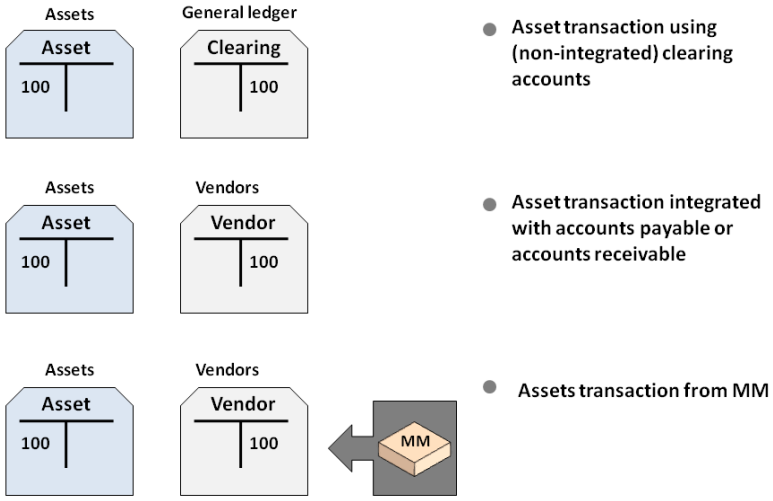



**Figure 96: Asset Transactions**

**Transaction Type**

Within Asset Accounting, asset transaction types identify individual business transactions. A transaction type has to be entered for each transaction that affects assets. Either you make this entry in the posting transaction by yourself or the entry is automatic, based on specifications made in FI-AA Customizing.

The **transaction type** is an addition to the asset posting keys 70 (debit) and 75 (credit). It needs to be stated when posting to an asset account. The transaction type is required in asset accounting, since it determines where the asset posting is listed in the asset history sheet.
The transaction type is the distinguishing characteristic of different asset postings, including:

- Buying and selling
- Credit memos
- Acquisitions from internal production
- Adjustment postings
- Retirements without revenues
- Depreciations and appreciations

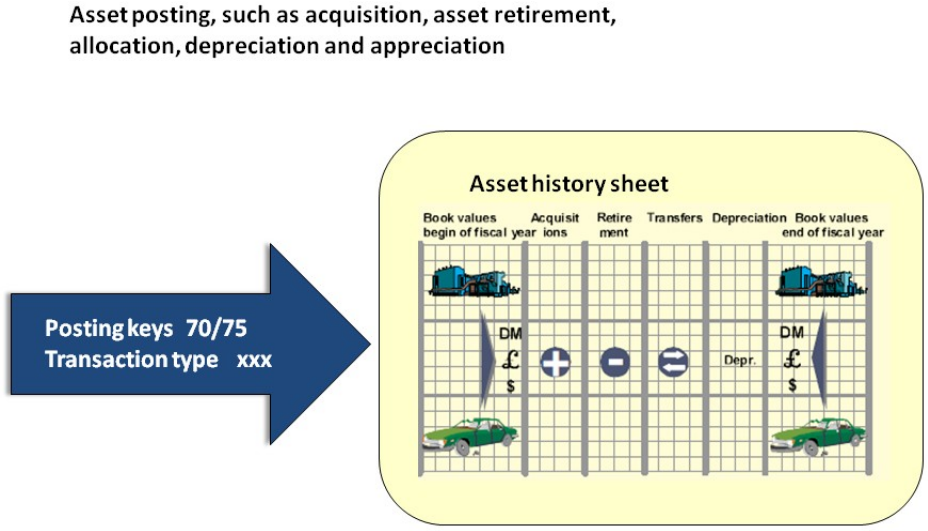



**Figure 97: Transaction Type**

### 6.1.4 Asset Explorer

The **Asset Explorer** in the SAP ERP system allows for a clear overview of all activities related to an asset displaying all the values of a fixed asset.

This includes acquisition and production cost (APC) values and depreciation in various forms and summarization levels.
The Asset Explorer also shows planned values as well as values already posted for an asset. Along with transactions posted to an asset account, planned and posted depreciations per depreciation period and per fiscal year are displayed. You can also display details of FI transactions. Branching to master data records and other cost objects as well as performing simulations is possible.
Thus, you use this function to display and analyze asset values. The Asset Explore consists of the:

- Header, in which you enter the company code and asset number.
- Overview tree, with which you can navigate between different depreciation areas.
- Overview tree that displays objects related to the asset.
- Tabs, in which you analyze plan values and posted values using different parameters and compare fiscal years and depreciation areas.

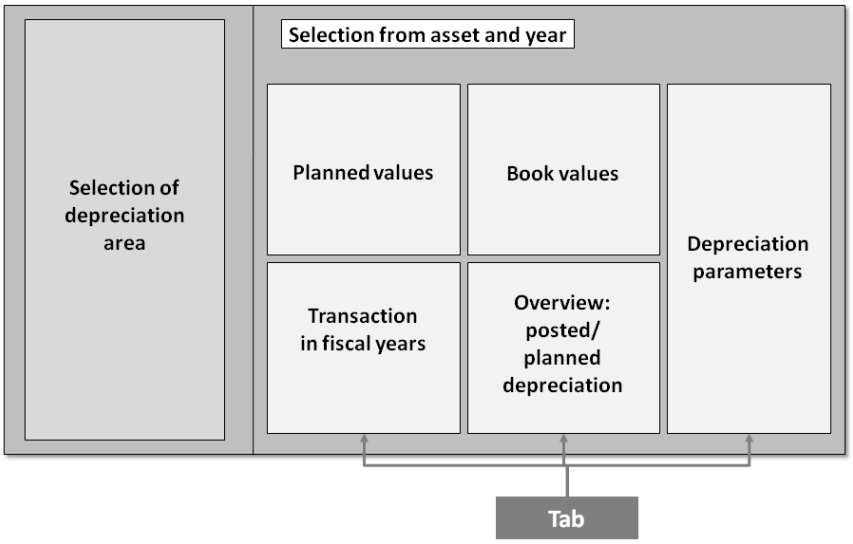



**Figure 98: Asset Explorer**

### 6.1.5 Depreciation Areas

Often asset balances and asset movements need to be valuated differently due to various reasons. **Depreciation areas** in SAP ERP allow for the usage of more than one valuation basis. That is, depreciation areas are used to calculate different values in parallel for each fixed asset for different purposes. For example, you may require different types of values for the balance sheet than for cost accounting or tax purposes. You manage the depreciation terms and values necessary for this valuation in the depreciation areas of each asset.
There are different transaction figures in each area per asset and depreciation area and for individual value components, for example, balances, depreciation and remaining book value.

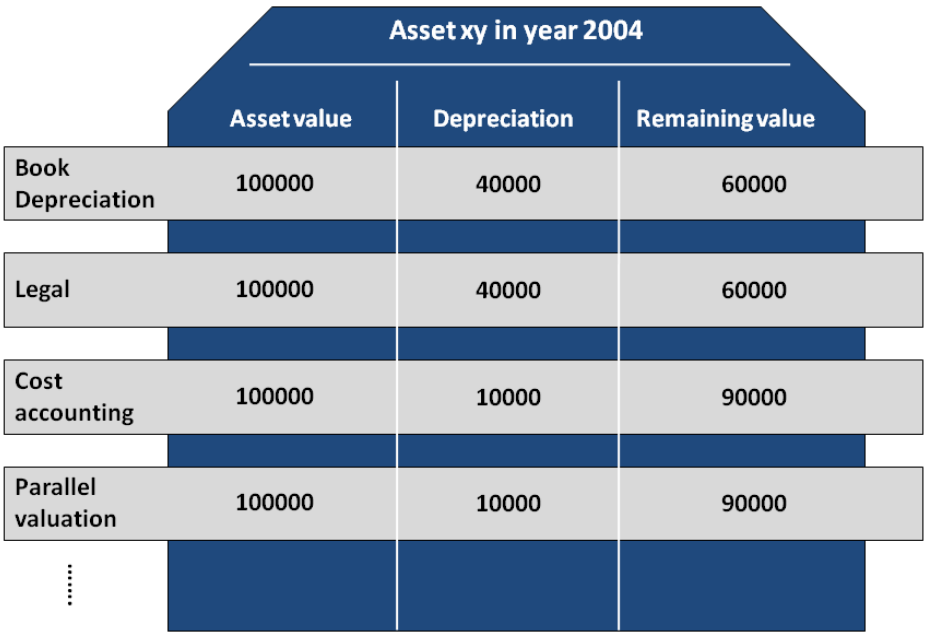



**Figure 99: Depreciation Areas**

Various data for depreciation areas are stored in the asset master record. These data control the calculation of normal and special depreciation for the respective depreciation area. Thus,

you can use a different depreciation method for general business procedures from the depreciation method required by the tax authorities.

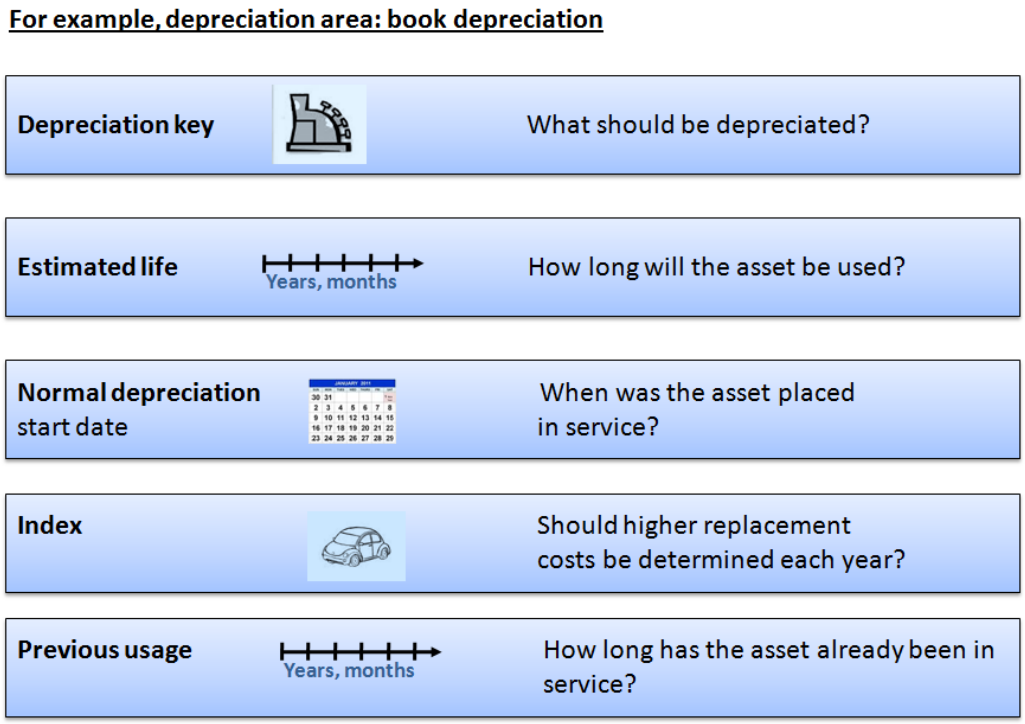



**Figure 100: Control Data in Depreciation Areas**

### 6.1.6 Account Determination

When creating an asset, it is assigned in the general ledger via a reconciliation account similarly like customers and vendors. However, contrastingly to vendors (160000) and customers (140000), the reconciliation account is not put directly in the master record of the asset. This is due to the structure of assets. Each asset is assigned to an **asset class**. The asset class in turn is tied to an **account determination key**, which points to the **accounts**, which are posted to depending on the transaction type that is used for the posting.
The following figure displays this principle:

- Asset 4711 is created in company code 0004 and is assigned to the asset class 4000
- In the asset master, no reconciliation account (contrastingly to the vendor and customer accounts) is entered but an account determination key 11000.
- The account determination key 11000, together with the asset class 4000, determines the reconciliation accounts and other accounts in the general ledger (which is based on the charts of accounts AAAA) for this asset.
- Only the APC account and accumulated depreciation are reconciliation accounts. Other accounts, which the account determination key may point to, are not reconciliation accounts.

The advantage of this procedure is that you can structure your assets in the general ledger according to the asset class and also separate, e.g., the depreciations of an asset from the asset

acquisition costs. Hence, buildings are posted on an account and vehicles are posted to another account, etc. This structuring is very important regarding the financial statement.

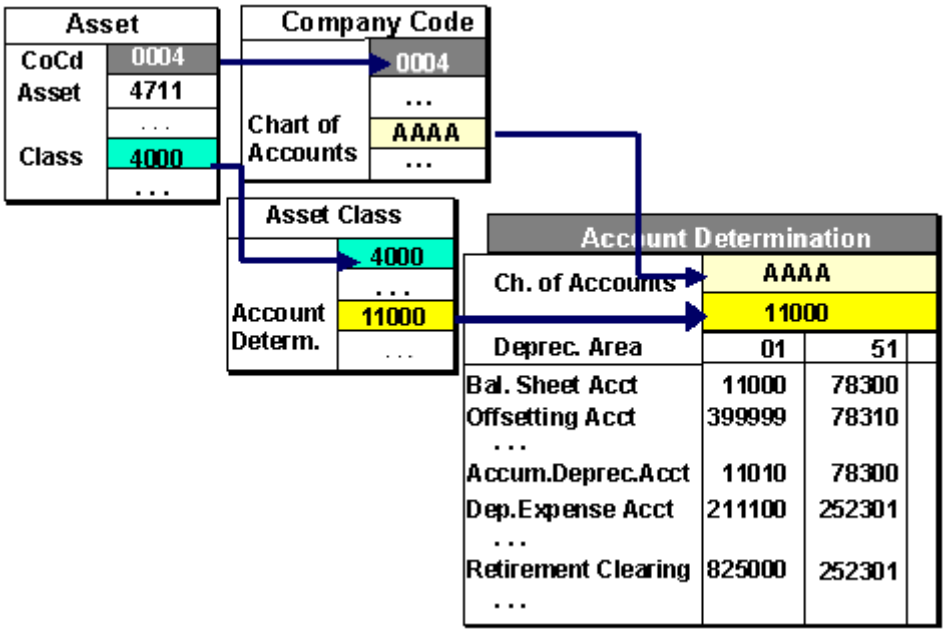



**Figure 101: Account Determination: help.sap.com**

On the *General* tab page of an asset (here the forklift from the practical part), you can see the account determination key 30000. With a double-click on 30000, you navigate to the master record for clearing account 21000 in the general ledger. This account is posted to when the forklift is purchased.

### 6.1.7 Depreciation Run

Every asset transaction in Asset Accounting (FI-AA) component immediately causes a change of the forecasted depreciation. However, it does not immediately cause an update of the depreciation and value adjustment accounts for the balance sheet and profit and loss statements. You need to carry out a depreciation run so that depreciations are posted in asset accounting and the general ledger. Only after the completion of the depreciation run, depreciations are posted in asset accounting in the general ledger. Depreciation is posted to the respective asset accounts of the general ledger and of the assigned Controlling cost object in the asset master record.

This posting run uses a batch input session to post the planned depreciation for each posting level for each individual asset as a lump sum amount.

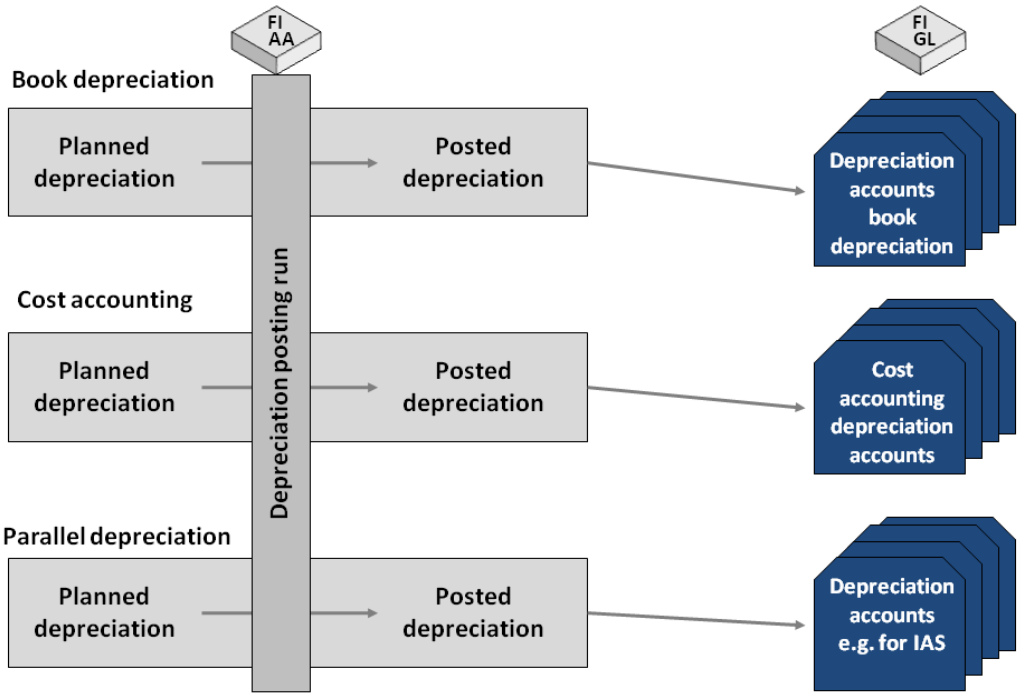



**Figure 102: Depreciation Run**

## 6.2 Practice: Asset Accounting


Due to the growing warehouse operations in the bicycle warehouse, your company purchases a forklift. Prior to its activation, you need to create an asset master record for the forklift in asset class 3100 (vehicles).

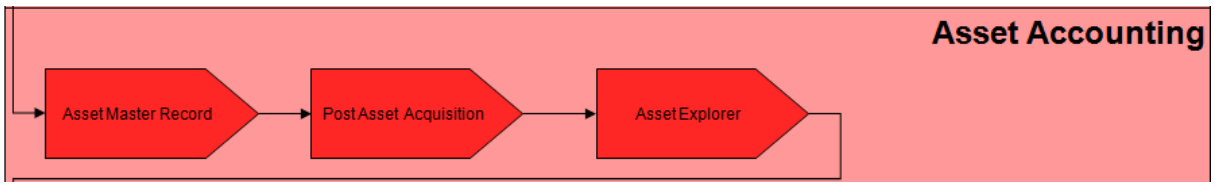



**Figure 103: Process Overview: Asset Accounting**

### 6.2.1 Asset Master Record

Create the Asset master record and assign your forklift to cost center CCMSD-xxyy.

***Accounting → Financial Accounting → Fixed Assets → Asset → Create → Asset (AS01)***

1. Enter the following data:
   - **Asset class** ***3100 (vehicles)***
   - **Company code** ***1000***
   - **Number of similar assets** ***1***
2. Choose the Master data button to maintain the master data for this asset.
3. Enter description ***Forklift-xxyy*** and choose the **time-dependent** tab**.**
4. Enter the following data:
   - **Business Area** ***3000*** (vehicles)
   - **Cost Center** ***CCMSD-xxyy***
   - **Plant** ***1000***
5. *Save* your asset and skip the following message with *Enter*.

   List the number of the asset on your data sheet.

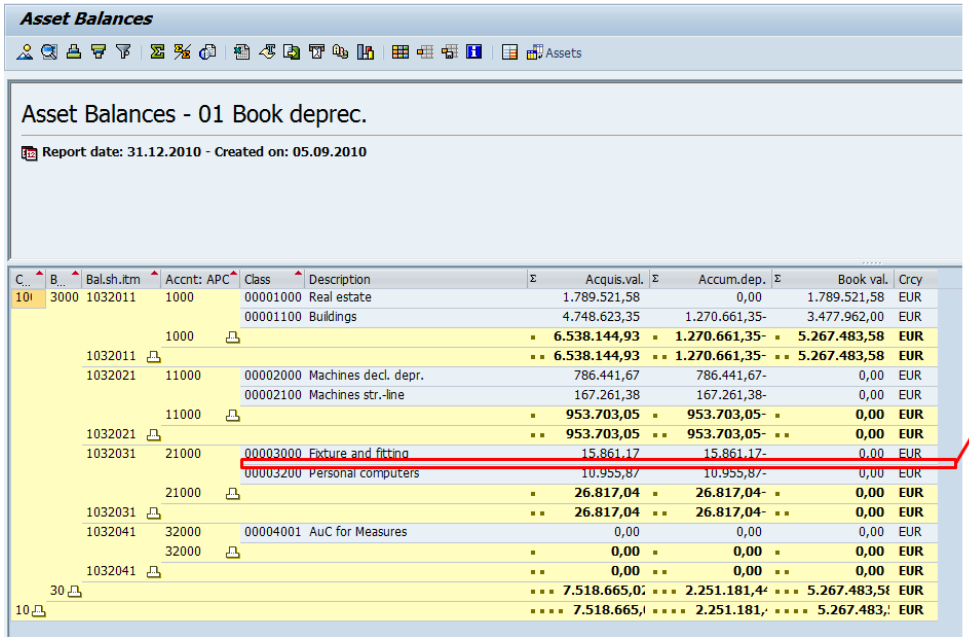
   **Asset number:** _____

**Display Financial Statements**

Now, check if with the creation of the asset master data record the asset appears in your financial statements. First check the Asset Balances by Business Area in Asset Accounting (SAP FI-AA). Therefore, choose

***Accounting → Financial Accounting → Fixed Assets → Information System → Reports on Asset Accounting → Asset Balances → Balance Lists → Asset Balances → … by Business Area (S_ALR_87011965)***

1. Enter the following data:
   - **Company Code** ***1000***
   - **Business Area** ***3000***
2. Press *Execute*.
3. Your asset is not included in the Asset Balance Report (also pay attention to the following Caution-note!), since the master record creation has no implication on Financial Accounting at all, regarding the books (SAP FI-GL and SAP FI-AA).




| C.. | B.. | Bal.sh.itm | Accnt: APC | Class | Description | Acquis.val. | Accum.dep. | Book val. | Crcy |
|---|---|---|---|---|---|---|---|---|---|
| 10 | 3000 | 1032011 | 1000 | 00001000 | Real estate | 1.789.521,58 | 0,00 | 1.789.521,58 | EUR |
| | | | | 00001100 | Buildings | 4.748.623,35 | 1.270.661,35- | 3.477.962,00 | EUR |
| | | | 1000 | | | **6.538.144,93** | **1.270.661,35-** | **5.267.483,58** | **EUR** |
| | | 1032011 | | | | **6.538.144,93** | **1.270.661,35-** | **5.267.483,58** | **EUR** |
| | | 1032021 | 11000 | 00002000 | Machines decl. depr. | 786.441,67 | 786.441,67- | 0,00 | EUR |
| | | | | 00002100 | Machines str.-line | 167.261,38 | 167.261,38- | 0,00 | EUR |
| | | | 11000 | | | **953.703,05** | **953.703,05-** | **0,00** | **EUR** |
| | | 1032021 | | | | **953.703,05** | **953.703,05-** | **0,00** | **EUR** |
| | | 1032031 | 21000 | 00003000 | Fixture and fitting | 15.861,17 | 15.861,17- | 0,00 | EUR |
| | | | | 00003200 | Personal computers | 10.955,87 | 10.955,87- | 0,00 | EUR |
| | | | 21000 | | | **26.817,04** | **26.817,04-** | **0,00** | **EUR** |
| | | 1032031 | | | | **26.817,04** | **26.817,04-** | **0,00** | **EUR** |
| | | 1032041 | 32000 | 00004001 | AuC for Measures | 0,00 | 0,00 | 0,00 | EUR |
| | | | 32000 | | | **0,00** | **0,00** | **0,00** | **EUR** |
| | | 1032041 | | | | **0,00** | **0,00** | **0,00** | **EUR** |
| | 30 | | | | | **7.518.665,0** | **2.251.181,4** | **5.267.483,5** | **EUR** |
| 10 | | | | | | **7.518.665,** | **2.251.181,** | **5.267.483,** | **EUR** |

**Figure 104: Asset Balance Report (1): SAP-System-Screenshot**


*However, in your case, you will have a screen like the following. Consider that the account (and the asset class) you post to is used by everybody in this course. Thus, the Asset class will be presented in the Asset Balance Report when you execute it. BUT, under no circumstances your asset will be presented in the details view, at this point in time. That is, after only creating the asset master record.*

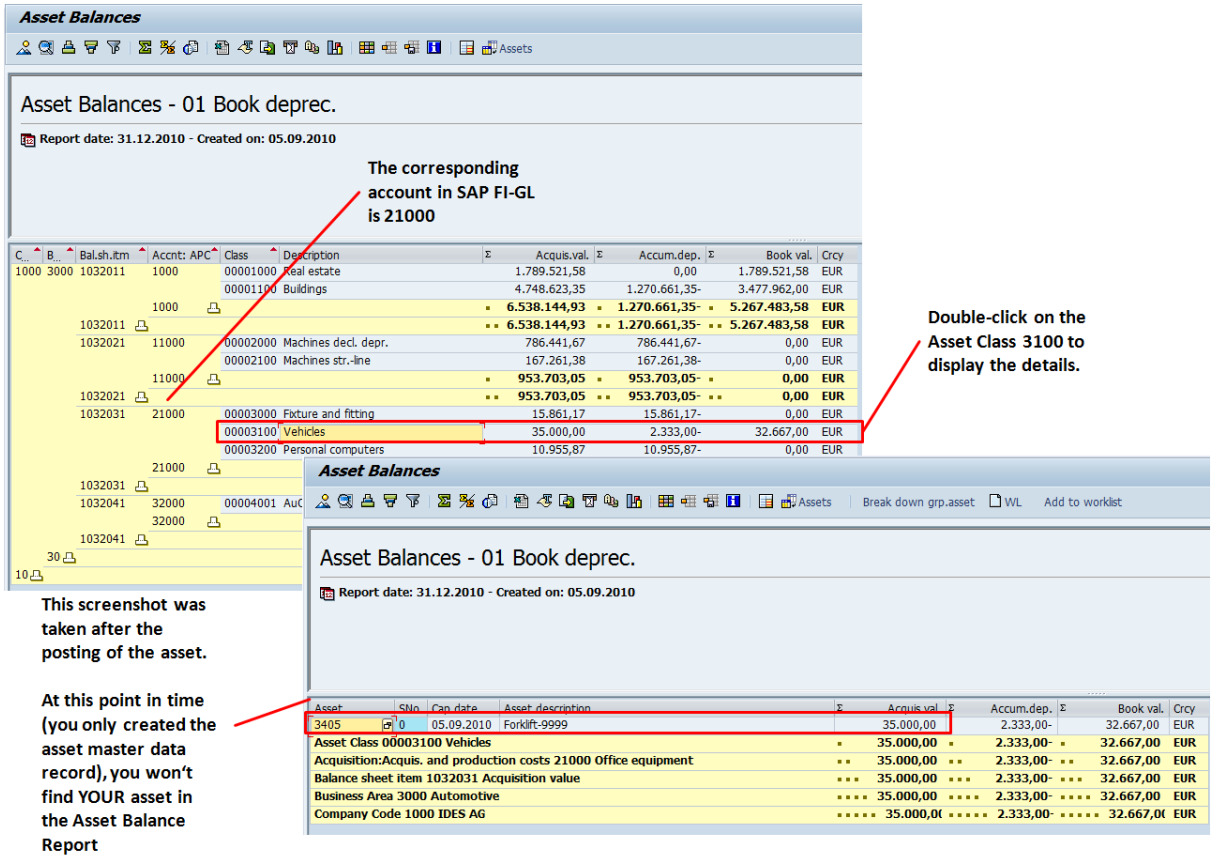



**Figure 105: Asset Balance Report (2): SAP-System-Screenshot**

Now check the asset account for fixed assets in the Balance Sheet, that is, from the General Ledger point of view (SAP FI-GL). Therefore, select

***Accounting → Financial Accounting → General Ledger → Information System → General Ledger Reports (New) → Financial Statement / Cashflow → General → Actual/Actual Comparisons → Financial Statement (S_ALR_87012284)***

1. Enter the following data:
   - **Chart of accounts** ***INT***
   - **Company Code** ***1000***
   - **Business Area** ***3000***
   - **Financial statement version** ***INT***
2. Press *Execute*.
3. For the current reporting period, the asset account is 0 (also pay attention to the following Caution-note!), since the master record creation has no implication on Financial Accounting at all, regarding the books (SAP FI-GL and SAP FI-AA).


*However, in your case, your screen will differ of course, since probably several students already have posted their assets in SAP FI. Consider that the account (and the asset class) you post to is used by everybody in this course. Thus, the account will not be zero in your case when you execute it. BUT, the value posted in the Balance Sheet report MUST be the same as the one you got in the Asset Balance report.*

IDES AG Commercial balance sheet Time 12:39:20 Date 05.09.2010
Frankfurt Ledger 0L RFBILA00/WIP-99-99 Page 1

Company code 1000 Business area **** Amounts in EUR

| C F | Comp code | Bus. area | Texts | Reporting period (01.2010-16.2010) | Comparison period (01.2009-16.2009) | Absolute difference | Rel dif | Sumtn level |
|---|---|---|---|---|---|---|---|---|
| | | | A S S E T S | | | | | |
| | | | Fixed assets | | | | | |
| | | | Tangible assets | | | | | |
| | | | Land, leasehold rights and buildings including buildings on land owned by others | | | | | |
| | | | Acquisition value | | | | | |
| | 1000 | 3000 | 0000001000 Real estate and similar rights | 0,00 | 6.538.144,93 | 6.538.144,93- | 100,0- | |
| | | | | 0,00 | 6.538.144,93 | 6.538.144,93- | 100,0- | *5* |
| | | | Accumulated depreciation | | | | | |
| | 1000 | 3000 | 0000001010 Accum. depn - real estate and similar r | 55.401,00- | 2.267.039,92- | 2.211.638,92 | 97,6 | |
| | | | | 55.401,00- | 2.267.039,92- | 2.211.638,92 | 97,6 | *5* |
| | | | | 55.401,00- | 4.271.105,01 | 4.326.506,01- | 101,3- | *4* |
| | | | Plant and machinery | | | | | |
| | | | Acquisition value | | | | | |
| | 1000 | 3000 | 0000011000 Machinery and equipment | 0,00 | 953.703,04 | 953.703,04- | 100,0- | |
| | | | | 0,00 | 953.703,04 | 953.703,04- | 100,0- | *5* |
| | | | Accumulated depreciation | | | | | |
| | 1000 | 3000 | 0000011010 Accumulated depreciation - machinery an | 0,00 | 965.205,57- | 965.205,57 | 100,0 | |
| | | | | 0,00 | 965.205,57- | 965.205,57 | 100,0 | *5* |
| | | | | 0,00 | 11.502,53- | 11.502,53 | 100,0 | *4* |
| | | | Other fixtures and fittings, tools and equipment | | | | | |
| | | | Acquisition value | | | | | |
| | 1000 | 3000 | 0000021000 Fixtures and fittings | 0,00 | 26.817,03 | 26.817,03- | 100,0- | |
| | | | | 0,00 | 26.817,03 | 26.817,03- | 100,0- | *5* |
| | | | Accumulated depreciation | | | | | |
| | 1000 | 3000 | 0000021010 Accumulated depreciation - fixtures and | 0,00 | 26.817,02- | 26.817,02 | 100,0 | |
| | | | | 0,00 | 26.817,02- | 26.817,02 | 100,0 | *5* |
| | | | | 0,00 | 0,01 | 0,01- | 100,0- | *4* |
| | | | | 55.401,00- | 4.259.602,49 | 4.315.003,49- | 101,3- | *3* |
| | | | Total fixed assets | 55.401,00- | 4.259.602,49 | 4.315.003,49- | 101,3- | *2* |

**Figure 106: Balance Sheet: SAP-System-Screenshot**

## 6.2.2 Post Asset Acquisition

Your company purchases the forklift from vendor 1000. The forklift costs 35.000 € net, i.e., without 10% tax. Post the asset acquisition integrative, i.e., post the asset acquisition and the liabilities to the vendor account in one document. Invoice date and posting date is today. Add 10% income tax (1I) to the net amount. Choose

***Accounting → Financial Accounting → Fixed Assets → Postings → Acquisition → External Acquisition → With Vendor (F-90)***

1. Enter the following data:
   - **Document date** *current date*
   - **Posting date** *current date*
   - **Posting key (Pstky)** *31 (invoice)*
   - **Account** *1000*

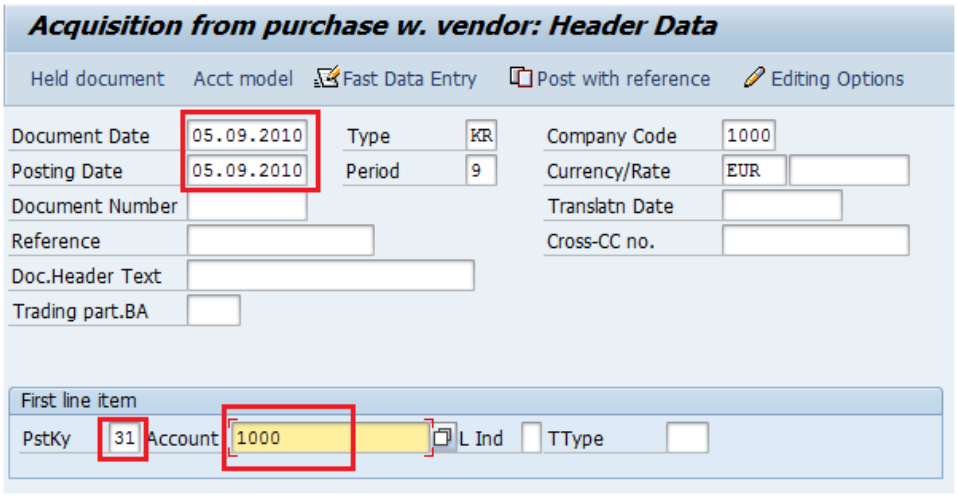



**Figure 107: Asset Acquisition and Asset Posting to FI-AA (1): SAP-System-Screenshot**

2. Confirm with ***Enter***.
3. Enter the following information:
   - **Amount** ***38500***
   - **Tax amount** ***3500***
   - **Tax Code** ***1I (income tax 10%)***
   - **Posting key (Pstky)** ***70 (assets debit)***
   - **Account** ***your asset number***
   - **Transaction type** ***100 (external acquisition)***
   - Press *Enter*.

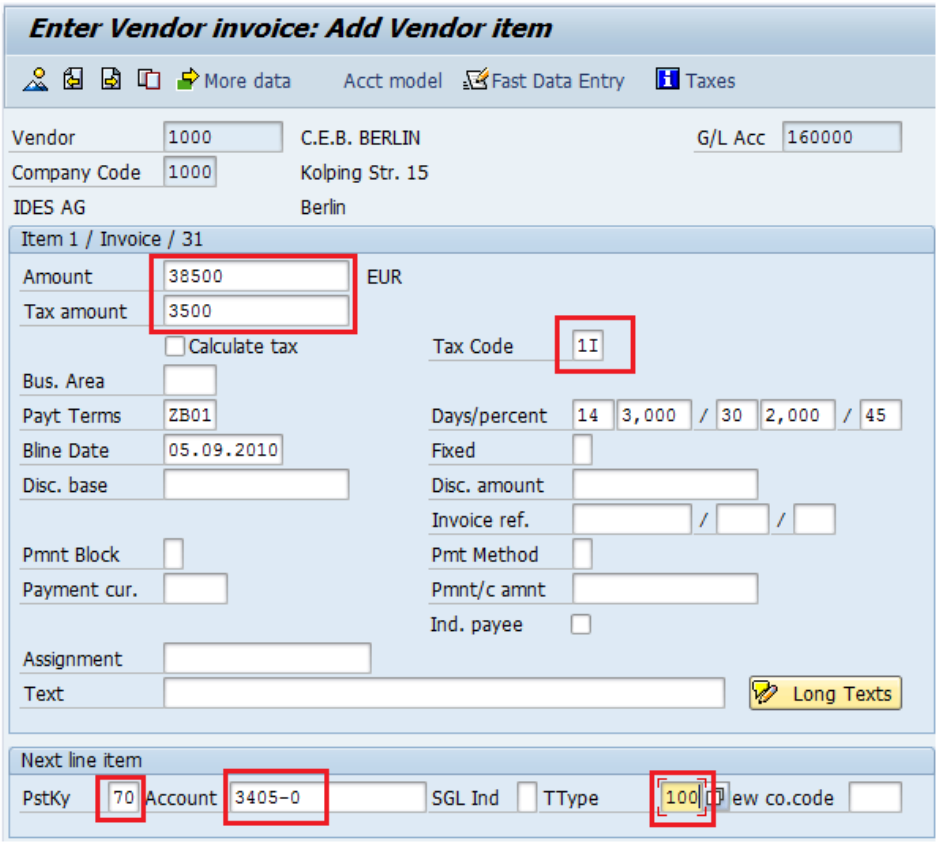



**Figure 108: Asset Acquisition and Asset Posting to FI-AA (2): SAP-System-Screenshot**

4. If you get a warning in the status bar, confirm with *Enter*.
5. On the next screen, enter * in the amount field and enter Tax Code **1I** again.

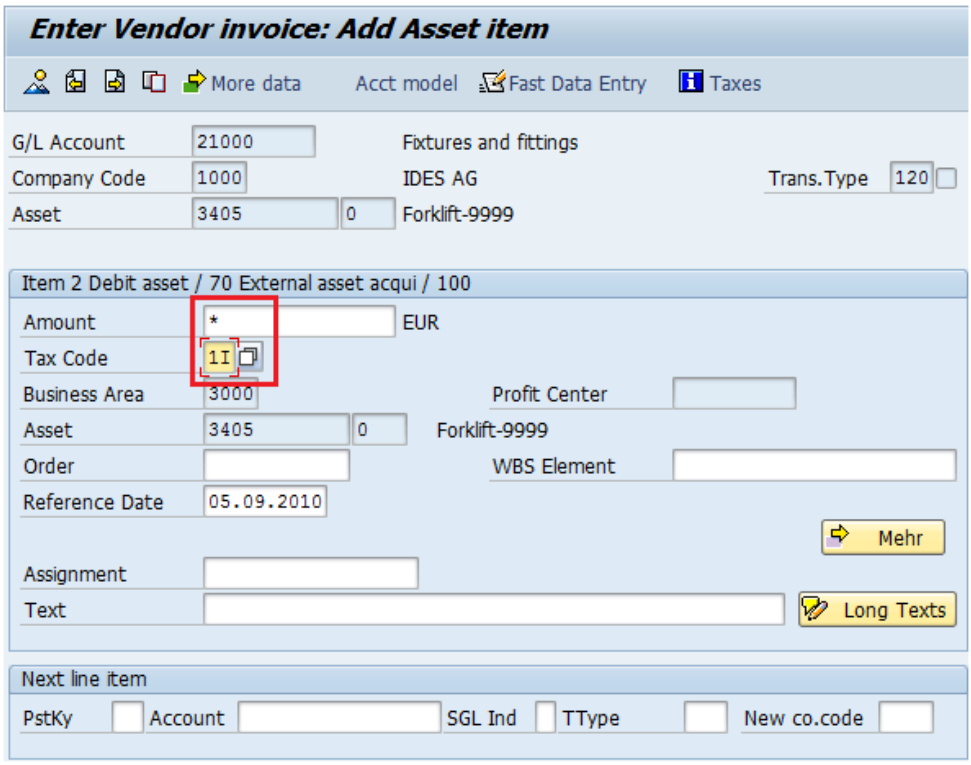



**Figure 109: Asset Acquisition and Asset Posting to FI-AA (3): SAP-System-Screenshot**

6. Confirm with *Enter* (system automatically updates the Amount field with 35000). *Save* the document and list the document number.

**Document number (asset):** _____

**Display Financial Statements again**

Check again if the posting of the asset results in the appearance of the asset in your financial statements. First check the Asset Balances by Business Area in Asset Accounting (SAP FI-AA). Therefore, choose

***Accounting → Financial Accounting → Fixed Assets → Information System → Reports on Asset Accounting → Asset Balances → Balance Lists → Asset Balances → … by Business Area (S_ALR_87011965)***

1. Enter the following data:
   - **Company Code** ***1000***
   - **Business Area** ***3000***
2. Press *Execute*.
3. Your asset is now included in the Asset Balance Report, since the previously done posting has implication on Financial Accounting, regarding the books (SAP FI-GL and SAP FI-AA).

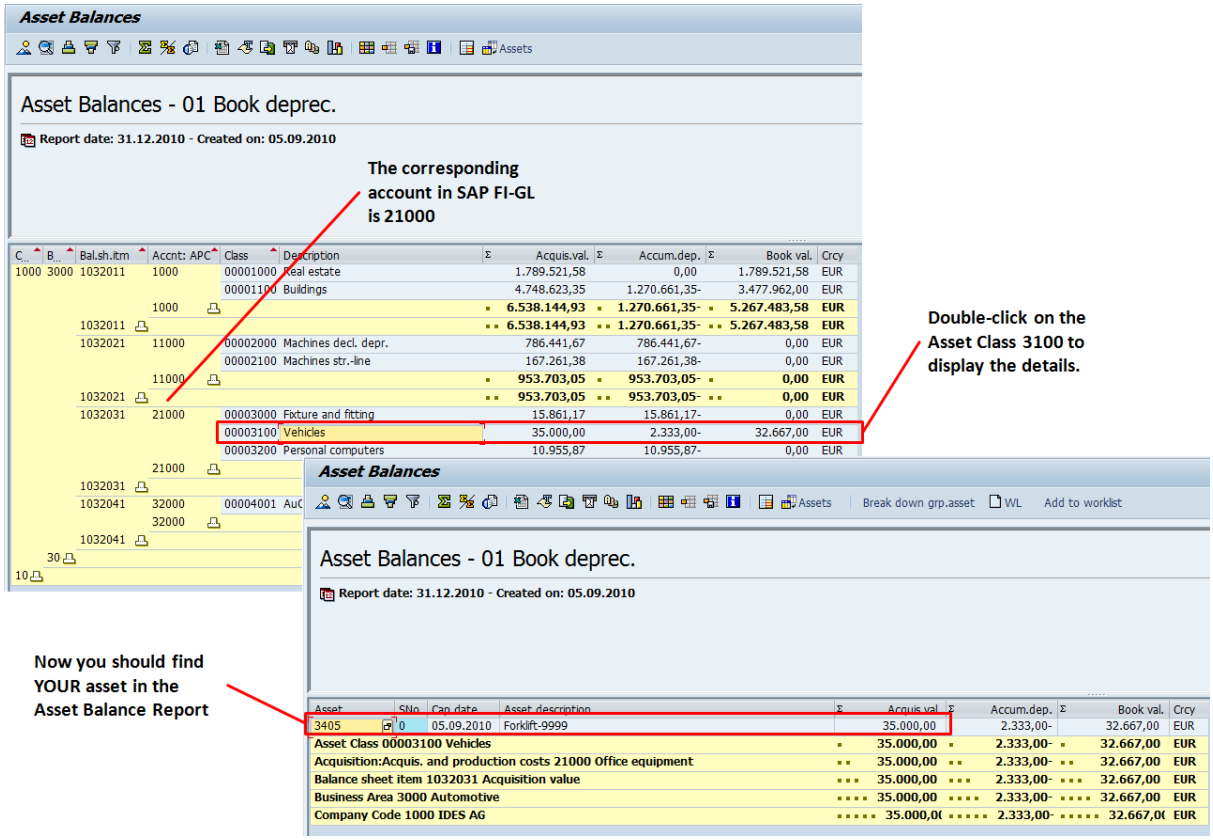



**Figure 110: Asset in Asset Balance Report: SAP-System-Screenshot**

Now check the asset account for fixed assets in the Balance Sheet, that is, from the General Ledger point of view (SAP FI-GL). Therefore, select

***Accounting → Financial Accounting → General Ledger → Information System → General Ledger Reports (New) → Financial Statement / Cashflow → General → Actual/Actual Comparisons → Financial Statement (S_ALR_87012284)***

1. Enter the following data:
   - **Chart of accounts** ***INT***
   - **Company Code** ***1000***
   - **Business Area** ***3000***
   - **Financial statement version** ***INT***
2. Press *Execute*.
3. Your asset should now also be included in the Balance Sheet (and, thus, in the General Ledger). The amount on the balance sheet account and the asset balance account should be equal (here: 35.000 €).

**Financial Statements**

IDES AG Commercial balance sheet Time 12:49:01 Date 05.09.2010
Frankfurt Ledger 0L RFBILA00/WIP-99-99 Page 1

Company code 1000 Business area **** Amounts in EUR

| C F | Comp code | Bus. area | Texts | Reporting period (01.2010-16.2010) | Comparison period (01.2009-16.2009) | Absolute difference | Rel dif | Sumtn level |
|---|---|---|---|---|---|---|---|---|
| | | | A S S E T S | | | | | |
| | | | Fixed assets | | | | | |
| | | | Tangible assets | | | | | |
| | | | Land, leasehold rights and buildings including buildings on land owned by others | | | | | |
| | | | Acquisition value | | | | | |
| | 1000 | 3000 | 0000001000 Real estate and similar rights | 0,00 | 6.538.144,93 | 6.538.144,93- | 100,0- | |
| | | | | 0,00 | 6.538.144,93 | 6.538.144,93- | 100,0- | *5* |
| | | | Accumulated depreciation | | | | | |
| | 1000 | 3000 | 0000001010 Accum. depn - real estate and similar r | 55.401,00- | 2.267.039,92- | 2.211.638,92 | 97,6 | |
| | | | | 55.401,00- | 2.267.039,92- | 2.211.638,92 | 97,6 | *5* |
| | | | | 55.401,00- | 4.271.105,01 | 4.326.506,01- | 101,3- | *4* |
| | | | Plant and machinery | | | | | |
| | | | Acquisition value | | | | | |
| | 1000 | 3000 | 0000011000 Machinery and equipment | 0,00 | 953.703,04 | 953.703,04- | 100,0- | |
| | | | | 0,00 | 953.703,04 | 953.703,04- | 100,0- | *5* |
| | | | Accumulated depreciation | | | | | |
| | 1000 | 3000 | 0000011010 Accumulated depreciation - machinery an | 0,00 | 965.205,57- | 965.205,57 | 100,0 | |
| | | | | 0,00 | 965.205,57- | 965.205,57 | 100,0 | *5* |
| | | | | 0,00 | 11.502,53- | 11.502,53 | 100,0 | *4* |
| | | | Other fixtures and fittings, tools and equipment | | | | | |
| | | | Acquisition value | | | | | |
| | 1000 | 3000 | 0000021000 Fixtures and fittings | 35.000,00 | 26.817,03 | 8.182,97 | 30,5 | |
| | | | | 35.000,00 | 26.817,03 | 8.182,97 | 30,5 | *5* |
| | | | Accumulated depreciation | | | | | |
| | 1000 | 3000 | 0000021010 Accumulated depreciation - fixtures and | 0,00 | 26.817,02- | 26.817,02 | 100,0 | |
| | | | | 0,00 | 26.817,02- | 26.817,02 | 100,0 | *5* |
| | | | | 35.000,00 | 0,01 | 34.999,99 | *9900,0 | *4* |
| | | | | 20.401,00- | 4.259.602,49 | 4.280.003,49- | 100,5- | *3* |
| | | | Total fixed assets | 20.401,00- | 4.259.602,49 | 4.280.003,49- | 100,5- | *2* |

**Figure 111: Asset in Balance Sheet Report: SAP-System-Screenshot**

## 6.2.3 Asset Explorer

Finally, use the asset explorer to check the values of the new asset in depreciation area 01 (book depreciation). Choose

***Accounting → Financial Accounting → Fixed Assets → Asset → Asset Explorer (AW01N)***

1. Enter **Company Code *1000*** and your asset number in the asset field. Press Enter.
2. Select **Depreciation Area *01*** (01 book depreciation – for US GAAP) in the upper left window.
3. Select the **Posted values** tab.
4. You can see that the depreciation is still zero. Depreciation is posted when a depreciation run is carried out (not part of this class).

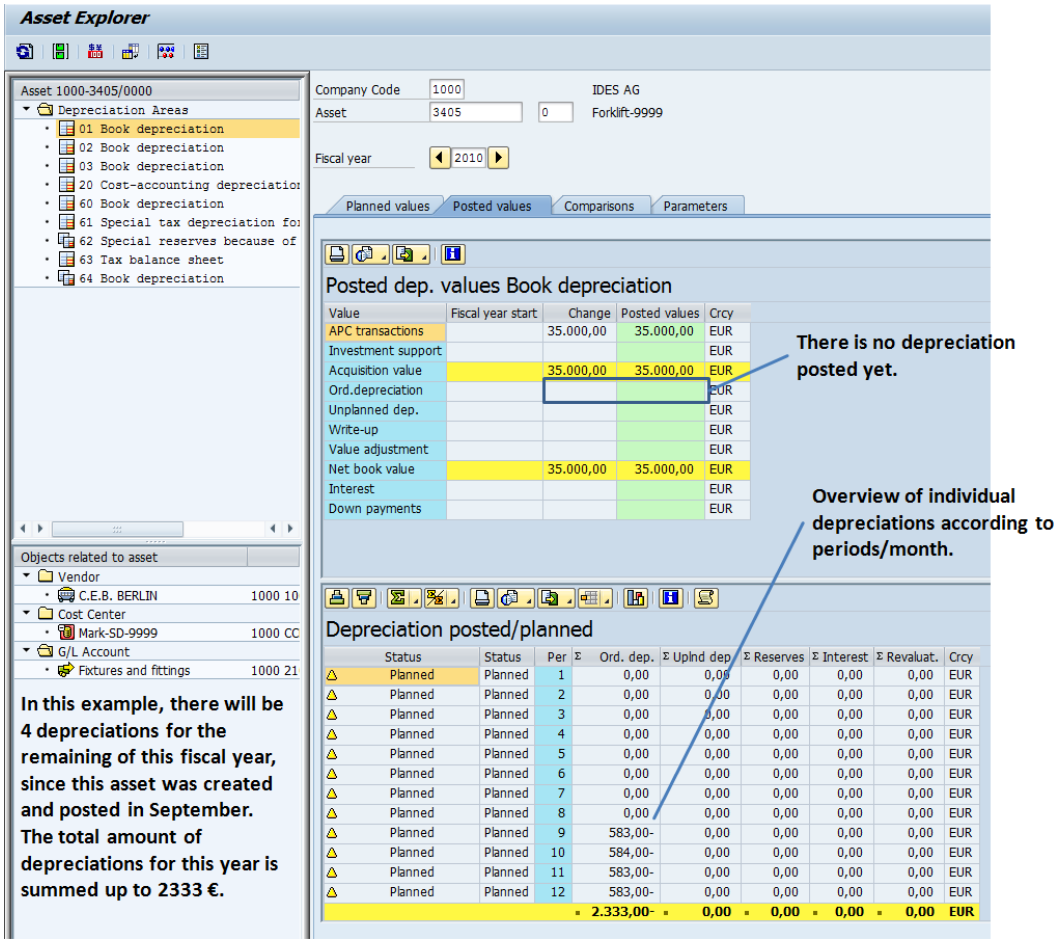



**Figure 112: Asset Explorer (1): SAP-System-Screenshot**

5. Select the **Planned values** tab. You should get the following figure.

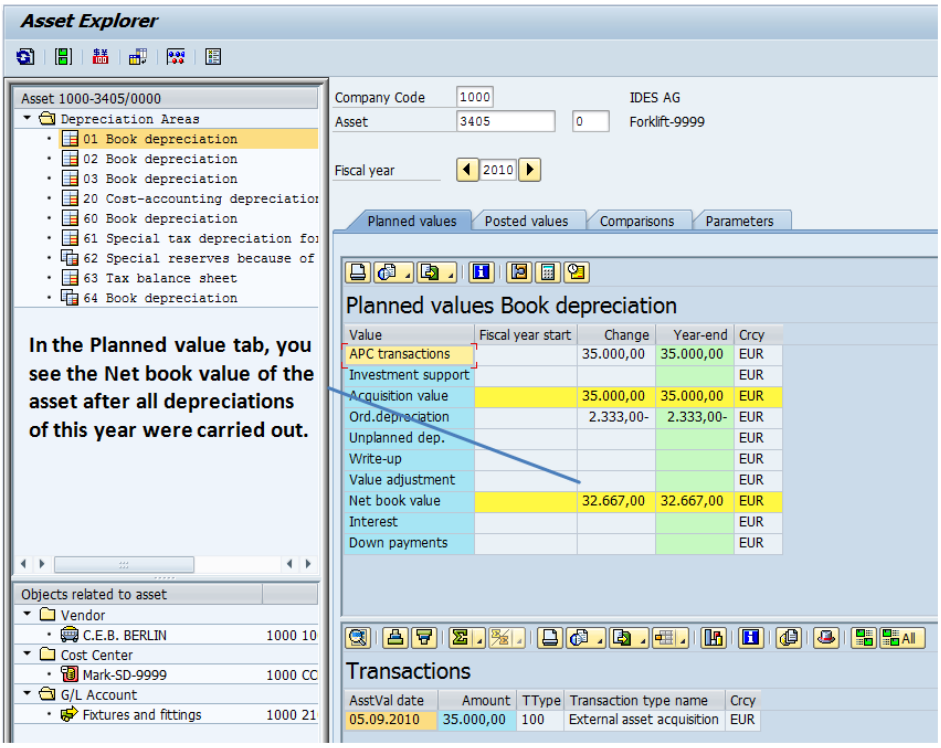



**Figure 113: Asset Explorer (2): SAP-System-Screenshot**

## 6.3 Elucidation


**What have we learned so far?**

You have learned how the Asset Accounting is integrated with the General Ledger in SAP ERP and how to create and post assets.

### 6.3.1 Organizational Units in Asset Accounting

You can assign an asset to a number of organizational units by making entries in the asset master record. These assignments are meaningful primarily in other SAP application components. However, there are also functions and requirements for Asset Accounting that make it necessary or desirable to make organizational assignments.

- **Company Code:**
  Asset Accounting uses the same company codes as the General Ledger. However, you need to define these company codes further with the specifications needed for Asset Accounting. An FI company code is not usable in Asset Accounting until it has been defined in this way.
  In order to make a company code usable in Asset Accounting, you have to assign a chart of depreciation to the company code. The most important control feature in the Asset Accounting company code is the chart of depreciation. It contains the parameters (such as the depreciation keys) that are used for calculating asset values in a given country. You have to assign each company code in which assets are managed, to exactly one chart of depreciation.
- **Business Area:**
  The business area is another organizational criterion for General Ledger Accounting in addition to the company code.
  If you specify in Customizing for the General Ledger that business area balance sheets should be created for a company code, the system requires that assets be assigned to a business area during master record maintenance. The business area can also be adopted automatically from the cost center that you entered. As long as a fixed asset is assigned to a business area, the system makes account assignments of all postings to this asset to this business area, including depreciation and gain or loss postings on asset retirement.
- **Plant:**
  The meanings of the plant and location organizational units are primarily specified in the SAP logistics components.
  Generally, the plant is a location or branch. The plant has no asset accounting relevance but it can be used as a sort and selection criterion for reports. You can assign a fixed asset to one plant for a set time in its asset master record. By changing the asset master record, you can change the assignment to a different plant.
- **Cost Center and Profit Center:**
  For internal accounting, you generally need to assign asset costs to cost centers. Therefore, you can assign each asset in Asset Accounting to exactly one cost center.

You make this assignment in the asset master record. At the level of the cost center, you can then

- post all depreciation and interest for the asset
- plan all future depreciation and interest
- statistically post gain or loss from the sale of assets

### 6.3.2 Asset Class

Asset classes are the most important means of structuring fixed assets.

- You can define an unlimited number of asset classes in the system.
- You use the asset classes to structure your assets according to the requirements of your enterprise.
- Asset classes apply in all company codes. The asset class catalog, therefore, is relevant in all company codes in a client. The preceding is also true when the company codes have different charts of depreciation and, therefore, different depreciation areas.
- The account determination key assigned to an asset class points to accounts in configuration for various postings to the asset such as for acquisition, retirement, etc.
- If you drill down on the account determination key in the asset master record, you will see the GL account for APC (acquisition, production and construction).

An asset class consists of three main sections:

- a header with the control parameters for master data maintenance and account determination
- a master data section with default values for the administrative data in the asset master record
- a valuation section with control parameters for valuation and default depreciation terms for each depreciation area

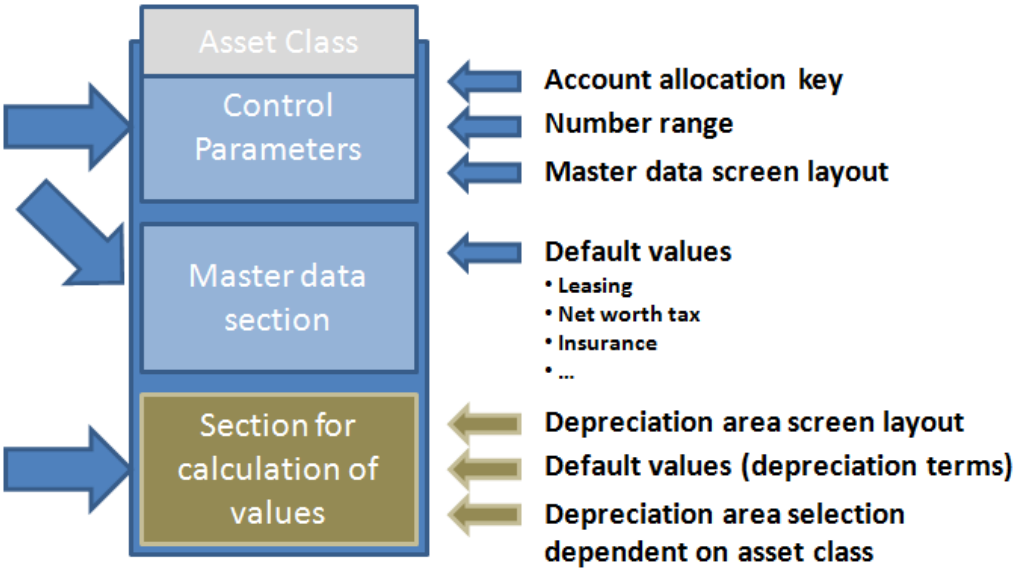



**Figure 114: Structure of the Asset Class: help.sap.com**

You can assign any number of charts of depreciation to each asset class. In this way, you can have country-specific depreciation terms for each combination of asset class and chart of depreciation. And these depreciation terms are the default values in the given chart of depreciation.

### 6.3.3 Asset Transactions

**Asset transactions** are used to post acquisitions and retirements of assets. The transactions component enables you to carry out all accounting transactions that occur during the life of a fixed asset in your organization. Thereby, you have the following options:

- Without a vendor or a purchase order, the offsetting entry is made to a G/L clearing account.
- to a vendor but without reference to a purchase order
- via materials management using the MM functionality (purchase order, goods receipt, and invoice receipt)

**Transaction Type**

- identifies individual business transactions. That is, the transaction type entered in the asset posting determines what type of transaction it is (debit, credit, depreciation, etc.) It is essential, since it determines where the asset posting is listed in the asset history sheet.
- A transaction type must be entered for each transaction that affects assets.
- Transaction type is either entered manually or posted automatically, based on specifications made in FI-AA Customizing (Transactions).
- is an addition to the asset posting keys 70 (debit) and 75 (credit).

The individual transaction types determine the following:

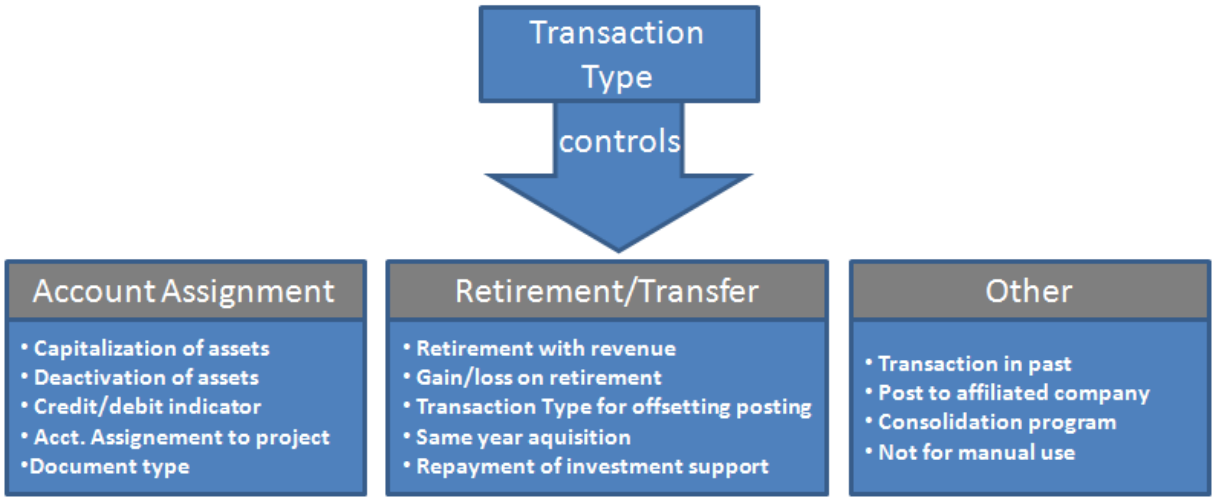



**Figure 115: Specification of Transaction Types: help.sap.com**

### 6.3.4 Asset Explorer

- All the values of a fixed asset, like APC, depreciation, tax, etc. are displayed in the Asset Explorer.
- You have various forms and summarization levels (such as year, business area, etc.).
- Planned values and values already posted are displayed.
- You use this function to display and analyze asset values.
- You can also display details of SAP FI transactions and branch to master data records and other cost objects as well as performing simulations is possible.

The Asset Explorer consists of the:

- Header, in which you enter the company code and asset number.
- Overview tree, with which you can navigate between different depreciation areas.
- Overview tree that displays objects related to the asset.
- Tab, in which you analyze plan values and posted values using different parameters and compare fiscal years and depreciation areas.

### 6.3.5 Depreciation Areas

*What is Depreciation?*
*Assets in a company lose on value during their life-time. For instance, a car you buy for the company has half its value after 3 years. This value loss is eligible for being set off against tax liability. Depreciation is used to calculate the offset of asset value loss against tax and on the other hand, to determine the "real" current value of the assets your company possesses.*

You use depreciation areas to calculate different values in parallel for each fixed asset for different purposes. For example, you may require different types of values for the balance sheet than for cost accounting or tax purposes. You manage the depreciation terms and values necessary for this valuation in the depreciation areas of each asset. Since the system allows you to define up to 99 depreciation areas, you can manage many different types of valuation. Depreciation areas are grouped together, according to the requirements of a specific country or economic area, into a chart of depreciation (refer to Chart of Depreciation).
The depreciation areas are identified by two-digit numeric keys. You specify the asset-specific depreciation terms for every depreciation area belonging to the chart of depreciation. You enter the depreciation terms in the asset class or directly in the asset master record of the particular asset. This makes it possible for you, e.g., to use straight-line depreciation for your internal accounting purposes and use declining-balance depreciation for the balance sheet.

### 6.3.6 Account Determination

When creating an asset, it is assigned in the general ledger via a reconciliation account, similarly like customers and vendors.

- The reconciliation account for assets is not put directly in the master record of the asset.
- Each asset is assigned to an **asset class**.

- The asset class in turn is tied to an **account determination key**.
- The account determination key (together with the asset class) points to the **accounts,** which are posted to depending on the transaction type used for the posting.

On the *General* tab page of an asset (here the forklift from the practical part), you can see the account determination key 30000. With a double-click on 30000, you navigate to the master record for clearing account 21000 in the general ledger. This account is posted to when the forklift is purchased.

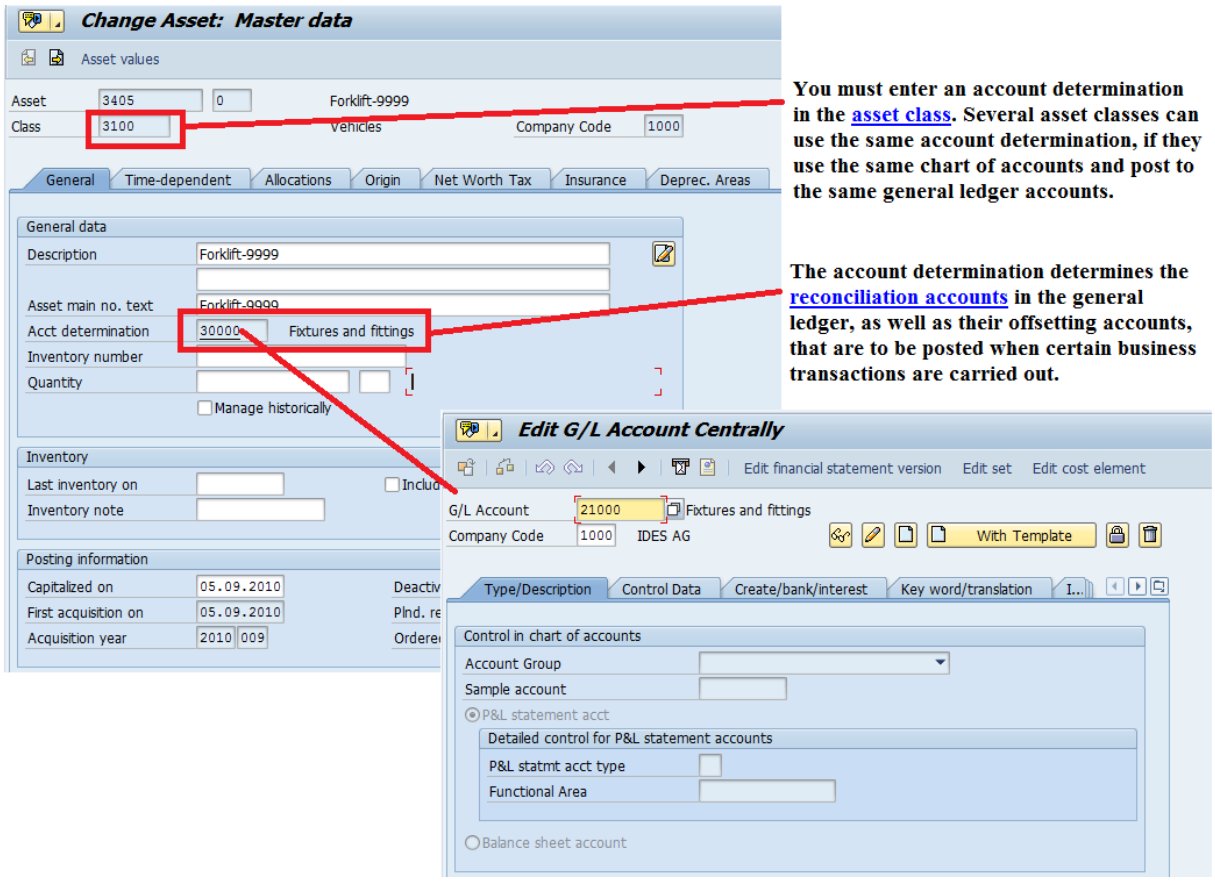



**Figure 116: Account Determination Key in Asset: SAP-System-Screenshot**

The following figure displays the asset forklift in the Asset Accounting (Asset Balances). It is assigned Asset Class 3100.
The corresponding account in the General Ledger, where you post, e.g., the costs for acquisition of this asset, is 21000

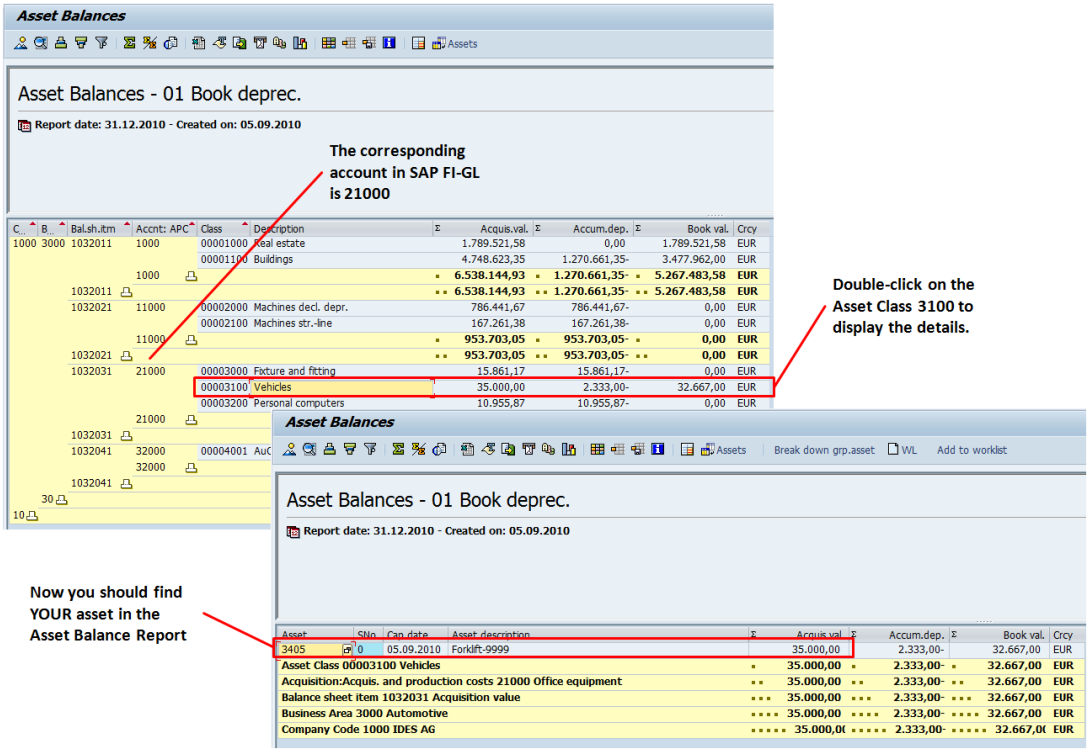



**Figure 117: Asset Balancees: SAP-System-Screenshot**

In the Financial Statement of the General Ledger, you see that the value of the asset is posted to the account 21000.

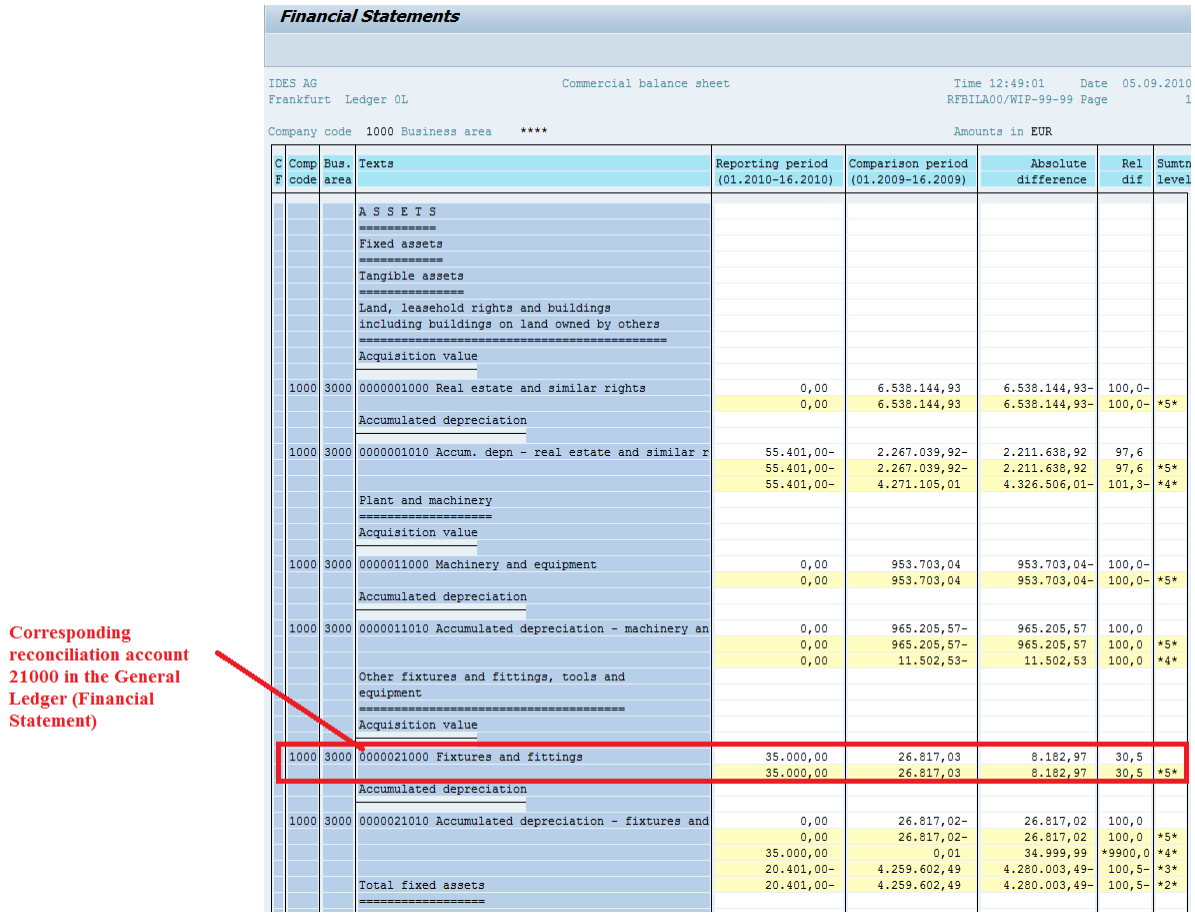



**Figure 118: Financial Statement: SAP-System-Screenshot**

Note that only the APC account and accumulated depreciation are reconciliation accounts. Other accounts, which the account determination key may point to, are not reconciliation accounts.

### 6.3.7 Depreciation Run

- The effects on depreciations for assets are planned immediately when posting any transaction for an asset.
- Postings of these planned depreciation data and value adjustment of the assets to the asset accounts and the general ledger take place, only after a depreciation run was executed.
- This run can be executed via a batch job (e.g., periodically) or manually.

# 7 Data Sheet

*Congratulations! You completed the **financial accounting** case study.*

*The subsequent case studies are based on the results of this case study. In case your data differs from the description in the script, please contact your tutor prior to processing another case study.*

Finally, please **submit the carefully completed data sheet** to your tutor (use support email address from the welcome mail) for the case study ***financial accounting***.

*Please comply with the naming rules. Non-compliant data sheets will not be accepted; i.e., rename the document that you downloaded from this course's download area as follows:*

**08- financial_accounting-xxyy-zzz-surname.doc**

Thereby, you need to replace **xxyy** with your user number **without** the "***WIP***" and without the hyphen (WIP-xx-yy) and replace zzz with the number of the client you are working on.

Example:
Your name is **Max Mustermann,** you are working on **client 901** and your **user number is** WIP-**99-99**. Then, name the document as follows:

08- financial_accounting-**9999-901-Mustermann**.doc

# 8 Reflexion


Test your knowledge. In this section you are confronted with some question regarding the theoretical chapters of this teaching unit. Try to answer the questions on your own before taking a look at the standard solutions.

## 8.1 Questions

**Blank Field Questions**

1. A _____ is the smallest organizational unit for which a complete self-contained set of books can be executed.

2. A company code is assigned to _____ controlling area.

3. A _____is the organizational entity for which balance sheets as well as profit and loss statements can be executed across company codes, covering a company's main areas of operation.

4. A legal entity is represented by a _____.

5. The _____ determines the structure of a balance sheet and income statement regarding which accounts map to which line items on the report.

6. When the billing document is created in sales and distribution, an accounting document that debits the _____ and credits _____ is automatically created.

7. The _____GL account is responsible for purchasing.

8. The _____controls the company code segment fields.

**Comprehension Questions**

9. List the three areas of a credit management master record.

_____
_____
_____

10. What are the various acquisitions and retirements that can be posted in asset accounting?

_____
_____
_____

11. What is the purpose of the asset explorer?

_____
_____
_____

**True/False**

12. More than one company code is assigned to a controlling area.
(True or False)

13. Reconciliation accounts can be posted to directly.
(True or False)

14. When a transaction is posted in FI, it automatically appears on the balance sheet.
(True or False)

15. When a purchase order is created, a financial document is also created.
(True or False)

16. Each GL Account has a Chart of Accounts and Company Code section.
(True or False)

17. Each GL Account is defined according to a Chart of Accounts.
(True or False)

18. Inside the GL Account, you can view the balance for each vendor.
(True or False)

19. Inside the GL Account, you can view the history of an asset.
(True or False)

20. Financial statement versions support various reporting requirements.
(True or False)

21. In the purchasing process, a FI document committing funds is created upon the creation of the purchase order.
(True or False)

**Multiple Choice Questions**

22. Which of the following statements are correct for a Company Code?
(2 correct answers)
    a. It can belong to more than one Controlling Area.
    b. General Ledger administration is set at the level of the Company Code.
    c. The Business Area is identified via the Company Code.
    d. Many Company Codes can belong to the same Controlling Area.

23. Which of the following statements are correct for posting Assets in FI-Asset Accounting?
(3 correct answers)
    a. Directly to a clearing account.
    b. Directly from Cost Center.
    c. Through MM – Purchasing.
    d. To a Vendor.

24. Which of the following statements are correct for the Chart of Accounts?
(3 correct answers)
    a. It can be country specific
    b. It contains definition of all GL accounts
    c. It contains information for account control and management
    d. It is assigned to a company code
    e. It is assigned to a Controlling Area

25. Which of the following statements are correct with regard to the Customer Master Records?
(3 correct answers)
    a. They contain reconciliation account information
    b. They are created using an account groups
    c. They have General, Company Code and Purchasing Organization segments
    d. They have General, Company Code and Sales Area Segments

26. Which of the following statement are correct with regard to the asset explorer?
(3 correct answers)
    a. You can see the business transactions that have been posted.
    b. You cannot drill back to the FI transaction that created the posting.
    c. You can see planned depreciation.
    d. You can see posted depreciation by depreciation area.

27. The Asset Explorer shows:
(3 correct answers)
    a. Planned Values
    b. Posted Values
    c. Revenues
    d. Comparisons

## 8.2 Standard Solution

**Blank Field Questions**

1. A **company code** is the smallest organizational unit for which a complete self-contained set of books can be executed.

2. A company code is assigned to **one** controlling area.

3. A **business area** is the organizational entity for which balance sheets as well as profit and loss statements can be executed across company codes covering a company's main areas of operation (**segment** would be also true!).

4. A legal entity is represented by a **company code**.

5. The **financial statement version** determines the structure of a balance sheet and income statement regarding which accounts map to which line items on the report.

6. When the billing document is created in sales and distribution, an accounting document that debits the **customer** and credits **revenue** is automatically created.

7. The **GR/IR** GL account is responsible for Purchasing.

8. The **Account Group** controls the company code segment fields.

**Comprehension Questions**

9. List the three areas of a credit management master record.

Overview, General Data, Credit Control Area

10. What are the various acquisitions and retirements that can be posted in asset accounting?

**(1)** Without a vendor or purchase order, the offsetting entry is made to a GL clearing account,
**(2)** to a vendor but without reference to a purchase order and
**(3)** via MM by creating a purchase order.

11. What is the purpose of the asset explorer?

The asset explorer gives a clear overview of the activity for an asset per depreciation area and fiscal year for the planned values, posted transactions, posted amounts, posted and planned depreciation and depreciation parameters.

**True/False**

12. More than one company code is assigned to a controlling area.
(True or False)
**Answer:** **True**; in order for this to occur, the company codes must have the same operating chart of accounts and fiscal year variant.

13. Reconciliation accounts can be posted to directly.
(True or False)
**Answer:** **False**; you can post to a reconciliation account only through a sub-ledger account.

14. When a transaction is posted in FI, it automatically appears on the balance sheet.
(True or False)
**Answer:** **True**; the account must be assigned to an appropriate line item in the financial statement version used when running the balance sheet. Otherwise, the posting will appear at the end of the financial statement in a category called *accounts not assigned*.

15. When a purchase order is created, a financial document is also created.
(True or False)
**Answer:** **False;** a financial document is created when goods are received and when the invoice is received but not when the purchase order is created.

16. Each GL Account has a Chart of Accounts and Company Code section.
(True or False)
**Answer:** **True**

17. Each GL Account is defined according to a Chart of Accounts.
(True or False)
**Answer: True**

18. Inside the GL Account, you can view the balance for each vendor.
(True or False)
**Answer: False**

19. Inside the GL Account, you can view the history of an asset.
(True or False)
**Answer: False**

20. Financial statement versions support various reporting requirements.
(True or False)
**Answer: True**

21. In the purchasing process, a FI document committing funds is created upon the creation of the purchase order.
(True or False)
**Answer: False**

**Multiple Choice Questions**

22. Which of the following statements are correct for a Company Code?
(2 correct answers)
a. It can belong to more than one Controlling Area
b. General Ledger administration is set at the level of the Company Code
c. The Business Area is identified via the Company Code
d. Many Company Codes can belong to the same Controlling Area

**Answers: b, d**

23. Which of the following statements are correct for posting Assets in FI-Asset Accounting?
(3 correct answers)
a. Directly to a clearing account
b. Directly from Cost Center
c. Through MM – Purchasing
d. To a Vendor

**Answers: a, c, d**

24. Which of the following statements are correct for the Chart of Accounts?
(3 correct answers)
    f. It can be country specific
    g. It contains definition of all GL accounts
    h. It contains information for account control and management
    i. It is assigned to a company code
    j. It is assigned to a Controlling Area

**Answers: a, b, d**

25. Which of the following statements are correct with regard to the Customer Master Records?
(3 correct answers)
    e. They contain reconciliation account information
    f. They are created using an account groups
    g. They have General, Company Code and Purchasing Organization segments
    h. They have General, Company Code and Sales Area Segments

**Answers: a, b, d**

26. Which of the following statement are correct with regard to the asset explorer?
(3 correct answers)
    a. You can see the business transactions that have been posted.
    b. You cannot drill back to the FI transaction that created the posting.
    c. You can see planned depreciation.
    d. You can see posted depreciation by depreciation area.

**Answers: a, c, d**

27. The Asset Explorer shows:
(3 correct answers)
    a. Planned Values
    b. Posted Values
    c. Revenues
    d. Comparisons

**Answers: a, b, d**