

Financial and Management Accounting



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1 Financial and Management Accounting

Overview

The SAP Business ByDesign solution helps you integrate your core business processes and financials so that you have a single, up-to-date view of the financial state of your business. This single source of corporate truth serves as a centralized general ledger with related subledgers and includes standard accounting logic. It helps you make informed business decisions and at the same time serves as the basis for your financial reporting.

Relevance

The Financial and Management Accounting business area is relevant if you need support for:

- General ledger
- Fixed assets
- Inventory
- Management accounting
- Consolidation

Benefits

- You gain company-wide integration of your business processes.
With the SAP Business ByDesign solution, your company's processes in areas such as purchasing, manufacturing, and sales are integrated seamlessly with your financials processes, including payables and receivables processing, expense and reimbursement management, general ledger management, and inventory accounting. You have a single set of up-to-date data from which you can quickly view and report on the financial state of your business.
- You make only one journal entry for a business transaction, and your books are reconciled at all times.
You enter data related to a business transaction only once with SAP Business ByDesign – as a single journal entry in a single set of integrated books. These journal entries are valid for use by the general ledger and by relevant subledgers of a set of books. As a result, your general ledger and subledgers are reconciled at all times, and you can always track a document back to where it originated.
- You have instant access to online, interactive, and comprehensive financial reporting and analytics.
SAP Business ByDesign puts online, interactive reporting and analysis tools at your fingertips, giving you unparalleled visibility of your business operations at any level of detail. This transparency is enabled by the centralized and standardized accounting logic within financial and management accounting. Your employees can run financial reports whenever needed, create what-if analyses, and drill down instantly to details.
- You can easily maintain multiple sets of books using different accounting standards.
The centralized general ledger within SAP Business ByDesign enables you to view the financial state of your company through different sets of accounting rules – such as United States generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). Centralized accounting data allows your accounting department to efficiently manage the financial operations of your company and provide the financial information that your management needs, quickly and easily.
- SAP Business ByDesign accelerates your period-end closing.
The SAP Business ByDesign solution leverages tight connections with other business areas and built-in automation to streamline the closing of financial periods. Your accounting staff has a significant head start

since they are already working with real-time reconciled data from across your company. Where possible, period-end tasks are automated or automatically routed to the responsible employee for execution.

2 Business Background

2.1 Organizational and General Master Data

2.1.1 Company

Overview

In *Organizational Management*, a company represents an org unit that is financially and legally independent, that is not tied to a geographical location, and is registered under business law. It includes all legally registered entities, such as associations, cooperatives, or any other legal persons that release annual financial statements.

Each company has an official country of registration and a default currency.

Each org structure must contain at least one org unit that is defined as a company.

i Documentation is available on this topic that is specifically relevant for Mexico and Switzerland. To ensure that the relevant country-specific document version is displayed, select Select and, under *Country*, choose the relevant country. Save your settings and logout to ensure these changes are made.

Guideline

Specify all companies that are part of your enterprise and that you want to represent in SAP Business ByDesign.
Note the following:

- We recommend that you do not define a company and a business residence in the same org unit. Instead, create all business residences of a company on the level below the company.
- You can choose to arrange your companies in a hierarchy, representing any hierarchical relationships, for example, the structure of an affiliated group. However, this has no effect on financial consolidation.
- You can add the abbreviation of the legal form in the *Company Name* field. The name, including the legal form, is used in all business documents.
- The *Country of Registration* is used to propose the default currency for a set of books and the reporting currency for a company in the financial business area. The country of registration and the country of the company's legal address can differ if the company is registered in a different country under the legal form of, for example, a European Company or a Limited Company.
- The default currency is used to propose the currency for purchase orders and contracts.

Example

The company Akron Heating is based in the United States, and has two subsidiaries in Canada and India. Both subsidiaries are legally registered companies. The following three companies should be created in SAP Business ByDesign:

- Akron Heating US, registered in the United States with the default currency US Dollar.

- Akron Heating Canada, registered in Canada with the default currency Canadian Dollar.
- Akron Heating India, registered in India with the default currency Indian Rupee.

See Also

Guide: Setting Up Your Org Structure
[Org Structures Quick Guide \[page 19\]](#)

2.1.2 Business Residence

Overview

In *Organizational Management*, a business residence represents a part of your company within a geographic area. The business activity of this business residence is subject to uniform tax processing, its registration with public authorities is unique, and there is only one valued stock per material for this business residence.

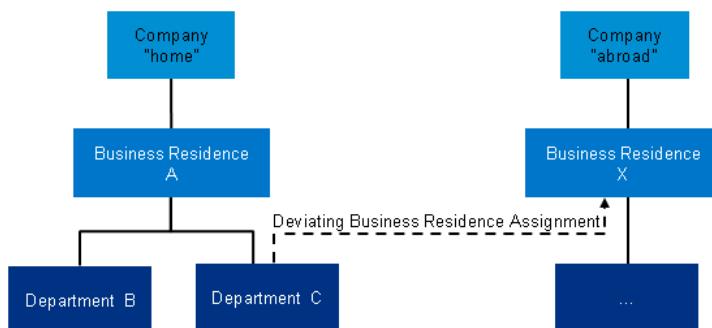
A business residence can be, for example, a city or region, even if your company has several locations with different addresses within this city or region.

Guidelines

You must create at least one business residence below each company. All business residences should be modeled below the company and should not have any functions or employees assigned to them. The company and the business residence represent the legally-relevant aspects of your org structure and individual departments with their functions and employees should be created below the business residence.

An org unit that reports to another org unit located in a different business residence, needs to be manually assigned to its correct business residence using the Deviating Business Residence Assignment field. You can make this assignment in the attributes of the business residence.

The graphic shows a sample org structure, including a company and business residences and a deviating business residence assignment:



Sample Org Structure

Also note the following:

- If you have several companies at the same location, you have to create a business residence for each company.
- The business residence should be named based on its location, for example, the town, city, or area.

Example

The company Akron Heating has several offices and a warehouse in various locations in the city Atlanta. All of these locations are subject to local tax law. Stock is valued for the whole area. The company is registered with public authorities in Atlanta. Therefore, the company should consist of one business residence called Akron Heating Atlanta.

See Also

[Deviating Business Residence Assignments](#)

[Guide: Setting Up Your Org Structure](#)

[Org Structures Quick Guide \[page 19\]](#)

2.1.3 Business Partners

Overview

A business partner is a person or organization in which your company has a business interest. A wide range of people and organizations are considered business partners. For example, business partners are used in human resources (employees) and financials (bank, clearing house).

The [Business Partners](#) view of the [Business Partner Data](#) work center provides you with an overview of all the business partners that are currently in your system. You can maintain general data of a business partner, such as address and communication data, the status of the business partner, and business partner roles and relationships.

You can maintain all information about a business partner in one place, even when a business partner has multiple roles. For example, if a supplier becomes an account, you can add the new information to the existing information about this business partner. It is also possible to create a business partner without assigning a specific role to it. This is suitable for a business partner such as a courier company.

There are the following types of business partners that are relevant for different business processes:

- Accounts
A person (private account) or an organization (corporate account), with which a company has a business relationship, that orders, purchases, or receives a product.
- Suppliers
A company that provides materials or services.
- Service agents
A person who performs a service on behalf of a company.
- Contacts
A contact person in an organization.
- Employees
A person who contributes or has contributed to the creation of goods and services in the company based on a work agreement.
- Partners
A company with which your enterprise has a mutually contractual agreement, for example, a wholesaler or a channel partner.

- My banks
A financial institution that provides banking services such as holding deposits and providing credit and other financial services for your enterprise.
- Clearing houses
An intermediary agency where payment information is processed between suppliers and financial institutions. The clearing house authorizes the supplier to accept a payment card transaction.
- Tax authorities
A government agency authorized to levy taxes.
- Competitors
Another company that competes for sales in the same target market.
- Social insurance funds
An organization that runs a social insurance fund.

i There is a distinction between a business partner and a partner. A partner is a company with which you have a mutually beneficial contractual agreement, for example, a wholesaler. A partner is a type of business partner. However, a business partner can also be a competitor and is therefore defined as a stakeholder or interested party.

Prerequisites

Configuration Settings

i Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

You have checked and adapted the pre-delivered settings for business partner-specific data.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *General Business Partners* activity from the activity list.

Features

Business Partner Organizations and Persons

In addition to the business partner types in the different business processes, business partners can be of the following types:

- Business partner organizations
Your business partner is a company.
- Business partner persons
Your business partner is an individual.

Depending on whether your business partner is an organization or a person, you will be shown different fields. For example, persons require person-related fields, such as name fields, whereas organizations require fields for organizations, such as the legal form of a company or the main contact.

For a person, you can maintain further details about names, such as the middle name and the name at birth, in the additional name fields.

Business Partner Roles

You can assign multiple roles to a business partner. For example, a supplier can also be your customer. Some details for the business partner may be identical for each role, such as address data. You do not have to enter this information again when assigning a new role to an existing business partner.

Roles also allow you to further categorize the different types of business partners in your system. For example, a supplier can be a warehouse provider or a freight forwarder.

You can maintain different information for each role. For example, if you specify that Jane Smith is an employee, you will need to add employee data, such as payroll information, and user access data. However, if you specify that Jane Smith is an account, you will have different information, for example, sales and financial data.



Miller and Son, a supplier of Akron Heating Technologies, has recently become an account of Akron. Kate Jacob wants to add new details to the existing information about Miller and Son. She goes to the *Business Partners* view of the *Business Partner Data* work center. She selects Miller and Son from the worklist and clicks *Create as* and chooses *Account* to open the account quick activity. The address and communication data is already available. She opens the editor and adds the new information for the account.

- i** Private address data, bank details, the date of birth, and the social insurance number of the employee maintained in the *Personnel Administration* work center is protected. You can access this data in the *Personnel Administration* work center, the *Payroll Processing* work center, the *Time Administration* work center, the *Compensation* work center, and in the employee *Self Services* views of the *Home* work center only.

Business Partner Relationships

You can specify the relationships of a business partner to other business partners in your system. For example, you can specify that a supplier is also the supplier of a customer.

General Data for Business Partners

Apart from the data mentioned above, you can also maintain a number of additional business partner-specific data.

You can maintain the following general data for a business partner:

- Number ranges
Number ranges control how the system creates numbers for new business partners. They define the highest and the lowest number that can be used in a system.

You can maintain the following data for a business partner organization:

- Industries
- Legal forms

You can maintain the following data for a business partner person:

- Name formats
Name formats define the sequence in which the name components of a person's name are displayed. Formatted names are used, for example, in the business partner overview.
- Marital statuses
- Professions
- Academic titles
- Titles

See Also

Additional Identifiers for Business Partners

2.1.4 Cost Center

Overview

In *Organizational Management*, a cost center represents a defined location of cost incurrence, for which costs are recorded separately. In SAP Business ByDesign, a cost center is used in cost center management accounting to collect and allocate overhead costs.

Cost Center Attributes

The *Cost Center Type* classifies all postings of the cost center, including postings to projects assigned to this cost center. Based on this classification, functional areas - such as administration or marketing - can be derived for all postings. By assigning functional areas to lines in financial reporting structures, the costs can then be distinguished in profit analysis (cost center management accounting), and in income statements by function of expense.

The *Profit Analysis Attributes* of the cost center determine the assignment of its costs to market segments for profit analysis. All postings to the cost center are characterized with the selected attributes, allowing for an analysis of operating income by market segments. You can use the attributes in the reports *Profit Overview by Key Figure* and *Profit Detail by Contribution Margin Scheme*.

Guideline

You should set the *Cost Center* definition for an org unit if it represents either a primary cost center or a support cost center.

We recommend that you specify a cost center type when creating the cost center. Once postings have been made, the cost center type cannot be revised. The profit analysis attributes can be adjusted at a later point in time.

i When you define an org unit as a cost center, the cost center automatically carries the org unit ID. There is no separate cost center ID and this ID cannot be changed.

See Also

[Cost Center Management Accounting \[page 566\]](#)

[Cost Centers Quick Guide \[page 780\]](#)

[Functional Areas \[page 18\]](#)

[Income Statement by Function of Expense \[page 46\]](#)

[Income Statement by Nature of Expense \[page 47\]](#)

[Profit Overview by Key Figure \[page 853\]](#)

[Profit Detail by Contribution Margin Scheme \[page 850\]](#)

2.1.5 Profit Center

Overview

In *Organizational Management*, a profit center represents a company area for which a separate period-based profit is determined. It is used for evaluating and regulating the activities of the company area in a profit-oriented manner. In SAP Business ByDesign, the profit center provides visibility on profit and loss with reports that are available in the *Managing My Area* work center.

Guideline

If profit center accounting is activated, the system requires at least one org unit to be defined as a profit center. You must also define a profit center above every business residence, to collect profit and loss from material changes in the corresponding site, and above every sales organization to collect profit and loss from sales activities.

See Also

Guide: Setting Up Your Org Structure
[Org Structures Quick Guide \[page 19\]](#)

2.1.6 Segment

Overview

In *Organizational Management*, a segment defines the org unit as an operating segment as defined by the 'International Financial Reporting Standard 8'. A segment represents a company area whose business activities result in revenue and expenditure, and whose operating income is regularly monitored for the purpose of assigning resources and evaluating performance.

In SAP Business ByDesign, the segment collects the balances of all lower-level profit centers and offers additional financial reports to those provided at profit center level.

Guideline

If segment reporting is activated, the system requires that at least one org unit be defined as a segment. The segment definition should be set at company or business residence level.

See Also

Guide: Setting Up Your Org Structure
[Org Structures Quick Guide \[page 19\]](#)

2.1.7 Functional Areas

Overview

You can use functional areas to structure the income statement of your company. You need to use functional areas if you opt for the [Income Statement by Function of Expense \[page 46\]](#) reporting principle.

The function of expense method shows the activities for which costs and revenues occurred in the company.

By contrast, the [Income Statement by Nature of Expense \[page 47\]](#) reporting principle uses the account structure to portray **which** costs and revenues occurred (for example, material costs).

Activating Functional Areas

You activate functional areas during [Scoping](#). There are two ways to do so:

- **Activate income statement by function of expense:**

To find this business option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#). In the [Questions](#) step, expand the [Financial and Management Accounting](#) scoping element and select [General Ledger](#). Choose [Income Statement by Function of Expense](#).

- **Activate profit analysis**

To find this business option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#). In the Questions step, expand the [Financial and Management Accounting](#) scoping element and select [Management Accounting](#) [Reporting & Analytics for Sales and Profit Analy.](#) [Type of Profit Analysis](#) [Earned Profit Analysis](#) Ensure that you have answered this question with **yes**.

If you have activated the use of functional areas in [Scoping](#), you then need to assign a reporting principle to your set of books.

For information about specifying a reporting principle, see [Reporting Principle](#).

Defining Functional Areas

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Settings for Income Statements by Function of Expense and Earned Profit Analysis](#) activity from the activity list. Select [Edit Functional Areas](#).

Assigning Functional Areas to Reporting Structures

Create a financial reporting structure of the type [Income Statement by Function of Expense](#). You can use this reporting structure for your income statement by function of expense as well as for profit analysis. When creating this reporting structure you have to assign your functional areas to them.

For more information on reporting structures, see [Edit Financial Reporting Structures](#).

Functional Area Determination

You can determine functional areas manually in the journal entry voucher. For other business transactions the functional area is determined automatically.

For more information on determining the functional area, see [Edit Functional Area Determination](#).

See Also

[Reporting Principle](#)

[Income Statement by Function of Expense \[page 46\]](#)

[Income Statement by Nature of Expense \[page 47\]](#)

[Edit Functional Area Determination](#)

2.1.8 Org Structures

2.1.8.1 Org Structures Quick Guide

In the [Org Structures](#) view of the [Organizational Management](#) work center, you can create, edit, and display your enterprise's org structures. The initial screen of this view displays the active org structures that are available in the system in what is known as the [Active Area](#). To create and edit org structures, you must switch to the [Planning Area](#) by choosing [Edit](#) or using the [Edit Org Structures](#) common task. You can only access the [Planning Area](#) if you have the authorization to do so.

Active Area

In the [Active Area](#), the information shown is read-only. You can do the following:

- View the org structure for a particular date (past, current, or future)
- View the selected org structures in either table or chart format
- Navigate the org structure and find org units using the options under [Navigate](#), the [Find](#) button, and by zooming
- Print an org structure by choosing [Print](#).
- Select an org structure
If there are more than five org structures activated in the system, the [Select Org Structures](#) button will appear. This allows you to select which org structures you want to display in the active area. You can choose to display the selected org structures in either table or chart format.

Planning Area

In the [Planning Area](#), you can create and change your org structures as required. In addition to the functions available in the [Active Area](#), you can also do the following:

- Enter the date from which changes are to be valid
- Create or edit an org structure and save your changes
- Check the consistency of part or all of your org structure
- Activate part or all of your org structure

- Perform a rollback to a previously activated org structure

When you activate your new org structure or your changes in the *Planning Area*, the org structure is moved to the *Active Area*.

i When working in organizational management, you should enable onscreen texts. Onscreen texts provide context-specific information when you move the cursor over a field. To do this, choose  *Personalize*  *My Settings*  *Onscreen Help*  *Display Additional Onscreen Explanatory Texts*.

Business Background

Organizational Management

Organizational management (OM) is the central source of organizational information in SAP Business ByDesign. In the *Org Structures* view of the *Organizational Management* work center, you can model your company's org structure. This defines the structure of your company and provides a single, consistent view of your organization from all perspectives of the business. It is comprised of org units that represent departments or divisions and provides a unified, graphical representation of your organizational data. The org structure reflects your business's:

- Legal hierarchy - determines which org units belong to which company or business residence, for example
- Financial hierarchy - costs and profits are aggregated along this hierarchy
- Reporting line hierarchy - personnel-relevant tasks are forwarded along this hierarchy and it shows where personnel responsibility lies within the org structure
- Functional hierarchy - tasks and approvals related to functions are forwarded along this hierarchy and it is the basis for employee and organizational work distribution

The information you enter in the *Organizational Management* work center is used by the different business areas in the system to support business processes that require organizational information. It is used, for example, to automatically push work items, such as requests for approval, to the appropriate managers.

For more information, see Organizational Management.

Guide: Setting Up Your Org Structure

This document supports you in setting up your org structure, which you do in the *Org Structures* view of the *Organizational Management* work center.

 Follow this guide when setting up your org structure to avoid inconsistencies and problems at activation. Note that this document should be used in conjunction with the background information and instructions provided in the *Org Structures Quick Guide [page 19]*.

Depending upon the size and complexity of your company, this task can take several hours. Be aware that there may be several ways to model your company in the system. You may need to adapt your org structure after activation to match your processes or to reflect organizational changes.

For more information, see Guide: Setting Up Your Org Structure.

Definitions

A definition is a property of an org unit. It can, for example, define an org unit as a cost center. It is used to describe the role of an org unit in the org structure. When you create your org structure in the *Org Structures* view of the *Organizational Management* work center, you must assign the relevant definitions to the org units. The *Definitions* tab displays the definitions and attributes that can be assigned to a selected org unit. You can assign several definitions to an org unit.

To assign definitions to an org unit, click  in the *Org Structures* view.

For more information, see Definitions.

Functions

A key part of org structure maintenance is the assignment of functions, such as sales, personnel administration, and cost management, to org units. The function reflects what the department represented by the org unit does. You can assign as many functions as required to org units in your structure. A function is used to determine an org unit's involvement in an area of business. This org unit is integrated into business processes in this area. For example, an org unit that is flagged as a sales unit, is used in sales processes and sales documents.

For more information, see Functions.

Business Constraints and Veto Checks

In the *Org Structures* view of the *Organizational Management* work center, you are free to model your org structure as you wish, but the system imposes certain constraints to ensure that the business areas can work with correct organizational data. The system uses a set of rules to ensure that the information you enter is consistent. If there are inconsistencies, the corresponding rules are displayed as messages on the UI. The rules are divided into the following types:

- Business constraints
The system checks the org structure data to ensure your structure is correct. The data you enter is compared to the business area rules.
- Veto checks
The system checks the org structure data for consistency with business area data, for example, the system prevents changes to the validity of data that is already used in the business areas.

For more information, see Business Constraints and Veto Checks.

Manager Assignment

Managers assigned in the *Org Structures* view of the *Organizational Management* work center are responsible for approving tasks. They are employees or service agents who have been assigned to an org unit as a manager.

For more information, see Manager Assignment.

Setting Up Approvals

For more information, see Setting Up Approvals.

External Business Identifiers

In Organizational Management, you can assign external business identifiers to org units. These identifiers are issued by external authorities for identification of your company, or parts of your company, in business to business transactions and in other transactions with external partners.

For more information, see External Business Identifiers in Organizational Management.

Deviating Business Residence Assignments

When you assign an org unit to a Business Residence that is not directly below in the org structure, the assignment is known as a deviating Business Residence assignment, because you are defining a deviation between the standard and legal hierarchies. You are stating that the org unit legally belongs to a different geographical area within the company. This functionality is needed for specific cases, where it allows you to correctly reflect your reporting structure and to avoid the duplication of Business Residences in the system.

For more information, see Deviating Business Residence Assignments.

Time Dependency

All information entered in the *Org Structures* view of the *Organizational Management* work center is time dependent. Time dependency supports the continuous change of your business – you can adapt your org structure in the system so that it changes as your business changes.

For more information, see Time Dependency: Effective-From Date, Start Date, and Validities.

Org Data Requirements for Applications

The following documents contain organizational management related data that is required for the applications:

- Organizational Data Requirements for Human Resources
- [Organizational Data Requirements for Financials \[page 22\]](#)
- Organizational Data Requirements for Customer Relationship Management
- Organizational Data Requirements for Supply Chain Management
- Organizational Data Requirements for Supplier Relationship Management
- Organizational Data Requirements for Projects



Tasks

Create and Edit the Org Structure

For information about this task, see [here \[page 24\]](#).

Assign an Employee

For more information about this task, see [here \[page 27\]](#).

Assign a Manager

For more information about this task, see [here \[page 28\]](#).

Export Business Data Using Microsoft Excel

You can download your org structure to Microsoft Excel from the table view of the Org Structures view. This download function is not available in the chart view. For more information about this task, see [here \[page 29\]](#).

2.1.8.2 Business Background

2.1.8.2.1 Organizational Data Requirements for Financials

Overview

This document provides you with the information you need to set up Financials (FIN) data that is related to Organizational Management.

Org Data and Org Structure Requirements

To prepare your system for FIN, you must do the following:

- **Assign the definition Company to all org units that represent a company**

All companies, including affiliated companies, have to be represented as a company in Organizational Management. For these companies, business partners are automatically created by the system. These companies and business partners are used in FIN for partner – company determination.

In the *Organizational Management* work center, choose the *Edit Org Structures* common task, and flag the relevant org units as a *Company* on the *Definitions* tab.

- **Assign the definition Segment to the relevant org unit**

The segments within your structure are used for segment reporting. The assignment of segments in a journal entry is derived from profit centers. Therefore, profit centers are prerequisites for segment reporting.

In the *Organizational Management* work center, choose the *Edit Org Structures* common task, and flag the relevant org unit as a *Segment* on the *Definitions* tab.

- **Assign the definition Profit Center to the relevant org units**

This is required to provide profit center accounting and segment accounting.

In the *Organizational Management* work center, choose the *Edit Org Structures* common task, and flag the relevant org unit as a *Profit Center* on the *Definitions* tab.

- **Assign the definition Cost Center to the relevant org units**

Cost centers are required for cost center accounting.

In the *Organizational Management* work center, choose the *Edit Org Structures* common task, and flag the relevant org unit as a *Cost Center* on the *Definitions* tab.

- **Assign the definition Business Residence to the relevant org unit**

Materials and account determination groups are always evaluated at business residence level. In the selling process, materials are evaluated at the level of the supplying business residence and account determination groups are determined based on the selling business residence.



We recommend that you do not flag the Business Residence definition on the same org unit as the Company definition. The Business Residence definition should be set at the level directly below a Company.

In the *Organizational Management* work center, choose the *Edit Org Structures* common task, and flag the relevant org unit as a *Business Residence* on the *Definitions* tab. Business residences represent the legal aspect of a geographical location and are legally bound to their company after activation of the organizational structure.

- **Assign managers to org units**

Org unit managers are required for approval processes. If approval processes are in scope, then the system tries to evaluate a manager of an org unit that has function assigned to it (functional manager) as the responsible approver. If there is no active manager on the org unit to which an approval task is sent, the next functional manager upwards in the hierarchy receives the task for approval.

An alternative approver can also be maintained in employee work distribution. Even if a functional manager can be found, this alternative approver can also see the approval task.

If no functional manager and no alternative approver are maintained, then the system cannot find an approver and the approval task cannot be processed.

To assign managers: In the *Organizational Management* work center, choose the *Edit Org Structures* common task, and assign managers to org units in your org structure using the *General* tab.

To assign alternative approvers: In the *Application and User Management* work center, choose *Utilities* and then *Employee Work Distribution*.

Other Requirements

You may also have to do the following if you want to set up FIN in your system:

- **Assign the company to a set of books**

When you have created and activated the companies, each company must be assigned to at least one set of books.

In the *Business Configuration* work center, in the *Activities* view, choose *All Activities*, then select the *Integrate and Extend* phase, then the activity *Set of Books*.

- **Define company account determination**

This must be done for each company.

In the *Business Configuration* work center, in the *Activities* view, choose *All Activities*, then select the *Fine-Tune* phase, then the activities *Charts of Accounts*, *Financial Reporting Structures*, and *Account Determination*.

- **Activate profit center accounting**

This is activated at the set of books level.

In the *Business Configuration* work center, in the *Activities* view, choose *All Activities*, then select the *Integrate and Extend* phase, then the activity *Set of Books*.

- **Assign cost center types to functional areas**

This relationship is required for income statements by functions of expense or earned profit analysis. A prerequisite for this assignment is the definition of functional areas and cost center types

In the *Business Configuration* work center, in the *Activities* view, choose *All Activities*, then select the *Fine-Tune* phase, then the activities *Settings for Income Statements* and *Definition of Cost Center Types*.

- **Define resources**

Resources are required for time and activity confirmation.

In the *Cost and Revenue* work center, choose the *Master Data Allocations* view, then the *Resources* subview. Here, you can create new resources with reference to a cost center, or edit existing resources. Resources can also be created and edited in the *Supply Chain Design Master Data* work center.

2.1.8.3 Tasks

2.1.8.3.1 Create and Edit the Org Structure

Overview

This task description guides you through the processes of creating the initial org structure or editing the existing org structure. You can create or edit org structures in the *Org Structures* view of the *Organizational Management* work center.

Prerequisites

- Use this document in combination with the Guide: Setting Up Your Org Structure document. The guide provides information you need to set up a consistent structure and must be used in addition to the task description provided in this document.
- You have read the business background documents in the [Org Structures Quick Guide \[page 19\]](#).

- You have gathered all data relevant for organizational management, such as the legal, managerial, and functional data of your enterprise.
You use your existing organizational structure plan as a basis for creating the org structure in the system. When you start creating the structure, we recommend that you build from the top down; that is, start with companies and business residences, and then add the business divisions or departments. When editing your org structure, always enter the effective-from date for your changes.

Procedure

1. In the *Org Structures* view, click **Edit**, or click the *Edit Org Structures* common task.
2. On the dialog box that appears, specify the *effective-from date* for your proposed changes and choose **OK**. Note that all elements in the org structure are time-dependent.

⚠ When creating an org structure, the effective-from date must be as far as necessary in the past to include all relevant human resource and financial data. When editing an active org structure, enter the date from which you want your changes to take effect before you start to edit. For more information, see Time Dependency: Effective-From Date, Start Date, and Validities.
3. Create your org structure outline.
 - a. To create a new org structure, click **New**, and select *Org Structure* in the planning area. Alternatively, you can also select the *Org Unit* under *Template*, and drag it into the central screen. You can then drag as many org units as required and drop them onto the root org unit.
 - b. To add an org unit, place your cursor on the intended root org unit and click **New**. Then click *Org Unit*. Repeat this step until you have all the org units you require. Alternatively, to add a child org unit, click the parent org unit with the secondary mouse button to open the context menu, then click *New Org Unit*.
4. Complete all relevant tabs for each org unit in the structure. To do this, select an org unit and then fill in the information on the tabs.

💡 You can check the consistency of your org structure at any time, as described in step 5 below. Regular checks help you to eliminate inconsistencies on an ongoing basis, rather than being faced with many messages related to inconsistencies when you have finished making all of your changes.

General Tab

Contains general information on the org unit, such as the org unit ID, name, timelines, working day calendar, manager, and address.

- a. Assign the *Org Unit ID*. Note that you cannot change the org unit ID after you activate the org structure.
- b. Enter the *Org Unit Name*.
- c. The *Valid From/To* field displays the timeline of the org unit. You can change timelines on the *Timelines* tab.
- d. Enter the *Working Day Calendar* to apply to this org unit
- e. If required, click the *External Business Identifiers* link to apply the correct identifier to an org unit, for example, D-U-N-S.
For more information, see External Business Identifiers.
- f. If a manager is required, in the *Org Unit Manager* field, click the icon to display the *Select Manager* dialog box. A list of employees is displayed. Choose the appropriate employee. The *Manager, Manager ID, Job Title*, and *Assigned To* fields are automatically filled with the chosen employee's data.

For more information, see Manager Assignment.

Definitions Tab

Displays all definitions that are assigned to the org unit. The definitions define the types of properties associated with an org unit, for example, the legal property, which is relevant for the definitions *Company* and *Business Residence*.

- a. Select the appropriate definition or definitions for your org unit. These are properties that define the org unit in the org structure, for example, make it a profit center, cost center, or both.
- b. Complete all fields for each definition.

For more information, see Definitions.



If you are creating the initial org structure, ensure that you create one business residence for every company. Do not assign both definitions to the same org unit.

Addresses Tab

Provides all address details for the org unit, including the main address and the bill-to address.

- a. Enter the addresses for the org unit. You can enter new addresses or copy existing ones from other org units.
- b. In the *Company Name* and *Department Name* fields enter the names, as required.
- c. If required, you can enter a different *Bill-to Address* for a company.

Functions Tab

Displays all duties that are assigned to the org unit.

- a. On the *Functions* tab, expand the relevant group by choosing *Details*.
- b. Select the appropriate check boxes to activate the relevant functions of the org unit. The functions you assign propose the work centers for the employees assigned to this org unit. For more information about assigning work centers to employees, see the documentation on **Business Users**.

For more information, see Functions.

Employees Tab

Displays all information regarding both the internal employees and service agents assigned to the org unit, including their employee IDs and jobs.

- a. Assign employees or service agents to your org unit.



Employees or service agents can only be assigned in organizational management and not created. If Human Resources is active in your system, you can hire employees in the *Regular Tasks* view of the *Personnel Administration* work center and create new service agents in the *Service Agents* view of the *Business Partner Data* work center. If Human Resources is not active in your system, you can create employees and service agents in the *Business Partner Data* work center, in the *Employees* view.

Timelines Tab

Displays all timelines of the properties and attributes of the org unit.

- a. On the *Timelines* tab, you can edit the length of time an attribute is to exist in the system. You can do this individually for all attributes associated with the org unit, for example, the definitions and the addresses.
 - b. In the *Valid From* or *Valid To* column, either enter the new date or select using the calendar.
5. Check your org structure. Click in the main header to check the consistency of the data you have entered.

There are three check options available:

- *Check All*: Checks all org structures that are currently being displayed in the planning area.
- *Check Selected Structure*: Checks the complete org structure related to the org unit that is currently selected.
- *Check Selected and Dependent Org Units*: Checks the org structure from the org unit that is currently selected downwards.

Any inconsistencies in the org structure are displayed as error messages. You must resolve these error messages by changing your org structure until they are resolved. Continue to click  to assess your progress.

For more information, see Business Constraints and Veto Checks.

6. Activate your org structure. When you have resolved all error messages, click  in the main header. Activation also saves your data.

There are three activation options available:

- *Activate All*: Activates all org structures that are currently being displayed in the planning area.
- *Activate Selected Structure*: Activates the complete org structure related to the org unit that is currently selected.
- *Activate Selected and Dependent Org Units*: Activates the org structure from the org unit that is currently selected downwards.

The saving of changes that you did not want to make can only be undone using the  button, which will also undo all other changes you have made in the planning area since the last save or activation. You must then rebuild your org structure. *Roll Back* rolls the planning area back to the last active version. It discards all changes made in the planning area since the last activation and copies the active area into the planning area. You use this action if you have made changes and saved them and now wish to discard them.

Result

You have activated your org structure. It will now appear in the active area. You can now use the org structure in all processes and applications that refer to org data.

If you are having problems with processes in an application area after creating your org structure, check the Org Data Requirements document for that application area. You can find these documents in Business Background section of the [Org Structures Quick Guide \[page 19\]](#) and check the Guide: Setting Up Your Org Structure.

2.1.8.3.2 Assign an Employee

Prerequisites

The employee and/or service agent you want to assign to an org unit have been created in the system. You can create employees in the following ways:

- If *Human Capital Management* is active in your system, you create and assign employees in the *Personnel Management* work center. You create service agents in the *Business Partner Data* work center. You assign them in the *Organizational Management* work center.
- If *Human Capital Management* is inactive, you create both employees and service agents in the *Business Partner Data* work center and assign them to org units in the *Organizational Management* work center.

i You can only assign employees to org units that have a business residence in the hierarchy above them. This means that employees cannot be assigned at company and at business residence level. For example, to be able to assign a Managing Director as a manager of your company org unit, you must first assign the director as an employee to an org unit further down in the structure and then assign that employee as the manager of your company org unit.

Procedure

1. Choose **Edit** in the *Org Structures* view of the *Organizational Management* work center.
2. Specify the correct *Effective From* date for your changes and choose **Go**.
3. Select the org unit to which you want to assign an employee and choose the **Employees** tab.
4. Choose **Add**. The system adds a line to the table.
5. In the *Employee ID* column, select the employee or service agent you want to assign to the org unit. The system automatically transfers the details of that employee to the table.
6. Optional: You can assign a job to the employee using the *Job ID* column of the table.
You create jobs in the *Job Definition* view of the *Organizational Management* work center. For more information, see the Job Definition Quick Guide.
7. Choose **Save** and choose one of the options under **Activate** to activate your changes.

i You can assign several employees or service agents to one org unit.

See Also

[Assign a Manager \[page 28\]](#)

2.1.8.3.3 Assign a Manager

Prerequisites

The employee or service agent that you want to assign to the org unit as a manager is already assigned as an employee in the org structure. Once the employee or service agent is assigned to an org unit, you can assign them as the manager of one or several org units.

For more information on assigning employees to the org structure, see [Assign an Employee \[page 27\]](#).

For more information about the consequences of assigning a manager, see Manager Assignment.

Procedure

1. Choose **Edit** in the *Org Structures* view of the *Organizational Management* work center.
2. Specify the correct *Effective From* date for your changes and choose **Go**.
3. Select the org unit to which you want to assign an org unit manager and choose the **General** tab.
4. Select or enter an org unit manager in the *Org Unit Manager* field.

The system fills the *Manager ID*, *Job Title*, and *Assigned To* fields automatically based on the manager you select.

5. Choose **Save** and choose one of the options under **Activate** to activate your changes.

i Only one manager can be assigned to each org unit, even if there are several definitions and/or functions assigned to this unit. The selected manager is then the manager for all of the definitions and/or functions that are assigned to this org unit.

2.1.8.3.4 Export Business Data Using Microsoft Excel®

Overview

You can export different types of data from the SAP Business ByDesign system to Microsoft Excel. Then you can use Microsoft Excel to organize and analyze that data.

You can export data from a report or from a worklist.

Prerequisites

Go to *My Computer* in the *Self-Services Overview* view in the *Home* work center to ensure that the following prerequisites are fulfilled:

- You have installed the latest **Add-In for Microsoft Excel®**.
Click *Install Additional Software*.
- The settings for your browser have been set correctly.
Click *Check My Computer Settings*.

Procedure

1. Before you can export data, you must be viewing that data. Depending on the data that you want to export, choose one of these options:
 - To export data from a report, open that report and choose whether you want to export the table or chart by clicking either *Switch to Chart* or *Switch to Table*.
 - To export data from a worklist, open that worklist and click *Go*.
2. To export data from a chart, table, or worklist, click *Export*, then choose *To Microsoft Excel*.

The complete list of data that you see on the screen will be exported to Microsoft Excel.

i If you have personalized your worklist using  *Personalize This Screen*, the personalization settings that you have made will also be reflected in the Microsoft Excel worksheet that you download. For example, if you have moved any columns, they will be displayed in the same order in the Excel worksheet, and if you have hidden or unhidden any columns in the worklist, they will be hidden or unhidden in the Excel worksheet accordingly.

3. Select the language or template in the dialog box that is displayed.

- i**
- If there is only one template that has the logged in language variant, then the export will be performed in the logged in language, and no user interaction is required.
 - If there is only one template in the system for this export scenario, but the logged in language variant is not available, then export will be performed in the English language.
 - If there is more than one template in the system for this export scenario, the *Template List* dialog box is displayed. In this dialog, you can select the Microsoft Excel template that you want to use for the export. The template will dictate how your exported data will be formatted. The Microsoft Excel version that is relevant for each template is displayed.

4. Click *Download*.
5. A message shows that you can open or save the file which contains the data that you have just exported from the SAP Business ByDesign system. Click *Open* or *Save* depending on what you want to do with the exported data.
Depending on whether you click *Open* or *Save*, there are two possible results:
 - If you click *Open*, a worksheet opens with the data in Microsoft Excel. The file has a temporary name, but it is not saved. You can use all the functions of Microsoft Excel to organize the data and to save that worksheet.
 - If you click *Save*, a *Save As* dialog box opens. You can specify an appropriate file name and a location to save the exported Microsoft Excel file to. A message will inform you when the download has completed successfully.
You can later navigate to the location where you have saved the template and open it .
6. To adapt the template, choose *Edit Template* in the *SAP Business ByDesign* tool bar.
The template editor will open.

In the editor, you can make the following changes to the template:

- Change the name of a column
- Change the sequence of columns by choosing *Move Up* and *Move Down*
- Hide a column by deselecting it under *Visible*

Click *Generate* to save your changes to the template.

- i** Ensure that the adapted template from the *Office Template Maintenance* view is uploaded to the SAP Business ByDesign system.

2.1.9 Movement Types

Overview

Movement types classify postings in the general ledger and fixed assets based on the account movements they relate to (such as adjusting entries or depreciation). The available movement types are predefined and **cannot** be changed.

Movement types are assigned to movement type profiles. In the settings for a set of books, you can define which movement type profile you want to use.

The *Default Movement Types* profile is used by default. If you have activated consolidation preparation in business configuration, you have the option of using the *Movement Types for Preparation for Consolidation* profile as an alternative. This profile contains special movement types that meet the requirements for consolidation preparation.

i Configuration settings are normally performed by an administrator. If you do not have the required authorization, contact your administrator.

To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).

In the *Scoping* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger* and then *Consolidation Preparation*.

Movement Types in General Ledger Accounting

Movement Types Available with the Default Movement Types Profile

In General Ledger Accounting, the *Default Movement Types* profile offers you the following movement types:

- 900: Opening Balance
- 910: Addition / Acquisition
- 920: Write-Off / Retirement
- 930: Utilization / Usage
- 940: Transfer
- 950: Exchange Rate Differences – Current Year
- 960: Exchange Rate Differences from Opening Balance
- 980: Deduction of Accrued Interest
- 985: Addition of Accrued Interest
- 990: Other Changes

Movement Types Available in the Movement Types for Preparation for Consolidation Profile

In General Ledger Accounting, the *Movement Types for Preparation for Consolidation* profile offers you the following movement types:

- 500: Accruals – Period Start
- 520: Addition for Accruals/Provisions
- 540: Consumption Accruals/Provisions
- 555: Disposals for Accruals/Provisions
- 560: Dissolution for Accruals/Provisions
- 570: Reclassification of Accruals/Provisions
- 580: Deduction of Accrued Interest
- 585: Addition of Accrued Interest
- 600: Equity Capital – Period Start
- 620: Transfer from Net Profit Previous Year
- 630: Dividends Paid
- 640: Capital Increase/Reduction
- 623: Increase in Equity
- 645: Reduction of Equity
- 646: Reclassification of Equity
- 650: Annual Net Profit/Loss
- 660: Transfers for Discontinued Operations in Current Year

- 670: Withdrawal for Discontinued Operations in Current Year
- 690: Other Transactions
- 725: Fixed Asset Acquisition in Group (Man.Correction)
- 745: Fixed Asset Retirement in Group (Man.Correction)
- 780: Manual Adjustments for Fixed Asset Acquisition/Retirement in Group
- 900: Opening Balance

Use

You use movement types in general ledger accounting to create a schedule of changes (for example, for your provision accounts). For this, you need to have always specified a movement type for each manual posting.

i If you want to create a schedule of changes, you need to ensure from an **organizational** point of view that, with every manual posting, a movement type is specified for each line item.
To display the **Movement Type** column when creating a journal entry voucher, choose *Open Settings Dialog* (the pushbutton with the spanner) and include the appropriate field in the display.

To create a schedule of changes, go to the *General Ledger* work center and choose *Reports* and then *Schedule of Changes*. For this report, some movement types are grouped together corresponding to the predefined categories for a schedule of changes.

You can create various kinds of schedules of changes, such as a schedule of changes for your provision accounts. For more information on this report, see [Schedule of Changes \[page 351\]](#).

Movement Types in Asset Accounting

When making manual postings in fixed asset accounting, you **cannot** specify movement types. Instead, the system automatically derives the movement types from the relevant business transaction. Movement types in fixed asset accounting are only used for information purposes and are **not** used in reporting.

The derived movement types are displayed in the journal entries.

You can access the *Journal Entries* view from the *General Ledger* work center under *Journal Entries*.

i You can create a schedule of fixed assets in Asset Accounting. However, the schedule of fixed assets does **not** use movement types. You find this report in the *Fixed Assets* work center under *Reports* and then *Schedule of Fixed Assets*.
For more information, see [Schedule of Fixed Assets \[page 500\]](#).

See Also

[Schedule of Changes \[page 351\]](#)

[Schedule of Fixed Assets \[page 500\]](#)

2.1.10 Materials

Overview

Materials are tangible products that can be produced, bought, and sold. You create the master data for materials in the *Materials* view of the *Product Data* work center. Valuation details are needed if the material is part of your inventory. All materials you create in this view are immediately visible in the *Inventory Valuation* work center.

Features

The valuation data in the material master is of central importance in the valuation of inventories and goods movements. Tasks are generated in different work centers if any valuation-relevant data is missing.

- If a material movement fails because the company/business residence assignment for the material is missing, a task is sent to the *Inventory Valuation* work center requesting that the organizational assignment for that material be maintained. On the *Valuation* tab of the material's master data record, you specify the company and business residence combinations where this material is to be used in accounting, and maintain the status of these organizational assignments.
- If a goods movement fails because the valuation data of a material is incomplete, a task is sent to the *General Ledger* work center. This task is also solved in the *Valuation* view of the material.

→ If you wish to maintain costs for more than one material, consider using the *Edit Unit Costs* activity under *Common Tasks*.

Cost Types

Cost types enable you to assign different costs to a material for different purposes. The only cost type that actually affects the valuation of material inventories and movements in the system is *inventory cost*.

In addition to inventory cost, the other cost types available are *estimated cost*, *planned cost*, *book value*, and *periodic FIFO cost*. These cost types do **not** affect the valuation of material inventories or movements.

For more information on cost types, see *Cost Types for Inventory Valuation* [page 523].

Journal Entries

When the inventory cost is updated for a material that is in stock, a revaluation journal entry is generated in the general ledger. You can view this journal entry by searching for the relevant cost change document in the *General Ledger* work center, *Journal Entries* view. The journal entry amount is calculated by multiplying the difference between the old cost and the new cost by the quantity in stock.

! A **cost change document** is always generated for any cost change if the organizational assignment has the status Active. Even if the new cost is the same as the old cost (for example, a cost estimate calculated the same cost as before), a cost change document will be generated because the source document reference is new. However, a **journal entry** is only generated if the inventory cost is changed and the material is in stock.

Account Determination Group

The material's valuation master data includes the account determination group, such as raw materials, semifinished products, or finished products.

Perpetual Cost Method

In the material's valuation master data, you also specify the perpetual cost method (Standard or Moving Average). For more information, see [Perpetual Cost Methods \[page 526\]](#).

Inventory Cost History

A history of the changes to a material's inventory cost is available in the *Inventory Valuation* work center, *Materials* view and *Material Unit Costs* view.

For more information, see [Inventory Cost History \[page 537\]](#).

Material Reports

You can use the [Material Unit Costs \[page 705\]](#) report to gain information about costs and cost comparisons during a defined period.

The [Material Inventories – Balance Summary \[page 693\]](#) report provides information about inventory quantities and values.

See Also

[Valuation \[page 506\]](#)

2.1.11 Production Lots

Overview

Production lots that have been released in Supply Chain Management appear in the *Inventory Valuation* work center, *Production Lots* view. The account determination group is derived from the material, the overhead rule is derived from the company and business residence combination, and the profit center is derived from the business residence.

Features

In the *Inventory Valuation* work center, *Production Lots* view, you can view released production lots and reassign the overhead rule.

Released production lots are subject to job order costing in financials. When parts are withdrawn from storage to be worked on, the WIP account is debited and the material inventory account is credited. Consumption of services debits the WIP account and credits the cost center providing the service.

When you execute an overhead absorption run for production lots in the *Inventory Valuation* work center, *Production Lots – Overhead Absorption* view, the run calculates overhead for the production lots and allocates it from the cost centers to the production lots using appropriate expense accounts. The destination accounts to which the postings are made need to have been specified and set up in the system configuration using account determination. Overhead rules are defined in the *Cost and Revenue* work center, *Overhead Rules* view.

- i** Account determination is specified in the valuation data of the output material and is based on the valuation level. If the output material has the valuation level *Product Specification*, it is possible to define the account determination group at that level. It is not possible to change the product specification of the production lot once the production lot has been created.

For more information on valuation levels, see [Valuation Levels \[page 530\]](#).

When production is completed, a goods receipt from production credits the WIP account and debits the material inventory account.

At the end of the period, execute a WIP clearing run in the *Inventory Valuation* work center, *WIP Clearing* view. This clears any differences between costs consumed and valuation of goods receipt from production on this dedicated production lot.

Production variances are posted as follows:

- If the material uses the *Standard* perpetual cost method, production variances are posted to production difference accounts. The work-in-process account for the production lot will then balance to zero. These production difference accounts are also defined in account determination.
- If the material uses the *Moving Average* perpetual cost method, production variances are not posted to a production differences account but instead result in revaluation of the material inventory.

The overhead absorption run should be executed before the WIP clearing run.

Reports

You can use the following reports to get more information about work in process during a particular period:

- **Production Lots – Line Items**
- **WIP Inventories – Balance Summary**

2.1.12 Purchasing Documents

Overview

Purchase orders, including orders shipped from third parties, are referred to as **purchasing documents** in accounting.

The items from purchase orders are needed in accounting processes, for example to be able to value the goods receipt with the purchase order price or to determine when the clearing accounts should be cleared completely for the item.

Purchase orders that have been released in supplier relationship management appear in accounting in the *Inventory Valuation* work center, *Purchasing Document Items* view.

See Also

[Purchasing Document Items Quick Guide \[page 570\]](#)

[Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#)

[GR/IR Clearing Runs \[page 580\]](#)

[Purchase Order Processing](#)

2.1.13 Resources

Overview

The resource is a central master data object that you can use to define all the data of a machine, tool, vehicle, or employee relevant to planning and executing a production process, as well as valuating the costs of the same. The *Supply Chain Design Master Data* work center enables you to maintain all the necessary parameters to integrate your resources into supply planning, production execution, and financials.

Resource Types

The *Resources* view in the *Supply Chain Design Master Data* work center provides you with several resource types that you can use to model your resources according to their nature and usage in planning, execution, and financials. You can define the following resource types:

- **Equipment resource**
You define an equipment resource to model, for example, a machine or tool, as a resource in the system.
- **Vehicle resource**
You define a vehicle resource to model, for example, a forklift, as a resource in the system.
- **Labor resource**
You define a labor resource to model an employee that, for example, operates a production activity, as a resource in the system.

In addition, you can combine multiple resources to a resource group for planning purposes. Depending on the resource type, the system controls which data needs to be maintained. For example, for each labor resource, you can maintain specific job data.

Resource Use

Using the resource use, you define how the resource is to be used by the system in the different business processes and application areas. The system enables and disables all the relevant attributes depending on the selected resource use.

- i** The *New Resource* editor is accessed by either of the following paths:
- In the *Resources* view, click **New** and choose the *New Resource* type that you want to create.
 - In the taskbar, click *Common Tasks* and choose the *New Resource* type that you want to create.

In the **General** tab, you can select the following resource uses:

- **Resource Relevant for Financials**
If you want to incorporate the resource in the valuation of business transactions in financial accounting, you must define it as relevant for financials. If you select the *Resource Relevant for Financials* check box, the **Valuation** tab is visible. Here you can enter the specific attributes that are relevant for cost calculation.
- **Resource Relevant for Capacity Planning**
In supply planning, you can plan production proposals on the basis of the resource load. To do so, you need to define the resource as relevant for planning to include them in the planning view of the bill of operations. Here, the system determines the capacity requirements that are required to fulfill the production process. When releasing the production model, the system creates the released planning model (RPM) using the planning information from the bill of operations' planning view. The released planning model serves as the basis for the production proposal in supply planning. Here, you can determine the resource load using the resource's available capacity, operating times, and capacity requirements.

- i** If you want to assign a single resource to a resource group, the single resource must not be planning-relevant.

- **Main Production Resource**

If you want to use a resource in your production process, you need to assign it to an operation or activity in the bill of operations. However, if you want to assign a resource to an operation, you must define it as a main production resource. Main production resources are important for scheduling operations in production

execution. When creating a production order in production execution, the operations are scheduled by the system according to the availability of the main production resources. Each main production resource needs a logistics area to determine the corresponding supply and output area for the input and output products.

- **Multiple Resources**

You can define a single resource as a representative for multiple similar resources. If you select the *Multiple Resources* check box, the system enables the *Number of Resources* field on the *Operating Times* tab. In this way, the resource becomes faster. For example, if you have three identical drilling machines, you can model them in the system as multiple resources. However, you can also achieve this by using the resource group. In this case, you can model each resource as an individual resource in the system and group them to a resource group for planning.

Operating Times

For each resource that is a main production resource, you need to define operating times. The operating times define the availability of a resource based on the working time calendar of the corresponding site. In the *Operating Times* tab, you can define standard and time-dependent operating times by using a shift program or a recurrence pattern of operating hours. In contrast to standard operating hours, time-dependent operating hours are only valid for a certain validity period. In addition, you can maintain single downtime events (for example, short term repair actions), or additional times (for example, working time needed for an unplanned order).

The number of resources and the resource utilization are time dependent. You can specify them separately on the basis of the different operating times. The resource utilization allows you to define the resource's total capacity that is available within the defined operating times. For example, the capacity of a resource would usually be 100%. However, if the resource is able to process two operations at the same time, you can increase the resource utilization to 200%. You can also decrease the value to 50% if the resource cannot operate with full capacity for maintenance reasons.

You can also define a template containing predefined operating times, which is provided by the resource operating profile. In this case, the system simply copies all the operating time information that you have maintained in the operating profile to the resource. When you change the copied operating times in the resource, the link to the resource operating profile is broken.

Capacity and Scheduling

The *Capacity and Scheduling* tab in the *New Resource* editor allows you to define specific attributes for production scheduling and capacity planning.



The *New Resource* editor is accessed by either of the following paths:

- In the *Resources* view, click *New* and choose the *New Resource* type that you want to create.
- In the taskbar, click *Common Tasks* and choose the *New Resource* type that you want to create.

You can maintain the following:

- **Scheduling Buffer**

The scheduling buffer is a fixed duration that is added to the lead time of the planning operation. It shall protect against fluctuations in the lead time due to unforeseen issues such as missing components or resource queue time. As a result, the scheduling buffer extends the lead time of the production order in manufacturing. It creates a time interval of earliest and latest start date, where the production order processing shall start.

- **Bucket Type**

The bucket type enables you to specify the period in which you want to plan the resource, for example, day or week.

- **Bucket Utilization**

With the bucket utilization, you specify the percentage of the resource's total capacity that is to be considered in planning. This means, you can define the actual load for a resource in production to achieve greater planning security. For example, a machine operates 8 hours a day, the resource utilization for this machine is 100%, so 8 hours are considered for production. However, you know from experience that the machine often causes delays when carrying out specific operations. In this case, you can define a bucket utilization of 80%. For a bucket of a 5 day week, the resource will be planned with a capacity of 32 hours. Bucket utilization can only be maintained on the [Capacity and Scheduling](#) tab if you have defined the resource as relevant for capacity planning on the [General](#) tab.

Valuation

Each resource provides a service that you can use to valuate the service consumption for a certain production process. To do so, you need to define the resource as relevant for financials. This enables you to maintain the valuation data of the resource. For each financial-relevant resource you need to specify a cost center and the cost rate for the service provided by the resource. If the resource provides only one service, you can maintain the cost rate on the [Valuation](#) tab in the [New Resource](#) editor. However, if the resource provides multiple services with different cost rates, you can add these services to the resource on the [Services](#) tab. For example, if you want to define different cost rates for the setup and the produce activity for a machine, you can define two different services for these activities.

The consumption of a service can be calculated either based on the resource utilization or based on the operation quantity. By setting the calculation method, you can define the way the service product consumption is calculated. If the service consumption is measured as duration, its value can be equal to the duration of the resource utilization. If the service product consumption is measured in an arbitrary unit of measure, its value can be proportional to the operation quantity.

You can maintain the cost rate of a service in the [Product Data](#) work center. If a resource contains both services on the [Service](#) tab and a cost rate maintained on the [Valuation](#) tab, the system always uses the cost rate on the [Valuation](#) tab.



The [New Resource](#) editor is accessed by either of the following paths:

- In the [Resources](#) view, click [New](#) and choose the [New Resource](#) type that you want to create.
- In the taskbar, click [Common Tasks](#) and choose the [New Resource](#) type that you want to create.



Once you have maintained the cost rate on the [Valuation](#) tab, the system will use this cost rate. You can define the limit of the period for which the cost rate is valid using the delimit function. This enables you to enter a date until which this cost rate is valid.

For a labor resource, you can also specify the job that describes the role of the employee that is assigned to this resource. If a resource represents an asset in financials, you can assign the corresponding individual material to the resource for documentation purposes.

See Also

[Bills of Operations](#)

[Supply Planning](#)

[Logistics Task Management](#)

2.2 Currencies and Rates

2.2.1 Currencies

Overview

A currency is the legally recognized means of payment in a given country. A currency has to be specified for every financial amount in the system. The currencies are specified using the ISO standard form, such as EUR for euros or USD for US dollars.

All currencies defined in ISO standard 4217 are supported.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Currencies* activity from the activity list.

Currencies in Financials

In financials, a distinction is made between the following types of currency:

- **Local Currency**
Companies are required to store their financial data in the local currency of the country in which they are based and to perform year-end closing in this currency.
- **Transaction Currency**
Each business transaction is entered in the source document in the transaction currency. If the transaction currency differs from the local currency, the system subsequently converts the business transaction amount for the journal entry into the local currency.

Currency Conversion

In accounting, currencies and currency conversion are relevant for the following:

- Posting a document in a foreign currency (that is, the transaction currency is **not** the local currency)
- Foreign Currency Remeasurement

When converting a currency into another currency, the system applies exchange rates that you enter.

You can access the *Edit Exchange Rates* view from the *General Ledger* work center under *Common Tasks*.

See Also

Quick Guide for Exchange Rates

[Exchange Rate, Exchange Rate Type, and Conversion Type \[page 366\]](#)

Foreign Currency Remeasurement

2.2.2 Currency Conversion Profile

Overview

The currency conversion profile specifies which **business transaction** is converted and how. This means:

- With which **conversion type** (ask rate, bid rate, or middle exchange rate)
- With which **date** (document date, posting date, or conversion date)
- With which **exchange rate type**

Standard Conversion Profiles

Two conversion profiles are provided in the system:

- **Standard Currency Conversion Type: Middle Exchange Rates**

With this currency conversion profile, the middle exchange rate is used for **all** business transactions.

- **Currency Conversion Type: Bid Rate/Middle Exchange Rate/Ask Rate**

The settings in the currency conversion profile are made in accordance with the accounting principle HGB (German Commercial Code). The conversion type that is specified for each business transaction corresponds to the balance sheet item portraying that business transaction:

Balance Sheet Item	Conversion Type
Fixed Assets: Acquisition Costs	Middle exchange rate
Fixed Assets: Replacement Costs	Middle exchange rate
Fixed Assets: Current Market Value	Bid rate
Receivables	Bid rate
Inventories: Acquisition Costs	Middle exchange rate
Inventories: Replacement Costs	Middle exchange rate
Inventories: Current Market Value	Bid rate
Bank Balance and Cash	Bid rate
Prepaid Expenses	Middle exchange rate
Payables	Middle exchange rate
Provisions	Middle exchange rate
Deferred Income	Bid rate
All Other Balance Sheet Items	Middle exchange rate

Defining a Currency Conversion Profile

You can define currency conversion profiles of your own.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Currency Conversion Profiles* activity from the activity list.

Assignment to a Set of Books

When you assign companies to a set of books, you also need to assign a currency conversion profile to each company. In this way, a given currency conversion profile is valid for a company within a set of books. You can also assign the same currency conversion profile to multiple companies within a set of books.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Integrate and Extend* phase, then select the *Set of Books* activity from the activity list.

See Also

[Set of Books \[page 42\]](#)

[Exchange Rates \[page 366\]](#)

2.3 General Ledger and Subledgers

Overview

Financial accounting is affected by all business activities in the company, from the movement of goods to payment transactions. Transactions that require postings are recorded in chronological order in the **journal**.

The purely chronological listing of the postings captured in the journal are organized systematically in the **general ledger** so that the postings are made to the appropriate capital accounts, asset accounts, expense accounts, and income accounts (using account assignment to journal entries). This means that each business transaction is recorded at least twice.

Moreover, there are also **subledgers** that are used to clarify specific G/L accounts. These include the following:

- Fixed Assets
- Inventory
- Accounts Payable Ledger
- Accounts Receivable Ledger
- Cash Ledger
- Tax Ledger
- Cost Accounting
- Revenue Accounting

General ledger is the name used to refer to the set of accounts structured by individual financial statement items. General ledger accounts (G/L accounts) are balance sheet accounts on the one hand and profit and loss accounts on the other. Once these accounts have been closed, they are used to produce financial statements.

When the balance sheet accounts are opened at the start of each fiscal year, they contain the closing balances of the previous fiscal year, which are combined with the closing postings to produce a closing balance sheet. You carry forward the account balances to the next fiscal year.

G/L accounts are based on a chart of accounts or standard chart of accounts appropriate to the company's requirements. For more information, see [Chart of Accounts \[page 66\]](#).

The settings and configurations made in the general ledger can be either fixed or variable. For example, you generally create charts of accounts once in the *Business Configuration* and fix its settings for your daily tasks, whereas you have to reconfigure the parameters of a balance report in the *Application* each time you call it up.

See Also

[Chart of Accounts \[page 66\]](#)

[Set of Books \[page 42\]](#)

2.4 Set of Books

2.4.1 Set of Books

Overview

A set of books forms a complete and consistent set of accounting data that is required for statutory reporting and creating financial statements. It comprises a **general ledger** and all **subledgers** (Fixed Assets, Inventory, Accounts Receivable, Accounts Payable, Cash Ledger, Tax Ledger, and Cost and Revenue).

You define your own set of book, which consists of the following main settings:

- [Accounting principle \[page 45\]](#) (IFRS, or local accounting principles, such as US GAAP or the German Commercial Code)
- Reporting principle (function of expense method, profit center reporting, segment reporting)
- [Chart of Accounts \[page 66\]](#)
- [Fiscal Year Variant \[page 70\]](#) (fiscal year matches calendar year or is a non-calendar year)

Defining a Set of Books

You have to define at least one **set of books** and assign at least one company to it before you can create journal entries in the system:

- **Specifying Fundamental Settings**

You make fundamental settings for the set of books in **Business Configuration**.

To find this business option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#).

In the [Questions](#) step, expand the [Financial and Management Accounting](#) scoping element and select [General Ledger](#).

- **Defining Individual Parts of the Set of Books**

You define individual parts of the set of books (such as the chart of accounts) in **Business Configuration**.

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts](#), [Financial Reporting Structures](#), [Account Determination](#) activity from the activity list. For more information, see the documentation on the individual parts of the set of books.

- **Assigning the Set of Books Parts to the Set of Books**

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Integrate and Extend](#) phase, then select the [Set of Books](#) activity from the activity list.

For more information, see Configuration: Set of Books.

Multi-GAAP Reporting

You can define **multiple sets of books** with different settings. This enables you to have different sets of books with different accounting principles so that you can prepare your financial statements based on different accounting principles (for example, local accounting principles and IFRS). Performing reporting in parallel in this way is referred to as **multi-GAAP reporting**. You can also define multiple sets of books if you want to prepare your financial reports based on different charts of accounts, fiscal year variants, or reporting principles. For more information, see [Multiple Sets of Books \[page 43\]](#).

2.4.2 Multiple Sets of Books

Overview

You can define **multiple sets of books** with different settings. This feature enables you to prepare your financial statements based for example on different accounting principles, a procedure known as **multi-GAAP reporting**. It also allows you to prepare parallel sets of financial statements based on different charts of accounts, fiscal year variants, or reporting principles.

 The more sets of books you define, the larger your volume of documents becomes. We therefore recommend that you consider carefully whether you actually need an additional set of books.

Application Examples

The following examples illustrate cases where it may be necessary to define two sets of books:

- **Local accounting principle and IFRS**

Suppose you need to prepare your year-end closing based on IFRS (International Financial Reporting Standards) in addition to your local accounting principle. You create two sets of books and assign your local accounting principle to one set of books and IFRS to the other. You also assign the appropriate chart of accounts to the sets of books based on the accounting principle, that is, you use **different charts of accounts**.

- **Separation of commercial and tax balance sheets**

In **Germany**, the Accounting Law Modernization Act (BiMoG) which came into force on January 1, 2010 makes it advisable to separate the commercial balance sheet from the tax balance sheet. You therefore create two sets of books: one for the commercial balance sheet and one for the tax balance sheet, and assign the appropriate accounting principle to each. You assign the **same chart of accounts** (SKR03 or SKR04) to each set of books, since your transactions only differ in a few valuation methods or rules.

Configuration and Settings

- **Assigning companies to sets of books**

To each set of books, you assign all companies for which the main settings of that set of books apply:

- Each company **must** be assigned to **at least one set of books** to enable postings to be entered for the company.
- Each company **can** be assigned to more than one set of books (multi-GAAP reporting).

- **Definition of charts of accounts, financial reporting structures, and account determination**

If you use **different charts of accounts**, you need to add any additional G/L accounts you created to all charts of accounts as well as to the associated financial reporting structures and account determination.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

- **Assignment of asset valuation views to sets of books**

You need to assign at least one [asset valuation view \[page 408\]](#) to each set of books. The assignment transfers only the values of the G/L-relevant asset valuation view from the asset subledger to the general ledger. For all other valuation views, the values are stored only in the asset subledger and are available there for reports:

- If you carry **multiple sets of books** and have assigned only **one asset valuation view** to each set of books, the values in the asset subledger are automatically transferred to the corresponding general ledger.
- You also define **separate sets of books** and assign separate asset valuation views to them if you need to value **acquisition and production costs based on different accounting principles** (for example, local accounting principles and IFRS). The provisions of the accounting principles, such as regarding capitalization, can vary greatly. Furthermore, different principles may require capitalization of different amounts of acquisition and production costs.

Posting

If you have defined multiple sets of books, business transactions are **automatically posted to all sets of books** based on account determination. If the valuation methods and rules in the assigned accounting principles differ, separate journal entries for the transactions are generated for each set of books. A single transaction can therefore result in several journal entries.

With **manual postings** you can specify whether the posting applies to only a single set of books:

- If you use **different charts of accounts** for your sets of books, a separate posting is required for each set of books (that is, you need to create separate journal entry vouchers).
- If you have assigned the same chart of accounts to all sets of books, any postings that do **not** specify a set of books apply to all sets of books. You can also specify a single set of books for a posting.

Effects on Subledgers

If you have multiple sets of books, you need to define separate **master data** in some subledgers for each set of books:

Subledger	Master Data	Comment
Fixed Assets	Fixed Assets	You need to assign at least one asset valuation view to each set of books.
Inventory	Material	You need to enter separate material unit costs for each set of books.
Inventory	Service	You need to enter separate service cost rates for each set of books.
Cost and Revenue	Distribution	You need to enter separate distribution rules for each set of books.
Cost and Revenue	Overhead	You need to enter separate overhead rules for each set of books.

Effects on Closing Activities

If you have assigned the same chart of accounts to all sets of books, you can perform **automatic closing activities** (such as GR/IR clearing, foreign currency remeasurement, or balance carryforwards) for **all** sets of books in a single run by **not** specifying a set of books for the run. You can also perform a closing run for a single set of books.

In contrast, the **Closing Cockpit** only allows you to monitor and perform the closing activities for a single set of books.

You can access the *Closing Cockpit* view from the *General Ledger* work center under *Closing Cockpit*.

Effects on Reporting

You can only run the existing reports for a single set of books. **No** report can compare the data of more than one set of books. Reconciliation needs to be performed separately for each set of books as well.

Defining a New Set of Books

If you are already working productively in the application (that is, documents exist for a set of books), note the following when you define a new set of books:

- You **cannot** assign a company to a new set of books if documents exist for that company.
- You can assign a new company to a new set of books if **no** journal entries exist for that company. In this case, however, data migration is necessary to transfer opening balances and so forth to the new set of books.

See Also

[Set of Books \[page 42\]](#)

Configuration: Set of Books

[Chart of Accounts \[page 66\]](#)

[Display and Edit Chart of Accounts \[page 68\]](#)

Edit Financial Reporting Structures

[Automatic Account Determination \[page 82\]](#)

2.4.3 Accounting Principle

Overview

Accounting principles are local or international sets of rules and procedural conventions that provide guidance for accounting practice and for the preparation of financial statements. Examples:

- International Financial Reporting Standards (IFRS)
- Generally Accepted Accounting Principles (US GAAP)
- German Commercial Code (HGB)

Accounting Principle and Set of Books

You need to assign an accounting principle to each **set of books**. This ensures that the financial statements for the companies that use a given set of books are based on the same accounting principle.

When you assign an accounting principle to the local set of books, the system automatically proposes the accounting principle applicable to the country you selected in business configuration. Nevertheless you can still assign a different accounting principle if you want.



If you selected [United States](#) as your country in business configuration, **US GAAP** will be proposed automatically as the accounting principle for a set of books.

i The accounting principle IFRS is not assigned to any country because it is not a local accounting principle. You can use this accounting principle for any country.

You can also apply **multiple accounting principles** in parallel (multi-GAAP reporting). This requires a separate set of books for each accounting principle. For more information, see [Multiple Sets of Books \[page 43\]](#).

Dependencies

The effects of assigning an accounting principle to a set of books are as follows:

- **Automatic Postings**

Automatic postings use the accounting principle you assigned to the company and set of books.

- **Configuration**

Based on the accounting principle, the system automatically proposes other settings, such as fixed asset valuation views.

- **Valuation/Remeasurement Methods**

For the valuation/remeasurement runs (such as those for foreign currency remeasurement), the system uses the valuation/remeasurement methods dictated by the accounting principle.

2.4.4 Reporting Principles

2.4.4.1 Income Statement by Function of Expense

Overview

The posting logic in the standard system is intended for creating income statements by function of expense.

With the function of expense method, the revenues are compared only against the costs that were incurred for the products or services sold. This allows you to identify the **activities** for which the costs were incurred.

Furthermore, the period costs are generally portrayed by functional area.

For more information on functional areas, see [Functional Areas \[page 18\]](#).

Structure

With the function of expense method, resource consumption is structured by activity, such as R&D, production, sales, and administration. Income statements by function of expense can be structured for example as follows:

Revenues

- Sales deductions
- Cost of goods sold

= Gross Profit

- Sales costs
- Administration costs
- R&D costs

= Result

In the above example, the cost of goods sold is deducted from revenues. For information about calculating the cost of goods sold, see [Revenue Recognition for Product Sales and Customer Returns \[page 755\]](#).

Activation

For information about activating the function of expense method for your income statements, see Reporting Principle.

Posting Logic

With the posting logic for the function of expense method, all **production expenses** are posted directly to **Work in Process** (WIP). The costs incurred are not treated as costs of goods sold until the product has been sold.

The system treats **expenses for sales documents** as costs of goods sold.

- i** If you do not defer costs, they are treated directly as expenses.
 - If you use revenue recognition, the time at which such costs are treated as expenses depends on the revenue recognition method.
- For more information on revenue recognition, see [Revenue Recognition for Product Sales and Customer Returns \[page 755\]](#).

In contrast to the nature of expense method, the function of expense method does **not** consider changes to inventory.

Cost Structure

Costs are classified as cost of sales, administration costs and so on according to the **activities** with which they are associated. This classification is based on **functional areas**.

Income statements based on the function of expense method therefore require that functional areas are activated in your system. Functional areas are also required if you want to analyze profit.

For more information on functional areas, see [Functional Areas \[page 18\]](#).

See Also

[Revenue Recognition for Product Sales and Customer Returns \[page 755\]](#)

[Work-in-Process Clearing Runs \[page 641\]](#)

Reporting Principle

[Functional Areas \[page 18\]](#)

[Income Statement by Nature of Expense \[page 47\]](#)

[Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#)

2.4.4.2 Income Statement by Nature of Expense

Overview

The posting logic in the standard system is intended for creating income statements by function of expense.

If you want to create income statements by nature of expense, you need to make adjusting journal entries manually.

With income statements by nature of expense, the operating profit is divided into the **individual revenue elements and cost elements**. Income statements by nature of expense use the account structure to portray which costs and revenues occurred during a given period (for example, material costs).

Income statements by nature of expense are structured as follows:

Revenue

- sales deductions
- +/- Inventory Change
- + capitalized internal activities
- +/- WIP changes
- = **Total output**
- total costs (= material costs + wages + other costs)
- = **Result**

With portrayal by nature of expense, the total costs of a period are set against the total output of a period.

For information about activating the nature of expense method for your income statements, see Reporting Principle.

Posting Logic

The posting logic for the nature of expense method portrays all period costs independently of the sales revenue already made.

Since the standard system by default applies the posting logic for the function of expense method, using the nature of expense method requires you to make manual postings periodically. In this way, you can post inventory changes and material expenses that are not considered by the posting logic for the function of expense method.

For a detailed description of how to switch from the function of expense method to the nature of expense method, see [Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#).



You can deactivate the use of functional areas if you only create income statements by nature of expense.

If you also want to create income statements by function of expense, you need to activate the use of functional areas.

For more information on functional areas, see [Functional Areas \[page 18\]](#).

Portrayal of Period Costs

When you create income statements by nature of expense, you use the account structure to portray **which** costs and revenues occurred during a given period (for example, material costs).

See Also

[Income Statement by Function of Expense \[page 46\]](#)

[Switching from Function of Expense Method to Nature of Expense Method — Overview \[page 49\]](#)

2.4.4.3 Income Statement by Function of Expense / Income Statement by Nature of Expenses

2.4.4.3.1 Switching from Function of Expense Method to Nature of Expense Method: Preparation

Overview

The posting logic in the system is intended for creating **income statements by function of expense**. This enables your reporting to be compared internationally. In some countries, companies are required to create income statements by nature of expense.

Income statements by **nature** of expense break down the operating profit into the individual revenue and cost elements. This enables you to see which **production factors** incurred the costs.

With income statements by **function** of expense, the costs are based on the quantity structure on the revenue side. This enables you to see which **organizational units** (such as R&D, production, sales, or administration) incurred the costs.

Both methods – function of expense and nature of expense - produce the same operating result.

Relevance

The process described here for creating income statements by nature of expense is only relevant to you if you want to use the nature of expense method for your income statements (such as companies in Germany or France).

i Documentation is available on this topic that is specifically relevant for the following countries: Austria, Germany, and Switzerland. To ensure that the relevant country-specific document version is displayed, select Select **Onscreen Help** and, under **Country**, choose the relevant country. Save your settings and logout to ensure these changes are made.

i The examples used here relate to the accounts in the German charts of accounts SKR03 and SKR04.

If either of the following applies, make the adjustments described below in each period:

- You produce materials for stock.
- You create accruals for the costs of your sales processes.

i If **none** of the above conditions apply, the steps described here are **not** relevant for you.

Process Flow

The standard system supports the function of expense method. If you want to create your income statements by nature of expense, you need to perform the following steps in the indicated sequence:

1. Collect the necessary data using reports.

2. Make correcting entries.

These steps are described in [Data Collection and Posting Logic \[page 54\]](#).

Standard System Settings

If you want to create your income statement by nature of expense, you need to make different settings for the accounts and for account determination. The settings that are in the standard delivery are listed below.

The following table lists all accounts required for the changeover from function of expense to nature of expense method, using charts of accounts SKR3 and SKR4 as an example.

Accounts for Switch from Function of Expense to Nature of Expense

Account Number in SKR03	Account Number in SKR04	Account Name	Account Group	Functional Area (Manages Assignment in Income Statement Version for Function of Expense Method)	Assignment in Income Statement Version for Function of Expense Method
270590	483590	Gain Prod.Diff. Adjustm. Acctn for IS by Nat.of Expense	Differences	1500	Other operating expense
400990	500990	Mat.Cons. - Adj. Acctn for IS by Nat.of Expense	Costs/Expenses	1500	Operating expenses for raw materials, supplies and consumables
420090	630090	Loss Prod.Diff. Adjustm. Acctn for IS by Nat.of Expense	Differences	1500	Other operating expense
498910	689910	Adj. Other Operating Expenses	Costs/Expenses	9910	Other Operating Exp.- Adj. for Nature of Expense
498920	688920	Adj. Personnel Expenses	Costs/Expenses	9910	Personnel Expense - Adj. for IS by Nature of Expense
898010	480010	Adj. Ch.in.Inv. Deferred Costs Material	Revenues/Gains	9910	Changes in Inv. – Adj. For Nature of Expense
898020	480020	Adj. Ch.in.Inv. Deferred Costs Personnel	Revenues/Gains	9910	Changes in Inv. – Adj. For Nature of Expense
898030	480030	Adj. Ch.in.Inv. Deferred Costs O.Operating Exp.	Revenues/Gains	9910	Changes in Inv. – Adj. For Nature of Expense
896010	481010	Changes in Inventory - Sold Finished Goods	Revenues/Gains	Cost Object Category / Cost Center Type	Changes in Inventory
896020	481020	Adj. Changes in Inventory	Revenues/Gains	9910	Changes in Inventory
999100	999100	Productn Adjustm. Acctn for IS by Nat.of Expense	Costs/Expenses	1500	Changes in Inv. – Adj. For Nature of Expense

You can display these settings in the [Business Configuration](#) work center. Use the following paths:

- For accounts:
To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) activity from the activity list. Click [Edit Chart of Accounts](#).
- For account determination groups:

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. Click *Edit Account Determination Groups*.

- For the functional areas:

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Settings for Income Statements by Function of Expense and Earned Profit Analysis* activity from the activity list.

Click *Edit Functional Area Determination*.

- For the assignment in the income statement version for the function of expense method:

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. Click *Edit Financial Reporting Structures*.

Account Determination for Materials

Since adjusting journal entries need to be differentiated by nature of expense, determination of the consumption accounts for the nature of expense method has to be sufficiently refined so that the withdrawal of raw materials and semifinished products can be differentiated at the production lot level.

Standard account determination uses an inventory change account for the withdrawal of finished products. It is assumed that the finished products are withdrawn to be sold. If you also withdraw finished products for consumption, such as for a quality cost center, you would need to make correction postings to repost from inventory changes to material consumption.

Account Determination for Materials

Group Number	Account Determination Group	Material Costs SKR03	Material Costs SKR04	Account Name
3010	Raw Materials	400000	500000	Expenses for Raw Materials
3020	Operating Supplies	401000	501000	Expenses for Supplies and Consumables
3030	Semi-Finished Products	400010	500010	Expenses for Semi-Finished Goods
3040	Finished Goods	896010	481010	Changes in Inventory – Finished Goods
3050	Trading Goods	896010	481010	Changes in Inventory – Finished Goods

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

Select *Inventories* and then *Revenues and Expenses*.

Closing Steps

Use a separate closing step to make postings for the switch from function of expense to nature of expense, such as closing step 80. This enables you to identify the related postings at any time.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Closing Steps* activity from the activity list.

Printing the Income Statement

To print out the income statement after making the manual postings, proceed as follows:

1. Go to the *General Ledger* work center, *Reports* view. Select the **Financial Statements – Print Layout** report.
2. On the selection screen, in the *Financial Reporting Structure* field, select Income Statement by Nature of Expense. Depending on your settings in fine-tuning, Income Statement by Function of Expense may also be available for selection.
3. Create the report. You can print the report with the standard functions or download it.

Checking the Switch from Function of Expense Method to Nature of Expense Method

After you have completed the transition from income statements by function of expense to income statement by nature of expense, you should check whether all activities have been carried out correctly.

You can run various checks on the consistency of the balance sheet and the income statement before and after the switch:

Step	Check	Expected Result
1. Parallel creation of income statements	Depending on your configuration, you can create an income statement by function of expense as well as an income statement by nature of expense.	Both income statements show the same overall result.
2. Sequential creation of income statements	Create the income statement before and after you have performed the transition.	Both income statements show the same overall result.
3. Comparison of trial balance and income statement	Create the trial balance and the income statement.	Both reports show the same results.
4. Trial balances	Create the trial balance for the adjustment account.	The total for each period is zero.

2.4.4.3.2 Switching from Function of Expense Method to Nature of Expense Method: Data Collection (Reports) and Manual Postings

Overview

If you want to create your income statement by nature of expense, you need to perform various steps:

Data Collection (Reports)	Manual Postings Posting Logic
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To make the necessary manual postings for the switch from income statements by function of expense to income statements by nature of expense, you need different types of data that the system prepares using reports.

- i**
1. We recommend documenting each process step carefully, such as by storing reports locally, noting the numbers of journal entry vouchers, or making screenshots.
 2. You may need to manually add the totals line to the results of the reports. Select an element and click *Properties > Characteristics > Results Display: Always*.

Process Flow

For the switch from income statements by function of expense to income statements by nature of expense, you need to perform the following steps:

Data Collection: Production	Data Collection: Sales	Manual Postings
-----------------------------	------------------------	-----------------

Data Collection: Production

Income statements by function of expense consider revenues and costs for goods sold in a given period. For the switch, it is therefore necessary to collect and consolidate all documents that would have been posted to an inventory change account in a different period for income statements by nature of expense.

The system posts material consumption for production direct to WIP (work in process). For income statements by nature of expense, this consumption would be posted to expense accounts.

To adjust the income statement in accordance with the nature of expense method, you need to identify the materials inventory in WIP and split it into two groups: raw materials and materials that are not raw materials. Moreover, you need to know whether a production lot has been fully delivered.

The system identifies a production lot as fully delivered when the work in process has been cleared for that production lot.

You can determine this with the **Production Information for Income Statement by Nature of Expense** report. When running this report, select only the current period as the report period.

Data Collection: Sales

If you want to apply nature of expense method to your income statement, you can run the **Sales Information for Income Statement by Nature of Expense** report. When performing this report, select only the current period as the report period.



If you use more than one set of books (with the nature of expense method), ensure that you run the reports for each set of books that you want to switch to the nature of expense method. You also have to create the journal entry vouchers for each set of books.

Manual Postings

To make the necessary adjusting journal entries, proceed as follows:

1. You make manual postings in the *General Ledger* work center.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*. Select **New** and then *Journal Entry Voucher*.
2. The screen for creating journal entry vouchers appears. In the header of the journal entry voucher, ensure the following:
 - The posting date must be the last day of the period.
 - Enter a text.
 - Select closing step 80.
 - You must not assign any cost centers, projects, or profit centers to the line items.
 - If available: If the organizational unit is available, it is derived from the scoping settings.

You should not reverse the postings (except when they contain errors and you have to create new postings).

If you use more than one set of books, ensure that you create each document separately for each set of books. If your chart of accounts and the fiscal year variant are the same for every set of books (and the values are also the same), leave the Set of Books field empty. The system then automatically makes postings to all sets of books.

For details about the necessary postings, see Posting Logic.

2.4.4.3.3 Switching from Function of Expense Method to Nature of Expense Method: Data Collection and Posting Logic

Overview

If you want to create your income statements based on the nature of expense method instead of the default function of expense method, a number of steps are required that depend on the business transactions in your company.

You first gather and analyze the data needed for the switch, using two reports. You then make manual postings based on this data.

It is recommended that you carefully document each step, for example by saving reports locally, noting the numbers of journal entry vouchers, and creating screenshots.

- i** Documentation is available on this topic that is specifically relevant for the following countries: Austria, Germany, and Switzerland. To ensure that the relevant country-specific document version is displayed, select ► *Personalize* ► *My Settings* ▾. Select *Onscreen Help* and, under *Country*, choose the relevant country. Save your settings and logout to ensure these changes are made.

Process Flow

You have made all of the system settings once, and have performed your closing activities. You run the reports and then make the necessary manual postings.

The following tables provide examples of each report and the relevant postings, based on chart of accounts SKR03. The values relevant for the manual postings are highlighted and grouped.

To make the required adjustment postings, proceed as follows:

1. Make the manual postings in the *General Ledger* work center under *Journal Entries* in the *Journal Entry Vouchers* view.
Click *New* > *Journal Entry Voucher*.
2. Make the following entries in the header of the journal entry voucher:
 - The posting date must be the last day of the period.
 - Enter a text.
 - Select closing step 80.
 - You do not need to assign cost centers, projects or profit centers to the line items.
 - If available, the organizational unit is derived from the settings in scoping.

You should **not** cancel the postings unless errors occur and you need to re-enter them.

If you use multiple sets of books, you need to create a separate journal entry voucher for each set of books. If your chart of accounts and the fiscal year variant are the same for each set of books (and the values are the same as well), leave the *Set of Books* field blank. The system will then post to all sets of books.

Process Flow for Production

Data Collection: Production

Income statements by function of expense consider revenues and costs for goods sold in a given period. For the switch, it is therefore necessary to collect and consolidate all documents that would have been posted to an inventory change account in a different period for income statements by nature of expense.

The system posts material consumption for production direct to WIP (work in process). For income statements by nature of expense, this consumption would be posted to expense accounts.

To adjust the income statement in accordance with the nature of expense method, you need to identify the materials inventory in WIP and split it into two groups: raw materials and materials that are not raw materials. Moreover, you need to know whether a production lot has been fully delivered.

The system identifies a production lot as fully delivered when the work in process has been cleared for that production lot.

You can determine this with the **Production Information for Income Statement by Nature of Expense** report. When running this report, select only the current period as the report period.

Correcting Entries on the Basis of the Production Information for Income Statement by Nature of Expense Report

In the standard system, the following information is displayed when you run the report:

Result – Production Information for Income Statement by Nature of Expense Report

	G/L Account	WIP Materials	WIP Overhead	WIP Services	Delivery	Manual Postings	Production Variances
Completed Production Lots	Consumption of Finished Products				– 98,000.00		– 11,000.00
	Consumption of Semifinished Products	60,000.00 (1)					
	Consumption of Raw Materials	30,000.00 (1)					
	Service Expenses			10,000.00			
	Material Overhead		9,000.00				
	Overall Result	90,000.00	9,000.00	10,000.00	– 98,000.00		– 11,000.00
All Production Lots	Consumption of Finished Products				– 98,000.00		
	Consumption of Semi-Finished Products	60,000.00					
	Consumption of Raw Materials	30,000.00 (2)					
	Service Expenses			10,000.00			
	Material Overhead		9,000.00				

	Overall Result	90,000.00	9,000.00 (2)	10,000.00 (2)	- 98,000.00 (2)	1,000.00 (5)	
Follow-Up Costs (Production lots that were closed before the current period)	Consumption of Finished Products				- 1,000.00		
	Consumption of Semifinished Products	5,000.00 (4a)					
	Consumption of Raw Materials	1,000.00 (4a + 4b)					
	Service Expenses			2,000.00			
	Material Overhead		1,000.00				
	Overall Result	6,000.00	1,000.00 (4b)	2,000.00 (4b)	- 1,000.00 (4b)		- 1,000.00 (4c)

You create the adjusting journal entries manually. For such journal entries, you create a new journal entry voucher and make the following postings:

(1) Correcting Entries for Inventory Changes Relating to Raw Materials and Semifinished Products (Completed Production Lots)

Account	Account Name	Debit	Credit	Comment
896000	Inventory of Changes	90,000.00		Adjustment of expense for IS by nature of expense: Production
999100	Productn Adjustm. Acct for IS by Nat.of Expense		90,000.00	Adjustment of expense for IS by nature of expense: Production

These line items represent a reclassification within the inventory changes in the income statement.

(2) Correcting Entries for Inventory Changes Relating to Raw Materials and Semifinished Products (All Production Lots)

	Account	Account Name	Debit	Credit	Comment
1	400990	Mat.Cons. - Adj. Acct for IS by Nat.of Expense	30,000.00		Adjustment of expense for IS by nature of expense: Material
2	896000	Inventory of Changes		30,000.00	Adjustment of expense for IS by nature of expense: Material
3	478900	Service-Adj. Acct for IS by Nat.of Expense	10,000.00		Adjustment of expense for IS by nature of expense: Service
4	999100	Productn Adjustm. Acct for IS by Nat.of Expense		10,000.00	Adjustment of expense for IS by nature of expense: Service
5	581890	Overhead - Adj. Acct for IS by Nat.of Expense	9,000.00		Adjustment of expense for IS by nature of expense: Overhead

6	999100	Productn Adjustm. Accnt for IS by Nat.of Expense		9,000.00	Adjustment of expense for IS by nature of expense: Overhead
7	999100	Productn Adjustm. Accnt for IS by Nat.of Expense	98,000.00*		Adjustment of expense for IS by nature of expense: Production
8	896000	Inventory of Changes		98,000.00*	Adjustment of expense for IS by nature of expense: Production

* Credit postings are shown as negative values in the reports. The correcting entry is performed using a positive value.

Line items 1-2 are for the material expense and the corresponding inventory change.

Line items 3-6 correct the service costs and overhead posted in the income statement by function of expense and reclassify them in the inventory change.

Line items 7-8 represent a reclassification within the inventory changes in the income statement.

After you have changed the status of a production lot to *Final Delivery*, production variances may arise. For any potential production variances, you need to make additional correcting entries.

(3) Correcting Entries for Production Variances (Completed Production Lots)

Account	Account Name	Debit	Credit	Comment
420090	Loss Production Differences Adjustment Account for IS by Nat. of Expense		11,000.00	Adjustment of expense for IS by nature of expense: Production Variances
999100	Productn Adjustm. Accnt for IS by Nat.of Expense	11,000.00		Adjustment of expense for IS by nature of expense: Production Variances

You use the above line items to correct the inventory changes.

You cancel out the expense that you posted with WIP clearing to the account **420020 Loss Price Differences Production** by posting to the account **420090 Loss Prod.Diff. Adjustm. Accnt for IS by Nat.of Expense**.

By making an offsetting posting to the account **999100 Productn Adjustm. Accnt for IS by Nat.of Expense**, you reclassify this production variance as changes to inventory.

The production variances are determined **for each production order during WIP clearing**. The balances of these variances determine whether they are displayed as profit or loss and they are generally posted to separate accounts.

The **correcting entry** for the production variances is determined **as a total** for all production lots. Depending on the balance of this production variance, you can post it as a profit or loss.

With the total view of the production variances, you can post profit as a total even though both profits and losses have been made for individual production lots. Consequently, you have assigned all accounts for profits and losses from production variances and the respective correction accounts to the income statement item **Other Operating Expense**.

If you set the status for a production lot to *Final Delivery*, you can then continue to make postings for that production lot as before. If you do not ensure from an organizational point of view that **no** subsequent postings are made to a production lot that already has the status Final Delivery, you need to make additional correcting entries for such follow-up costs.

(4) Correcting Entries for Follow-Up Costs (Production lots that were closed before the current period)

		Posting Logic
a)	Consumption of Raw Materials and Consumption of Semi-Finished Products	Matching the Corresponding Entries for (1) Correcting Entries for Inventory Changes Relating to Raw Materials and Semi-Finished Products (Completed Production Lots)
b)	Consumption of Raw Materials, Overhead, Service Expenses and Delivery	Matching the Corresponding Entries for (2) Correcting Entries for Inventory Changes Relating to Raw Materials and Semi-Finished Products (All Production Lots)
c)	Production Variances	Matching the Corresponding Entries for (3) Correcting Entries for Production Variances (Completed Production Lots)

(5) Correcting Entries for Manual Postings to Production Lots

In this view, the system shows in the *manual postings* column all the manual postings to production lots for the current period.

We recommend **against** making any manual postings to production lots. Otherwise you have to check which correcting entries are necessary, depending on the type of manual posting.

2: Process Flow for Sales

Data Collection: Sales

Run the **Sales Information for Income Statement by Nature of Expense** report. When running this report, select the current period as the report period.

Correcting Entries on the Basis of the Sales Information for Income Statement by Nature of Expense Report

When you run the report, the system displays the following information in the totals line:

View: Deferred Costs – Increase

This view shows the increase in costs in inventory. With the nature of expense method, inventory changes and expenses must be posted manually based on this increase.

(Income Statement Item Changes in Inventory	Income Statement Item Personnel Expenses	Income Statement Item Other Operating Expenses	Manual Postings	Total
60,000.00	50,000.00	3,000.00		113,000.00

For detailed analysis, you can add the accounts, the origin accounts, and the business transaction types to the rows.

Correcting Entries for Sales Data – Step 1

You create a new journal entry voucher and make the following postings:

Account		Name	Debit	Credit
1	896020	Adjustment Changes in Inventory	60,000.00	
2	898010	Adjustment Changes in Inventory Deferred Costs Material		60,000.00
3	498920	Adjustment Personnel Expenses	50,000.00	
4	898020	Adjustment Changes in Inventory Deferred Costs Personnel		50,000.00
5	498910	Adjustment Other Operating Expenses	3,000.00	
6	898030	Adjustment Changes in Inventory Deferred Costs Other Operating Expenses		3,000.00

View: Deferred Costs – Decrease

This view shows the realization of the costs in inventory. For the reduction of the costs in inventory, a corresponding inventory change must be posted. In addition, the realized costs (that were realized based on the nature of expense method in a prior period by means of the manual postings in step 1) must be adjusted.

(Income Statement Item Changes in Inventory	Income Statement Item Personnel Expenses	Income Statement Item Other Operating Expenses	Manual Postings	Total
40,000.00	20,000.00	1,500.00		61,500.00

Correcting Entries for Sales Data – Step 2

Account		Name	Debit	Credit
1	896020	Adjustment Changes in Inventory		40,000.00
2	898010	Adjustment Changes in Inventory Deferred Costs Material	40,000.00	
3	498920	Adjustment Personnel Expenses		20,000.00
4	898020	Adjustment Changes in Inventory Deferred Costs Personnel	20,000.00	
5	498910	Adjustment Other Operating Expenses		1,500.00
6	898030	Adjustment Changes in Inventory Deferred Costs Other Operating Expenses	1,500.00	

(3) Correcting Entries for Manual Postings to Sales Documents

If you have made manual postings to sales documents, those are displayed in the column *Manual Postings* in each view. You need to make additional adjusting entries for these manual postings.

Decide whether your manual postings represent material movements, labor costs, or other operating expenses. Based on your decisions, create the manual postings as described for the corresponding columns (material, labor, other expense) in both report views.

See Also

[Switching from Function of Expense Method to Nature of Expense Method: Preparation \[page 49\]](#)

2.4.4.3.4 Switching from Function of Expense Method to Nature of Expense Method: Manual Postings - Application Example

Overview

If you want to create your income statement by nature of expense, you need to perform various steps:

Data Collection (Reports)	Manual Postings <ul style="list-style-type: none">• Posting System• Application Example
---------------------------	--

For the switch from the function of expense method to the nature of expense method, you need to make various manual postings. You use various reports to obtain the information that you need for the manual postings.

i Documentation is available on this topic that is specifically relevant for the following countries: Austria, Germany, and Switzerland. To ensure that the relevant country-specific document version is displayed, select . Select **Onscreen Help** and, under **Country**, choose the relevant country. Save your settings and logout to ensure these changes are made.

Application Example

You work with chart of accounts SKR03 and have already performed all your closing activities. You start the individual reports, document the results, and then want to make the necessary manual postings.

Over a given period, you have produced, stored and, sold a product with a production order.

You have performed the following transactions for the production lot:

- **Withdrawal** of raw materials for the corresponding production lot for EUR 35.00
- **Confirmation of a service** by a cost center for the corresponding production lot for EUR 10.00
- **Overhead** is credited to the relevant cost center and debited to the corresponding production lot for EUR 5.00
- You **deliver** the finished product for EUR 50.00
- You determine **no production variances**
- You change the **status** of the production lot to *Finally Delivered*.
- You **withdraw** the finished product in a sales order. Since you do not delimit the sales order, the system directly posts costs of goods sold for EUR 50.00 when the product is withdrawn.

The following table provides an example of a result for each report and the relevant postings. The values relevant for the manual postings are highlighted in the results tables of the reports.

Correcting Entries for Inventory Changes Relating to Raw Materials and Semi-Finished Products

In the standard system, the following information is displayed when you run the Production Information for Income Statement by Nature of Expense report:

Result

Completed Production Lots	G/L Account	WIP Materials	WIP Overhead	WIP Services	Delivery	Manual Postings	Production Variances
	Consumption of Finished Products				-50.00		
	Consumption of Semi-Finished Products						
	Consumption of Raw Materials	35.00					
	Service Expenses			10.00			
	Material Overhead		5.00				
	Overall Result	35.00	5.00	10.00	-50.00		
All Production Lots							
	Consumption of Finished Products				-50.00		
	Consumption of Semi-Finished Products						
	Consumption of Raw Materials	35.00					
	Service Expenses			10.00			
	Material Overhead		5.00				
	Overall Result	35.00	5.00	10.00	-50.00		
Follow-Up Costs (Production lots that were closed before the current period)	Consumption of Finished Products						
	Consumption of Semi-Finished Products						
	Consumption of Raw Materials						
	Service Expenses						
	Material Overhead						
	Overall Result						

You have to make adjusting journal entries manually. For such journal entries, you create a new journal entry voucher and make the following postings:

Postings

	Account	Account Name	Debit	Credit	Comment

1	896000	Inventory of Changes	35.00		Adjustment of expense for IS by nature of expense: Production
2	999100	Productn Adjustm. Accnt for IS by Nat.of Expense		35.00	Adjustment of expense for IS by nature of expense: Production
3	400990	Mat.Cons. - Adj. Accnt for IS by Nat.of Expense	35.00		Adjustment of expense for IS by nature of expense: Material
4	896000	Inventory of Changes		35.00	Adjustment of expense for IS by nature of expense: Material
5	478900	Service-Adj. Accnt for IS by Nat.of Expense	10.00		Adjustment of expense for IS by nature of expense: Service
6	999100	Productn Adjustm. Accnt for IS by Nat.of Expense		10.00	Adjustment of expense for IS by nature of expense: Service
7	581890	Overhead - Adj. Accnt for IS by Nat.of Expense	5.00		Adjustment of expense for IS by nature of expense: Overhead
8	999100	Productn Adjustm. Accnt for IS by Nat.of Expense		5.00	Adjustment of expense for IS by nature of expense: Overhead
9	999100	Productn Adjustm. Accnt for IS by Nat.of Expense	50.00*		Adjustment of expense for IS by nature of expense: Production
10	896000	Inventory of Changes		50.00*	Adjustment of expense for IS by nature of expense: Production

* Credit postings are portrayed as negative values in the reports. The correcting entry is performed using a positive value.

Line items 1-2 represent a reclassification within the inventory changes in the income statement.

You perform the line items 3-4 to portray the material expense and the inventory change that subsequently is made obsolete.

Line items 5-8 correct the service costs and overhead posted in the income statement by function of expense and reclassify them in the inventory change.

Line items 9-10 represent a reclassification within the inventory changes in the income statement.

Correcting Entries for Sales Information

The system displays the following information is displayed when you run the Sales Information for Income Statement by Nature of Expense report:

Result

	Project	Material	Service	Total Overheads	Manual Postings	Revenue Recognition	Overall Total
Sales Document Type	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Sales Order		50.00					
Overall Result		50.00					

You have to make adjusting journal entries manually. For such journal entries, you create a new journal entry voucher and make the following postings:

Postings

Account	Account Name	Debit	Credit	Comment
999200	Sales - Adjustm. Accnt for IS by Nat.of Expense		50.00	Adjustment of expense for IS by nature of expense: Sales
896000	Inventory of Changes	50.00		Adjustment of expense for IS by nature of expense: Sales

These line items correct the posted costs of goods sold in the income statement by function of expense and correct the inventory change for the materials used.

i When you have made the manual postings, you then need to check whether all activities have been performed completely and correctly. For details on the checks that can be performed, see Switching from Function of Expense Method to Nature of Expense Method.

2.4.4.4 Derivation of Profit Centers and Segments

Overview

If you selected profit center accounting and segment reporting for a set of books, the profit center and segment are automatically entered in the line items of journal entries created from source documents. The profit center and segment are derived as follows:

- The **profit center** is derived from information in the line items. Depending on this information, derivation can be based on assignments to master data, product category, or organizational structure. If derivation fails, the default profit center defined in business configuration is used.
- The **segment** is derived using the previously derived profit center.

i You select segment reporting together with profit center accounting. As the segment is derived from the profit center, you **cannot** activate segment reporting separately.

Prerequisites

i Configuration settings are normally performed by an administrator. If you do not have the required authorization, contact your administrator.

The following prerequisites need to be fulfilled for the derivation of profit centers and segments:

- **Profit center and segment accounting** is activated in your system configuration.
To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).
In the *Questions* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger*.
Answer **Yes** in response to the question as to whether you want to create financial statements at the segment and profit center levels.
- **Profit centers and segments** are defined.
You do this in the *Organizational Management* work center, [Edit Organizational Structures](#) view under *Common Tasks*.

- You have assigned to your set of books a **reporting principle** that contains *Profit Center Accounting* and *Segment Reporting*. You can select between the following reporting principles:
On the *Properties* tab, assign the *Profit Center* and/or *Segment* functions to an organizational unit.
 - **Profit center and segment**
With postings to income statement accounts, this reporting principle derives the profit center and from that the segment. You use this reporting principle to create income statements by profit center and segment. The profit center is also derived for postings to some balance sheet accounts (for example, material accounts). This makes it easier to later switch to the reporting principle for a balance sheet by profit centers.
 - **Profit center or segment with balancing**
You use this reporting principle to create balance sheets and income statements by profit center. The system derives the Profit-Center and Segment characteristics when posting to P&L and balance sheet accounts. When postings are made to receivables and payables accounts, the system separates the line items in the journal entry based on the derived profit centers and generates additional clearing items.
 - **Profit center or segment with clearing**
You use this reporting principle to create complete balance sheets and income statements by profit center. In addition to dividing the receivables and payables items into profit centers, the system checks whether the document has a zero balance at the profit center level. If the balance is not zero, additional clearing lines on clearing accounts are generated in order to produce a zero balance.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Integrate and Extend* phase, then select the *Set of Books* activity from the activity list.

For more information, see Reporting Principle.

Profit Center Derivation

Depending on the information already contained in the line item, the system derives the profit center as follows:

1. **Derivation Based on Master Data**

If the line item contains a **cost object**, the profit center in the master data of the cost object is used.

2. **Derivation Based on Product Category**

If the line item contains a **product category** or if the system can derive a product category from the contained **material** or **service**, the system always uses the assigned profit center.

To enable derivation based on product categories, you need to have assigned your profit centers to your product categories.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Profit Center Derivation* activity from the activity list.

Choose *Profit Center Determination by Product Category*.

3. **Derivation Based on Organizational Structure**

If it is **not** possible to derive the profit center based on the product category, the system uses the **target account assignment** in the line item for derivation. There is always only one target account assignment in a line item:

- If the account assignment is a **cost center**, the system uses the profit center that is assigned to the cost center in the organizational structure or that is above that cost center.
- If the account assignment is a **project**, the system uses the profit center that is assigned in the organizational structure to the **responsible cost center** of the project or that is above that cost center in the organizational structure.

- If the account assignment is a **sales or service order**, the system uses the profit center that is assigned to the associated **sales unit** in the organizational structure.
- If the account assignment is a **material**, the system uses the profit center that is assigned to the associated **business residence** in the organizational structure.
- If the account assignment is a **fixed asset**, the system uses the profit center that is assigned in the organizational structure to the associated **cost center** or that is above that cost center in the organizational structure.

4. Derivation Based on Document Splitting

For line items in the **Payables, Receivables, Cash, and Taxes** subledgers, the system only derives a profit center if you are using profit center accounting and segment reporting **with clearing** or **with balancing**. When a journal entry is made, document splitting is always performed for the line items in these subledgers **after** the other line items have been created. The system performs the derivation as follows:

- The system determines whether a **preceding document** exists for a document that needs to be posted, such as an incoming invoice for an outgoing payment. The system copies the profit center from the preceding document to the line items.
- The system copies the profit center from the **line items already created** (such as from a line item to the fixed assets subledger). If there are different line items containing different profit centers, the system determines the ratio with which the amounts are split between those profit centers. The system then creates a line item for each profit center and divides the amounts using the ratio determined.
- If you use profit center accounting and segment reporting **with clearing**, the system checks whether the document has a zero balance at the profit center level. In cases where the balance is **not** zero, document splitting creates **additional clearing lines** on clearing accounts to produce a zero balance at the profit center level.

5. Default Profit Center

If **no** profit center could be determined based on the product category, organizational structure, or document splitting, the system uses the standard profit center that you specified when configuring the corresponding ledger. You specify a standard profit center for your individual ledger in the Business Configuration.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Profit Center Derivation* activity from the activity list.

Choose *Edit Default Profit Center*.

With **manual postings** to G/L accounts, you can specify the profit center when you create a journal entry voucher for each line item. If you are using profit center accounting and segment reporting with clearing, you need to enter a profit center for each line item. If you enter a different target account assignment, the system derives the profit center from that assignment (that is, based on the organizational structure).

i If you enter a profit center manually while creating a journal entry voucher, the system does **not** check whether in the company structure an assignment already exists between the specified company and profit center.

Segment Derivation

The system derives segments as follows:

- **Preceding Document**

The system checks whether a preceding document with a derived segment exists. If the preceding document contains a segment, the system copies that segment to the line items.

- **Previously Derived Profit Center**

The system derives the segment from the profit center that has been determined previously. The assignments of profit centers to segments is mapped in your organizational structure. You can access the [Show Org Structures](#) view from the [Organizational Management](#) work center under [Common Tasks](#).

2.4.5 Chart of Accounts

2.4.5.1 Chart of Accounts

Overview

The chart of accounts lists all G/L accounts used by an organization, consisting of one or more companies. In the chart of accounts, G/L accounts are structured on the basis of their G/L account number.

Each G/L account in the chart of accounts has the following:

- G/L account number
- Description of the G/L account
- Account type
- Posting block
- Open item management

The system is delivered with country-specific standard charts of accounts. You can copy a standard chart of accounts and adjust it to your needs, or you can define or upload a new chart of accounts.

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) activity from the activity list.

Settings Dependent on the Chart of Accounts

The chart of accounts provides the basis for many accounting entries. If you make changes to a chart of accounts, such as by adding a new G/L account, you then have to make changes to any settings that are based on that chart of accounts, such as the following:

- **Reporting Structures**

In a reporting structure, you group together the G/L accounts of a chart of accounts for use in certain reports. The system also offers predefined reporting structures for the standard charts of accounts.

- **Account Determination**

In account determination, you specify the rules applied for postings made to the G/L accounts of a specific chart of accounts. You define these rules for each account type and account determination profile. Account determination profiles and account types are provided for the standard charts of accounts.

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) activity from the activity list.

Assignment to a Set of Books

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Integrate and Extend* phase, then select the *Set of Books* activity from the activity list.

You have to assign a chart of accounts to your [set of books \[page 42\]](#). In this way, all of the companies assigned to that set of books then use that chart of accounts.

If you need different charts of accounts for your companies, you have to define a separate set of books for each chart of accounts and assign the relevant chart of accounts to the relevant set of books. For more information, see [Multiple Sets of Books \[page 43\]](#).

See Also

[Set of Books \[page 42\]](#)

[Account Determination \[page 82\]](#)

[Open Item Management and G/L Accounts \[page 67\]](#)

2.4.5.2 Open Item Management and G/L Accounts

Overview

You can manage specific G/L accounts using open item management. Each entry (line item) on such a G/L account automatically obtains the status *Open* and is then managed as an open item. You can clear an open item with an offsetting entry.

A line item and offsetting entry are grouped into the same transaction using an *open item reference*. By assigning an open item reference to a line item, you can then clear the open item again using the same open item reference assigned to the offsetting item. You can also clear multiple line items and offsetting entries with each other. The **balance** from the line items and offsetting entries must always equate to **zero**.

You use open item management when you want to establish for the lines items on a G/L account whether a corresponding offsetting entry has also been made.



An external service provider handles your payroll. At the end of the month, the provider debits a lumpsum amount from your bank account. The posting is made automatically with account determination to the Receivables from Personnel account. Each entry on this account is assigned the initial status *Open*. You want to monitor whether the amount is finally cleared.

After you have sent the exact personnel data for a particular month to the external service provider, the service provider processes the payroll information, makes the individual payments to your employees, tax authorities, and so on, and then informs you about the payroll results. You enter these results using a G/L account entry, check the balance from the line item and offsetting entries, sort any differences with your service provider, and clear the open item against the existing zero balance. All the line items assigned to this transaction obtain the status *Cleared*.

Prerequisites

You selected the *Open Item Management* checkbox when you created the account

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

Open Item Management and Account Types

For general payables and receivables, open item management is performed in the *Accounts Receivable* and *Accounts Payable* subledgers. You can therefore only apply open item management to the following **account types**:

- Other Assets
- Other Liabilities
- Equity

For more information on the account types, see *Account Type*.

Open Item Management and Line Items from Customer Invoices

You can only use open item management for line items which are not relevant for any subledgers. As line items from customer invoices or credit memos are **always** posted to the sales subledger, you cannot use open item management for such line items, regardless of whether you have selected the *Open Item Management* indicator.

Managing Open Items on a G/L Account

You manage the open items on a G/L account in the *General Ledger*.

You can access the *General Ledger Accounts* view from the *General Ledger* work center.

For more information, see [Quick Guide for G/L Accounts \[page 269\]](#).

2.4.5.3 Display and Edit Chart of Accounts

Overview

You can find this activity in the *Business Configuration* work center in the Activity List of your Implementation and Change Project. In the *Fine-Tune* phase, choose the activity *Chart of Accounts, Financial Reporting Structure, Account Determination*.

i Depending on your authorization or navigation path to this screen, you can either edit data or use it for display purposes only.

In this task, you can display the chart of accounts or make the following settings:

- **Edit a copied chart of accounts**

You can include G/L accounts in your chart of accounts or remove them, and check how G/L accounts are used in charts of accounts or reporting structures. You can also edit the characteristics of individual G/L accounts.

- **Create your own chart of accounts manually or import a chart of accounts from Microsoft Excel**



Check carefully whether you actually need to create a chart of accounts of your own. The default standard chart of accounts contains additional settings for the financial reporting structures and account determination. When you define your own chart of accounts, however, you need to make all of these settings manually.

Creating G/L Accounts

You can add a new G/L account to your chart of accounts. To do this, select your chart of accounts and click [Add Row](#). You can also copy and adapt an existing G/L account. To do this, click [Copy](#).

For each new G/L account, you need to specify the following:

- **G/L account number**

Choose a G/L account number that has not yet been used in the chart of accounts.

- **Description of the G/L account**

You can enter any description for your G/L account.

You can also translate G/L account descriptions into other languages. In this way, your chart of accounts can also be used by companies in other countries. To translate G/L account descriptions for your chart of accounts, select your chart of accounts and choose [Translate](#).

- **Account Type**

You have to specify an account type for each G/L account. The account type classifies the subledger (such as the fixed assets subledger) in which the G/L account is used. You can only use the predefined account types delivered in the system. You cannot define your own account types. For more information, see Account Type.

- **Posting block**

You can specify for a given G/L account that it can only be used for specific postings:

- For almost all G/L accounts, *all postings are permitted*.
- You can specify that *only automatic postings are permitted* for a given G/L account.
- You cannot delete a G/L account to which postings have been made. However, you can prevent any further postings from being made to a G/L account by locking it against further postings. For this, use *No Postings Permitted*.

For more information, see Posting Block for G/L Account.

- **Open Item Management**

You can use open item management to assign an open item for an existing line item and clear open items. You use open item management when you want to establish for a G/L account whether an offsetting entry has already been made for a particular business transaction.

For more information, see [Open Item Management and G/L Accounts \[page 67\]](#).

You can directly add G/L accounts to your chart of accounts when your system is already in operation. You then have to adapt the dependent objects, namely the financial reporting structures, account determination, and possibly the function area derivation. If a G/L account relates to materials and services, you need to check the account determination group in the task [Standard Account Determination Group for Product Hierarchy](#).

Your changes are logged in the Configuration Change History report.

Changing G/L Accounts

You can only change the settings for a G/L account in the following cases:

- If **no** postings have yet been made for this G/L account.
- If all of the postings for this G/L account have been canceled.

Your changes are logged in the **Configuration Change History** report.

Deleting G/L Accounts

Before you delete a G/L account, check the where-used list to see whether the G/L account is still being used in account determination or in reporting structures for this chart of accounts. The G/L account has to be deleted from both account determination and the reporting structures before you can save any changes to the chart of accounts.

You can only delete a G/L account in the following cases:

- If **no** postings have yet been made for that G/L account. Select the desired G/L account and choose **Delete**.
- If all of the postings for this G/L account have been canceled.

If a G/L account contains postings that you can no longer cancel, you can specify for that G/L account that **no** further postings are permitted. To do this for a G/L account, go to the **Posting Block** column and choose **No Postings Permitted**.

When a G/L account is deleted, it is recorded in the **Configuration Change History** report.

Where-Used List

The **Where-Used List** specifies for a particular G/L account the related objects in which it is used:

- In the chart of accounts
- In the financial reporting structures
- In account determination
- In the function area derivation

i Only Valid for Germany: If you use the DATEV export function, the system checks the account used in the assignment to a DATEV chart of accounts.

See Also

[Chart of Accounts \[page 66\]](#)

2.4.6 Fiscal Year

2.4.6.1 Fiscal Year

Overview

A **fiscal year** is the time period on which year-end closing is based. Fiscal years are usually 12 months long. If the fiscal year is less than 12 months, it is referred to as a shortened fiscal year.

Fiscal Year and Calendar Year

i Configuration settings are normally performed by an administrator. If you do not have the required authorization, contact your administrator.

To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).

In the *Questions* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger* and then *Fiscal Year*.

- **Fiscal year is the same as the calendar year**

The fiscal year always starts on January 1 and ends on December 31. Consequently, the fiscal year contains 12 accounting periods corresponding to the calendar months.

If you have opted for US GAAP as your local set of books, your fiscal year automatically comprises **24 accounting periods**. You need to make this setting if you perform depreciation on a twice-monthly basis using US GAAP. Each month is divided into two accounting periods (the first accounting period from the first to the fourteenth day of a month and the second accounting period from the fifteenth to the last day of that month).

- **Non-Calendar Fiscal Year**

The fiscal year starts on the first day of **any month** and ends exactly one year later. For example, the fiscal year starts on April 1 and ends on March 31 of the following year. The accounting periods correspond to calendar months.

If you have opted for US GAAP as your local set of books, your fiscal year automatically comprises 24 accounting periods.

- **Different Fiscal Year**

A fiscal year with a more complex structure, such as accounting periods that do not correspond to calendar months. This is the case for example with the commonly used **4-4-5 calendar** which is permitted by US GAAP. This calendar divides each quarter into two 4-week periods followed by one 5-week period. You also choose this option for a specific calendar year, such as when you want to start with a **shortened fiscal year**.

i If you have a number of companies with different fiscal years, you can apply different options for them.

Defining a Fiscal Year Variant

For fiscal years corresponding to calendar years and for non-calendar fiscal years, the system automatically creates a **fiscal year variant** that does **not** require you to make any further settings.

For **other types of fiscal years**, you have to define **your own fiscal year variant** during fine-tuning.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Other Fiscal Year* activity from the activity list.

For more information, see [Fiscal Year Variant \[page 72\]](#).

Fiscal Year Variant and Set of Books

You need to assign a fiscal year variant to each set of books. The system uses this assignment to check during posting whether the fiscal year and the accounting period are open or closed.



You can also use multiple sets of books with different fiscal year variants. For more information, see [Multiple Sets of Books \[page 43\]](#).

You assign a fiscal year variant to a set of books in the [Business Configuration](#).

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Integrate and Extend](#) phase, then select the [Set of Books](#) activity from the activity list.

For more information, see Configuration: Set of Books.

In the case of a **non-calendar fiscal year**, you need to specify the following when assigning a fiscal year variant to a set of books:

- **Starting and ending month** of the fiscal year
- Since a non-calendar fiscal year contains months in more than one calendar year, you must specify whether the starting month or the ending month lies within the calendar year of the **fiscal year number**.

See Also

[Shortened Fiscal Year \[page 74\]](#)

2.4.6.2 Fiscal Year Variant

Overview

A fiscal year variant contains all settings for a fiscal year, such as the number of accounting periods.

If your requirements are more advanced than this, you define a custom fiscal year variant. Examples of advanced requirements for the fiscal year:

- You want the first fiscal year after you start the system to be a **short fiscal year**. For more information, see [Shortened Fiscal Year \[page 74\]](#).
- Your accounting periods are **not** calendar months. This is the case for example with the commonly used **4–4–5 calendar**, which is permitted by U.S. GAAP. This calendar divides each quarter into two 4-week periods followed by one 5-week period.

If different companies in your group require different calendars, you can define **as many separate fiscal year variants as needed** to handle these requirements.

You define a fiscal year variant in the [Business Configuration](#) work center in the [Fine-Tune](#) phase. In the Fine-Tune step, choose [Financial and Management Accounting > Different Fiscal Year](#).

Prerequisites

To be able to define a fiscal year variant, you need to select the [Different Fiscal Year](#) option in [Scoping](#).

If you have specified in [scoping](#) that your fiscal year is **the same as** the calendar year or that it is a **non-calendar year**, you can use **predefined fiscal year variants**.

Controls and Settings

To create a fiscal year variant, choose [New Fiscal Year Variant](#).

Main Settings of a Fiscal Year Variant

- *Fiscal Year Variant*

When you define fiscal year variants, you need to enter a two-character key that starts with a **letter**.

- *Number of Accounting Periods*

Enter the number of accounting periods that your fiscal year covers in a **normal** situation.

- *Year-Specific*

Select this check box if the periods vary depending on the calendar year. The periods vary whenever they are based on calendar weeks and thus always start on a different day of the calendar month, as is the case with the **4-4-5** pattern. You should create a year-specific fiscal year variant even if only one calendar year deviates from the pattern, for example if you start with a **short fiscal year**.

- *Relationship of Fiscal Year to Calendar Year*

If you define a non-calendar fiscal year, you need to specify whether the beginning or ending month is within the calendar year of a particular fiscal year.

Period Details

In the period details, you specify which rules the system uses to determine the accounting periods for a particular fiscal year.

i If you are creating a **year-specific fiscal year variant**, you need to redefine the individual accounting periods for each fiscal year that you reopen.

To specify the period details, select a fiscal year variant and choose

[Generate Accounting Periods for Specific Fiscal Year](#). This generates the default accounting periods for the fiscal year. You can overwrite the defaults and add or delete periods as necessary.

- *Start Date* and *End Date*

Enter the start and end dates of the accounting period.

- *Period Description*

You can enter a short and long description for the period. The descriptions are displayed when the periods are opened and closed or in the closing cockpit, for example.

- *Period Closing Type*

Specify whether the periods are closed by period-end, quarter-end, or year-end closing. This setting is used in the closing cockpit to determine the required closing activities and their sequence.

You can copy the period details from an existing fiscal year and then modify them. To do this, choose

[Copy Fiscal Year](#).

Non-Calendar Fiscal Year

If you want a particular fiscal year to have a different number of periods than normal (such as for a short fiscal year), use a **year-specific fiscal year variant**. You then enter the details for the periods in that fiscal year on the *Period Details* tab.

Period Control for Fixed Assets

With the [period control for fixed assets](#), you assign calendar dates to accounting periods for each period control key. A period control key is part of the depreciation key, which the system uses to determine the period starting from which a transaction is considered in the depreciation calculation.

To generate a default assignment, choose [Generate Proposals for Period Control](#). You can overwrite the proposals.



To prevent errors occurring when generating the period control, you need to ensure that the periods are arranged in **chronological order**.

For more information, see [Period Control \[page 435\]](#).

Period Weighting for Fixed Assets

With [Period Weighting for Fixed Assets](#), you can weight individual periods differently for the depreciation run, which you may wish to do for example with the **4-4-5 calendar** since the periods are not equally long. The depreciation calculation then distributes the calculated depreciation **based on the weighting factors you enter**, rather than equally across all periods.

To generate a default assignment, choose [Generate Proposals for Period Weighting](#). You can overwrite the proposals.

For more information, see [Period Control \[page 435\]](#).

Editing a Fiscal Year Variant

- **Deleting a Fiscal Year Variant**

You can only delete a fiscal year variant if it is **not** assigned to any set of books.

- **Translating a Fiscal Year Variant**

If you created custom descriptions for your fiscal year variants, you can translate the descriptions into other languages.

Fiscal Year Variant for Mid-Month or Mid-Quarter Convention

If you selected U.S. GAAP as your local accounting principle and depreciate your assets based on the **mid-month** or **mid-quarter convention**, then you calculate your depreciation deductions in the tax valuation areas on a semi-monthly basis. The [New Fiscal Year Variant for Mid-Month/Mid-Quarter Convention](#) setting generates a supplementary version for an existing fiscal year variant that automatically subdivides the accounting periods into half periods. You must then make specific settings for these half periods on the [Period Control](#) tab.

Before you can use a fiscal year variant for depreciation based on the **mid-month or mid-quarter convention**, you need to assign it in the asset settings of the set of books. For more information, see Configuration: Set of Books.

Follow-Up Tasks

You need to assign a fiscal year variant to each set of books. For more information, see Configuration: Set of Books.

You need to create a particular fiscal year with its associated accounting periods and open it for posting. For more information, see [Creating Fiscal Years \[page 259\]](#) and [Open and Close Accounting Periods \[page 260\]](#).

2.4.6.3 Shortened Fiscal Year

Overview

A **shortened fiscal year** is a fiscal year that is shorter than 12 months. In some exceptional cases, such as business setup, reorganization, or divestiture, it is permissible to perform year-end closing for a shortened fiscal year.

When you **define a set of books** (such as when you start the system), you can start with a shortened fiscal year if, for example, your fiscal year is the same as the calendar year but you want to start your system during the current calendar year. For this, you need to define a **year-specific fiscal year variant** and assign it to your set of books.

However, if you use a year-specific fiscal year variant, you have to define each subsequent new fiscal year manually in the configuration.

 In a **production system**, you can only specify a shortened fiscal year if you have assigned a **year-specific fiscal year variant** to your set of books. You **cannot** change the assignment of a fiscal year variant to a set of books if document data already exists.

If you require a shortened fiscal year in an existing production system and your fiscal year variant is **not** year-specific, contact SAP.

Using a Shortened Fiscal Year When Implementing a New Set of Books

If you implement a new set of books and want to start with a shortened fiscal year, you have to proceed as follows:

1. **Activate the option *Different Fiscal Year***

 Configuration settings are normally performed by an administrator. If you do not have the required authorization, contact your administrator.

To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).

In the *Questions* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger* and then *Fiscal Year*.

Here, activate the *Different Fiscal Year* option.

2. **Creating a Year-Specific Fiscal Year Variant and Define a Shortened Fiscal Year with its Accounting Periods**

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Other Fiscal Year* activity from the activity list.

1. Create a new fiscal year variant, setting the *Year-Specific* indicator. In the *Number of Accounting Periods* field, specify how many accounting periods your fiscal year generally contains and **not** the smaller number of accounting periods that only your shortened fiscal year contains.
2. On the [Shortened Fiscal Year](#) tab page, enter the actual shortened fiscal year and the reduced number of accounting periods.
3. On the [Period Details](#) tab page, define the individual accounting periods of the shortened fiscal year. For this, choose [Generate Accounting Periods for Specific Fiscal Year](#) and enter your actual shortened fiscal year. The system creates default accounting periods for this fiscal year. You can overwrite the defaults and add or delete periods as necessary.
4. On the [Period Control for Fixed Assets](#) and [Period Weighting for Fixed Assets](#) tab page, make the settings specific to fixed assets.

For more information, see [Fiscal Year Variant \[page 72\]](#).

3. **Assigning the Fiscal Year Variant to the Set of Books**

Assign the fiscal year variant to your set of books. For more information, see Configuration: Set of Books. The fiscal year variant is used for **all** companies that are assigned to the set of books.

4. **Opening and Closing Accounting Periods**

You need to create the shortened fiscal year with its associated accounting periods and open it for posting. For more information, see [Opening and Closing Accounting Periods \[page 260\]](#).

Shortened Fiscal Year for a Set of Books Already in Productive Use

You can only perform year-end closing for a shortened fiscal year for a set of books used productively if you have assigned a **year-specific fiscal year variant** to that particular set of books. It is **only** possible to change the fiscal year variant subsequently if **no** document data exists yet for the set of books.

2.4.6.4 Closing Steps

Overview

Closing steps classify postings according to when they were made during period-end or year-end closing.

- **Operational postings** are made during operational daily business and **before** period-end closing. You can use this closing step for **all** postings, including:
 - Postings generated automatically by source documents in the operational applications
 - Postings generated during automated closing activities such as clearing runs
 - Manual postings
- **Closing postings** are made **during** period-end closing. Closing postings can be entered manually or generated automatically during automatic closing activities. This closing step excludes automatic postings from the various original applications.
You can use closing steps to control your period-end closing.

i You can close an accounting period for operational postings and open it for closing postings only. This ensures that your document data is not changed during period-end closing, but still allows you to make closing postings.

You open and close an accounting period for specific closing steps with the *Open and Close Periods* activity from the *General Ledger* work center under *Set of Books and Assigned Companies* view in *Master Data*.

For more information, see [Open and Close Accounting Periods \[page 260\]](#).

Posting with Closing Steps

Postings are classified automatically based on the closing step. For example, all automatic postings (such as supplier or customer invoices) are classified as operational postings. You can specify the closing step for the following postings:

- **Manual Postings**
When you create a journal entry voucher, you can specify a closing step. If you do **not** specify a closing step, the posting is classified as an operational posting.
- **Postings during automatic closing activities**
Before performing a closing activity, you can specify the closing step in which the postings are made.

Predefined Closing Steps

The following closing steps are delivered as standard:

- **001 – Opening balance**
Used to post opening balances for **balance carryforward** from the previous fiscal year. You can only assign this closing step to the first accounting period of a fiscal year.
- **010 – Operational postings**
Used to automatically post business transactions from application areas outside of Financials. When you assign this closing step to an accounting period, **all postings** are permitted in this accounting period (including manual postings).
- **015 – Late operational postings**
For operational postings that you want to post manually in an accounting period that has been closed for operational postings.
- **020 – Closing entries**
For manual closing postings and automatic postings during automated closing activities
- **080 – Adjusting entries for income statement by nature of expense**
For adjusting journal entries that you need to make when you want to create your **income statement by nature of expense**.
- **990 – Closing balance**
For posting closing balances during **balance carryforward**. You can only assign this closing step to the last accounting period of a fiscal year.
- **991 – Profit and loss calculation of retained earnings**
For posting profit or loss in the balance sheet during balance carryforward. You can only assign this closing step to the last accounting period of a fiscal year.

Defining Your Own Closing Steps

The closing steps are intended to fulfill all closing requirements. However, you can also define additional closing steps.

For example, during period-end closing you can use the closing step **020 – Closing Postings** for manual closing postings and define a separate closing step for the subsequent automatic closing activities, for example.

To find this activity, go to the **Business Configuration** work center and choose the **Implementation Projects** view. Select your implementation project and click **Open Activity List**. Select the **Fine-Tune** phase, then select the **Closing Steps** activity from the activity list.

Deleting Closing Steps

You can delete closing steps, including some of the predefined closing steps. For example, you can delete the closing step **020 – Closing Entries** and define two of your own closing steps instead, in order to separate closing entries into automated closing activities and transfer postings.

Some closing steps cannot be deleted.

2.4.6.5 Checking the Accounting Period for Operational Postings

Overview

Operational postings arise from accounting-relevant business transactions that occur in an original application in the form of a source documents which generate journal entries automatically. Source documents can be customer invoices, goods receipts, or payments, for example. The entire transaction, from source document through journal entry, is described as the document flow.

Postings in accounting are always for a specific **accounting period** and **posting date**. Postings can only be made to open accounting periods. Automatic checks are performed to determine whether the accounting period is open for the specified posting date:

1. A check is performed in the original application when the source document is posted.
2. Another check is performed in accounting **before** the journal entry is generated.

i It is also possible for accounting periods to be partially open or partially closed. For example, a period can be closed for operational postings but open for closing postings. Periods are partially opened and closed using closing steps that are assigned to accounting periods. For more information, see [Closing Steps \[page 76\]](#).

Checking the Accounting Period in the Original Application

In the original application, the posting date is either entered by the processor directly in the source document or is derived automatically from other information. **When the source document is posted**, the system checks whether the accounting period for operational postings ([closing step 10](#)) is open for the relevant posting date.

If the accounting period is closed, the source document cannot be posted. The source document can only be posted using a posting date in an open period.

The **accountant** can influence system behavior by making changes to **process control**, to allow source documents from a specific business process group (such as customer invoices) to be posted even if the accounting period in the originating application is closed.

For more information, see [Process Control \[page 79\]](#).



Process control enables you to influence how the system behaves when checking the posting date in the **original application**, and **not** in accounting.

Checking the Accounting Period in Accounting

When a business transaction has been forwarded to accounting, the system checks whether the accounting period for the posting date is open or closed. If the period is closed, a task is created and no journal entry is generated. The accountant can see the task in the [Work](#) view of the [General Ledger](#) work center.

i This document contains text that is relevant for France. To ensure that the system displays the correct text, select **Personalize** **My Settings**. Select **Onscreen Help** and, under **Country**, choose **France**. Save your settings and logout to ensure these changes are made.

When processing the task, the accountant has the following options:

- **Change Posting Date**

The accountant can change the posting date in the **source document** in order to post the business transaction to an open accounting period.

i The new posting date must always fall **after** the posting date of the source document. It is **not** possible to post a business transaction to a preceding period.

A posting with a date change is performed as an operational posting and is documented by the system under [Document Flow > Change History](#) for the desired journal entry.

- **Post with Different Closing Step**

The accountant can post the business transaction with the posting date in the source document but with a different closing step, such as *015 – Late Operational Postings*. The business transaction is posted with the selected closing step and not as an operational posting.

Before making the late operational posting, the accountant must ensure that the accounting period is open for this closing step.

 Avoid reopening a closed accounting period with the closing step *010 – Operational Postings*. Doing so would cause all rejected business transactions to be posted to that accounting period **without being checked**.

2.4.6.6 Process Control for Operational Postings

Overview

Process control defines how source documents in the originating applications can be posted in accounting using the posting date. The business transactions to be posted are grouped into business process groups, such as customer invoices or supplier invoices.

The settings you make for process control affect how the system behaves when checking the posting date in the source documents. In process control, the system checks whether the source document can be posted for that posting date.

The default settings do not allow a source document to be posted if its posting date is in a **closed** period. In this case an error message is sent to the originating application. You only need to set up process control if you want exceptions to this standard behavior for individual business process groups.



For year-end closing, you closed the December accounting period for all operational postings on 23 December. However, you still want to post in this accounting period the customer invoices that are generated in December. In the process control settings, you specify for the business process group that any source documents for *Customer Invoices* with a posting date in December can still be posted through 15 January.

This means that customer invoices with a posting date in December can still be posted in the original application. Since the accounting period is already closed, the source documents are **not** mapped in the form of journal entries in accounting but rather tasks are generated for the accountant to perform.

You find the process control under *Companies*.

You can access the *Companies* view from the *General Ledger* work center under *Master Data*.

Choose [Set Process Control](#).

Standard Procedure

When you enter a source document, such as a customer invoice, a posting date is either entered by the processor or derived by the system. The system checks in the process control settings whether a source document can be posted for the specified posting date.

When you open or close an accounting period, **automatic entries** are generated in the process control area, which cause the following standard procedure to be applied to all the business process groups:

- Accounting Period is Open for Operational Postings

When you **open an accounting period**, the system generates an entry in the process control area, which covers the duration of the accounting period and is valid for all the business process groups. This enables the processor to post the source document in the original application.

The data relevant for accounting is transferred to accounting where a journal entry is created for the specified posting date.

- **Accounting Period is Closed for Operational Postings**

When you **close an accounting period**, the automatic entry that was previously created is deleted. **No** source documents can then be posted to this accounting period.

The processor of the source application can **not** post the source document, but instead receives an error message. The processor has to change the posting date in the source document to be able to then post the document with a valid posting date.



To generate entries automatically in the process control tool, note the following:

- The system only generates entries in the process control when you open an accounting period for **closing step 10 (operational postings)**. For more information, see [Closing Steps \[page 76\]](#).
- The system only generates entries in the process control for the **standard set of books**. Since operational postings are always made in all sets of books assigned to the company, the setting for the standard set of books applies automatically to all the other sets of books. For more information on the standard set of books, see Configuration: Set of Books.

You can **not** change the automatically-generated entries. You can only create additional entries. These entries take priority over the entries generated automatically.

Process Control Settings

If you add entries to the process control settings, note the following:

Process Control Status

You can use the *Process Control Status* to define the form in which source documents from the **original application** can be posted based on their posting date:

- **Blocked**

You cannot make postings for the source documents posted for a period until *entry possible date*. The postings are possible after the specified date.



For the period between September 1 to September 30 if the entry possible date is specified as October 15, you will not be able to make postings between September 30 to October 15. Postings are allowed from October 16.

- **Partially Blocked**

A source document can be posted during the specified accounting period. However, the system displays a **warning message**.

The posting data relevant for accounting is transferred to accounting even if the accounting period is closed. Instead of a journal entry being created in accounting, a task is generated to be performed by the processor.

- **Not Blocked**

You can make postings for the source documents posted for a period only until the specified *entry possible date*.



For the period between September 1 to September 30 if the entry possible date is specified as October 15, the system allows you to make postings till October 15 . Posting is not allowed from October 16.

For more information on processing tasks, see [Checking the Accounting Period for Operational Postings \[page 77\]](#).

Business Process Groups

You make settings for individual *business process groups*. The operational business transactions that occur in the system and that are automatically posted in accounting are assigned to business process groups. When you make settings for a business process group, these apply automatically to all the assigned business transactions:

Business Process Group	Assigned Business Transactions
All	All business transactions
Customer Invoices	Customer invoices, customer credit memos including cancellations
Supplier Invoices	Supplier invoices, supplier credit memos including cancellations
Time Reporting and Service Confirmation	Reporting time worked and project-based time reporting in payroll processing
Expense Reporting	Expense reports including cancellations
Goods Receipt and Service Confirmation	Goods receipts and issues, stock transfers, and goods movements in <i>Supply Chain Management</i> (SCM) and <i>Supplier Relationship Management</i> (SRM), service order confirmations, return deliveries
Production Process End	Production lots (when status set to <i>Finished</i>)
Service Execution Invoice	Confirmation of services provided to customers in <i>Customer Relationship Management</i> (CRM)
Migration	Data transfer of account balances, open items, attachments



Business transactions from the operational applications in financial accounting (such as payments) are **not** included in the business process groups in the process control. You can **not** make settings for these business transactions in the process control. Consequently, when you close an accounting period for operational postings for these business transactions, you can **not** post source documents with a posting date in this accounting period.

Entry Date

The date in the field *Entry Possible Until* refers to the **entry date in the source document**. You can allow, for example, that a source document can still be entered for a period after the accounting period has been closed as long as the document has a posting date within the accounting period.

The **automatically-generated entries** in the process control settings allow 15 **additional entry days**. This means that the date in the *Entry Possible Until* field is always 15 days **after** the last posting date in the accounting period. You can therefore enter source documents up to 15 days after the end of the accounting period.

You can change the default number of additional entry days. To do this, select the required company in the *Companies* view and choose **Actions** [Set Additional Entry Days](#).



If you change the additional entry days, note the following:

- If you enter a number with a **minus sign**, the entry period ends **before** the accounting period.
- The setting applies **across all sets of books**, which, in other words means it applies to all the sets of books assigned to the company.



Changes to the default number of additional entry days apply only to new entries in the process control. Existing entries retain the settings from when they were created.

Posting Date

The period of the *From Posting Date / To Posting Date* always refers to the **posting date in the source document**. This posting date can be proposed by the processor or derived by the system. For more information, see [Derivation of the Posting Date \[page 206\]](#).

For all the source documents used from the specified business process group with a posting date from the specified period, the procedure that you select is applied to the posting process.



If multiple entries exist for a period, the system applies the following rules to determine the valid entry:

- These entries take priority over the entries generated automatically.
- Entries for specific business process groups take priority over the entries made for the process group *All*.
- Entries with the status *Blocked* take priority over the entries with the status *Partially Blocked* or *Not Blocked*.

Change History

The system documents any changes that are made to the entries in the process control tool. The change history is shown on the [Changes](#) tab.

See Also

[Automatic Creation of Journal Entries \[page 204\]](#)

[Closing Steps \[page 76\]](#)

[Checking the Accounting Period for Operational Postings \[page 77\]](#)

2.4.7 Automatic Account Determination

2.4.7.1 Automatic Account Determination

Overview

The G/L accounts for business transactions are determined automatically.



When you record a supplier invoice for a purchase order, you enter the purchase order as a reference. An account determination group is stored in the master data of the material specified in the purchase order. The G/L account is then derived from the account determination group.

Prerequisites

To enable the correct G/L account to be selected automatically, account determination settings in business configuration are required.

For more information, see [Define Account Determination for Each Subledger](#).

Account Determination Process

The way in which G/L accounts are determined for business transactions also defines the interaction between the different assignments in business configuration and the master data. The system selects the G/L accounts based on the master data, the account determination group, and the account determination profile. The account determination process typically looks as follows:

1. Creation of the Business Transaction

The business transaction is entered manually or generated automatically. A business transaction always contains information on the relevant **company**, the **master data**, and the **amounts**.

2. Determination of Account Determination Groups

The account determination groups are derived from the master data in the business transaction.

3. Determination of Sets of Books, Charts of Accounts, and Account Determination Profiles

- The sets of books are determined based on the company.
- The charts of accounts are determined based on the sets of books.
- For the sets of books, the system determines which account determination profiles are used by the company.

4. Account Determination

Account determination groups and possibly other factors (such as the currency) are used to determine the G/L accounts stored in the account determination profile.

5. Posting

For each set of books, a journal entry is generated with line items containing the G/L accounts.

For more information, see [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#).

There are additional determination rules or exceptions for each business transaction. For a free-text supplier invoice, for example, you enter the account determination group indirectly when you record the business transaction. For wage postings on cost centers, the master data has no effect on account determination.

For detailed information on setting up the account determination for particular business transactions, see [Documentation on Special Account Determination \[page 90\]](#).

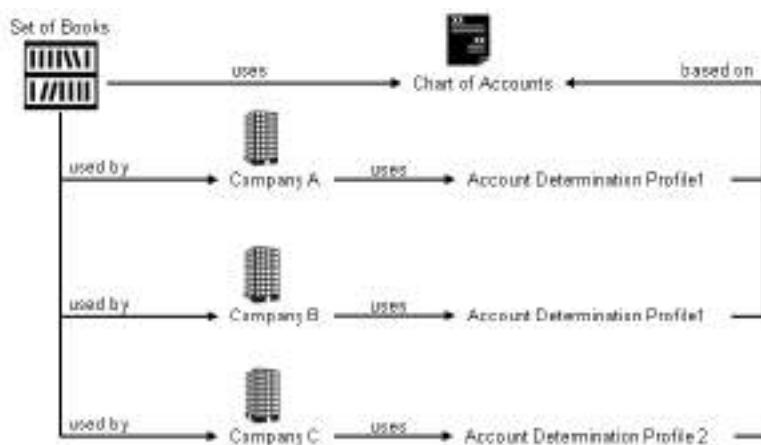
2.4.7.2 Setting Up an Account Determination Profile

Overview

An account determination profile contains all the settings for determining the G/L accounts for automatically generated postings. Automatic postings are generated either in upstream applications (on the basis of supplier invoices from purchasing, for example) or by automatic processes in accounting (such as the payment run).

If you define account determination for your individual business transactions, you always do this in an account determination profile. For this reason, you need to have previously defined and assigned the account determination profiles that you need.

An account determination profile is always based on a chart of accounts. In the account determination profile, you can only use G/L accounts from the chart of accounts that the account determination profile is based on. In the definition of a set of books, you assign the account determination profile to your companies. These account determination profiles must be based on the chart of accounts assigned to the set of books.



Relationship Between Set of Books, Company, Chart of Accounts, and Account Determination Profile

The diagram depicts a set of books that uses an assigned chart of accounts. This set of books is used by three companies (A, B, and C). In some business transactions, company C needs to post to different accounts of the chart of accounts than the accounts to which companies A and B post. Consequently, company C uses the special account determination profile 2. Companies A and B always make postings in the same way and therefore both use account determination profile 1.

Prerequisites for Configuring the Account Determination

- You have created your charts of accounts.

You can either copy predefined charts of accounts (such as the international chart of accounts for IFRS) and adjust it to your needs or define charts of accounts from scratch.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. Define the following:

For more information, see: [Chart of Accounts \[page 66\]](#).

- You have created your sets of books and set them up.

You need to create a separate set of books for each accounting principle you require. When editing the sets of books, you assign each one a chart of accounts and all of the companies that use that set of books.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Integrate and Extend* phase, then select the *Set of Books* activity from the activity list.

For more information, see: [Sets of Books \[page 42\]](#).

Configuration Process for Account Determination

This documentation describes the steps that you need to make to set up an account determination profile. This is a prerequisite for configuring account determination. For information on how to configure account determination for a business transaction, see [Configuring Account Determination of a Business Transaction \[page 86\]](#).

Creating an Account Determination Profile

If you copy a predefined chart of accounts, the system copies all of the settings dependent on that chart of accounts, such as the report structures and the account determination profile. The report structures and the account determination profile are also predefined for all predefined charts of accounts and, in this case, only have to be adjusted to meet your needs.

In the following cases, you need to create an account determination profile manually:

- You have defined your chart of accounts from scratch.
- You need different account determinations for the same chart of accounts (either for different companies or for different sets of books). If you always need the same account determination for a chart of accounts, you only need one account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

Navigate to one of the links in the *Account Determination* section and create a new account determination profile.

i After creating the account determination profile in the same activity, you need to assign it to the country of your company. In this way, the country-specific account determination is activated in the account determination profile. The country-specific account determination comprises accounts that are only used in a country or a group of countries.

Assign an Account Determination Profile

You need to assign an account determination profile for each set of books and company. You do this in the *Business Configuration* work center in the *Activity List* view. In the *Integrate and Extend* phase in the **Maintain Basic Data** area, choose **Set of Books**. You need to assign the same account determination profile to every company that uses a given set of books.

- i**
- The account determination profile must be based on the chart of accounts that is used by the corresponding set of books. The system checks whether this is the case.
 - You need to have assigned the account determination profile to the country of the company. The system checks whether this has been done.

See Also

[Automatic Account Determination \[page 82\]](#)

2.4.7.3 Process Flow: Business Configuration of Account Determination for a Business Transaction

Overview

To enable G/L accounts to be determined automatically for a particular business transaction, you need to perform certain activities in business configuration and in the master data:

- In business configuration, you first create your chart of accounts with the G/L accounts and make other preparatory settings.
- In business configuration, you define account determination groups and assign G/L accounts to them for each subledger.
- You then create master data in the application and assign the configuration settings.

Prerequisites for Configuring the Account Determination

- **You have defined your requirements.**

You need to decide how many G/L accounts you need for the business transaction. You can always process the business transaction using the same G/L account or make postings for different groups of master data to different G/L accounts.

Example:

When you record supplier invoices, the payables are posted automatically to payables accounts. The payables for foreign suppliers need to be posted to a different G/L account than the payables for domestic suppliers.



For certain business transactions, the G/L accounts can be differentiated not only by the master data but also by other factors, such as the currency of the business transaction. Other business transactions, however, cannot be differentiated, and you can only enter one G/L account for such business transactions.

- **You have performed preparatory activities in the configuration.**

Business configuration involves settings that you make once and other settings that you make individually for each business transaction.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

You make the following settings once:

- **You have created a chart of accounts.**

For more information, see: [Chart of Accounts \[page 66\]](#).

- **You have created an account determination profile.**

This profile summarizes all configuration settings companywide for each chart of accounts.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

You perform all activities for configuring account determination for each individual business transaction, and define the following:

1. Creating G/L Accounts

If necessary, you create a G/L account for each group of business transactions that need to be posted together. You assign the G/L account to an account type. The account type belongs to a specific subledger. This subsequently restricts the assignment of G/L accounts per subledger.

Choose [Maintain Chart of Accounts](#).

For more information, see: Account Type.

2. Creating or Checking Account Determination Groups

If necessary, you create the account determination groups or check the groups provided with the system.

An account determination group contains master data for a subledger whose business transactions are posted to the same G/L accounts. The account determination groups apply companywide for all assigned charts of accounts. Examples are provided in the standard delivery.

Choose the link [Maintain Account Determination Groups](#). You later assign the group to the master data in the application.

3. Assigning G/L Accounts

Specify the G/L accounts for each subledger and account determination group. You do this in the screen for the account determination profile. Enter the G/L account for each account determination group.

Choose one of the links in the *Account Determination* section.

The following subledgers are available:

- General Ledger
- Fixed Assets
- Inventory
- Accounts Payable Ledger
- Accounts Receivable Ledger
- Cash
- Tax
- Cost Accounting
- Revenue Accounting

For more information on how to proceed, see: Define Account Determination for Each Subledger.

4. Assigning Account Determination Groups

The configuration process is completed when, in the application system, you assign the account determination group to your master data, such as the following:

- Customers

- Suppliers
- Products
- Product categories (and materials and fixed asset classes)
- Services
- Overhead rules
- Distribution rules for overhead

You make this assignment in each of the work centers responsible for the master data.



You want to assign the account determination group to the supplier.

- a. In the *Payables* work center, choose ► *Suppliers* ► *Edit* ► *Financial Data* ▶
- b. Choose *Payment Data* and enter the company for which the supplier relationship exists.
- c. For each company, specify the account determination group through which the G/L account is determined.

i Since the account determination profile is specified in the company's set of books, the specific G/L account is determined based on the chart of accounts the company is using. With multi-GAAP reporting, there are accordingly multiple journal entries that each have different G/L accounts.

- d. Activate the supplier data.

There are additional derivation rules or exceptions for each individual business transaction. For a free-text supplier invoice, for example, you enter the account determination group indirectly when you record the business transaction. For wage postings on cost centers, the master data has no effect on account determination.

For information on the exact derivation of G/L accounts for particular business transactions and on how to make the settings, see the [documentation on special account determination \[page 90\]](#).

See Also

[Automatic Account Determination \[page 82\]](#)

2.4.7.4 Reconciliation Accounts

Overview

Reconciliation accounts are G/L accounts to which postings are automatically made whenever a business transaction is entered on a subledger account (such as accounts receivable, accounts payable, or fixed assets). For each subledger, the subledger accounts that are displayed in the General Ledger in the same reconciliation account are always grouped together in an **account determination group**. In account determination, at least one reconciliation account is assigned to each account determination group.



The account determination group that groups together all foreign accounts payable is assigned to the *Payables Foreign* reconciliation account. All business transactions that are posted to a subledger account of a foreign creditor are displayed concurrently in this reconciliation account in the General Ledger.

In most cases, the assignment of a reconciliation account to an account determination group applies generally for all relevant business transactions. In addition to the standard reconciliation account, you can assign a separate

reconciliation account for specific business transactions (such as down payments) in the case of some account determination groups.

It is necessary in some cases to represent a single business transaction in multiple reconciliation accounts. For **down payments made**, for example, you can create a reconciliation account for **down payment made (general)** and a separate reconciliation account for **down payments made for fixed assets**. Such separate reconciliation accounts are called **alternative reconciliation accounts**. Since in such cases there are multiple reconciliation accounts for a single business transaction, the reconciliation account **cannot** be determined automatically. Thus you need to select a reconciliation account manually for such business transactions.

You can only use alternative reconciliation accounts to portray the same business transaction differently in the accounts receivable subledger and the accounts payable subledger.

Prerequisites

If you want to use **alternative reconciliation accounts**, you need to activate them in **scoping**.

To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).

In the *Questions* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger*.

Here, provide an affirmative answer to the question regarding whether you want to use alternative reconciliation accounts for receivables or payables.

For postings to be made to reconciliation accounts, they need to exist in your chart of accounts and in your reporting structures. Moreover, either automatic postings may solely be permitted for a reconciliation account or manual postings may additionally be permitted.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see [Chart of Accounts \[page 66\]](#).

Alternative Reconciliation Accounts

To be able to use a alternative reconciliation account, you must additionally make various settings when setting up your standard reconciliation accounts.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

1. Making Settings for Reconciliation Accounts

For your special business transaction, you define - in the relevant subledger - a **reconciliation account type** in which you specify the business transactions for which the alternative reconciliation account is applied. At the same time, you activate the **reconciliation account** field in the entry screen of the relevant business transaction. For the **accounts payable subledger**, for example, you use the **Used for Down Payments** indicator to activate the **Reconciliation Account** field in the *Down Payment Request* view in the *Supplier Invoicing* work center. For more information, see Configuration: Reconciliation Account Types.

2. Editing Account Determination

For the desired account determination group, insert a new line for your new type of reconciliation account. In this way, you can assign to the account determination group for your special business transaction the alternative reconciliation account in addition to the standard reconciliation account. You can also assign the new type of reconciliation account to multiple account determination groups. For more information, see Define Account Determination for Each Subledger.

i When you select the reconciliation account manually while entering a business transaction, you **cannot** select the reconciliation account directly. Instead, you choose **Type of Reconciliation Account** to select the relevant reconciliation account.

2.4.7.5 Documentation on Special Account Determination

2.4.7.5.1 Account Determination of Expenses - China

i This document contains text that is relevant for China. To ensure that the system displays the correct text, select **Personalize > My Settings**. Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

2.4.7.5.2 Calculating Valuation Differences - China

Overview

i This document contains text that is relevant for China. To ensure that the system displays the correct text, select **Personalize > My Settings**. Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

2.4.7.5.3 Documentation on Special Account Determination

Overview

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#).

However, there are special account determination rules or exceptions for many business transactions. For a free-text supplier invoice, for example, you enter the account determination group indirectly when you record the business transaction. For wage postings on cost centers, the master data has no effect on account determination.

Use the following list of links to access documentation on account determination for processes or settings relating to specific business transactions:

- Supplier Invoices
 - [Free-Text Supplier Invoices \(Without Purchase Order Reference\) \(Account Determination\) \[page 92\]](#)
 - [Supplier Invoices for Acquisitions with Receipt \(Account Determination\) \[page 94\]](#)
 - [Supplier Invoices for Services Received Without Receipt \(Account Determination\) \[page 97\]](#)
 - [Supplier Invoices for Fixed Assets Without Receipt \(Account Determination\) \[page 100\]](#)
 - [Supplier Invoices for Consumables Without Receipt \(Account Determination\) \[page 103\]](#)

- Goods Receipt and Service Receipt
 - [Goods Receipts for Consumables with Receipt \(Account Determination\) \[page 107\]](#)
 - [Goods Receipts for Stock Materials \(Account Determination\) \[page 110\]](#)
 - [Goods Receipts for Fixed Assets with Receipt \(Account Determination\) \[page 112\]](#)
 - [Provision of Ordered Services with Receipt \(Account Determination\) \[page 114\]](#)
- Tax Entries
 - [Input Tax Entries \(Account Determination\) \[page 117\]](#)
 - [VAT Entries \(Account Determination\) \[page 120\]](#)
 - [VAT Returns \(Account Determination\) \[page 122\]](#)
- Fixed Asset Entries
 - [Manual Asset Acquisitions \[page 124\]](#)
 - [Transfer Postings \[page 127\]](#)
 - [Sales of Fixed Assets \[page 129\]](#)
 - [Write-Ups \[page 132\]](#)
 - [Write-Downs \[page 135\]](#)
 - [Transfer of Reserves \[page 137\]](#)
 - [Revaluations \[page 139\]](#)
 - [Retroactive Capitalization \[page 141\]](#)
 - [Scrapping of an Asset \[page 144\]](#)
 - [Depreciation \[page 147\]](#)
 - [Special Depreciation \[page 150\]](#)
 - [Low-Value Assets \[page 152\]](#)
- Cost Accounting
 - [Overhead Distribution \(Account Determination\) \[page 155\]](#)
 - [Overhead Absorption by Projects \(Account Determination\) \[page 157\]](#)
 - [Overhead Absorption by Production Lots \(Account Determination\) \[page 159\]](#)
 - [Overhead Absorption by Service Order Items \(Account Determination\) \[page 162\]](#)
 - [Material Input in Production \(Account Determination\) \[page 164\]](#)
 - [Resource Consumption in Production \(Account Determination\) \[page 167\]](#)
 - [Reporting Time Worked on Projects and Project Tasks \(Account Determination\) \[page 169\]](#)
- Revenue Recognition
 - [Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)
 - [Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)
 - [Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)
 - [Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)
 - [Revenue Recognition After Delivery and Invoice \(Account Determination\) \[page 183\]](#)
 - [Revenue Recognition After Delivery Without Invoice \(Account Determination\) \[page 186\]](#)
 - [Service Confirmations \(Account Determination\) \[page 190\]](#)

2.4.7.5.4 Supplier Invoices

2.4.7.5.4.1 Free-Text Supplier Invoices (Without Purchase Order Reference) (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Free-text supplier invoices are invoices from suppliers that do not relate to a product that is available in the system or to a product category. The processor recording the invoice in the system enters a freely formulated text as the product description and uses an expense type to categorize the invoice amount.

Recording the Business Transaction

You create free-text supplier invoices in the *Supplier Invoicing* work center in the *Invoice Entry* view:

- Create the invoice without a purchase order reference.
- In the item, do not specify a product ID or a product category. Instead, enter a descriptive text in the *Product Description* field.
- Specify an expense type to classify the expense.

i If you do not want to use invoice entry in SAP Business ByDesign and only want to enter supplier invoices, using free-text supplier invoices means that you do not need to create product categories.

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **General Expenses**, credit **Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *general expenses* and *payables* and to use them for different expense types and suppliers.

From a technical point of view, the *expense type* is an account determination group for general expenses. The system uses it to determine the expense account to which the posting is made.

The account for payables is found using the account determination group entered in the supplier master record.

Prerequisites for Configuring Account Determination

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used. The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Payables	ARAP — Payables/Receivables
General Expenses	COSEXP — Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Payables	Payables	Groups for Suppliers
General Expenses	Cost Accounting	Groups for General Expenses



- If you only use one chart of accounts, you can specify the account number and account name in the name of the account determination group. If you then enter a free-text supplier invoice, you see the number of the account to which the posting is made when you select the [expense type](#).
- If you use multiple charts of accounts, you cannot specify the account number in the name of the account determination group because the different charts of accounts use different account numbers. For this reason, give the account determination group a name that describes how the account is used in all charts of accounts.
- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for suppliers** to your supplier master records.

You can access this view from the [Supplier Base](#) work center under [Suppliers](#). You can edit the supplier master records. Go the [Financial data](#) tab page in a supplier master records and to the [Payment Data](#) tab page therein.

You make a separate assignment for each company.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Payables	Payables	Payables	Payables
General Expenses	Cost Accounting	General Expenses	General Expenses

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

2.4.7.5.4.2 Supplier Invoices for Acquisitions with Receipt (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When materials, fixed assets, or services are received, there are two possible process variants:

- With receipt
The delivery is recorded using goods receipts. This means the invoice can be checked automatically to determine whether there is a document corresponding to the invoice.
- Without receipt
The delivery is not recorded. In this case the invoice cannot be checked automatically. You need to manually check during invoicing whether the delivery was received.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

When you enter a purchase order, you decide whether you want to receive the delivery with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:
You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.
 - Without receipt:
If you do **not** want to enter receipt in the system with a receipt document, do not **set** the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This documentation deals with supplier invoices for acquisitions for which you want to record the receipt in the system with a receipt document, regardless of whether the invoice relates to stock materials, consumables, fixed assets, or services.

Recording the Business Transaction

You always create supplier invoices for materials, fixed assets, and services in the *Supplier Invoicing* work center in the *Invoice Entry* view.

In the case of supplier invoices for acquisitions with receipt, the following applies:

1. You must always refer to one purchase order.
2. In the purchase order, the *Goods and Services Receipt Expected* indicator must be set for the item in question.
3. The system takes the *product type*, *product number*, *product category*, and *product description* from the preceding document.

i It is irrelevant for the recording and entry of an invoice whether you have already recorded receipt using a receipt document when the invoice was recorded. However, this does of course play a decisive role for releasing the invoice.

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

- For materials:
Debit **Goods in Transit**, credit **Payables**
- For services :
Debit **Service in Transit**, credit **Payables**
- For fixed assets:
Debit **Fixed Asset in Transit**, credit **Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *payables* and to use them for different suppliers.

The system posts items with product type *Service* to the account for *Service in Transit*.

The system posts items with product type *Material* either to the account for *Goods in Transit* or to the account *Fixed Asset in Transit*, depending on whether the material relates to goods or fixed assets. The system identifies a material as a fixed asset when the following conditions are met:

- You have assigned a fixed asset class to the product category used.
- The value of the material falls above the limit for low-value assets.

The account determination group of the supplier determines the reconciliation account on which the payables owing the supplier are posted.

Prerequisites for Configuring Account Determination

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Payables	ARAP — Payables/Receivables
Goods in Transit	ACLEAR — Accruals/Clearing
Service in Transit	ACLEAR — Accruals/Clearing
Fixed Asset in Transit	ACLEAR — Accruals/Clearing

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Payables	Payables	Groups for Suppliers



- You cannot use account determination groups to differentiate the accounts for *goods in transit*, *service in transit*, and *fixed asset in transit*.
- The account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for suppliers** to your supplier master records.

You can access this view from the *Supplier Base* work center under *Suppliers*. You can edit the supplier master records. Go the [Financial data](#) tab page in a supplier master records and to the [Payment Data](#) tab page therein. You make a separate assignment for each company.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Payables	Payables	Payables	Payables
Goods in Transit	Payables	Clearing	Goods in Transit (acquisition of materials)
Service in Transit	Payables	Clearing	Goods in Transit (acquisition of services)
Fixed Asset in Transit	Payables	Clearing	Goods in Transit (acquisition of fixed assets)

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

2.4.7.5.4.3 Supplier Invoices for Services Received Without Receipt (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When a delivery of materials or fixed assets is received or a service is provided, a distinction can generally be made between two process variants:

- With receipt

You record the delivery or the provision of the service in the system using goods receipts or service confirmations. The invoice can be checked automatically, whereby the system checks whether there is a document corresponding to the invoice.

- Without receipt
You do not record the delivery or the provision of the service in the system. In this case, the invoice cannot be checked automatically. Instead, you have to manually check during invoicing whether the delivery was made or whether the service was provided.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

At the time when you enter a purchase order, you decide whether you want to receive a delivery or the provision of a service with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:
You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.
 - Without receipt:
If you do not want to enter receipt in the system with a receipt document, do not set the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This documentation deals with supplier invoices for services received for which you want to record the receipt in the system **without** a receipt document.

Recording the Business Transaction

You create supplier invoices for services received in the *Supplier Invoicing* work center in the *Invoice Entry* view.

In the case of supplier invoices for services without receipt, the following applies:

1. You can create the supplier invoice with or without a reference to a purchase order. If you refer to a purchase order, the *Goods and Services Receipt Expected* indicator must **not** be set for the item in question.
2. If you refer to a purchase order, the system derives the *product type*, *product number* (service number), *product category*, and *product description* (service description) from the purchase order.
3. The *product type* is *Service*.
4. You can specify the service in two ways:
 - You specify a *product number* (service number) in the purchase order. The system finds the corresponding *product category* and the *product description* (service description).
 - You only specify a suitable *product category* in the purchase order because there is not a suitable service master record in the system.

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Expenses for External Activities**, credit **Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *expenses for external activities* and *payables* and to use them for different services and suppliers.

From the service, the system determines the account determination group for services. If you have only specified a product category but no product (service), the system uses the product category to determine the account

determination group. This account determination group allows you to group costs for services received and to post them to the same accounts.

The account determination group of the supplier determines the reconciliation account on which the payables owing the supplier are posted.

Prerequisites for Configuring Account Determination

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Payables	ARAP — Payables/receivables
Expenses for External Activities	COSEXP — Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Payables	Payables	Groups for Suppliers
Expenses for External Activities	Cost Accounting	Groups for Services



Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the *account determination groups for suppliers* to their supplier master records. You can edit the supplier master records in the *Supplier Base* work center. Go to the *Financial Data* tab page in a supplier master record and to the *Payment Data* tab page therein. You make a separate assignment for each company.
- Assign the *account determination groups for services* to your service master records. You can edit the service master records in the *Product Portfolio* work center. In the service master record, go to the *Valuation* tab page. You make the assignment for each combination of company and business residence.

- Assign the *account determination groups for services* to their product categories. For this, go to the *Standard Account Determination Group for Product Categories* activity and enter the account determination group in the *Account Determination Group: Service* field.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Payables	Payables	Payables	Payables
Expenses for External Activities	Cost Accounting	Service	Expenses for External Activities

Assign the G/L accounts in every account determination profile used.

- i** It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.
- i** If two or more columns are provided for using account determination, they are always prioritized from left to right.
If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

 - An account you entered for the exact combination of both account determination groups.
 - An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
 - An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
 - An account you entered as the default account for both account determination groups.

2.4.7.5.4.4 Supplier Invoices for Fixed Assets Without Receipt (Account Determination)

- i** The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When materials, fixed assets, or services are received, there are two possible process variants:

- With receipt

The delivery is recorded using goods receipts. This means the invoice can be checked automatically to determine whether there is a document corresponding to the invoice.

- Without receipt

The delivery is not recorded. In this case the invoice cannot be checked automatically. You need to manually check during invoicing whether the delivery was received.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

At the time when you enter a purchase order, you decide whether you want to receive a delivery or the provision of a service with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:
You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.
 - Without receipt:
If you do not want to enter receipt in the system with a receipt document, do not set the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This document deals with supplier invoices for materials that you want to manage as fixed assets and that have a value greater than the capitalization value for low-value assets.

Recording the Business Transaction

You can create supplier invoices for fixed assets in the *Supplier Invoicing* work center in the *Invoice Entry* view. When you enter the invoice, you select a material with a product category for fixed assets.

In the case of supplier invoices for fixed assets without receipt, the following applies:

- You can create the supplier invoice with or without a reference to a purchase order. If you refer to a purchase order, the *Goods and Services Receipt Expected* indicator must not be set for the item in question.
- If you refer to a purchase order, the system derives the *product type*, *product number*, *product category*, and *product description* from the purchase order.
- The product type is *Material*.
- In order that the system identifies the material as a fixed asset, the following prerequisites must be fulfilled:
 - You have assigned a fixed asset class to the product category used.
 - The value of the material falls above the limit for low-value assets.
- For the *accounting type*, you have the following options:
 - Enter a *cost center*. The system automatically creates the material as a fixed asset and the first individual material pertaining to this fixed asset.
 - Enter an existing *individual material*. The system posts the invoice amount to the fixed asset assigned to the individual material.

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit *Acquisition and Production Costs*, credit *Payables*

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *Acquisition and Production Costs* and *payables* and to use them for different fixed assets and suppliers.

The system derives the fixed asset class from the product category. You have assigned to this asset class the account determination group for the corresponding type of fixed assets in the *Fixed Assets* subledger. You can combine postings for assets with this account determination group.

Prerequisites for Configuring Account Determination

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).
- In the *Product Data* work center in the *Product Categories* view, you have created the product categories to be used for fixed assets.
- In the *Fixed Assets* work center under **Common Tasks > Edit Fixed Asset Class Determination**, you have assigned fixed asset classes to these product categories.

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Acquisition and Production Costs	ASSET — Fixed Assets
Payables	ARAP — Payables/Receivables

Creating Account Determination Groups

- In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Acquisition and Production Costs	Fixed Assets	Groups for Fixed Assets
Payables	Payables	Groups for Suppliers



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the **account determination groups for suppliers** to your supplier master records. You can access this view from the *Supplier Base* work center under *Suppliers*. You can edit the supplier master records. Go the [Financial data](#) tab page in a supplier master records and to the [Payment Data](#) tab page therein.

You make a separate assignment for each company.

- Assign the account determination groups for fixed assets to their asset classes.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Choose [Edit Fixed Asset Classes](#). Here, enter the account determination groups for all fixed asset classes.

Assigning G/L Accounts

- In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Acquisition and Production Costs	Fixed Assets	Historic Acquisition Costs	Acquisition and Production Costs
Payables	Payables	Payables	Payables

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

- An account you entered for the exact combination of both account determination groups.
- An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
- An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
- An account you entered as the default account for both account determination groups.

2.4.7.5.4.5 Supplier Invoices for Consumables Without Receipt (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When a delivery of materials or fixed assets is received or a service is provided, a distinction can generally be made between two process variants:

- With receipt
You record the delivery or the provision of the service in the system using goods receipts or service confirmations. The invoice can be checked automatically, whereby the system checks whether there is a document corresponding to the invoice.
- Without receipt
You do not record the delivery or the provision of the service in the system. In this case, the invoice cannot be checked automatically. Instead, you have to manually check during invoicing whether the delivery was made or whether the service was provided.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

At the time when you enter a purchase order, you decide whether you want to receive a delivery or the provision of a service with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:
You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.
 - Without receipt:
If you do not want to enter receipt in the system with a receipt document, do not set the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This documentation deals with supplier invoices for consumables for which you want to record the receipt in the system **without** a receipt document.

Recording the Business Transaction

You always create supplier invoices for materials in the *Supplier Invoicing* work center in the *Invoice Entry* view.

In the case of supplier invoices for consumables without receipt, the following applies:

1. You can create the supplier invoice with or without a reference to a purchase order. If you refer to a purchase order, the *Goods and Services Receipt Expected* indicator must **not** be set for the item in question.
2. If you refer to a purchase order, the system derives the *product type*, *product number*, *product category*, and *product description* from the purchase order.
3. The *product type* is *Material*.
4. You can specify the material in two ways:
 - You specify a *product number* in the purchase order. The system finds the corresponding *product category* and the *product description*.
 - You only specify a suitable *product category* in the purchase order because there is not a suitable product master record in the system. You must not assign a fixed asset class to this product category because the material would otherwise be posted as a fixed asset.

For more information, see: Supplier Invoices for Fixed Assets Without Receipt

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit Material Costs, credit Payables

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *material costs* and *payables* and to use them for different materials and suppliers.

From the product, the system determines the account determination group for materials. If you have only specified a product category but no product, the system uses the product category to determine the account determination group. This account determination group allows you to group costs for consumables and to post them to the same accounts.

The account determination group of the supplier determines the reconciliation account on which the payables owing the supplier are posted.

Prerequisites for Configuring Account Determination

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Payables	ARAP — Payables/Receivables
Material Costs	COSEXP — Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Payables	Payables	Groups for Suppliers
Material Costs	Inventory Accounting	Groups for Materials



Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the *account determination groups for suppliers* to their supplier master records. You can edit the supplier master records in the *Supplier Base* work center. Go to the Financial Data tab page in a supplier master record and to the Payment Data tab page therein. You make a separate assignment for each company.
- Assign the *account determination groups for materials* to their product master records. You can edit the product master records in the *Product Portfolio* work center. In the product master record, go to the Valuation tab page. You make the assignment for each combination of company and business residence.
- Assign the *account determination groups for materials* to their product categories. For this, go to the *Standard Account Determination Group for Product Categories* activity and enter the account determination group in the *Account Determination Group: Product* field.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Payables	Payables	Payables	Payables
Material Costs	Inventory Accounting	Revenues and Expenses	Material Costs

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

2.4.7.5.5 Goods Receipt and Service Receipt

2.4.7.5.5.1 Goods Receipts for Consumables with Receipt (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When materials, fixed assets, or services are received, there are two possible process variants:

- With receipt
The delivery is recorded using goods receipts. This means the invoice can be checked automatically to determine whether there is a document corresponding to the invoice.
- Without receipt
The delivery is not recorded. In this case the invoice cannot be checked automatically. You need to manually check during invoicing whether the delivery was received.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

When you enter a purchase order, you decide whether you want to receive the delivery with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:
You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.
 - Without receipt:
If you do not want to enter receipt in the system with a receipt document, do not set the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This documentation deals with goods receipts for consumables for which you want to record the receipt in the system with a goods receipt document.

Recording the Business Transaction

You can create goods receipt documents for consumables in two work centers:

- In the *Goods and Services Receipts* work center in the *Purchase Orders To Be Delivered* view
- In the *Inbound Logistics* work center in the *Inbound Deliveries* view

The following applies to goods receipts for consumables with receipt:

1. You always have to create the goods receipt document with a reference to a purchase order. The following must be fulfilled in the affected item of the purchase order:

- The *Goods and Services Receipt Expected* checkbox **must be selected**.
 - The *Warehouse Order* checkbox **must not be selected**.
2. The *product type*, *product number*, *product category*, and *product description* are taken from the purchase order.
 3. The *product type* is *Material*.
 4. You can specify the material in two ways:
 - You specify a *product number* in the purchase order. The system finds the corresponding *product category* and the *product description*.
 - You only specify a suitable *product category* in the purchase order because there is not a suitable product master record in the system.
 5. In order that the system does not identify the material as a fixed asset, at least one of the following prerequisites must be fulfilled:
 - You have **not** assigned a fixed asset class to the product category used.
 - The value of the material falls below the lower limit for low-value assets.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

- Debit **Material Costs**, credit **Unbilled Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for material costs and to use them for different materials.

From the product, the system determines the account determination group for materials. If you have only specified a product category but no product, the system uses the product category to determine the account determination group. This account determination group allows you to group costs for consumables and to post them to the same accounts.

Since the system has not identified the material as an asset acquisition, it uses the account for unbilled payables (for the acquisition of materials).

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#)

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
-----------------	--------------

Unbilled Payables	ACLEAR - Accruals/Clearing
Material Costs	COSEXP - Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Material Costs	Inventory Accounting	Groups for Materials

- i**
- You cannot use account determination groups to further differentiate the account *Unbilled Payables*. The system only uses the acquisition of materials, services, and fixed assets to differentiate.
 - Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *account determination groups for materials* to their product master records. You can edit the product master records in the *Product Portfolio* work center. In the product master record, go to the *Valuation* tab page. You make the assignment for each combination of company and business residence.

Assign the *account determination groups for materials* to their product categories. For this, go to the *Standard Account Determination Group for Product Categories* activity and enter the account determination group in the *Account Determination Group: Product* field.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Unbilled Payables	Payables	Clearing	Unbilled Payables (for acquisition of materials)
Material Costs	Inventory Accounting	Revenues and Expenses	Material Costs

Assign the G/L accounts in every account determination profile used.

- i**
- It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.5.2 Goods Receipts for Stock Materials (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

This document deals with goods receipts for stock materials (inbound deliveries), that is, goods receipts that increase the quantity and value of the warehouse inventory.

Recording the Business Transaction

You create goods receipts for stock materials in the *Inbound Logistics* work center in the *Inbound Deliveries* view.

The following applies to inbound deliveries:

1. You always have to create the goods receipt document with a reference to a purchase order. The *Warehouse Order* indicator **must be set** for the affected item of the purchase order.
2. The system takes the *product type*, *product number*, *product category*, and *product description* from the purchase order.
3. The *product type* is *Material*. You have specified a *product number* in the purchase order. It is not sufficient to specify just a *product category*.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

- Debit **Warehouse Inventory**, credit **Unbilled Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *warehouse inventory* and to use them for different materials.

From the product, the system determines the account determination group for materials. This account determination group allows you to group stocks for stock materials and to post them to the same accounts.

For inbound deliveries relating to stock materials, the system determines the account for *Unbilled Payables* (for the acquisition of materials).

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view.

Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Unbilled Payables	ACLEAR - Accruals/Clearing
Warehouse Inventory	INVWIP - Inventory

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Warehouse Inventory	Inventory Accounting	Groups for Materials



- You cannot use account determination groups to further differentiate the account *Unbilled Payables*. The system only uses the acquisition of materials, services, and fixed assets to differentiate.
- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the *account determination groups for materials* to their product master records. You can edit the product master records in the *Product Portfolio* work center. In the product master record, go to the Valuation tab page. You make the assignment for each combination of company and business residence.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Unbilled Payables	Payables	Clearing	Unbilled Payables (for acquisition of materials)
Warehouse Inventory	Inventory Accounting	Inventory	Warehouse Inventory

Assign the G/L accounts in every account determination profile used.



It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.5.3 Goods Receipts for Fixed Assets with Receipt (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When materials, fixed assets, or services are received, there are two possible process variants:

- With receipt
The delivery is recorded using goods receipts. This means the invoice can be checked automatically to determine whether there is a document corresponding to the invoice.
- Without receipt
The delivery is not recorded. In this case the invoice cannot be checked automatically. You need to manually check during invoicing whether the delivery was received.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

When you enter a purchase order, you decide whether you want to receive the delivery with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:
You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.
 - Without receipt:
If you do not want to enter receipt in the system with a receipt document, do not set the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This documentation deals with goods receipts for fixed assets for which you want to record the delivery with a goods receipt document.

Recording the Business Transaction

You create goods receipts for fixed assets in the *Goods and Services Receipts* work center in the *Purchase Orders To Be Delivered* view.

The following applies to goods receipts for fixed assets:

1. You always have to create the goods receipt document with a reference to a purchase order. The following must be fulfilled in the affected item of the purchase order:
 - The *Goods and Services Receipt Expected* indicator **must be set**.
2. The *item type*, *product ID*, *product description*, and *product category* are taken from the purchase order.
3. The *product type* is *Material*.
4. In order that the system identifies the material as a fixed asset, the following prerequisites must be fulfilled:

- You have assigned a fixed asset class to the product category used (see prerequisites).
- The value of the material falls above the limit for low-value assets.

For more information, see: [Posting Asset Acquisition](#).

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

- Debit **Acquisition and Production Costs**, credit **Unbilled Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **Acquisition and Production Costs** and to use them for different fixed assets.

From the fixed asset class, the system determines the account determination group for fixed assets. This account determination group allows you to group acquisition and production costs and to post them to the same accounts.

When the system identifies the material as a fixed asset, it determines the account for **Unbilled Payables**.

Prerequisites

- You have defined an account determination profile.
For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).
- In the **Product Data** work center, you have created the desired product category for fixed assets.
- In the **Fixed Assets** work center, you have assigned this product category to a fixed asset class.

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating Account Determination Groups

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Unbilled Payables	ACLEAR - Accruals/Clearing
Acquisition and Production Costs	ASSET – Fixed Assets

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Acquisition and Production Costs	Fixed Assets	Groups for Fixed Assets



- You cannot use account determination groups to further differentiate the account **Unbilled Payables**. The system only uses the acquisition of materials, services, and fixed assets to differentiate.
- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the *account determination groups* for fixed assets to their asset classes. For this, go to the *Fixed Asset Classes* activity and choose *Edit Fixed Asset Classes*. Here, enter the account determination groups for all fixed asset classes.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Unbilled Payables	Payables	Clearing	Unbilled Payables (for acquisition of fixed assets)
Acquisition and Production Costs	Fixed Assets	Historic Acquisition Costs	Acquisition and Production Costs

Assign the G/L accounts in every account determination profile used.

- i** It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.5.4 Provision of Ordered Services with Receipt (Account Determination)

- i** The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When materials, fixed assets, or services are received, there are two possible process variants:

- With receipt
The delivery is recorded using goods receipts. This means the invoice can be checked automatically to determine whether there is a document corresponding to the invoice.
- Without receipt
The delivery is not recorded. In this case the invoice cannot be checked automatically. You need to manually check during invoicing whether the delivery was received.

Which of the above process variants offers more advantages depends on the type of material or service as well as on how your company is organized.

When you enter a purchase order, you decide whether you want to receive the delivery with or without a receipt:

- In the case of a purchase order relating to consumables, fixed assets, or services, you can decide as follows:
 - With receipt:

You set the *Goods and Services Receipt Expected* indicator in the items for which you want to enter receipt in the system with a receipt document.

- Without receipt:
If you do not want to enter receipt in the system with a receipt document, do not set the *Goods and Services Receipt Expected* indicator in the affected items.
- In the case of a purchase order relating to stock materials, you cannot deselect the *Goods and Services Receipt Expected* indicator because the delivery of stock materials is always recorded and posted using a goods receipt document.

This document deals with ordered services for which you want to record the provision with a service document in the system.

Recording the Business Transaction

You create provision documents for ordered services in the *Goods and Services Receipts* work center in the *Purchase Orders To Be Delivered* view.

The following applies for the provision of services with inbound document:

1. You always have to create the service document with a reference to a purchase order.
In the purchase order, the *Goods and Services Receipt Expected* indicator **must be set** for the item in question.
2. The system takes the *product type*, *product number*, *product category*, and *product description* from the purchase order.
3. The *product type* is *Service*.
4. You can specify the service in two ways:
 - You specify a product number (service number) in the purchase order. The corresponding product category and product description (service description) are found automatically.
 - You only specify a product category in the purchase order if no suitable service master record exists.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

- **Debit Expenses for External Activities, credit Unbilled Payables**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *expenses for external activities* and to use them for different services.

From the service, the system determines the account determination group for services. If you have only specified a product category but no service, the system uses the product category to determine the account determination group. This account determination group allows you to group costs for external activities and to post them to the same accounts.

From the *product type* service, the system determines the account for *Unbilled Payables* (for the acquisition of services).

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view.

Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Unbilled Payables	ACLEAR - Accruals/Clearing
Expenses for External Activities	COSEXP - Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Expenses for External Activities	Cost Accounting	Groups for Services



- You cannot use account determination groups to further differentiate the account *Unbilled Payables*. The system only uses the acquisition of materials, services, and fixed assets to differentiate.
- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the *account determination groups for services* to your service master records. You can edit the service master records in the *Product Portfolio* work center. In the service master record, go to the *Valuation* tab. You make the assignment for each combination of company and business residence.
- Assign the *account determination groups for services* to their product categories. For this, go to the *Standard Account Determination Group for Product Categories* activity and enter the account determination group in the *Account Determination Group: Service* field.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Unbilled Payables	Payables	Clearing	Unbilled Payables (for acquisition of services)
Expenses for External Activities	Cost Accounting	Service	Expenses for External Activities

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.6 Tax Entries

2.4.7.5.6.1 Input Tax Entries (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Value-added tax (VAT) is generally applied to the purchase of goods and services. VAT is charged by the company providing the goods or services and can generally be deducted as input tax. The tax is calculated and posted automatically.

Recording the Business Transaction

You create supplier invoices in the *Supplier Invoicing* work center in the *Invoice Entry* view. Here, you have a choice between invoices with purchase order reference and invoices without purchase order reference.

When a supplier invoice is entered in the system, the system determines a tax code and enters it in the corresponding line items. You can manually change this tax code, if required. The tax code is applied in account determination and has other control functions. For account assignment, the system uses the account assignment group assigned to the tax event of the tax code.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Offsetting Account** and **Input Tax**, credit **Payables**

Depending on the type of content, the offsetting account can be an account for any of the following:

- Goods in Transit, Services in Transit, or Assets in Transit
- Material Costs
- Expenses for External Activities
- General Expenses

You can refine the posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **payables** and to use them for different suppliers.

The system uses the account determination group entered in the supplier master record to find the appropriate payables account.

The system uses the account determination group assigned to the tax event to find the appropriate account for input tax. The account determination groups in the taxes area cannot be adjusted. They are binding.

The system determines the offsetting account in different ways, depending on the type of business transaction.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Input Tax (for Ordinary Tax)	TAX – Taxes
Input Tax (for Intracommunity Acquisitions of Goods)	TAX – Taxes
Input Tax (for Import VAT)	TAX – Taxes
Input Tax (for Taxes on Asset Acquisitions)	TAX – Taxes
Input Tax (for Foreign Tax)	TAX – Taxes



The G/L account **Input Tax (for Taxes on Asset Acquisitions)** is only required in France.

Creating Account Determination Groups

The following account determination groups are available:

- 9010 Ordinary Tax
- 9020 Intracommunity Acquisitions of Goods
- 9030 Import VAT
- 9040 Taxes on Asset Acquisitions
- 9050 Tax Abroad-Taxable in other Countries



The account determination group **9050 Tax Abroad-Taxable in other Countries** is not required for input tax.

Assigning Account Determination Groups

You can assign account determination groups to tax events. The default assignments are as follows:

- The account determination group *9010 Ordinary Tax* is used to enter all taxable, domestic input taxes that are subject to tax.
- The account determination group *9020 Intracomunity Acquisitions of Goods* and the G/L account *Input Tax (for Intracomunity Acquisitions of Goods)* are used for all input taxes for which there is a reversal of the tax liability.
- The account determination group *9030 Import VAT* determines the tax account for the import VAT paid for imports.
- The account determination group *9040 Taxes on Asset Acquisitions*.
- The account determination group *9050 Tax Abroad-Taxable in other Countries* enters the cases in which services abroad are taxable and the tax liability has not been transferred.

You can modify the tax event mapping to account determination groups in the Go Live activity *Tax returns for goods and services - <Country>*. In the *Tax Account Determination* View, click *Define Assignment of Account Determination Groups*.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Input Tax (for Ordinary Tax)	Tax Accounting	Input Tax	Input Tax (for Ordinary Tax)
Input Tax (for Intracomunity Acquisitions of Goods)	Tax Accounting	Input Tax	Input Tax (for Intracomunity Acquisitions of Goods)
Input Tax (for Import VAT)	Tax Accounting	Input Tax	Input Tax (for Import VAT)
Input Tax (for Taxes on Asset Acquisitions)	Tax Accounting	Input Tax	Input Tax (for Taxes on Asset Acquisitions)
Input Tax (for Tax Abroad)	Tax Accounting	Input Tax	Input Tax (for Foreign Tax)

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

2.4.7.5.6.2 VAT Entries (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Value-added tax is generally applied to the sale of goods and services. You charge VAT to your customer. The customer can then submit a claim for a refund of this tax (as input tax) from the tax authorities. The system automatically calculates the tax and posts it accordingly.

Recording the Business Transaction

You create customer invoices in the *Customer Invoicing* work center in the *Items to be Invoiced* view, the *Invoices and Credit Memos* view, or directly under *Common Tasks*. Here, you have a choice between creating invoices manually and performing an invoice run.

When outgoing sales volume is entered in the system, the system determines a tax code and enters it in the corresponding line items. You can manually change this tax code, if required. The tax code is applied in account determination and has other control functions. For account assignment, the system uses the account assignment group assigned to the tax event of the tax code.

Posting the Business Transaction

This section portrays how VAT is posted using the posting of customer invoices. VAT is posted when sales revenue is posted.

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Receivables**, credit **Sales Revenues** and **Output Tax**.

You can refine this posting by means of account determination groups, which allow you to specify any number of G/L accounts for **Receivables** and **Sales Revenue** and use them for different customers.

Based on the customer master record, the system determines the account determination group for customers in the **Accounts Receivable** ledger. This account determination group allows you to group receivables against similar customers and post them to the same accounts.

The customer's account determination group also determines the account for sales revenue. It is currently **not** possible to differentiate sales revenues by product.

The system uses the account determination group assigned to the tax event to find the appropriate account for output tax. The account determination groups in the taxes area **cannot** be adjusted.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Output Tax (for Ordinary Tax)	TAX – Taxes
Output Tax (for Intracommunity Acquisitions of Goods)	TAX – Taxes
Output Tax (for Foreign Tax)	TAX – Taxes

Creating Account Determination Groups

The following account determination groups are available:

- 9010 Ordinary Tax
- 9020 Intracommunity Acquisitions of Goods
- 9030 Import VAT
- 9040 Taxes on Asset Acquisitions
- 9050 Tax Abroad-Taxable in other Countries

- i** • The account determination groups *9030 Import VAT* and *9040 Taxes on Asset Acquisitions* are not required for output taxes.

Assigning Account Determination Groups

You can assign account determination groups to tax events. The default assignments are as follows:

- The account determination group *9010 Ordinary Tax* is used to enter all taxable, domestic output taxes that are subject to tax.

- The account determination group *9020 Intracomunity Acquisitions of Goods* and the G/L account *Output Tax (for Intracomunity Acquisitions of Goods)* are used for the output tax of all incoming sales revenue for which there is a reversal of the tax liability.
- The account determination group *9050 Tax Abroad-Taxable in other Countries* enters the cases in which services abroad are taxable and the tax liability has not been transferred.

You can modify the tax event mapping to account determination groups in the Go Live activity *Tax returns for goods and services - <Country>*. In the *Tax Account Determination* view, click *Define Assignment of Account Determination Groups*.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Output Tax (for Ordinary Tax)	Tax Accounting	Output Tax	Output Tax (for Ordinary Tax)
Output Tax (for Intracomunity Acquisitions of Goods)	Tax Accounting	Output Tax	Output Tax (for Intracomunity Acquisitions of Goods)
Output Tax (for Foreign Tax)	Tax Accounting	Output Tax	Output Tax (for Foreign Tax)

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

2.4.7.5.6.3 VAT Returns (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When advance returns for VAT and VAT returns are created for the calendar year, the system determines the tax payable or a refund item for the company submitting the VAT return by adding together output tax and input tax. The tax payable or refund is posted by the due date as a payable or receivable respectively.

Recording the Business Transaction

In the [Tax Management](#) work center, you can create a return run. With a return run, the system determines the tax payable to the tax authority or the tax refund eligible from the tax authority for the selected period.

During the return run, the system automatically closes the VAT accounts and the input tax accounts and posts to the tax payable account accordingly. This results in either a tax payable or a tax receivable that you clear by means of a payment run or a tax refund from the tax authority. Once the VAT accounts and the input tax accounts have been closed successfully, the system sets the status of the return run to **Declared**.

- i** When determining a refund item, the receivable to the tax authority does not occur legally until the tax authority approves the return; that is when there is a cash receipt or separate notification. If there is no such approval by the tax authority by the closing key date, there must be an accrual during closing activities.

Posting the Business Transaction

The posting record for this business transaction (tax payable to the tax authority) appears as follows:

Debit **Output Tax**, credit **Input Tax** and **Tax Payable: Product Tax**

The posting record for this business transaction (tax receivable to the tax authority) appears as follows:

Debit **Tax Payable: Product Tax** and **Output Tax**, credit **Input Tax**

During the return run, the system reads all documents entered in the given reporting period and in this way creates a list of all relevant document numbers and accounts to which the tax item was posted. The system totals the amounts on the tax accounts and posts the balance to the account **Tax Payable: Product Tax**.

The account **Tax Payable: Product Tax** is defined in account determination. You **cannot** use account determination groups to further differentiate this account by additional criteria.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

This document deals with determining the account **Tax Payable: Product Tax**.

For information about determining accounts for input tax and output tax, see:

- [Input Tax Entries \[page 117\]](#)

- [VAT Entries \[page 120\]](#)

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Tax Payable: Product Tax	TAX – Taxes

Creating Account Determination Groups

No account determination groups are used for postings relating to tax returns.

Assigning Account Determination Groups

No account determination groups are used for postings relating to tax returns.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Tax Payable: Product Tax	Tax Accounting	Closing	Tax Payable: Product Tax

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7 Fixed Asset Entries

2.4.7.5.7.1 Posting Acquisition (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

The capitalization of fixed assets and their acquisition and production costs is a key process in fixed asset accounting. Acquisition and production costs are usually posted to a fixed asset using a procurement process. In some cases you might need to post these costs directly to a fixed asset outside of any business process.

Recording the Business Transaction

To post fixed asset acquisition manually, the following data is required:

- Fixed assets master data record
- Acquisition and production costs that are to be posted
- Offsetting account in the General Ledger

The business transaction is represented as follows:

- You post manual asset acquisitions in the *Fixed Assets* work center, *Fixed Assets* view with [Manual Posting](#) > *Acquisition*.
- When you save the document, the system posts the acquisition and production costs for the fixed asset and simultaneously updates the corresponding general ledger accounts.

For more information, see [Manual Posting — Acquisition \[page 413\]](#).

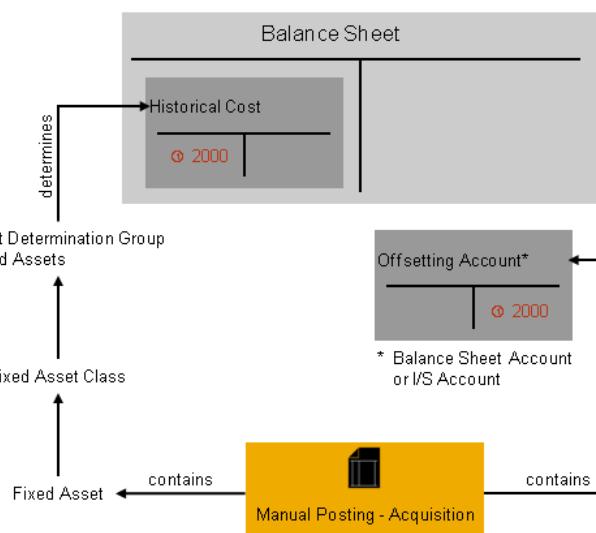
Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Historic Acquisition Costs (Acquisition and production costs)	
	Offsetting Account

You enter the offsetting account for posting asset acquisition manually.

You can refine this posting record using account determination groups, and specify any number of G/L accounts for historic acquisition costs.



Account Determination and Posting Manual Asset Acquisition

- i** The principle behind the posting record mentioned above, also applies to the postings for which the acquisition and production costs of an asset are affected. For example:
- Asset acquisition from a supplier invoice
 - A revaluation posting
 - Transfer or partial transfer of an individual material

Prerequisites

- You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).

- You have created a fixed asset class in configuration

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

(For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Historic Acquisition Costs (Acquisition and production costs)	ASSET – Fixed Assets

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Historic Acquisition Costs (Acquisition and production costs)	Fixed Assets	Groups for Fixed Assets

Note: Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *Account Determination Groups* for fixed assets to your asset classes.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Choose [Edit Fixed Asset Classes](#) and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Historic Acquisition Costs (Acquisition and production costs)	Fixed Assets	Historic Acquisition Costs	Historic Acquisition Costs

Assign the G/L accounts in every account determination profile used.

- i** It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.2 Transfer Postings (Account Determination)

- i** The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

You transfer fixed assets completely and partially at the individual material level. Using manual postings in the [Fixed Assets](#) work center, you can transfer individual materials either partially or completely from one fixed asset to another.

Recording the Business Transaction

You require the following data to make a transfer posting:

- A source fixed asset and the number of the source individual material.
- A target fixed asset or target individual material.
- The amount of the transfer posting for partial transfers.

The business transaction is represented in the system as follows:

- You post transfers manually in the [Fixed Assets](#) work center. Under [Manual Posting](#), you make postings for the [Complete Transfer of an Individual Material](#) or a [Partial Transfer of an Individual Material](#).
- When you save the document, the system posts the transfer posting to the fixed asset and simultaneously updates the corresponding general ledger accounts.

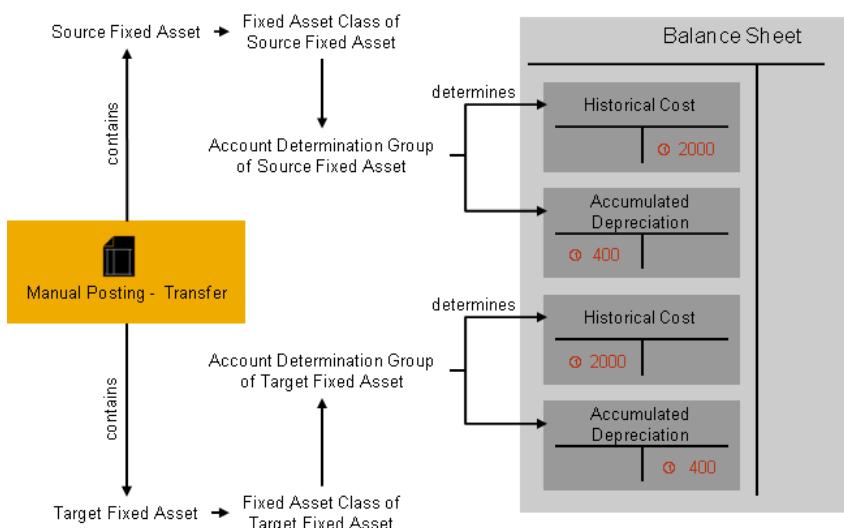
For more information, see [Manual Posting – Complete Transfer of Individual Material \[page 425\]](#) and [Manual Posting – Partial Transfer of Individual Material \[page 427\]](#).

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting records for this business transaction would appear as follows:

Debit	Credit
Historic Acquisition Costs (Acquisition and production costs) (Target fixed asset)	
	Accumulated Depreciation (Target Asset)
Accumulated Depreciation (Source Asset)	
	Historic Acquisition Costs (Acquisition and production costs) (source asset)

You can refine this posting record using account determination groups, which allow you to specify any number of G/L accounts for historic acquisition costs and accumulated depreciation.



Account Determination and Transfer of an Individual Material from a Fixed Asset

Note: The posting described above corresponds to the complete posting of an individual material as well as **indirect** depreciation postings in which value adjustments are displayed in a separate value adjustment account. In the case of **direct** depreciation postings, the adjustments are posted directly to the account for historic acquisition costs.

Process Flow

It is not necessary to define a particular account for the transfer posting. As explained above, a transfer posting transfers the historical acquisition and production costs or the accumulated depreciation of an individual material from one fixed asset to another. The system simultaneously debits or credits G/L accounts determined by the account determination groups in the general ledger.

For more information on how to set up account determination for fixed asset acquisition costs and accumulated depreciation, see [Posting Acquisition \(Account Determination\) \[page 124\]](#) and [Posting Depreciation \(Account Determination\) \[page 147\]](#).

2.4.7.5.7.3 Posting the Sale of Fixed Assets (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

A fixed asset is sold by selling all individual materials assigned to that fixed asset. The full sales transaction is posted in one journal entry for each set of books.

Recording the Business Transaction

You require the following data to post the sale of an individual material:

- Customer number
- Number of the individual material assigned to the fixed asset
- Sales revenue

The business transaction is represented in the system as follows:

- You post the sale of individual materials assigned to a fixed asset in the *Customer Invoicing* work center. In a *New Manual Invoice*, enter the data for the sale of the individual material.
- When you save the document, the system posts the customer receivable and the retirement of the individual material simultaneously.
For more information, see [Sale of Fixed Assets \[page 382\]](#).

Posting the Business Transaction

When an individual material is sold, the system posts the following:

- Historical acquisition and production costs as credit postings in the fixed asset account in the general ledger.
- Accumulated depreciation as debit postings in the accumulated depreciation account in the general ledger.
- The difference between the two amounts as net book value to the account *Book Value at Retirement (Profit or Loss)*.
- The customer receivable for the fixed asset.
- The revenue to the account *Revenue from Asset Retirement (Profit or Loss)*.

i Depending on whether the asset sale results in a profit or loss, the system posts the retiring net book value and the revenue to profit and loss accounts.

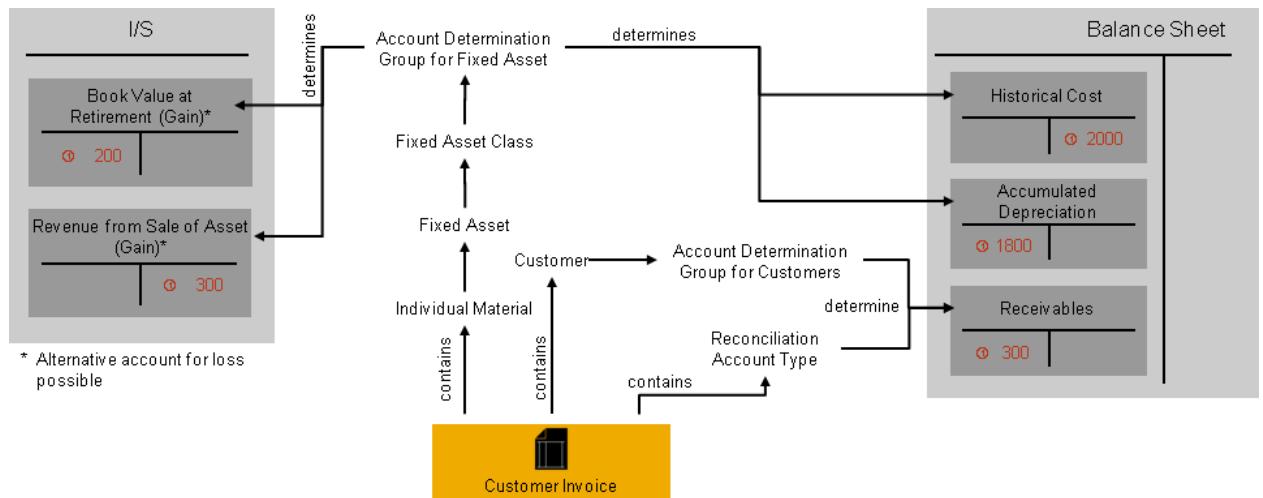
Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Receivables	
	Revenue from Asset Retirement (Profit or Loss)
	Historic Acquisition Costs (Acquisition and production costs)

Debit	Credit
Accumulated Depreciation	
Book Value at Retirement (Profit or Loss)	

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for receivables, historic acquisition costs, and accumulated depreciation. This also applies to the revenue accounts Revenue from Asset Retirement (Profit or Loss) and the expense accounts Book Value at Retirement (Profit or Loss).

i The fixed asset and the fixed asset class are determined from the individual material. The account determination group for the corresponding type of fixed assets in the *Fixed Assets* subledger is assigned to the asset class.



Account Determination and Posting the Sale of a Fixed Asset with Profit

- The posting described above corresponds to **indirect** depreciation postings in which accumulated depreciation is displayed in a separate accumulated depreciation account. In the case of **direct** depreciation postings, the accumulated depreciation is posted directly to the account for historic acquisition costs.
- The posting is portrayed in the above graphic excluding VAT.
- If you use alternative reconciliation accounts, you need to choose the type of reconciliation account manually while entering the business transaction (see also [Reconciliation Accounts](#) [page 88]).

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile](#) [page 84]).
- You have created a fixed asset class in configuration
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

(For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Receivables	ARAP - Payables/Receivables
Historic Acquisition Costs (Acquisition and Production Costs)	ASSET – Fixed Assets
Accumulated Depreciation	ASSET – Fixed Assets
Book Value at Retirement (Profit)	REVGAN – Revenue/Gains
Book Value at Retirement (Loss)	COSEXP – Costs/Expenses
Revenue from Asset Retirement (Profit)	REVGAN – Revenue/Gains
Revenue from Asset Retirement (Loss)	COSEXP – Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Receivables	Accounts Receivables	Groups for Customers
Historic Acquisition Costs (Acquisition and Production Costs)	Fixed Assets	Groups for Fixed Assets
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Book Value at Retirement (Profit)	Fixed Assets	Groups for Fixed Assets
Book Value at Retirement (Loss)	Fixed Assets	Groups for Fixed Assets
Revenue from Asset Retirement (Profit)	Fixed Assets	Groups for Fixed Assets
Revenue from Asset Retirement (Loss)	Fixed Assets	Groups for Fixed Assets

The account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the account determination groups for customers to your customer master records. In the [Account Management](#) work center, choose a customer master data record that you want to edit and then [Financial Data](#) [Payment Data](#). You make assignments for each company.
- Assign the account determination groups for fixed assets to your fixed asset classes. To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Fixed Asset Classes](#) activity from the activity list. Choose [Edit Fixed Asset Classes](#) and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In account determination in your account determination profile, you enter at the following locations the G/L accounts that are to be used automatically:

For G/L Account	In Subledger	On Tab Page	In Field
Receivables	Accounts Receivables	Receivables	Receivables
Historic Acquisition Costs (Acquisition and Production Costs)	Fixed Assets	Historic Acquisition Costs	Historic Acquisition Costs
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Book Value at Retirement (Profit)	Fixed Assets	Fixed Asset Sale/Scraping	Book Value at Retirement (Profit)
Book Value at Retirement (Loss)	Fixed Assets	Fixed Asset Sale/Scraping	Book Value at Retirement (Loss)
Revenue from Asset Retirement (Profit)	Fixed Assets	Fixed Asset Sale/Scraping	Revenue from Asset Retirement (Profit)
Revenue from Asset Retirement (Loss)	Fixed Assets	Fixed Asset Sale/Scraping	Revenue from Asset Retirement (Loss)

- To portray the direct posting of depreciation, specify the same account under *Accumulated Depreciation* as for the *Historic Acquisition Costs*.
- Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.4 Posting Write-Ups (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

A write-up is the reversal of depreciation that was posted in a previous fiscal year.

Recording the Business Transaction

You require the following data to post a write-up:

- A fixed assets master data record
- The write-up amount to be posted

The business transaction is represented in the system as follows:

- You post write-up manually in the *Fixed Assets* work center. Under *Manual Posting*, you post *write-up* with the relevant *depreciation type* (usually **3 – Write-Down**).

- When you save, the write-up on the fixed asset is posted and the corresponding general ledger accounts are posted as well.

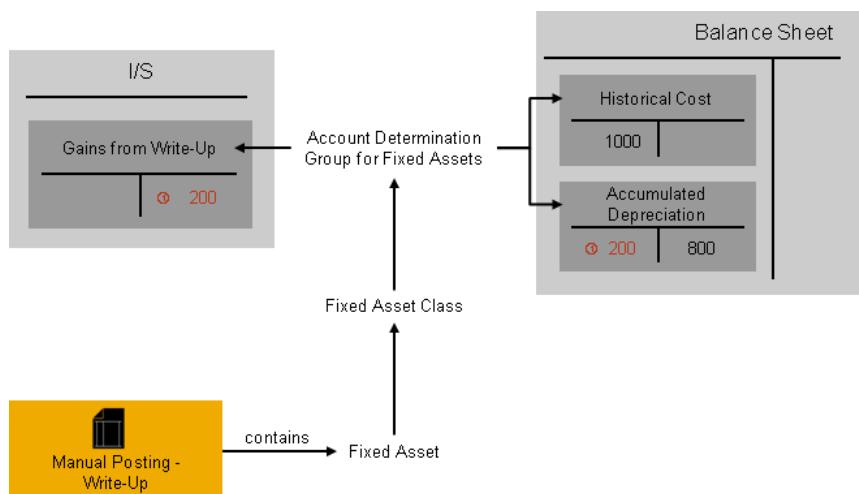
For more information, see [Manual Posting — Write-Up \[page 421\]](#).

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Accumulated Depreciation	
	Revenues from Write-Up

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for accumulated depreciation, and for the Revenues from Write-Up revenue account, if required.



Account Determination and Posting Fixed Asset Write-Up

The posting described above corresponds to **indirect** depreciation postings in which value adjustments are displayed in a separate value adjustment account. In the case of **direct** depreciation postings, the value adjustments are posted directly to the account for historic acquisition costs.

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. For more information, see [Setting Up an Account Determination Profile \[page 84\]](#).
- You have created a fixed asset class in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list. For more information, see [Fixed Asset Classes \[page 404\]](#).

Process Flow

The general process of account determination is described in [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used. The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Accumulated Depreciation	ASSET – Fixed Assets
Revenues from Write-Up	REVGAN – Revenues or Gains

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Revenues from Write-Up	Fixed Assets	Groups for Fixed Assets

The account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *account determination groups* for fixed assets to your asset classes.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Choose *Edit Fixed Asset Classes* and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	Subledger	On Tab Page	In Field
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Revenues from Write-Up	Fixed Assets	Other	Revenues from Write-Up

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.5 Posting Write-Down (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

In the *Fixed Assets* work center, you can use the *manual depreciation* function to post the decrease in value of fixed assets that are depreciated due to damage, technical obsolescence, shifts in demand, or a reduction of replacement costs, as opposed to depreciation due to normal wear and tear. You calculate and post this type of depreciation manually.

Recording the Business Transaction

You require the following data to manually post write-down:

- A fixed assets master data record
- Write-down amount to be posted

The business transaction is represented in the system as follows:

- You post write-down manually in the *Fixed Assets* work center. Under [Manual Posting](#), you post *Manual Depreciation* with the *depreciation type* (3 – Write-Down).
- When you save, the write-down for the fixed asset is posted and the corresponding general ledger accounts are updated.

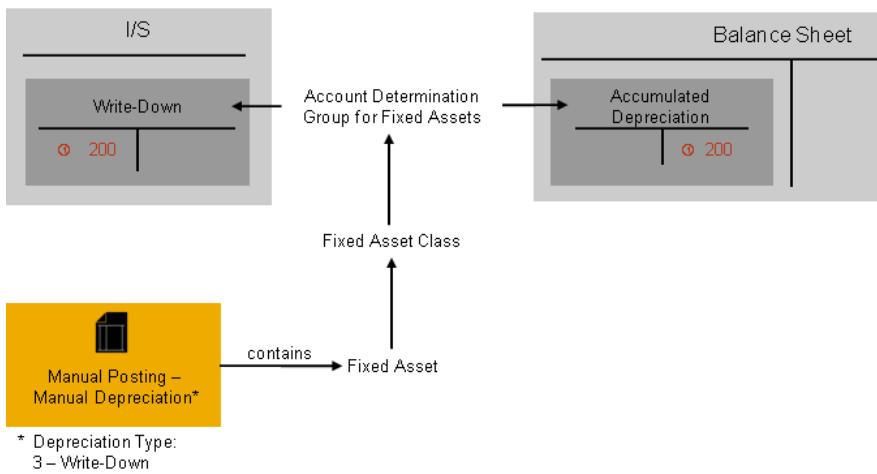
For more information, see [Manual Posting – Write-Down \[page 418\]](#).

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Write-Down	
	Accumulated Depreciation

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for accumulated depreciation, and for the write-Down expense account, if required.



Account Determination and Posting the Write-Down of a Fixed Asset

The posting described above corresponds to **indirect** depreciation postings in which accumulated depreciation is displayed in a separate adjustment account. In the case of **direct** depreciation postings, the accumulated depreciation is posted directly to the account for historic acquisition costs.

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).
- You have created a fixed asset class in configuration
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list. (For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Accumulated Depreciation	ASSET – Fixed Assets
Write-Down	COSEXP — Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Write-Down	Fixed Assets	Groups for Fixed Assets

The account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *Account Determination Groups* for fixed assets to your asset classes.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Choose *Edit Fixed Asset Classes* and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Write-Down	Fixed Assets	Depreciation	Write-Down

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.6 Transfer of Reserves (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Tax laws in some countries allow the option of creating reserves for particular business transactions, such as the sale of undervalued assets. In subsequent years these reserves can be deducted from the acquisition and production costs of fixed assets newly acquired or produced..

You can usually only claim the transfer of reserves for tax purposes if you also do so for local book valuation. Book depreciation is calculated (with complete acquisition and production costs) and the transferred reserves are entered or cleared as special items on the liabilities side of the balance sheet. For book valuation it is not possible to

automatically manage tax-related transfers of reserves with special items. However, you can deduct the reserves directly from the acquisition and production costs..

- i** In accordance with the German Accounting Law Modernization Act (BilMoG), the transfer of reserves is not permitted under commercial law as of January 1, 2010. Instead, you can only declare a transfer of reserves for your tax valuation.

Recording the Business Transaction

You require the following data to post the transfer of reserves:

- A fixed assets master data record
- Amount of reserves to be transferred
- Offsetting account in the General Ledger

The business transaction is represented in the system as follows:

- You post the transfer of reserves in the *Fixed Assets* work center. You enter a [Manual Posting](#) for *Acquisition* with the acquisition and production costs on the credit side.
- When you save the document, the system reevaluates the acquisition and production costs for the fixed asset and simultaneously updates the corresponding general ledger accounts.

For more information, see [Transfer of Reserves. \[page 433\]](#)

Posting the Business Transaction

When reserves are transferred, the system reduces the acquisition and production costs of the fixed asset and the corresponding accounts in the general ledger. You enter the offsetting account manually when posting the transfer of reserves.

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Offsetting Account	
	Historic Acquisition Costs (Acquisition and production costs)

You can refine this posting record using account determination groups, and specify any number of G/L accounts for historic acquisition costs.

Process Flow

You do not have to define a special account assignment to post the transfer of reserves. As shown above, the transfer of reserves reduces the historical acquisition and production costs of a fixed asset. For more information on setting up account determination for the historical acquisition costs of fixed assets, see [Posting Acquisition \(Account Determination\) \[page 124\]](#)

2.4.7.5.7.7 Posting Revaluations (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

The revaluation function enables you to adjust the value of individual fixed assets to the fair market value.

Recording the Business Transaction

To be able to post revaluation, the following data is required:

- A fixed assets master data record
- Fair value amount
- Offsetting account in the general ledger to post revaluation for a valuation view relevant to the general ledger.

The business transaction is represented in the system as follows:

- You post revaluations in the *Fixed Assets* work center by clicking **Manual Posting** and then *Revaluation*.
- When you save, the revaluation for the fixed asset is posted and the corresponding general ledger accounts are posted as well.

For more information, see [Manual Posting — Revaluation \[page 430\]](#).

Posting the Business Transaction

When you reevaluate a fixed asset, the system changes the following values depending on whether the adjustment refers to the acquisition and production costs or the accumulated depreciation:

- The historical acquisition and products costs on the fixed asset account in the General Ledger
- The accumulated depreciation on the adjustment account in the general ledger.

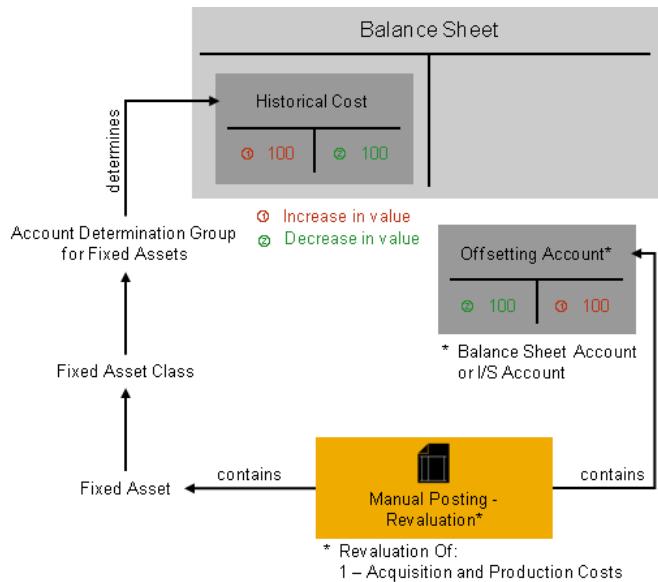
You enter the offsetting account manually when you post the revaluation.

Revaluation of Historical Acquisition and Production Costs

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Historic Acquisition Costs (Acquisition and production costs)	
	Offsetting Account

You can refine this posting record using account determination groups, and specify any number of G/L accounts for historic acquisition costs.



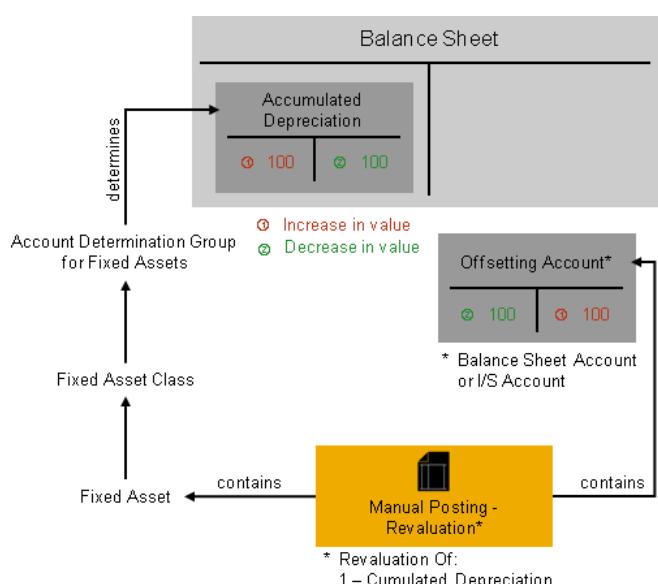
Account Determination and Posting the Revaluation of Acquisition Costs of a Fixed Asset

Revaluation of Accumulated Depreciation

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Offsetting Account	
	Accumulated Depreciation

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for accumulated depreciation.



Account Determination and Posting the Revaluation of Accumulated Depreciation on an Asset

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).
- You have created a fixed asset class in configuration
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list. (For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You do not have to define a special account assignment to post revaluation. As shown above, revaluation adjusts the historical acquisition and production costs or the accumulated depreciation of an asset. At the same time, the system posts to the G/L accounts, determined by the account determination groups, in the general ledger. For more information on how to set up account determination for the historical acquisition and production costs and the accumulated depreciation of fixed assets, see [Posting Acquisition \(Account Determination\) \[page 124\]](#) and [Posting Depreciation \(Account Determination\) \[page 147\]](#).

2.4.7.5.7.8 Posting Retroactive Capitalization (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Retroactive capitalization is the revaluation of a fixed asset for which the acquisition and production costs were set too low in the past.

Recording the Business Transaction

The following data is required:

- A fixed assets master data record
- Acquisition and production costs that are to be posted
- Initial capitalization date

The business transaction is represented as follows:

1. You post retroactive capitalization in the *Fixed Assets* work center, by clicking [Manual Posting](#) and then *Retroactive Capitalization*.

- When you save the document, the system reevaluates the acquisition and production costs for the fixed asset and simultaneously posts to the corresponding general ledger accounts.

For more information, see [Manual Posting — Retroactive Capitalization \[page 423\]](#).

Posting the Business Transaction

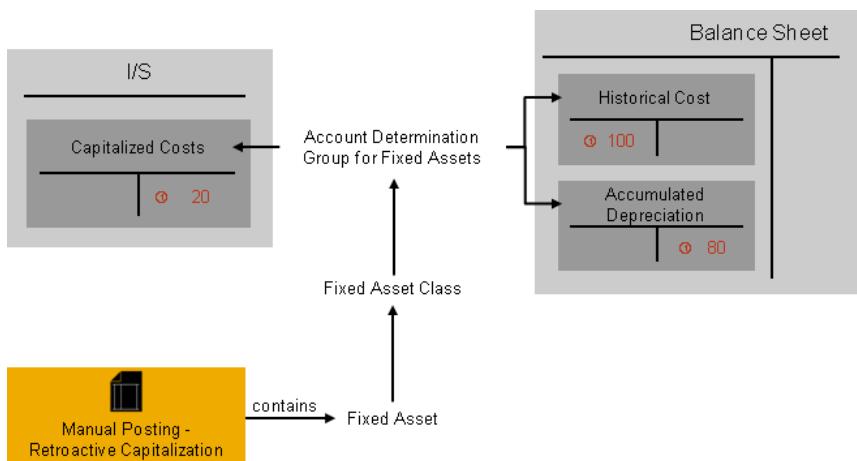
Retroactive capitalization posts the following:

- Historical acquisition and production costs are posted to the fixed asset account in the general ledger.
- Calculated accumulated depreciation for the closed fiscal years are posted to adjustment accounts in the general ledger.
- The difference resulting from the above postings is posted as extraordinary revenue to the Revenue from **Retroactive Capitalization of Fixed Assets** account.

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Historic Acquisition Costs (Acquisition and production costs)	
	Accumulated Depreciation
	Retroactive Capitalization

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for **Historic Acquisition Costs**, **Accumulated Depreciation**, and for the **Retroactive Capitalization** revenue account, if required.



Account Determination and Posting Retroactive Capitalization of a Fixed Asset

The posting described above corresponds to **indirect** depreciation postings in which adjustments are displayed in a separate adjustment account. In the case of **direct** depreciation postings, the accumulated depreciation is posted directly to the account for historic acquisition costs.

Prerequisites

- You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts*, *Financial Reporting Structures*, *Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).

- You have created a fixed asset class in configuration

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

(For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used. The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Historic Acquisition Costs (Acquisition and production costs)	ASSET – Fixed Assets
Accumulated Depreciation	ASSET – Fixed Assets
Retroactive Capitalization	COSEXP – Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Historic Acquisition Costs (Acquisition and production costs)	Fixed Assets	Groups for Fixed Assets
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Retroactive Capitalization	Fixed Assets	Groups for Fixed Assets

Note: Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *account determination groups* for fixed assets to your asset classes. To do this, choose  [Fixed Asset Classes](#)  [Edit Fixed Asset Classes](#) and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Historic Acquisition Costs (Acquisition and production costs)	Fixed Assets	Historic Acquisition Costs	Historic Acquisition Costs

For G/L Account	In Subledger	On Tab Page	In Field
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Retroactive Capitalization	Fixed Assets	Other	Retroactive Capitalization

- To portray the direct posting of depreciation, specify the same account under *Accumulated Depreciation* as for the *Historic Acquisition Costs*.
- Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.9 Posting the Scrapping of an Asset (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Scrapping is the retirement at net book value of an individual material, a fixed asset, or a subasset that can no longer be used.

Recording the Business Transaction

You require the following data to make a scrapping posting:

- Number of the fixed asset of individual material
- Asset retirement date (posting date)

The business transaction is represented in the system as follows:

1. You post the scrapping of an asset in the *Fixed Assets* work center, either for an individual material or for a complete fixed asset. Under *Manual Posting*, you make posting for *Individual Material Scrapping* or *Complete Scrapping*.
2. When you save the document, the system reevaluates the acquisition and production costs for the fixed asset and simultaneously posts to the corresponding general ledger accounts.

For more information, see [Manual Posting — Individual Material Scrapping \[page 415\]](#) and [Manual Posting – Complete Scrapping. \[page 416\]](#)

Posting the Business Transaction

When an asset is scrapped, the system posts the following values:

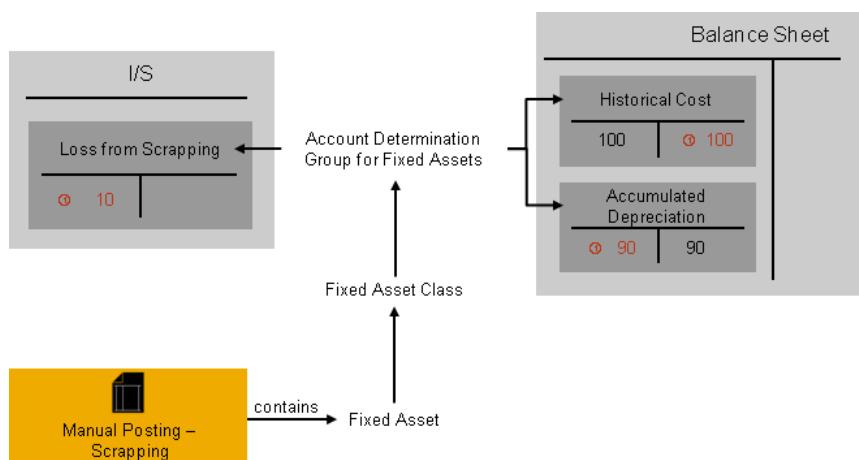
- Acquisition and production costs on the credit side of the fixed asset account in the general ledger.

- Accumulated depreciation on the debit side of the adjustment account in the general ledger.
- Net book value, as the difference between the two values, as expense to a **Loss from Scrapping** account.

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Loss from Scrapping	
Accumulated Depreciation	
	Historic Acquisition Costs (Acquisition and production costs)

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for historic acquisition costs and accumulated depreciation, and for the Loss from Scrapping expense account, if required.



Account Determination and Posting the Scrapping of an Asset

The posting described above corresponds to **indirect** depreciation postings in which accumulated depreciation is displayed in a separate adjustment account. In the case of **direct** depreciation postings, the accumulated depreciation is posted directly to the account for historic acquisition costs.

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).
- You have created a fixed asset class in configuration
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list. (For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used. The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Historic Acquisition Costs (Acquisition and production costs)	ASSET – Fixed Assets
Accumulated Depreciation	ASSET – Fixed Assets
Loss from Scrapping	COSEXP – Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Historic Acquisition Costs (Acquisition and Production Costs)	Fixed Assets	Groups for Fixed Assets
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Loss from Scrapping	Fixed Assets	Groups for Fixed Assets

The account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the [account determination groups](#) for fixed assets to your asset classes.

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Fixed Asset Classes](#) activity from the activity list.

Choose [Edit Fixed Asset Classes](#) and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Historic Acquisition Costs (Acquisition and Production Costs)	Fixed Assets	Historic Acquisition Costs	Historic Acquisition Costs
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Loss from Scrapping	Fixed Assets	Fixed Asset Sale/Scraping	Loss from Scrapping

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.10 Posting Depreciation (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Depreciation on intangible and fixed assets due to usage is calculated and posted as standard by the system. The calculation is based on the depreciation terms defined in the fixed asset master data. The depreciation is posted periodically to the corresponding G/L accounts as part of the depreciation run. You can also determine depreciation yourself by calculating and posting the depreciation amount manually to the corresponding G/L accounts.

Recording the Business Transaction

There are two ways of mapping the business transaction in your system:

- The depreciation amounts are posted to your G/L accounts automatically using periodic depreciation runs.
- You enter depreciation manually in your system.

Posting Depreciation with the Fixed Asset Depreciation Run

You can restrict the depreciation run to a set of books, valuation view, fixed asset class, or a fixed asset.

For more information, see [Fixed Asset Depreciation Run \[page 460\]](#).

Posting Depreciation Manually

You must determine the master data record for the fixed asset and the depreciation amount to be posted. You must also select a depreciation method that permits manual depreciation of an asset.

The business transaction is represented in the system as follows:

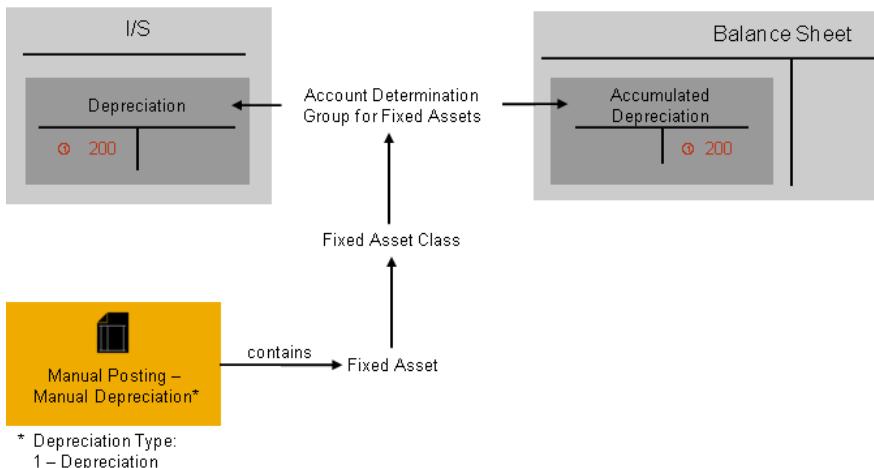
- You post depreciation manually in the [Fixed Assets](#) work center. Under [Manual Posting](#), you post [Manual Depreciation](#) with the [depreciation type \(1 – Depreciation\)](#).
- When you save the document, the system posts the depreciation on the fixed asset and simultaneously updates the corresponding general ledger accounts.
For more information, see [Manual Posting – Manual Depreciation \[page 417\]](#).

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Depreciation	
	Accumulated Depreciation

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for accumulated depreciation, and for the Depreciation expense account, if required.



Account Determination and Posting Depreciation of a Fixed Asset



- The posting described above corresponds to **indirect** depreciation postings (gross amounts) in which adjustments are displayed on a separate account. In the case of **direct** depreciation postings (net amounts), the adjustments are posted directly to the account for historic acquisition costs. We recommend posting depreciation indirectly since fixed asset investments and adjustments on the cash flow statement are inevitable and only by using indirect postings are the depreciation amounts portrayed correctly.
- The principle behind this posting record also applies to the postings for which the depreciation or accumulated depreciation of an asset are affected, such as the revaluation of accumulated depreciation.

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).
- You have created a fixed asset class in configuration
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list. (For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Accumulated Depreciation	ASSET – Fixed Assets
Depreciation	COSEXP — Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Depreciation	Fixed Assets	Groups for Fixed Assets

Note: Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *Account Determination Groups* for fixed assets to your asset classes.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Choose *Fixed Asset Classes* and then *Edit Fixed Asset Classes*, and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

You enter the G/L accounts that are to be used automatically at the following locations in the account determination profile:

For G/L Account	In Subledger	On Tab Page	In Field
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Depreciation	Fixed Assets	Depreciation	Depreciation

- For direct posting of depreciation, specify the same account under *Accumulated Depreciation* as for the *Historic Acquisition Costs*.
- Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.11 Posting Special Depreciation (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

In some countries, such as Germany, tax laws enable you to claim special tax depreciation for certain investments or measures.

The system usually calculates and posts special tax depreciation using depreciation methods. However, you can also specify special tax depreciation individually and post it manually to the corresponding G/L accounts.

Recording the Business Transaction

You require the following data to post special depreciation manually:

- A fixed assets master data record
- Amount of special depreciation to be posted

The business transaction is represented in the system as follows:

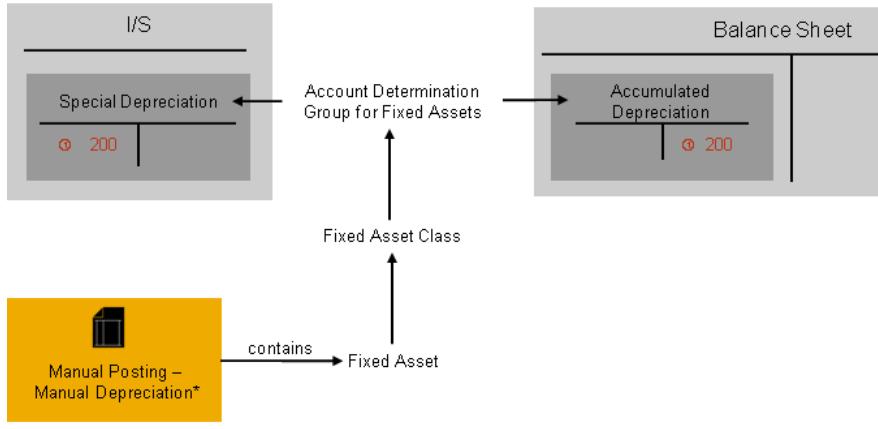
- You post special depreciation manually in the *Fixed Assets* work center. Under [Manual Posting](#), you post *Manual Depreciation* with the *depreciation type (2 – Special Depreciation)*.
- When you save the document, the system posts the special depreciation for the fixed asset and simultaneously posts to the corresponding general ledger accounts.
For more information, see [Manual Posting — Special Depreciation \[page 420\]](#).

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Special Depreciation	
	Accumulated Depreciation

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for accumulated depreciation, and for the Special Depreciation expense account, if required.



Account Determination and Posting Special Depreciation of a Fixed Asset

The posting described above corresponds to **indirect** depreciation postings in which accumulated depreciation is displayed in a separate accumulated depreciation account. In the case of **direct** depreciation postings, the accumulated depreciation is posted directly to the account for historic acquisition costs.

A journal entry is generated as described above for the valuation view relevant only to the general ledger.

Prerequisites

- You have defined an account determination profile.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. (For more information, see [Setting Up an Account Determination Profile \[page 84\]](#)).
- You have created a fixed asset class in configuration
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list. (For more information, see [Fixed Asset Classes \[page 404\]](#)).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections only relate to business transaction-specific processes and settings.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used. The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Accumulated Depreciation	ASSET – Fixed Assets
Special Depreciation	COSEXP — Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Accumulated Depreciation	Fixed Assets	Groups for Fixed Assets
Special Depreciation	Fixed Assets	Groups for Fixed Assets

Note: Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *Account Determination Groups* for fixed assets to your asset classes.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Choose *Edit Fixed Asset Classes* and enter the account determination groups for all the fixed asset classes.

Assigning G/L Accounts

In account determination in your account determination profile, you enter at the following locations the G/L accounts that are to be used automatically:

For G/L Account	Subledger	On Tab Page	In Field
Accumulated Depreciation	Fixed Assets	Depreciation	Accumulated Depreciation
Special Depreciation	Fixed Assets	Depreciation	Special Depreciation

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.
Nevertheless it is recommended that you always specify the account determination group.

2.4.7.5.7.12 Posting Low-Value Assets (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Low-value assets are assets with acquisition and production costs within specific value limits. They are managed in fixed asset accounting and are depreciated completely in the year of acquisition (there is an exception, for example, for Germany).

Low-value assets are managed within the existing fixed asset classes. Thus the account determination for low-value assets does not differ from the account determination for other fixed assets.

Process Flow

Acquisition

Recording the Business Transaction

To record low-value assets whilst ensuring compliance, you need to specify in the system configuration the country-specific limits for asset capitalization, the low-value assets (LVA) for the corresponding accounting principle, and the standard depreciation method used for low-value assets for each valuation view.

The business transaction is represented in the system as follows:

You enter a supplier invoice (with or without reference to a purchase order) in the *Supplier Invoicing* work center. Based on the terms specified in configuration, the system automatically creates a low-value asset in fixed asset accounting and capitalizes it with the acquisition and production costs.

For more information, see [Low-Value Assets \[page 449\]](#) and [Low-Value Assets for Germany \[page 452\]](#).

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Historic Acquisition Costs (Acquisition and production costs)	Payables

You can refine this posting record using account determination groups, which allow you to specify any number of G/L accounts for historic acquisition costs and liabilities.

You do **not** have to define a special account determination for posting the acquisition and production costs of low-value assets. As shown above, the acquisition and production costs of the fixed asset are posted to a payables account when the acquisition is posted. Alternatively, you can manually post the low-value asset from fixed asset accounting with acquisition and production costs. The system simultaneously posts G/L accounts determined by the account determination groups to the general ledger. For more information on setting up account determination for acquisition and production costs of fixed assets, see [Posting Acquisition \(Account Determination\) \[page 124\]](#).

Depreciation

Recording the Business Transaction

As a rule, low-value assets are completely depreciated in the year of acquisition based on the defined depreciation method.

 Different rules apply in Germany.

The business transaction is represented in the system as follows:

- You perform the depreciation run in the *Fixed Assets* work center.
- The system posts the depreciation calculated to the G/L accounts defined in account determination.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Depreciation	Accumulated Depreciation

You can use account determination groups to refine this posting record and to specify any number of G/L accounts for Accumulated Depreciation and for the Depreciation expense account, if required.

The posting described above corresponds to **indirect** depreciation postings in which accumulated depreciation is displayed in a separate accumulated depreciation account. In the case of **direct** depreciation postings, the value adjustments are posted directly to the account for acquisition cost.

You do **not** have to define a special account determination to post the depreciation of low-value assets. As shown above, the acquisition and production costs of the fixed asset are completely posted as depreciation when the depreciation is posted. The system simultaneously posts G/L accounts determined by the account determination groups to the general ledger. For more information on how you set up the account determination of depreciation for fixed assets, see [Posting Depreciation \(Account Determination\) \[page 147\]](#).

Retirement

Recording the Business Transaction

Low-value assets are removed from fixed assets without net book value. There are two ways of mapping the business transaction in the system:

- You can remove a low-value asset from the fixed assets with scrapping. To do this, make the scrapping posting in the *Fixed Assets* work center.
- You can sell a low-value asset. To do this, post a customer invoice and enter the related individual material in the *Customer Invoicing* work center.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit	Credit
Accumulated Depreciation	Historic Acquisition Costs (Acquisition and production costs)

You can refine this posting record using account determination groups, which allow you to specify any number of G/L accounts for historic acquisition costs and accumulated depreciation.

The posting described above corresponds to **indirect** depreciation postings in which accumulated depreciation is displayed in a separate accumulated depreciation account. In the case of **direct** depreciation postings, the value adjustments are posted directly to the account for acquisition and production costs. In this case, **no** document is generated in the general ledger within the retirement posting.

You do **not** have to define a special account determination for posting a retirement of a low-value asset. As shown above, the acquisition and production costs and the accumulated depreciation of the fixed asset is completely posted when the retirement is posted. The system simultaneously posts G/L accounts determined by the account determination groups to the general ledger. For more information on how you set up the account determination for scrapping and sales of fixed assets, see [Posting the Scrapping of an Asset \(Account Determination\) \[page 144\]](#) and [Posting the Sale of Fixed Assets \(Account Determination\) \[page 129\]](#).

2.4.7.5.8 Cost Accounting

2.4.7.5.8.1 Overhead Distribution (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Overhead distribution allocates overhead costs from support cost centers to the primary cost centers for which the costs were incurred. The allocation is based on cause-and-effect criteria that reflect the underlying cost drivers.

Recording the Business Transaction

You perform overhead distribution using a distribution run in the *Cost and Revenue* work center.

- Overhead distribution is based on distribution rules. In a distribution rule, you define which costs you want to allocate to other cost centers and which allocation base is used.
- You enter an account determination group in the distribution rules. The system uses the distribution account stored in that account determination group.
- You have activated the distribution rules and assigned them to the relevant sending cost centers before starting the distribution.
- Start all distributions using the same distribution run at the end of a period. This ensures that all dependencies relevant for the distributions are taken into account.

Posting the Business Transaction

When you specify an account determination group, the business transaction has the posting record:

Debit Distribution, credit Distribution

In addition, the system credits the sender cost center and debits the receiver cost centers with this posting. For each receiver cost center, it creates a credit and a debit line item:

Debit Distribution (subassignment: Receiver Cost Center), credit Distribution (subassignment: Sender Cost Center)

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *Distribution Debit* and *Distribution Credit* and use them for different distributions.

You enter the account determination groups in the distribution rules, and the system uses them to determine the relevant G/L accounts.

i

- We recommend that you create a separate G/L account and a separate account determination group for each type of secondary cost.
- You generally use the same account for the debit and credit postings.
- If you do not specify an account determination group for overhead distribution, the distribution will be based on the original account (primary cost allocation).

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions. You do not need to configure account determination for distributions made to the original account (primary cost allocation).

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Distribution Debit	CSTGEN - Allocated Costs
Distribution Credit	CSTGEN - Allocated Costs

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Distribution Debit	Cost Accounting	Groups for Distribution Rules
Distribution Credit	Cost Accounting	Groups for Distribution Rules



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the account determination groups for distributions to their distribution rules. You can edit the distribution rules in the *Cost and Revenue* work center in the *Master Data and Allocation* view.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Distribution Debit	Cost Accounting	Distribution	Distribution Debit
Distribution Credit	Cost Accounting	Distribution	Distribution Credit

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Overhead Distribution Between Cost Centers \[page 712\]](#)

2.4.7.5.8.2 Overhead Absorption by Projects (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

The purpose of overhead absorption is to allocate overhead costs to cost objects based on cause-and-effect criteria so that sales prices and the period profit can be determined as accurately as possible..

Cost objects to which overhead can be allocated are direct cost projects and overhead cost projects.

Prerequisites for overhead absorption:

- All direct costs have been assigned to the cost objects.
- All consumption of internal services by the cost objects has been recorded.
- All overhead has been allocated to the cost centers that requested the services.
- Overhead rates have been calculated based on the direct costs.

This document concerns overhead absorption by direct cost projects and overhead cost projects. Overhead absorption by other cost objects uses different account determination and is therefore described in other documents.

Recording the Business Transaction

You perform overhead absorption for direct cost projects and overhead cost projects in the *Cost and Revenue* work center in the *Periodic Tasks* view. Choose *Overhead Projects – Overhead Absorption* or *Direct Cost Projects – Overhead Absorption*.

Before performing overhead absorption, you can execute a test run to simulate the results. You can do this for all projects or for individual projects.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction for each overhead rate is as follows:

Debit **overhead rate**, credit **overhead rate**

In addition, the system credits the sender cost center and debits the project with this posting. For each project and overhead rate, it creates a credit and a debit line item:

Debit **overhead rate (subassignment: project)**, credit **overhead rate (subassignment: sender cost center)**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for debiting and crediting overhead rates and to use them for different overhead rates.

You enter the account determination groups for overhead absorption in the overhead rates, from which you can then create overhead rules. You can define assignment rules based on which the system automatically assigns overhead rules to the projects. If you want to change this automatic assignment in individual cases, you can do so in the *Cost and Revenue* work center in the *Projects* view.



- We recommend that you create a separate G/L account and account determination group for each type of overhead rate (such as for material overhead or production overhead) and assign them to the overhead rates.
- Generally, you use the same account for the debit and credit posting.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view.

Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Debit Overhead Rate	CSTGEN - Allocated Costs
Credit Overhead Rate	CSTGEN - Allocated Costs

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Debit Overhead Rate	Cost Accounting	Groups for Overhead Rates
Credit Overhead Rate	Cost Accounting	Groups for Overhead Rates



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the account determination groups for overhead absorption to the overhead rates from which you want to create the overhead rules. You edit the overhead rates in the *Cost and Revenue* work center under **Common Tasks > Edit Overhead Rates**.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Debit Overhead Rate	Costs	Overhead Rates	Overhead Debit
Credit Overhead Rate	Costs	Overhead Rates	Overhead Credit

Assign the G/L accounts in every account determination profile used.



It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

- [Overhead Absorption by Projects \(Account Determination\) \[page 157\]](#)
- [Overhead Absorption by Production Lots \(Account Determination\) \[page 159\]](#)
- [Overhead Absorption by Service Order Items \(Account Determination\) \[page 162\]](#)
- [Overhead Absorption by Cost Objects \[page 718\]](#)

2.4.7.5.8.3 Overhead Absorption by Production Lots (Account Determination)



The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

The purpose of overhead absorption is to allocate overhead costs to cost objects based on cause-and-effect criteria so that inventory values, sales prices, and the period profit can be determined as accurately as possible.

Material and production **overhead** are applied to the **direct costs** of the materials and production. The sum of the material costs, production costs, and special direct costs is the cost of goods manufactured. Administrative overhead and sales overhead are added to the cost of goods manufactured to obtain the cost of goods sold.

Cost objects to which overhead can be allocated are service orders, production lots, direct cost projects, and overhead cost projects.

Prerequisites for a complete and accurate absorption of overhead:

- All direct costs have been assigned to the cost objects.
- All consumption of internal services by the cost objects has been recorded.
- All overhead has been allocated to the cost centers that requested the services.
- Overhead rates have been calculated based on the direct costs.

This document concerns overhead absorption by **production lots**. Overhead absorption by other cost objects uses different account determination and is therefore described in other documents.

Recording the Business Transaction

You perform overhead absorption for production lots in the *Inventory Valuation* work center in the *Periodic Tasks* view. Choose *Production Lots – Overhead Absorption*.

Before performing overhead absorption, you can execute a test run to simulate the results. You can do this for all production lots or for individual lots.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction for each overhead rate is as follows:

Debit **Work in Process**, credit **Overhead Rate**

In addition, the system credits the sender cost center and debits the production lot with this posting. For each production lot and overhead rate, it creates a credit and a debit line item:

Debit **Work in Process (subassignment: production lot)**, credit **Overhead Rate (subassignment: sender cost center)**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **work in process** and **overhead rate credit** and to use them for different materials and overhead rates.

You enter the account determination groups for overhead absorption in the overhead rates, from which you can then create overhead rules. You can define assignment rules based on which the system automatically assigns overhead rules to the production lots. If you want to change this automatic assignment in individual cases, you can do so in the *Inventory Valuation* work center in the *Production Lots* view.

i We recommend that you create a separate G/L account and account determination group for each type of overhead rate (such as for material overhead or production overhead) and assign them to the overhead rates.

You enter the **account determination groups for materials** in the material master records. These account determination groups determine the accounts for **work in process**.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Work in Process	INVWIP - Inventory
Credit Overhead Rate	CSTGEN - Allocated Costs

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Work in Process	Costs	Groups for Materials
Credit Overhead Rate	Costs	Groups for Overhead Rates



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for overhead absorption** to the overhead rates from which you want to create the overhead rules. You edit the overhead rates in the *Cost and Revenue* work center under **Common Tasks > Edit Overhead Rates**.

Assign the **account determination groups for materials** to your materials. You edit the materials in the *Product Data* or *Inventory Valuation* work centers.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Work in Process	Inventory	Inventory	Work in Process
Credit Overhead Rate	Costs	Overhead Consumption	Overhead Credit

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Overhead Absorption by Projects \(Account Determination\) \[page 157\]](#)

[Overhead Absorption by Production Lots \(Account Determination\) \[page 159\]](#)

[Overhead Absorption by Service Order Items \(Account Determination\) \[page 162\]](#)

[Overhead Absorption by Cost Objects \[page 718\]](#)

2.4.7.5.8.4 Overhead Absorption by Service Order Items (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

The purpose of overhead absorption is to allocate overhead costs to cost objects based on cause-and-effect criteria so that inventory values, sales prices, and the period profit can be determined as accurately as possible.

Material and production **overhead**, as well as special **direct costs**, are applied to the direct costs of the materials and production. The sum of the material costs, production costs, and special direct costs is the cost of goods manufactured. Administrative overhead and sales overhead are added to the cost of goods manufactured to obtain the cost of goods sold.

Cost objects to which overhead can be allocated are service order items, production lots, direct cost projects, and overhead cost projects.

Prerequisites for a complete and accurate absorption of overhead:

- All direct costs have been assigned to the cost objects.
- All consumption of internal services by the cost objects has been recorded.
- All overhead has been allocated to the cost centers that requested the services.
- Overhead rates have been calculated based on the direct costs.

This document concerns overhead absorption by **service order items**. Overhead absorption by other cost objects uses different account determination and is therefore described in other documents.

Recording the Business Transaction

You perform overhead absorption for service order items in the *Cost and Revenue* work center in the *Periodic Tasks* view. Choose *Service Orders – Overhead Absorption*.

Before performing overhead absorption, you can execute a test run to simulate the results. You can do this for all service orders or for individual service orders.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction for each overhead rate is as follows:

Debit **overhead rate**, credit **overhead rate**

In addition, the system credits the sender cost center and debits the service order item with this posting. For each service order item and overhead rate, it creates a credit and a debit line item:

Debit **overhead rate (subassignment: service order item)**, credit **overhead rate (subassignment: sender cost center)**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts.

You enter the account determination groups for overhead absorption in the overhead rates, from which you can then create overhead rules. You can define assignment rules based on which the system automatically assigns overhead rules to the projects. If you want to change this automatic assignment in individual cases, you can do so in the *Cost and Revenue* work center in the *Sales Document Items* view.

i We recommend that you create a separate G/L account and account determination group for each type of overhead rate (such as for material overhead or production overhead) and assign them to the overhead rates.

Prerequisites

You have defined an account determination profile.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Debit Overhead Rate	CSTGEN - Allocated Costs
Credit Overhead Rate	CSTGEN - Allocated Costs

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
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Debit Overhead Rate	Costs	Groups for Overhead Rates
Credit Overhead Rate	Costs	Groups for Overhead Rates



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *account determination groups for overhead absorption* to the overhead rates from which you want to create the overhead rules. You edit the overhead rates in the *Cost and Revenue* work center under *Common Tasks > Edit Overhead Rates*.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Debit Overhead Rate	Costs	Overhead Rates	Overhead Debit
Credit Overhead Rate	Costs	Overhead Absorption	Credit Overhead Rate

Assign the G/L accounts in every account determination profile used.



It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

- [Overhead Absorption by Projects \(Account Determination\) \[page 157\]](#)
- [Overhead Absorption by Production Lots \(Account Determination\) \[page 159\]](#)
- [Overhead Absorption by Service Order Items \(Account Determination\) \[page 162\]](#)
- [Overhead Absorption by Cost Objects \[page 718\]](#)

2.4.7.5.8.5 Material Input in Production (Account Determination)



The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Employees working in production confirm the amount of materials and resources used for a production lot. They do this by completing production tasks.

The material input entered is taken from warehouse inventory and debits the production lots.

Recording the Business Transaction

You have the following options for accomplishing the production tasks assigned to the employees:

- Each employee can access the tasks in their *Home* work center in the *Work* view and in the *Task Overview* subview.
- The production employee can access the tasks in the special *Execution* work center, where the tasks are sorted into different folders.
- The production planner can distribute the tasks to employees and folders by calling the tasks in the *Production Planning* work center.

As soon as the employee confirms one of these tasks, the system creates a production confirmation.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Work in Process (subassignment: Production Lot)**, credit **Warehouse Inventory**

For the posting, the system debits the receiving production lot.

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **work in process** and **warehouse inventory** and to use them for different products in production and input products.

You enter the **account determination groups for materials** in the material master data, and the system uses the account determination group of the product in production and of the input products to determine the relevant G/L accounts for **work in process** and **warehouse inventory**.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view.

Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions. You do not need to configure account determination for distributions made to the original account (primary cost allocation).

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Warehouse Inventory	INIWIP - Inventory
Work in Process	INIWIP - Inventory

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Warehouse Inventory	Inventory Accounting	Groups for Materials
Work in Process	Inventory Accounting	Groups for Materials



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for materials** to their material master records.

You can access this view from the *Inventory Valuation* work center under *Materials*. You can edit the material master records. Go the *Valuation* tab page in a material master record.

You make a separate assignment for each company and business residence. The system then derives the business residence from the sales organization specified in the sales order.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Warehouse Inventory	Inventory Accounting	Inventory	Warehouse Inventory
Work in Process	Inventory Accounting	Inventory	Work in Process

Assign the G/L accounts in every account determination profile used.



It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Automatic Account Determination \[page 82\]](#)

[Business Configuration of Account Determination for a Business Transaction \[page 86\]](#)

2.4.7.5.8.6 Resource Consumption in Production (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Employees working in production confirm the amount of materials and resources used for a production lot. They do this by completing production tasks.

To confirm the resources consumed, they enter the resource used and the duration for which it was used. The resource consumption entered debits the production lots of the assigned production orders and credits the cost centers of the resources.

Recording the Business Transaction

You have the following options for accomplishing the production tasks assigned to the employees:

- Each employee can access the tasks in their *Home* work center in the *Work* view and in the *Task Overview* subview.
- The production employee can access the tasks in the special *Execution* work center, where the tasks are sorted into different folders.
- The production planner can distribute the tasks to employees and folders by calling the tasks in the *Production Planning* work center.

As soon as the employee confirms one of these tasks, the system creates a production confirmation.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Work in Process**, credit **Credit from Activity Allocation**

With the posting, the system additionally credits the cost center of the resource and debits the receiving production lot. For each production lot, it creates a credit and a debit line item:

Debit **Work in Process (subassignment: Production Lot)**, credit **Credit from Activity Allocation (subassignment: Cost Center)**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **work in process** and **debits from activity allocation** and to use them for different materials and services.

You enter the **account determination groups for materials** in the material master data, and the system uses the account determination group of the product to determine the relevant G/L account for **work in process**.

You enter the **account determination groups for services** in the service master data, and the system uses the account determination group of the service used to determine the relevant G/L account for **credits from activity allocation**.



- Specifying a service in the confirmation is optional. If the employee does not specify a service, the system uses the **standard account determination group *****.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions. You do not need to configure account determination for distributions made to the original account (primary cost allocation).

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Credit from Service Allocation	CSTGEN – Allocated Costs
Work in Process	INVVIP - Inventory

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Credit from Service Allocation	Cost Accounting	Groups for Services
Work in Process	Inventory Accounting	Groups for Materials



- Note that the account determination groups can apply to different charts of accounts.
- Specifying a service in the confirmation is optional. If the employee does not specify a service, the system uses the **standard account determination group *****.

Assigning Account Determination Groups

- Assign the **account determination groups for materials** to their material master records.

You can access this view from the *Inventory Valuation* work center under *Materials*. You can edit the material master records. Go the **Valuation** tab page in a material master record.

You make a separate assignment for each company and business residence. The system then derives the business residence from the sales organization specified in the sales order.

- Assign the **account determination groups for services** to your service master records.

You can access this view from the *Product Data* work center under *Services*. You can edit the material master records. Go the Valuation tab page in a material master record.

You make a separate assignment for each company.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Credit from Service Allocation	Cost Accounting	Service	Credit from Service Allocation
Work in Process	Inventory Accounting	Inventory	Work in Process

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Automatic Account Determination \[page 82\]](#)

[Business Configuration of Account Determination for a Business Transaction \[page 86\]](#)

2.4.7.5.8.7 Reporting Time Worked on Projects and Project Tasks (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Internal and external employees report their working time for projects in time sheets. The entered times are debited to the projects and credited to the master cost centers for the employees.

Recording the Business Transaction

You can access the time sheet in the following ways:

- Each employee can access the time sheet in their *Home* work center in the *Self-Services* view and in the *Self-Services Overview* subview.
- Each project member can access the time sheet in the *Project Team* work center in the *Common Tasks* under *Time Recording*.
- To report all entered time centrally, the employee responsible can access the time sheet in the *Time Administration* work center in the *Typical Tasks* view.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Debit from Service Allocation**, credit **Credit from Service Allocation**

With the posting, the system also credits the cost center for the resource that the employee represents and debits the project/project task received. For each project/project task, it creates a credit and a debit line item:

Debit Debit from Service Allocation (subassignment: Project/Project Task), credit Credit from Service Allocation (subassignment: sending cost center)

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **debts from activity allocation** and **credits from activity allocation** and to use them for different services.

You enter the account determination groups in the service master data, and the system uses them to determine the relevant G/L account.

Prerequisites for Configuring Account Determination

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Debit from Service Allocation	CSTGEN - Allocated Costs
Credit from Service Allocation	CSTGEN - Allocated Costs

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Debit Debit from Service Allocation , credit Credit from Service Allocation	Cost Accounting	Groups for Services



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for services** to your service master records. You can edit the service master records in the ► *Product Data* ► *Services* ▶ view or in the ► *Cost and Revenue* ► *Master Data* ▶ view.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Debit from Service Allocation	Cost Accounting	Service	Debit from Service Allocation
Credit from Service Allocation	Cost Accounting	Service	Credit from Service Allocation

Assign the G/L accounts in every account determination profile used.



It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Automatic Account Determination \[page 82\]](#)

[Business Configuration of Account Determination for a Business Transaction \[page 86\]](#)

2.4.7.5.9 Revenue Recognition

2.4.7.5.9.1 Customer Invoices Without Revenue Deferral (Account Determination)



The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Customers are normally invoiced after the materials or services have been delivered. A customer invoice represents a legal claim against the customer.

When customer invoices are posted, the system makes a distinction between two types:

- Posting with revenue deferral
- Posting without revenue deferral

Revenue deferral is mandatory for most companies since it is required by the most important accounting principles (such as IFRS or US GAAP). System settings can be made so that revenue deferral is performed automatically.

It is possible to override this automatic function if you do not need to defer revenue or if the order volume is low enough to enable you to defer revenue manually. This can be the case in the following situations:

- All sales are paid in cash
- Materials and services are always delivered in the same period in which they are invoiced

This document describes how deliveries are posted **without** revenue deferral.

Recording the Business Transaction

You create customer invoices in the *Customer Invoicing* work center. You have the following options:

- Create invoices **manually** in the *Items to be Invoiced* view.
- Generate invoices **automatically** in the *Invoice Runs* view.
- Create invoices **manually** under *Common Tasks* without reference to a preceding document.

If you create invoices from the list of items to be invoiced or with an invoice run, ensure that **no** accrual method is assigned to the sales order item. Invoices that relate to sales order items **with** an accrual method are always posted by the system **with** revenue deferral.

Invoices without reference to a preceding document are always posted by the system without revenue deferral.

Posting the Business Transaction

Disregarding tax postings and any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit Receivables, Sales Discounts, credit Sales Revenues, Freight Revenue

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for receivables, discounts, sales revenue, and freight revenue and use them for different customers or products (materials or services).

The system selects the **account determination group for customers** based on the customer master record.

The system selects the **account determination group for materials** based on the material master record.

The system selects the **account determination group for services** based on the service master record.

These account determination groups enable you to group **sales revenue, discounts, and freight revenue** for similar types of customers or products (materials or services) and post these amounts to common accounts.

Together with the **type of reconciliation account**, the account determination group for the customer also determines the **receivables** account.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Receivables	AR – Receivables
Sales Revenue	REVGAN – Revenues or Gains
Revenue from Freight Charges	REVGAN – Revenues or Gains
Discounts	REVGAN – Revenues or Gains

Creating Account Determination Groups

Create account determination groups in the specified subledgers:

G/L Account	Differentiated in Subledger	By Group
Receivables	Accounts Receivable Ledger	Groups for Customers
Sales Revenue	Revenue Accounting Inventory Costs	Groups for Customers Groups for Materials Groups for Services
Revenue from Freight Charges	Revenue Accounting Inventory Costs	Groups for Customers Groups for Materials Groups for Services
Discounts	Revenue Accounting Inventory Costs	Groups for Customers Groups for Materials Groups for Services



- Note that the account determination groups can apply to different charts of accounts.
- If you want to additionally differentiate the receivables account by type of receivable (such as normal receivables and doubtful receivables), create the corresponding reconciliation account types. To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list. Choose *Reconciliation Account Type*.

Assigning Account Determination Groups

- Assign the **account determination group for customers** to the customer master records. You can access this view from the *Account Management* work center under *Accounts*. You can edit the customer master records. Go to the Financial Data tab page in a customer master record and to the Payment Data tab page therein.
You make a separate assignment for each company.
- Assign the **account determination groups for materials** to their material master records. You can access this view from the *Inventory Valuation* work center under *Materials*. You can edit the material master records. Go the Valuation tab page in a material master record.
You make a separate assignment for each company and business residence. The system then derives the business residence from the sales organization specified in the sales order.
- Assign the **account determination groups for services** to your service master records. You can access this view from the *Product Data* work center under *Services*. You can edit the material master records. Go the Valuation tab page in a material master record.
You make a separate assignment for each company.

Assigning G/L Accounts

In your account determination profile, you assign the numbers of the G/L accounts that are to receive automatic postings to account determination groups at the following locations:

For G/L Account	In Subledger	On Tab Page	In Field
Receivables	Accounts Receivable Ledger	Receivables	Receivables
Sales Revenue	Revenue Accounting	Revenue	Sales Revenue
Revenue from Freight Charges	Revenue Accounting	Revenue	Revenue from Freight Charges
Discounts	Revenue Accounting	Revenue	Discounts

Assign the G/L accounts in every account determination profile used.

You can differentiate the **Sales Revenue**, **Freight Revenue**, and **Discounts** accounts by customer and by product (materials or services).

On the *Revenues* tab, select *Materials* or *Service* and then enter an account determination group for customers, materials, or services.

You can differentiate the account for **receivables** by customer, or additionally by **reconciliation account type**.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

See Also

[Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)

[Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)

[Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)

[Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)

[Revenue Deferral and Revenue Recognition for Sales Order Items \[page 755\]](#)

2.4.7.5.9.2 Deliveries Without Revenue Deferral (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When you sell goods to your customers, a warehouse employee confirms the completion of the corresponding picking and dispatching tasks, and the withdrawal from stock is posted.

When outbound deliveries are posted, the system makes a distinction between two types:

- Posting with revenue deferral
- Posting without revenue deferral

Revenue deferral is mandatory for most companies since it is required by the most important accounting principles (such as IFRS or US GAAP). System settings can be made so that revenue deferral is performed automatically.

It is possible to override this automatic function if you do not need to defer revenue or if the order volume is low enough to enable you to defer revenue manually. This can be the case in the following situations:

- All sales are paid in cash
- Products and services are always delivered in the same period in which they are invoiced

Posting outbound deliveries **without** revenue deferral is dealt with here.

Recording the Business Transaction

You have the following options for accomplishing the picking and dispatching tasks assigned to the employees:

- Each employee can access the tasks in their *Home* work center in the *Work* view and in the *Task Overview* subview.
- The warehouse employee can access the tasks in the special *Execution* work center, where the tasks are sorted into different folders.
- The warehouse planner can distribute the tasks to employees and folders by calling the tasks in the *Goods Issue* work center.

As soon as the employee confirms completion of the picking and dispatching tasks, the system creates an outbound delivery.

If you create the outbound delivery with a reference to a sales order, ensure that **no** accrual method is assigned to that sales order. Deliveries that relate to sales orders **with** an accrual method are always posted by the system **with** revenue deferral.

Deliveries without a reference to a preceding document are always posted by the system **without** revenue deferral.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Cost of Goods Sold**, credit **Inventory**

You can refine this posting by means of account determination groups, which allow you to specify any number of G/L accounts for **Warehouse Inventory** and **Cost of Goods Sold** and use them for different materials.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Warehouse Inventory	INVVIP - Inventory
Expenses	COSEXP – Costs/Expenses

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Warehouse Inventory	Inventory	Account Determination Groups for Materials
Expenses	Inventory	COSEXP – Costs/Expenses



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for materials** to their material master records.

You can access this view from the *Inventory Valuation* work center under *Materials*. You can edit the material master records. Go the Valuation tab page in a material master record.

You make a separate assignment for each company and business residence. The system then derives the business residence from the sales organization specified in the sales order.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Warehouse Inventory	Inventory	Inventory	Warehouse Inventory
Expenses	Inventory	Gains and Losses	Material Consumption

Assign the G/L accounts in every account determination profile used.



It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)

[Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)

[Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)

[Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)

[Revenue Deferral and Revenue Recognition for Sales Order Items \[page 755\]](#)

2.4.7.5.9.3 Customer Invoices with Revenue Deferral (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

Customers are normally invoiced after delivery. There are two types of posting for customer invoices:

- Posting with revenue deferral
- Posting without revenue deferral

Revenue deferral is mandatory for most companies since it is required by accounting principles such as IFRS or US GAAP. System settings can be made so that revenue deferral is performed automatically.

It is possible to override this automatic function if you do not need to defer revenue or if the order volume is low enough to enable you to defer revenue manually. This can be the case in the following situations:

- All sales are paid in cash
- Products and services are always delivered in the same period in which they are invoiced

This document describes how customer invoices are posted **with** revenue deferral.

Recording the Business Transaction

You create customer invoices in the *Customer Invoicing* work center. When you create invoices from the list of items to be invoiced or with an invoice run, ensure that an accrual method is assigned to the sales order. Invoices that relate to sales orders with an accrual method are always posted by the system **with** revenue deferral.

Invoices without reference to a preceding document are always posted by the system **without** revenue deferral.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups and tax postings, the posting record for this business transaction would appear as follows:

Debit **Receivables**, credit **Deferred Net Value**

The system posts all revenue elements to the same account, **Deferred Net Value** (including gross revenue, sales discounts, and freight revenue). The revenue recognition run posts the revenue elements to individual revenue element accounts.

You can refine this posting by means of account determination groups, which allow you to specify any number of G/L accounts for **Receivables** and **Deferred Net Value** and use them for different customers.

Based on the customer master record, the system determines the **account determination group for customers** in the **Accounts Receivable** ledger. This account determination group allows you to group receivables against similar customers and post them to the same accounts.

The customer's account determination group also determines the account for **Deferred Net Value**. It is currently not possible to differentiate the deferred net value by product.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Receivables	ARAP - Payables/receivables
Deferred Net Value	ACLEAR - Accruals/Clearing

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Receivables	Accounts Receivable Ledger	Account Determination Groups for Customers
Deferred Net Value	Accounts Receivable Ledger	Account Determination Groups for Customers



- Both G/L accounts are differentiated by the same account determination group.
- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination group for customers** to the customer master records.

You can access this view from the *Account Management* work center under *Accounts*. You can edit the customer master records. Go to the *Financial Data* tab page in a customer master record and to the *Payment Data* tab page therein.

You make a separate assignment for each company.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Receivables	Accounts Receivable Ledger	Receivables	Receivables
Deferred Net Value	Revenue Accounting	Revenue Deferral	Deferred Net Value

Assign the G/L accounts in every account determination profile used.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

See Also

[Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)

[Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)

[Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)

[Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)

[Revenue Deferral and Revenue Recognition for Sales Order Items \[page 755\]](#)

2.4.7.5.9.4 Deliveries with Revenue Deferral (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

When you sell goods to your customers, a warehouse employee confirms the completion of the corresponding picking and dispatching tasks, and the withdrawal from stock is posted.

When outbound deliveries are posted, the system makes a distinction between two types:

- Posting with revenue deferral
- Posting without revenue deferral

Revenue deferral is mandatory for most companies since it is required by the most important accounting principles (such as IFRS or US GAAP). System settings can be made so that revenue deferral is performed automatically.

It is possible to override this automatic function if you do not need to defer revenue or if the order volume is low enough to enable you to defer revenue manually. This can be the case in the following situations:

- All sales are paid in cash
- Products and services are always delivered in the same period in which they are invoiced

This document describes how deliveries are posted **with** revenue deferral.

Recording the Business Transaction

You have the following options for accomplishing the picking and dispatching tasks assigned to the employees:

- Each employee can access the tasks in their *Home* work center in the *Work* view and in the *Task Overview* subview.
- The warehouse employee can access the tasks in the special *Execution* work center, where the tasks are sorted into different folders.
- The warehouse planner can distribute the tasks to employees and folders by calling the tasks in the *Goods Issue* work center.

As soon as the employee confirms completion of the picking and dispatching tasks, the system creates an outbound delivery.

If you create the delivery with a reference to a sales order, make sure that an accrual method is assigned to the sales order. Deliveries that relate to sales orders **with** an accrual method are always posted by the system **with** revenue deferral.

Deliveries without a reference to a preceding document are always posted by the system **without** revenue deferral.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Deferred Cost of Goods Sold**, credit **Warehouse Inventory**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for **warehouse inventory** and to use them for different materials.

The **Deferred Cost of Goods Sold** account is always the same.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Deferred Cost of Goods Sold	ACLEAR - Accruals/Clearing
Warehouse Inventory	INWWIP - Inventory

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Warehouse Inventory	Inventory	Account Determination Groups for Materials



- The **Deferred Cost of Goods Sold** account cannot be differentiated by account determination group.
- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the **account determination groups for materials** to their material master records.

You can access this view from the [Inventory Valuation](#) work center under [Materials](#). You can edit the material master records. Go the [Valuation](#) tab page in a material master record.

You make a separate assignment for each company and business residence. The system then derives the business residence from the sales organization specified in the sales order.

Assigning G/L Accounts

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Deferred Cost of Goods Sold	Revenue Accounting	Revenue Deferral	Deferred Cost of Goods Sold
Warehouse Inventory	Inventory	Inventory	Warehouse Inventory

Assign the G/L accounts in every account determination profile used.

The **Deferred Cost of Goods Sold** account cannot be differentiated by account determination group.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for a **specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

See Also

[Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)

[Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)

[Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)

[Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)

[Revenue Deferral and Revenue Recognition for Sales Order Items \[page 755\]](#)

2.4.7.5.9.5 Revenue Recognition After Delivery and Invoice (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

If the sales order item specifies an accrual method, the system posts a revenue deferral both at the point of delivery and at the point of invoicing. You can reset these deferrals with a **revenue recognition run**.

The description of the revenue recognition postings in this document assumes that both the delivery and the invoice have been recorded.

Recording the Business Transaction

You start the revenue recognition run (or schedule it to be run at a future time) in the *Cost and Revenue* work center in the *Revenue Recognition* subview of the *Periodic Tasks* view.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

- Debit **Deferred Net Value**, credit **Sales Revenue** (and further revenue elements)
- Debit **Expense**, credit **Deferred Costs**

You can refine this posting by means of account determination groups, which allow you to specify any number of G/L accounts for **Deferred Net Value**, **Sales Revenue**, and **Expense** and use them for different customers.

The **Deferred Costs** account is always the same.



The deferral of customer returns is handled similarly to the deferral of revenue. Account determination for customer returns is described in this document as well.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The accounts must belong to the following account types:

For G/L Account	Account Type
Deferred Net Value	ACLEAR – Accruals or Clearing
Sales Revenue	REVGAN - Revenue
Deferred Costs	ACLEAR – Accruals or Clearing
Expense	COSEXP – Costs/Expenses
Deferral of returns: Deferred Returns Values	ACLEAR – Accruals or Clearing

Creating Account Determination Groups

Create account determination groups in the specified subledgers:

G/L Account	Differentiated in Subledger	By Group
Deferred Net Value	Sales	Groups for Customers
Sales Revenue	Sales Sales Inventory Costs	Groups for Customers Groups for Entitlements Groups for Materials Groups for Services
Expense	Inventory Costs Costs	Groups for Materials Groups for Services Groups for General Expenses
Deferral of returns: Deferred Returns Values	Sales	Groups for Customers



- Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the **account determination group for customers** to the customer master records. You can edit the customer master records in the *Account Management* work center. Go to the *Financial Data* tab page in a customer master record and to the *Payment Data* tab page therein. You make a separate assignment for each company.
- Assign the **account determination groups for materials** to their material master records. You can edit the material master records in the *Product Data* work center in the *Material* view or in the *Inventory Valuation* work center in the *Master Data* view. The system then derives the business residence from the sales organization specified in the sales order.
- Assign the **account determination groups for services** to your service master records. You can edit the service master records in the *Product Data* work center. In the service master record, go to the *Valuation* tab page. You make a separate assignment for each company.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Deferred Net Value	Sales	Revenue Recognition – Deferrals	Deferred Net Value
Sales Revenue	Sales	Revenues	Sales Revenue
Deferred Costs	Sales	Revenue Recognition – Deferrals	Deferred Costs
Expenses	Inventory Costs Costs	Gains and Losses Service General Expenses	Material Consumption Debit for Internal Service/Expenses for External Service General Expenses
Deferral of returns: Deferred Returns Values	Sales	Revenue Recognition – Deferrals	Deferred Sales Returns

Assign the G/L accounts in every account determination profile used.

You can differentiate the *Deferred Net Value* and *Deferred Return Values* accounts by customer.

You can differentiate the *Expense* account by product (materials or services) or by directly entered Account Determination Group for General Expense.

You can differentiate the *Sales Revenue* account by customer and by product (materials, services, or entitlement). On the *Revenues* tab, select *Materials*, *Service*, or *entitlement*.

You cannot use account determination groups to differentiate the *Deferred Costs* account.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

See Also

[Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)

[Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)

[Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)

[Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)

[Revenue Deferral and Revenue Recognition for Sales Order Items \[page 755\]](#)

2.4.7.5.9.6 Revenue Recognition After Delivery Without Invoice (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

If the sales order item specifies an accrual method, the system posts a revenue deferral both at the point of delivery and at the point of invoicing.

You can reset these deferrals with a **revenue recognition** run.

This document describes the revenue recognition postings under the following conditions:

- The delivery has been posted, but not the invoice.
- The accrual method **2 - Recognize at point of delivery** or **4 - Reverse deferrals and accruals** has been automatically or manually assigned to the sales order.

Recording the Business Transaction

You start the revenue recognition run (or schedule it to be run at a future time) in the **Cost and Revenue** work center in the **Revenue Recognition** subview of the **Periodic Tasks** view.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Expense**, credit **Deferred Costs**

Debit **Unbilled Receivables**, credit **Sales Revenue**

You can further refine this posting record by means of account determination groups:

- You can differentiate the **Expense** account by means of account determination groups for materials, services, or general expenses.
- You cannot differentiate the **Deferred Costs** account. It is always the same account.
- You can differentiate the **Unbilled Receivables** account by means of account determination groups for customers.
- You can differentiate the **Sales Revenue** account by means of account determination groups for customers and account determination groups for materials, services, or entitlement.

The system selects the account determination groups as follows:

- The account determination group for **customers** is selected based on the customer master record.
- The account determination group for **materials** is selected based on the material master record.
- The account determination group for **services** is selected based on the service master record.
- The account determination group for **entitlements** is selected based on the entitlement master record.



The deferral of customer returns is handled similarly to the deferral of revenue. Account determination for customer returns is described in this document as well.

Prerequisites

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Process Flow

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Unbilled Receivables	ACLEAR – Accruals or Clearing
Sales Revenue	REVGAN – Revenues or Gains

For G/L Account	Account Type
Deferred Costs	ACLEAR – Accruals or Clearing
Expense	COSEXP – Costs/Expenses
Deferral of returns: Accrued Sales Returns	ACLEAR – Accruals or Clearing

Creating Account Determination Groups

Create account determination groups in the specified subledgers:

G/L Account	Differentiated in Subledger	By Group
Unbilled Receivables	Sales	Group for Customers
Sales Revenue	Sales Sales Inventory Costs	Group for Customers Group for Entitlements Group for Materials Group for Services
Expenses	Inventory Costs Costs	Groups for Materials Groups for Services Groups for General Expenses
Deferral of returns: Accrued Return Values	Sales	Group for Customers



Note that the account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

- Assign the **account determination group for customers** to the customer master records.
You can access this view from the *Account Management* work center under *Accounts*. You can edit the customer master records. Go to the *Financial Data* tab page in a customer master record and to the *Payment Data* tab page therein.
You make a separate assignment for each company.
- Assign the **account determination groups for materials** to their material master records.
You can access this view from the *Inventory Valuation* work center under *Materials*. You can edit the material master records. Go the *Valuation* tab page in a material master record.
You make a separate assignment for each company and business residence. The system then derives the business residence from the sales organization specified in the sales order.
- Assign the **account determination groups for services** to your service master records.
You can access this view from the *Product Data* work center under *Services*. You can edit the material master records. Go the *Valuation* tab page in a material master record.
You make a separate assignment for each company.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab Page	In Field
Unbilled Receivables	Sales	Revenue Recognition – Accruals	Accrued Net Value

For G/L Account	In Subledger	On Tab Page	In Field
Sales Revenue	Sales	Revenues	Sales Revenue
Deferred Costs	Sales	Revenue Recognition – Deferrals	Deferred Costs
Expense	Inventory Costs Costs	Gains and Losses Service General Expenses	Material Consumption Debit for Internal Service/Expenses for External Service General Expenses
Deferral of returns: Accrued Return Values	Sales	Revenue Recognition – Accruals	Accrued Sales Returns

Assign the G/L accounts in every account determination profile used.

You can differentiate the *Accrued Net Value* and *Accrued Return Values* accounts by customer.

You can differentiate the *Expense* account by product (materials or services) or by the directly entered *Account Determination Group for General Expense*.

You can differentiate the *Sales Revenue* account by customer and by product (materials, services, or entitlement). On the Revenues tab, select *Materials, Service*, or *Entitlement*.

The *Deferred Costs* account cannot be differentiated by account determination group.

i It is possible to leave the field for an account determination group empty. The account in this row then applies to **all values** of this account determination group (**default account**). If you have set up account determination for **a specific value** of this account determination group, this value always takes priority over the default account.

Nevertheless it is recommended that you always specify the account determination group.

i If two or more columns are provided for using account determination, they are always prioritized from left to right.

If two columns are provided for account determination groups, the account is selected based on the following priority sequence:

1. An account you entered for the exact combination of both account determination groups.
2. An account you entered for the specific value of the first account determination group but for any value of the second account determination group.
3. An account you entered for any value of the first account determination group and for a specific value of the second account determination group.
4. An account you entered as the default account for both account determination groups.

See Also

[Customer Invoices Without Revenue Deferral \(Account Determination\) \[page 171\]](#)

[Customer Invoices with Revenue Deferral \(Account Determination\) \[page 178\]](#)

[Deliveries Without Revenue Deferral \(Account Determination\) \[page 175\]](#)

[Deliveries with Revenue Deferral \(Account Determination\) \[page 180\]](#)

[Revenue Recognition for Product Sales and Customer Returns \[page 755\]](#)

2.4.7.5.9.7 Service Confirmations (Account Determination)

i The names of the accounts mentioned in this document are generic, as they are not based on any specific chart of accounts. They match the field names used in the account determination settings in which you enter the accounts specific to a chart of accounts.

Overview

If you offer your customers standardized services, the service employee enters a confirmation when a service has been successfully provided, and the expenses incurred are posted accordingly.

Recording the Business Transaction

There are two ways of making a service confirmation:

- The service employee can confirm the provision of the service in the *Service Confirmation* transaction and then close the sales order. He or she can enter different quantities for the items of the service order or enter additional items, such as items for spare parts. You find this transaction in the *Field Service and Repair* work center in the *Order Pipeline* view.
- The service employee can report the provision of the service to the sales representative. The sales representative can update the sales order accordingly and close it. You find this transaction in the *Sales Orders* work center in the *Sales Orders* view.

Posting the Business Transaction

Disregarding any differentiation by means of account determination groups, the posting record for this business transaction would appear as follows:

Debit **Expense**, credit **Debit from Service Cost Allocation**

You can refine this posting record by means of account determination groups, which allow you to specify any number of G/L accounts for *service cost allocation* and to use them for different services.

Prerequisites for Configuring Account Determination

You have defined an account determination profile.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information, see: [Setting Up an Account Determination Profile \[page 84\]](#).

Configuration Process for Account Determination

You find a description of the general process for account determination under [Automatic Account Determination \[page 82\]](#) and [Business Configuration of Account Determination for a Business Transaction \[page 86\]](#). The following sections describe only the processes and settings for selected business transactions.

Creating G/L Accounts

Create the G/L accounts in every chart of accounts used.

The required G/L accounts must belong to the following account types:

For G/L Account	Account Type
Credit for Service Allocation	<i>CSTGEN - Allocated Costs</i>
Debit for Service Allocation	<i>CSTGEN - Allocated Costs</i>

Creating Account Determination Groups

In the configuration system, check whether the account determination groups belong to the following group types or create the groups:

For G/L Account	Subledger	Group/Group Type
Debit for Service Allocation	Costs	<i>Account Determination Group for Services</i>
Credit for Service Allocation	Costs	<i>Account Determination Group for Services</i>



The account determination groups can apply to different charts of accounts.

Assigning Account Determination Groups

Assign the *account determination groups for services* to your service master records. You can edit the service master records in the *Product and Service Portfolio* work center.

In the service master record, go to the *Valuation* tab. You make a separate assignment for each company.

Assigning G/L Accounts to Account Determination Groups

In your account determination profile, you enter at the following locations the numbers of the G/L accounts that are to receive automatic postings:

For G/L Account	In Subledger	On Tab	In Field
Debit for Service Allocation	Costs	Service	<i>Debit from Service Allocation</i>
Credit for Service Allocation	Costs	Service	<i>Credit for Internal Services</i>

2.5 Document Flow Into Accounting

2.5.1 Document Flow into Accounting

Overview

An important financials task is to record, value, and update the data for business transactions. This is accomplished by means of journal entries.

Journal Entries

Each business transaction that affects values generates a [journal entry \[page 195\]](#) in accounting. Journal entries are always generated automatically, you cannot create them manually. Journal entries are generated on the basis of **source documents**, **valuation runs**, and **journal entry vouchers**.

Source Documents

Most business transactions that affect accounting originate in the operational applications as documents such as supplier invoices, service confirmations, and payments. Since journal entries are based on these documents, they are called **source documents [page 214]**.

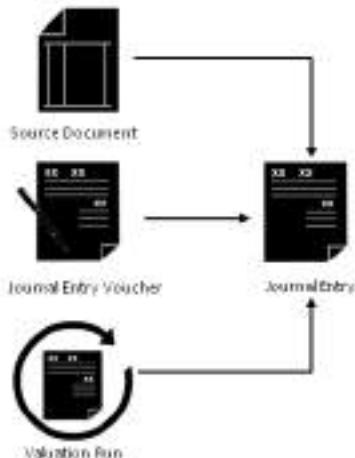
Journal Entry Vouchers

For purposes such as making adjusting entries, you can create journal entries directly in accounting by means of **journal entry vouchers [page 216]** in the **Journal Entry Vouchers [page 273]** view.

Valuation Runs

Valuation runs (such as depreciation runs) generate journal entries as well. You create **valuation runs [page 234]** in the different accounting ledgers during period-end closing.

→ The [document flow \[page 192\]](#) function graphically illustrates how journal entries are associated with the source documents, journal entry vouchers, and valuation runs that generated them.



Document Flow into Accounting

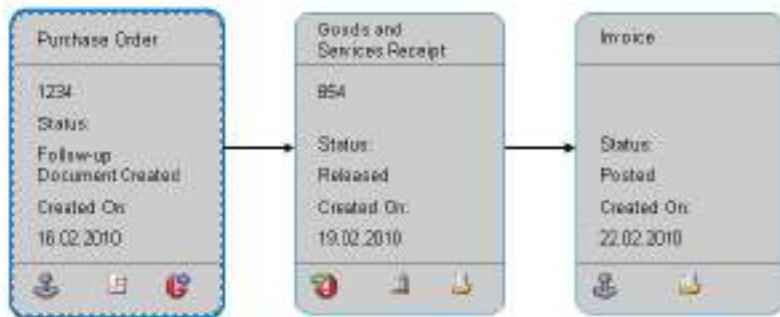
2.5.2 Document Flow

Overview

The system stores the data of every step in an operational business process in the form of a document, for example, an opportunity, a sales quote, a sales order, an outbound delivery, or a customer invoice. Since the steps of the business processes are often based on previous steps, the documents are likewise based on one another and thus form a consecutive document chain.

To monitor and analyze this document chain, every document offers a document flow which is a graphical representation of the document chain.

The initial view of the document flow highlights the document from which you start the display. It displays documents preceding or following the **highlighted** document. To view the overview of a specified business document, click the corresponding ID.



Example of a detailed display of a document flow

A document flow can be displayed in one of the following ways:

- A **detailed** chart displays the document ID, status, creation date, and all the icons relevant for the document.
- A **simple** chart displays the document ID and the anchor icon, if applicable. If there are many documents in a document flow, you can switch to a simple chart.

To switch the document flow between detailed and simple charts, click [Show Detail](#) or [Hide Detail](#). A document flow exceeding 50 links between documents, defaults to the simple chart automatically.



Example of a simple display of a document flow

Explanation of Icons



Switches view to the document flow for the anchor document.

The following documents are **not** part of the document flow:

- Additional follow-up documents of a preceding document
- Additional preceding documents of a follow-up document

To display these documents, you must switch to the document flow to the respective document by choosing the anchor icon of the document. When you switch the anchor document, the respective document is highlighted in orange.

You can switch to the original anchor document by clicking [Return to Initial View](#).



Opens the related output document that was successfully submitted.

Indicates that the business document has been submitted as a portable document format (pdf) file.



Opens the corresponding list of open business task items.

When you click the icon, a list of the business task management items related to the specified business document are displayed, along with the employee responsible and the processor. You can view the details by clicking the business task management item.



Opens the corresponding journal entry in Financial Accounting.

Indicates that the document led to a journal entry in Financial Accounting. For more information, see [Document Flow into Financial Accounting \[page 191\]](#).

Icons Related to Errors



Opens error details for data transfer between documents.

Indicates that there are errors related to incoming and outgoing data.



Opens error details for incoming data.

Indicates that a document cannot process an update sent by another document. In most cases, the update is sent by the preceding document.



Goods and services receipt 854 cannot process an update sent by a purchase order



Opens error details for outgoing data.

Indicates that a document cannot create or update another document. In most cases, the follow-up document is the document that cannot be created or updated.



Purchase order 1234 cannot update goods and services receipt 854

Further Information Related to Error Icons

When you click an icon related to an error, the system displays a list of errors related to the specified business document, along with to whom the error has been addressed. Errors are addressed in one of the following ways:

- As Task
If the error can be solved by a business user, the system creates a task and addresses it to a business user. If this is the case, a list of the business tasks related to the specified business document are displayed, along with the employee responsible and the processor. You can view the task details by clicking the task.
- As Incident

If the error cannot be solved by a business user, the system creates an incident and addresses it to your service provider.

Adjusting the Display

You can switch to an *Extended View* in the *Show* field to display additional documents, such as appointments or activity tasks. Note that additional documents can be from other business areas. For example, preceding or follow-up documents of purchasing or sourcing documents in Supplier Relationship Management can be from Supply Chain Management or from Financial Management.

You can zoom in or out by clicking the following icons:



Zoom In



Zoom Out

You can select a part of the document flow to view by clicking the following icon:



Toggle Navigation Window

If the document flow does not fit on your screen, and you want to view a certain part of the document flow, click the hand icon to open the *Navigation Window*. You can then select the part of the document flow you want to view.

You can refresh the document flow by choosing [Refresh](#).

See Also

[Solve Issue in Business Documents](#)

[Business Task Management](#)

2.5.3 Journal Entries

2.5.3.1 Journal Entries

Overview

Each business transaction that affects accounting generates a journal entry automatically.

Journal entries can be based on source documents, journal entry vouchers, or valuation runs:

- **Source Documents**

Source documents record business transactions initiated in application areas **outside Financial and Management Accounting**, such as supplier invoices, customer invoices, and payments.

To display source documents, open the [Source Documents \[page 290\]](#) view.

- **Journal Entry Vouchers**

Journal entry vouchers record business transactions entered directly in *Financial and Management Accounting*, such as adjusting entries.

To display journal entry vouchers, open the [Journal Entry Vouchers \[page 273\]](#) view.

- **Valuation Runs**

Valuation runs generate journal entries for periodic tasks in *Financial and Management Accounting*, such as the depreciation run, the recurring journal entry voucher run, or the foreign currency remeasurement run.

To display the journal entries from a valuation run, open the associated view for the valuation run.

Posting Logic

The basic principle of posting is that debit equals credit. A journal entry is not posted unless the total of all debit entries equals the total of all credit entries.

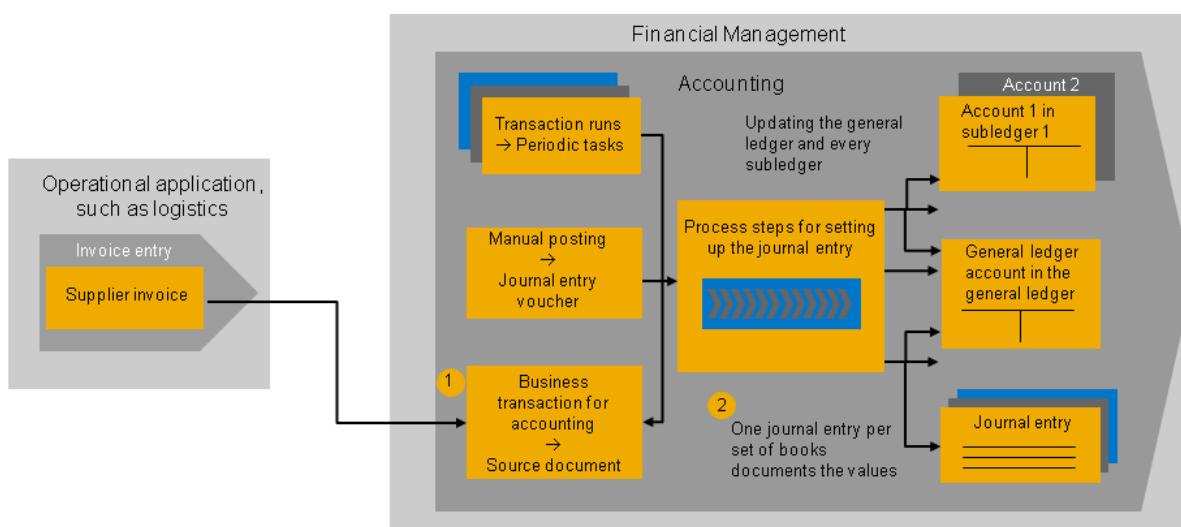
To enable multi-GAAP reporting, you can create a [set of books \[page 42\]](#) for each accounting principle and assign your companies to the sets of books they want to use. When journal entries are generated, the sets of books come into play as follows:

- When you save a source document in one of the operational applications, the system sends the accounting data in the document to accounting in the form of a business transaction. If you are using multi-GAAP reporting, a journal entry is generated automatically in each set of books.
- You can specify a set of books when you create a journal entry voucher. In this case the journal entry is created only in that set of books. If you do not specify a particular set of books, the system creates a journal entry in each of the company's sets of books.
- You can specify a set of books when you create a valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.

In all of the above cases, derivations and valuations take place that you can partially influence in configuration.

For more information, see: [Automatic Creation of Journal Entries \[page 204\]](#)

The following diagram portrays the process for creating a journal entry.



Creation of Journal Entries

Journal Entry Structure

Each journal entry has the same structure.

It consists of a **journal entry header** that stores information applying to the journal entry as a whole. This includes the following:

- **Journal Entry Type**

The journal entry type classifies the journal entry and controls the assignment of journal entry IDs. Journal entry types are delivered by SAP for all types of business transactions.

For more information, see [Journal Entry Types and Number Ranges \[page 197\]](#).

- **Document Date**

The document date is the transaction date of the source document, such as the invoice date. If there is no transaction date available, the entry date is applied.

- **Posting Date**

The posting date is the date for which the source document data is recorded in accounting. The posting date is used to derive the fiscal year and the accounting period. Before posting, the system checks whether the period is open.

For more information, see [Derivation of the Posting Date \[page 206\]](#).

A journal entry also contains **line items**. Line items are the valued items of the source document and always contain debit and credit lines as well as the accounts.



Exception: Some business transactions contain summarized line items that are not relevant for the general ledger. Such line items are not displayed in the journal entry. For more information, see: [Postings Not Relevant to General Ledger \[page 199\]](#).

See Also

[Journal Entry Vouchers \[page 216\]](#)

[Source Documents \[page 214\]](#)

[Valuation Runs \[page 234\]](#)

2.5.3.2 Journal Entry Types and Number Ranges

Overview

Journal entry types are a means of classifying journal entries. They allow you to filter and select journal entries for the same type of business transaction. Journal entry types also affect the assignment of journal entry IDs, so that journal entries of the same type receive numbers from the same number range.

Journal entry types are delivered by SAP and cannot be changed. If necessary, however, you can create additional journal entry types for journal entries generated by journal entry vouchers.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Journal Entry Types and Number Ranges* activity from the activity list.

Determination of Journal Entry Types

Depending on how the journal entries were generated, the system determines the journal entry type as follows:

- For journal entries generated by journal entry vouchers, you need to enter a journal entry type in the journal entry voucher.

- For journal entries the system generates based on source documents or valuation runs, the journal entry type is derived from the type of business transaction.
Business transactions are internal categories of source documents. You can neither edit existing business transactions nor create new ones.

Assignment of Journal Entry Types to Business Transactions

The assignments of journal entry types to business transactions are predefined by SAP.

For more information on the assignment of Journal Entry Types to Business Transactions, see Journal Entry Types and Number Ranges — Configuration Guide.

Configuration of the Number Assignment Process for Journal Entries

Journal entries receive ID numbers automatically based on the number ranges you assign to the journal entry types. You group the assignments into a number range profile, which you assign to the desired combination of company and set of books.

Proceed as follows:

- Editing the Number Range Profile**

Review the predefined number range profiles for journal entries. For more information, see Journal Entry Types and Number Ranges — Configuration Guide.

- Assigning the Number Range Profile to a Company and Set of Books**

For more information, see Configuration: Set of Books.

Assignment of Journal Entry IDs

The system assigns journal entry IDs as follows:

- Determination of the journal entry type:** The system determines the assigned journal entry type from the business transaction of the source document or valuation run. With manual entries, it reads the journal entry type directly from the journal entry voucher.

- Determination of the company:** The system reads the company for the journal entry from the source document, valuation run, or journal entry voucher.

- Determination of sets of books:** The system determines which sets of books are used by the company. Journal entry vouchers and valuation runs may be restricted to a particular set of books.

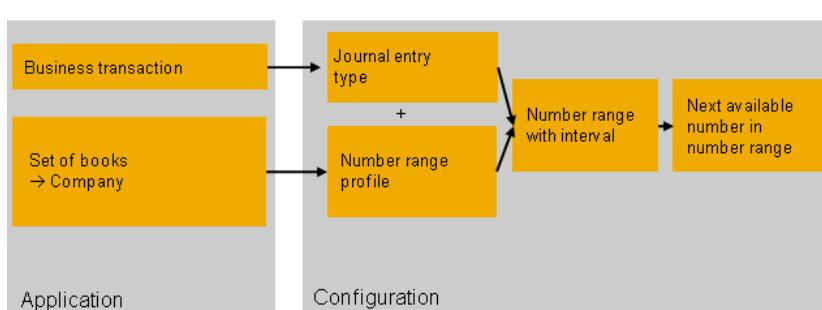
The system performs the following steps for each set of books determined:

- Determination of the number range profile:** The system determines the company's number range profile from the settings for the set of books.

- Determination of the number range:** The system determines the number range from the journal entry type and number range profile.

- Determination of the journal entry ID:** The system assigns the next unused number in the number range.

- Posting the journal entry:** The system posts the journal entry in the appropriate set of books.



Overview: Number Assignment for Journal Entries

2.5.3.3 Postings Not Relevant to General Ledger

Overview

Journal entries represent records of value changes resulting from business transactions. Some business transactions are divided into individual steps and posted separately. Some of these steps generate journal entries that would produce a balance of zero on the same account on the debit and credit side and double the revenues on the G/L accounts. To prevent this, the line items of these business transactions are summarized and the journal entry is recorded without line items. In such cases the journal entry documents the business transaction only in its header.

Postings that are not relevant to the general ledger occur in business transactions in which an allocation is made to another object (open item, business partner, posting to goods receipt) in addition to the business transaction itself. Such allocations can be payment allocations in the receivables and payables subledgers. Other typical cases are postings for which the preceding documents in the process have already been posted, such as an invoice being posted prior to the goods receipt.

To be able to assign the items of an account to each other, the data for these postings is managed exclusively in the subledger. This is not relevant for general ledger accounting.

In reports, you can see which postings are not relevant to the general ledger by adding the *Not Relevant to G/L* characteristic.

Prerequisites

Line items are summarized in the general ledger only under the following conditions:

- The journal entry for the business transaction contains only the clearing items.
- The debit and credit amounts for the objects in general ledger accounting, such as the G/L account, the profit center, and the segment, must produce a balance of zero.



If the document contains additional line items, such as cash discount items, these line items are posted to the relevant G/L accounts and are portrayed as such.

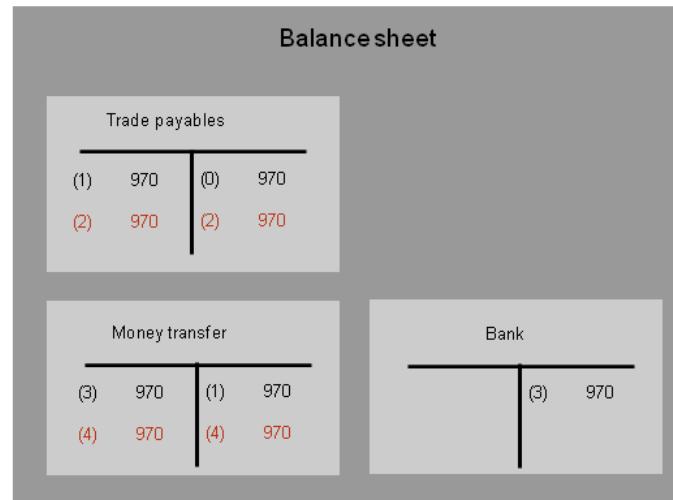
Business Transactions with Summarized Line Items

Line items can be summarized for the following business transactions:

- Payment allocations after outgoing payments (check or bank transfer) that were triggered by a payment run
- Confirmation or posting of a bank statement after incoming payments (check or bank transfer)
- Manual allocation of an open item to a manual incoming or outgoing payment
- Allocation of a goods receipt for which the invoice has already been posted

Example

0) Open item arising from supplier invoice	970
Two-step business transaction: payment on the invoice	
1) Cash disbursement	970
2) Payment allocation with clearing	No journal entry line item visible
Two-step business transaction: confirming the bank statement	
3) Posting the bank statement	970
4) Payment allocation with clearing	No journal entry line item visible



Outgoing payment by bank transfer (create payment proposal, post bank statement, and clear open item)

See Also

[Automatic Creation of Journal Entries \[page 204\]](#)

Supplier Account Monitor

Payment Allocation and Clearing

Overview of Reports in Financial Management

2.5.3.4 Postings of Purchase Accounts for Procured Stock

Overview

In certain countries, such as Italy, France, and Spain, you are legally required to document the costs of procured stock material as well as any variations of purchased stock at any point during a fiscal year.

To enable this reporting, the following P&L accounts are provided:

- A purchase account, which represents the acquisition volume of stock material during a fiscal year; The inventory valuation used is close as possible to the actual cost.
- A purchase offsetting account, which represents the actual movement of purchased stock during the fiscal year.

These additional purchasing accounts represent the actual movement of purchased stock during a fiscal year. The postings differ depending on which cost method is used for the stock, that is, if it uses a standard or moving average cost method. This document outlines the expected postings related to these purchase accounts.

i The examples used throughout are based on the French G/L accounts. A similar posting logic is used for Spain and Italy: only the descriptions will differ.

The standard process for posting of purchase accounts is such that clearing is not completed immediately when the goods received and the associated invoices have been recorded in the system. It is necessary to do a GR/IR (goods receipt/invoice receipt) clearing run to determine the values to be used for the associated goods/services receipts and invoices. Postings are then made to the relevant accounts. This is of particular relevance to operations in Italy when assessing the financial status, as you can still schedule clearing runs according to your specific requirements and frequency. For more information, see [GR/IR Clearing \[page 580\]](#).

For the sake of simplicity, no taxes are shown in the examples.

Expected Postings for Purchase Accounts

1. You have bought 10 units for stock with a total value of EUR 300 (each costs EUR 30) and create a purchase order.
2. When the goods are delivered, you post a goods receipt in the *Inbound Logistics* work center.
The following example gives the accounting postings related to a goods receipt for a material, which uses the **Standard** cost method.

Expected Postings for Goods Receipt – Standard Cost

General Ledger Account	Debit	Credit	Purchase Account Relevant Postings
Raw materials	500 EUR		–
Unbilled Payables		300 EUR	–
Purchase Valuation Differences Raw Materials		200 EUR	–
Stock Purchasing – Materials A	500 EUR		Yes
Change in stock – Raw materials		500 EUR	Yes

The following example gives the accounting postings related to a goods receipt for a material, which uses the **Moving Average** cost method where the unit cost can change with each transaction.

Expected Postings for Goods Receipt – Moving Average Cost

General Ledger Account	Debit	Credit	Purchase Account Relevant Postings
Raw materials	300 EUR		–
Unbilled Payables		300 EUR	–
Stock Purchasing – Materials A	300 EUR		Yes
Change in stock – Raw materials		300 EUR	Yes

3. When you receive the related invoice, you create a new supplier invoice. Because the related supplier invoice does not affect the raw materials account, the **Supplier Invoice** journal entry does not have purchase account relevant postings. The accounting postings related to a supplier invoice are outlined below. In the examples, the net price given in the invoice differs from the proposed price; new price is now EUR 27.50 per unit.

Expected Postings for Supplier Invoice – Standard / Moving Average

General Ledger Account	Debit	Credit	Purchase Account Relevant Postings
Supplier purchasing of goods or services		275	–
Purchases in Transit	275 EUR		–

4. You create a new goods receipt/invoice receipt (GR/IR) clearing run in the [Inventory Valuation > Periodic Tasks > Goods Receipt and Invoice Receipt Clearing](#) subview. For more information on creating a GR/IR clearing run, see [GR/IR Clearing Quick Guide \[page 646\]](#).

During clearing, if the invoice price does not match with the purchase order price, a posting is made to the purchase price differences account.

You can select [Postings](#) to view the accounting postings used in the run.

Expected Postings for GR/IR Clearing – Standard Cost

General Ledger Account	Debit	Credit	Purchase Account Relevant Postings
Unbilled Payables	300 EUR		–
Purchases in Transit		275 EUR	–
Purchase Price Differences- Raw Materials		25 EUR	Yes

Expected Postings for GR/IR Clearing – Moving Average

General Ledger Account	Debit	Credit	Purchase Account Relevant Postings
Unbilled Payables	300 EUR		–
Purchases in Transit		275 EUR	–
Raw Materials		25 EUR	–
Stock Purchasing – Materials A	25 EUR		Yes
Change in stock – Raw materials		25 EUR	Yes

See Also

[GR/IR Clearing \[page 577\]](#)

2.5.3.5 Reversal of Journal Entries

2.5.3.5.1 Reversing Journal Entries

Overview

You cannot reverse journal entries directly. If you want to reverse a journal entry, you need to reverse the source document, journal entry voucher, or valuation run that generated the entry.

When you reverse a source document, journal entry voucher, or valuation run:

- The source document, journal entry voucher, or valuation run receives the status *Reversed*.
- A reversal journal entry is generated for each original journal entry in all affected sets of books.
- Each reversed journal entry receives the status *Reversed* and a reference to the reversal journal entry.

Prerequisites

- The journal entry types for reversal journal entries are predefined by SAP and cannot be changed.
- A reversal journal entry type is assigned to each journal entry type. This assignment is predefined by SAP as well and cannot be changed.
- You have assigned number ranges to the journal entry types for reversals.

For more information, see [Journal Entry Types and Number Ranges \[page 197\]](#).

Automatic Creation of Reversal Journal Entries

The system generates reversal journal entries in similar way to the [automatic creation of journal entries \[page 204\]](#). There are the following differences:

- The journal entry type of the reversal journal entry is the same as the journal entry type of the journal entries being reversed.
- The default reversal posting date proposed by the system is the posting date of the journal entries being reversed. You can change the reversal posting date manually.
- A reversal line item is generated for each line item of the journal entry being reversed. The system checks to make sure an individual line item is not already reversed. The reversed line items receive a *Reversed* flag. You have specified in the settings for the set of books and company whether negative postings are permitted.
 - If negative postings are permitted, the system posts the reversal line items on the same side of the account as the line item being reversed, but with negative amounts.
 - If negative postings are **not** permitted, the system posts the reversal line items with the same amounts as the line item being reversed, but on the other side of the account.
- The header of the reversal journal entries contains references to the reversed journal entries and additional data on the reversal (such as the reversal date).

See Also

[Special Cases for Reversals \[page 203\]](#)

[Journal Entries \[page 195\]](#)

2.5.3.5.2 Special Cases for Reversals

Overview

For some business transactions, reversals involve a number of special processing aspects:

Reversal of a Reversed Journal Entry Voucher

You posted a journal entry voucher and then reversed it. You cancel this reversal (using *Cancel Reversal*).

- This creates a new reversal journal entry that is an exact copy of the reversed journal entry.

- The status of the journal entry voucher changes from *Reversed* to *Posted* and the status of the reversal journal entry changes from *Posted* to *Reversed*.
- Now you can no longer change the reversal journal entry and its cancellation. You can, however, reverse the journal entry voucher again.

Reversing Individual Items of Source Documents

For some business transactions, you can also reverse individual items. Such items are then identified by a reversal indicator in the source document. When the entire source document is reversed, no offsetting posting is created for any items that have already been reversed.

Reversing Inventory Postings

When you enter business transactions that involve material movements (such as a good receipt or physical inventory), such business transactions are posted in accounting with the current price. If you reverse one of these business transactions at a later point in time, it is possible that the price has changed in the meantime. If necessary, additional line items for the inventory revaluation are created for this in the reversal journal entry.

 Once an inventory posting is completed in logistics, **no** reversal is possible. Only a correcting entry can be made.

See Also

[Standard Cost Method \[page 527\]](#)

[Moving Average Cost Method \[page 528\]](#)

2.5.3.6 Automatic Creation of Journal Entries

2.5.3.6.1 Automatic Creation of Journal Entries

Overview

Journal entries are generated from source documents, journal entry vouchers, and valuation runs. The necessary derivations and valuations are performed automatically. You can partly influence this process through business configuration.

Before a journal entry is generated, the system checks whether the specified master data and organizational units exist.

- If you make manual postings using journal entry vouchers, you will receive a notification if the master data or organizational units do not exist.
- If an existence check produces a negative result when source documents and valuation runs are processed, tasks are sent to the employee responsible in the General Ledger – Work view. The journal entry cannot be posted until the tasks are completed.

Set of Books

For postings based on journal entry vouchers and valuation runs, you may have specified a set of books to restrict the postings to that set of books.

In the following cases, the system determines which sets of books are applied:

- If you have not specified a set of books and are making postings with journal entry vouchers or valuation runs

- When source documents are processed

The system performs all subsequent processing steps for each set of books. A journal entry is therefore posted in each set of books, enabling multi-GAAP reporting.

Process Flow

The system performs the following processing steps to create and post the journal entry:

- 1. Determination of the document type**

The business transaction of the source document or valuation run is used to determine the assigned document type, or the document type is read directly from the journal entry voucher.

For more information, see [Journal Entry Types and Number Ranges \[page 197\]](#).

- 2. Derivation of the posting date**

The posting date is determined from the data of the source document. In the case of valuation runs or journal entry vouchers, you have entered the posting date manually.

For more information, see [Derivation of the Posting Date \[page 206\]](#).

- 3. Determination and check of accounting period**

The accounting period is determined as follows:

- Determination of fiscal year variant**

The fiscal year variant is derived from the set of books.

- Determination of accounting period**

Which accounting period is assigned to the posting date is determined from the fiscal year variant.

- Check of accounting period**

The system checks whether the accounting period is open for the specified closing step and set of books.

If the accounting period is closed, the journal entry **cannot** be posted.

For more information, see [Checking the Accounting Period for Operational Postings \[page 77\]](#).

- 4. Steps for creating line items**

The following steps are performed for each line item:

- 1. Determination of subledger and subledger account assignment**

Each line item can be posted to a subledger in addition to the general ledger. For source documents and valuation runs, the system uses the type of business transaction, the entries in the source document, the master data, and the configuration settings to determine the subledger and the subledger account assignment.

For journal entry vouchers, the system uses the subledger account assignments that you entered manually.

- 2. Classification of line item in the subledger**

Each line item is classified according to the role it plays in the subledger posting. In some cases, this generates additional line items, such as for posting differences or taxes.

- 3. Valuation and currency conversion**

In cases when the business transaction does not yet contain values, each line item is valued using appropriate methods.

For more information, see [Valuation Processes for Automatic Postings \[page 210\]](#).

- 4. Derivation of profit center and segment**

The profit center and the segment of the line item are derived based on the subledger. For more information, see [Derivation of Profit Centers and Segments \[page 63\]](#).

For certain reporting principles, the system creates additional line items to distribute the value across profit centers. For more information, see [Document Splitting \[page 212\]](#).

- 5. Derivation of G/L accounts**

In this step, the G/L account for the line item is determined automatically based on the settings in business configuration.

For more information, see [Automatic Account Determination \[page 82\]](#).

6. Derivation of functional area

The functional area is determined based on the G/L account or the cost center.

For more information, see [Functional Areas \[page 18\]](#).

7. Derivation of movement type

In the case of source documents from fixed assets, the movement type is determined automatically. In the case of journal entry vouchers, you can enter the movement type manually.

For more information, see [Movement Types \[page 30\]](#).

5. Document number assignment

Once the system has successfully created the journal entry, it issues the document number using the settings for the document type.

For more information, see [Journal Entry Types and Number Ranges \[page 197\]](#).

6. Posting the journal entry

The system saves the journal entry and updates the subledger balances and G/L account balances determined.

2.5.3.6.2 Derivation of the Posting Date

Overview

The posting date is the date on which a journal entry is posted in the system. This is the date for which the accounts are updated and for which the business transaction is displayed in the balance sheet and income statement.

The posting date is used to derive the fiscal year and accounting period for the posting.

The posting date is derived in different ways depending on whether the journal entry is generated by an automatic posting, a valuation run, or a journal entry voucher.

Deriving the Posting Date for Automatic Postings

Depending on the business transaction, the accountant can enter a posting date in the original application, which specifies when the journal entry should be made in accounting. For some business transactions, the system derives the posting date automatically from another date in the source document.

Before the source document is forwarded to accounting, the system checks whether the period that includes the posting date is open. If the posting period is closed, the accountant can **not** post the source document in the original application. Consequently, an error message is displayed. The processor has to change the posting date in the source document to be able to then post the document with a valid posting date.

i Each source document also contains the *Creation Date* (also called *Created On*). This is the date on which you entered the source document in the system. This date is the current system date. You **cannot** overwrite the creation date manually. It is **not** used in the derivation of the posting date.

Posting Date with Valuation Runs

When you create a valuation run, you specify the fiscal year and period for which you want to perform the valuation run. The posting date is the **last day of the specified period**.

i When the opening balance is posted by a **balance carryforward**, the system uses the **first day of the subsequent period**

Posting Date with Journal Entry Vouchers

The system uses the **Posting Date** that you specified **manually** in the journal entry voucher.

See Also

[Automatic Creation of Journal Entries \[page 204\]](#)

[Journal Entries \[page 195\]](#)

2.5.3.6.3 Process Control for Operational Postings

Overview

Process control defines how source documents in the originating applications can be posted in accounting using the posting date. The business transactions to be posted are grouped into business process groups, such as customer invoices or supplier invoices.

The settings you make for process control affect how the system behaves when checking the posting date in the source documents. In process control, the system checks whether the source document can be posted for that posting date.

The default settings do not allow a source document to be posted if its posting date is in a **closed** period. In this case an error message is sent to the originating application. You only need to set up process control if you want exceptions to this standard behavior for individual business process groups.



For year-end closing, you closed the December accounting period for all operational postings on 23 December. However, you still want to post in this accounting period the customer invoices that are generated in December. In the process control settings, you specify for the business process group that any source documents for *Customer Invoices* with a posting date in December can still be posted through 15 January.

This means that customer invoices with a posting date in December can still be posted in the original application. Since the accounting period is already closed, the source documents are **not** mapped in the form of journal entries in accounting but rather tasks are generated for the accountant to perform.

You find the process control under *Companies*.

You can access the *Companies* view from the *General Ledger* work center under *Master Data*.

Choose **Set Process Control**.

Standard Procedure

When you enter a source document, such as a customer invoice, a posting date is either entered by the processor or derived by the system. The system checks in the process control settings whether a source document can be posted for the specified posting date.

When you open or close an accounting period, **automatic entries** are generated in the process control area, which cause the following standard procedure to be applied to all the business process groups:

- Accounting Period is Open for Operational Postings

When you **open an accounting period**, the system generates an entry in the process control area, which covers the duration of the accounting period and is valid for all the business process groups. This enables the processor to post the source document in the original application.

The data relevant for accounting is transferred to accounting where a journal entry is created for the specified posting date.

- **Accounting Period is Closed for Operational Postings**

When you **close an accounting period**, the automatic entry that was previously created is deleted. **No** source documents can then be posted to this accounting period.

The processor of the source application can **not** post the source document, but instead receives an error message. The processor has to change the posting date in the source document to be able to then post the document with a valid posting date.



To generate entries automatically in the process control tool, note the following:

- The system only generates entries in the process control when you open an accounting period for **closing step 10 (operational postings)**. For more information, see [Closing Steps \[page 76\]](#).
- The system only generates entries in the process control for the **standard set of books**. Since operational postings are always made in all sets of books assigned to the company, the setting for the standard set of books applies automatically to all the other sets of books. For more information on the standard set of books, see Configuration: Set of Books.

You can **not** change the automatically-generated entries. You can only create additional entries. These entries take priority over the entries generated automatically.

Process Control Settings

If you add entries to the process control settings, note the following:

Process Control Status

You can use the *Process Control Status* to define the form in which source documents from the **original application** can be posted based on their posting date:

- **Blocked**

You cannot make postings for the source documents posted for a period until *entry possible date*. The postings are possible after the specified date.



For the period between September 1 to September 30 if the entry possible date is specified as October 15, you will not be able to make postings between September 30 to October 15. Postings are allowed from October 16.

- **Partially Blocked**

A source document can be posted during the specified accounting period. However, the system displays a **warning message**.

The posting data relevant for accounting is transferred to accounting even if the accounting period is closed. Instead of a journal entry being created in accounting, a task is generated to be performed by the processor.

- **Not Blocked**

You can make postings for the source documents posted for a period only until the specified *entry possible date*.



For the period between September 1 to September 30 if the entry possible date is specified as October 15, the system allows you to make postings till October 15 . Posting is not allowed from October 16.

For more information on processing tasks, see [Checking the Accounting Period for Operational Postings \[page 77\]](#).

Business Process Groups

You make settings for individual *business process groups*. The operational business transactions that occur in the system and that are automatically posted in accounting are assigned to business process groups. When you make settings for a business process group, these apply automatically to all the assigned business transactions:

Business Process Group	Assigned Business Transactions
All	All business transactions
Customer Invoices	Customer invoices, customer credit memos including cancellations
Supplier Invoices	Supplier invoices, supplier credit memos including cancellations
Time Reporting and Service Confirmation	Reporting time worked and project-based time reporting in payroll processing
Expense Reporting	Expense reports including cancellations
Goods Receipt and Service Confirmation	Goods receipts and issues, stock transfers, and goods movements in <i>Supply Chain Management</i> (SCM) and <i>Supplier Relationship Management</i> (SRM), service order confirmations, return deliveries
Production Process End	Production lots (when status set to <i>Finished</i>)
Service Execution Invoice	Confirmation of services provided to customers in <i>Customer Relationship Management</i> (CRM)
Migration	Data transfer of account balances, open items, attachments



Business transactions from the operational applications in financial accounting (such as payments) are **not** included in the business process groups in the process control. You can **not** make settings for these business transactions in the process control. Consequently, when you close an accounting period for operational postings for these business transactions, you can **not** post source documents with a posting date in this accounting period.

Entry Date

The date in the field *Entry Possible Until* refers to the **entry date in the source document**. You can allow, for example, that a source document can still be entered for a period after the accounting period has been closed as long as the document has a posting date within the accounting period.

The **automatically-generated entries** in the process control settings allow 15 **additional entry days**. This means that the date in the *Entry Possible Until* field is always 15 days **after** the last posting date in the accounting period. You can therefore enter source documents up to 15 days after the end of the accounting period.

You can change the default number of additional entry days. To do this, select the required company in the *Companies* view and choose [Set Additional Entry Days](#).



If you change the additional entry days, note the following:

- If you enter a number with a **minus sign**, the entry period ends **before** the accounting period.
- The setting applies **across all sets of books**, which, in other words means it applies to all the sets of books assigned to the company.



Changes to the default number of additional entry days apply only to new entries in the process control. Existing entries retain the settings from when they were created.

Posting Date

The period of the *From Posting Date / To Posting Date* always refers to the **posting date in the source document**. This posting date can be proposed by the processor or derived by the system. For more information, see [Derivation of the Posting Date \[page 206\]](#).

For all the source documents used from the specified business process group with a posting date from the specified period, the procedure that you select is applied to the posting process.



If multiple entries exist for a period, the system applies the following rules to determine the valid entry:

- These entries take priority over the entries generated automatically.
- Entries for specific business process groups take priority over the entries made for the process group *All*.
- Entries with the status *Blocked* take priority over the entries with the status *Partially Blocked* or *Not Blocked*.

Change History

The system documents any changes that are made to the entries in the process control tool. The change history is shown on the [Changes](#) tab.

See Also

[Automatic Creation of Journal Entries \[page 204\]](#)

[Closing Steps \[page 76\]](#)

[Checking the Accounting Period for Operational Postings \[page 77\]](#)

2.5.3.6.4 Valuation Processes for Automatic Postings

Overview

Whenever the system creates a journal entry, it checks whether the line items of the journal entry contain the correct values. The values have either been provided by the source document or are determined in the valuation step.

During valuation, the system also ensures that the values are processed further in the currencies or currency types required for the company and set of books.

Valuation is performed in two consecutive steps for each business subtransaction:

i Business transactions that represent independent entities are divided up into business subtransactions. If, for example, two goods issues are made for the same production order, the system first determines the allocation values for the first goods issue in substep 1 and the evaluates the line items in substep 2. The system then repeats both substeps for the second goods issue.

1. The system first determines the allocation value of the business subtransaction.
2. The values are then determined for the individual line items.

Substep 1: Determination of Allocation Values

The value of the business subtransaction is determined in different ways:

- The allocation value is determined on the basis of the outgoing and incoming relationship of two line items.
The allocation value is the value that is allocated between a sender and a receiver.

 If a goods issue exists for a purchase order, the value of the goods issue is allocated between the sender (here, the purchase order) and the receiver (here, warehouse inventory of the procured material). The allocation value is the purchase order value.

- If the allocation value is known when the business transaction is captured, it is included in the source document and transferred at this point (such as in a supplier invoice).
- If the allocation value is **not** included in the source document, it is determined from the applications involved in the business transaction. This occurs using a logic applied system-wide.
- The system then ensures that the allocation value is expressed in the required currencies.
 - a. Once the allocation value has been calculated in the transaction currency, it is converted into all currencies used for the combination of company and set of books.
 - b. If the allocation value has **not** been calculated in the transaction currency, it needs to have been determined in all currencies or currency types used for the combination of company and set of books.
For more information, see: [Currencies \[page 39\]](#).

The allocation values are now assigned to the relevant senders or receivers.

Substep 2: Valuation of Line Items

In many cases, the value of the line item is determined from the allocation value. In the case of goods issue for a purchase order, the value of the line of the "payables without invoice" is the same as the allocation value. Since this is not always the case, this additional substep is required.

Some line items have their own criteria for determining their value. The value of an inventory change item for a material with the standard cost method does **not** depend on the allocation value but instead on the current unit cost. For the posting to produce a balance of zero, additional line items (valuation differences) need to be created. In the above example, the value of the line item Valuation Difference is derived from the difference between the allocation value and the value of the inventory change item.

These methods for valuating line items are implemented in this second substep. The line items involved in the posting now contain the values determined by the system.

Whereas the allocation values represent the interim results of the cost method, the values of the line items are the values used to post the journal entry.

See Also

[Automatic Creation of Journal Entries \[page 204\]](#)

[Valuation of Warehouse Inventories \[page 509\]](#)

2.5.3.6.5 Document Splitting

Overview

The method of document splitting is the prerequisite for being able to use the Profit Center Accounting reporting principle to create either an income statement or complete financial statements for profit centers:

- **Profit Center Accounting and Segment Reporting with Clearing**

You can use this reporting principle to create income statements by profit center. For such income statements, document splitting is used to divide receivables and payables items in a document by profit center. This is done by means of additional allocation items.

- **Profit Center Accounting and Segment Reporting with Allocation**

You can use this reporting principle to create complete balance sheets and income statements by profit center. Document splitting organizes receivables and payables items in a document by profit center. If the document does not have a zero balance at the profit center level, additional allocation lines are created on clearing accounts automatically to produce a zero balance.

Document splitting is performed automatically when documents are created:

- Document splitting is performed for line items in the subledgers Accounts Receivable, Accounts Payable, Cash, and Tax.
- Document splitting is performed **after** the line items have been built in the other subledgers.
- Document splitting uses data from the existing line items to determine the relevant profit center.

Prerequisites



Configuration settings are normally performed by an administrator. If you do not have the required authorization, contact your administrator.

The following prerequisites need to be fulfilled for document splitting:

- You have activated Profit Center Accounting and Segment Reporting in *Scoping*.
To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**.
In the *Questions* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger*.
Answer *Yes* in response to the question as to whether you want to create financial statements at the segment and profit center levels.
- The reporting principle that you have assigned to your set of books needs to contain profit center accounting and segment reporting either with clearing or with allocation.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Integrate and Extend* phase, then select the *Set of Books* activity from the activity list.

For more information, see Reporting Principle.

Using Document Splitting to Derive Profit Centers

Document splitting derives profit centers and creates line items as follows:

- **Preceding Document**

If there is a preceding document for a document to be posted (such as a goods receipt for an incoming invoice), and the preceding document contains a profit center, that profit center is copied to the line items.

- **Existing Line Items**

The profit center is copied from the existing line items (such as from a line item to the fixed assets subledger). If different line items contain different profit centers, a line item is created for each profit center and the amounts are divided based on the ratio of the amounts between the profit centers.

- **Additional Allocation Lines for Zero Balance**

If you use profit center accounting and segment reporting **with allocation**, and the document does **not** have a zero balance at the profit center level, document splitting creates additional allocation lines on clearing accounts to produce a zero balance.

For more information, see [Derivation of Profit Centers and Segments \[page 63\]](#).

Examples

Example 1: Invoice

A creditor invoice contains the following items:

PK	Account	Segment	Amount
31	Payable		100,00-
40	Expense	0001	40,00
40	Expense	0002	60,00

Document splitting creates the following journal entry with the following line items (existing items are split):

PK	Account	Segment	Amount
31	Payable	0001	40,00-
31	Payable	0002	60,00-
40	Expense	0001	40,00
40	Expense	0002	60,00

Example 2: Payment

When the above creditor invoice is paid, the journal entry created contains the following items:

PK	Account	Segment	Amount
50	Bank		95,00-
25	Payable		100,00
50	Cash Discount Received		5,00-

Document splitting creates the following journal entry (existing items are split):

PK	Account	Segment	Amount
50	Bank	0001	38,00-
50	Bank	0002	57,00-
25	Payable	0001	40,00
25	Payable	0002	60,00
50	Cash Discount Received	0001	2,00-
50	Cash Discount Received	0002	3,00-

See Also

Reporting Principles

[Automatic Postings \[page 204\]](#)

2.5.3.7 Business Transactions Leading to Journal Entries

2.5.3.7.1 Source Documents

2.5.3.7.1.1 Source Documents

Overview

Source documents originate in application areas outside *Financial and Management Accounting*. The data in source documents is sent from these areas to *Financial and Management Accounting* for further processing. Examples of source documents are supplier invoices, customer invoices, and payments.

 Documents that affect the handling of payables and receivables or payment processing are part of the application area *Cash Flow Management*.

The operational application sends data from the source document to accounting as **business transactions**. You can see a list of these business transactions based on their source documents in the [Source Documents \[page 290\]](#) view. Choose [View Business Transaction](#) for an overview of the business transaction, then [View All](#) to see the full business transaction.

Most business transactions (such as supplier invoices) generate journal entries in accounting. However, this is not the case for transactions that only contain data needed by downstream processes within accounting, such as purchase orders or projects. Accounting stores this data and makes it available to the downstream processes.

If you change an existing source document in an operational application, the new data is sent to accounting and generates a new *version* of the same business transaction.

Each business transaction that arrives in accounting has two statuses:

- **Processing Status**

The processing status indicates whether the accounting application has successfully processed the business transaction.

- **Not Started**

The business transaction has arrived in accounting but no processing has taken place. That is, accounting has not yet attempted to generate journal entries or store the accounting data. This processing status rarely occurs because accounting normally processes business transactions immediately.

- **In Process**

Accounting has attempted to process the transaction, but encountered a problem when performing the different derivations and checks (see [Automatic Creation of Journal Entries \[page 204\]](#)). The system stores the error message in the business transaction on the **Messages** tab and sends it to the responsible employee as a task through the **Journal Entries – Tasks** view. When the employee has completed the task, he or she can manually post the affected business transactions directly in the task. If the transactions are not posted manually, the system posts them automatically within 24 hours.

- **Finished**

Accounting successfully processed the business transaction. It is rarely necessary to process business transactions that have this status.

- If the transaction is successfully processed but you entered the source document incorrectly, you cannot reverse the transaction. Instead, you need to reverse the source document in the operational application. The operational application then sends a reversal transaction to accounting. The reversal transaction is marked as a *reversal journal entry*.



If you transfer documents to SAP Business ByDesign, they become business transactions and you can view them in the [Source Documents \[page 290\]](#) view. Transactions that were a result of incorrectly transferred data have no source documents that you can reverse. Therefore, a reversal function is available for these business transactions.

- If the transaction was successfully processed but there were incorrect configuration settings for [Automatic Creation of Journal Entries \[page 204\]](#), you can correct these settings, then reverse the transaction and repost it. You do this in each set of books for which you corrected the settings.

- **Relevance Status**

- **Irrelevant**

The business transaction is not relevant for accounting.

This is a rare case that can only occur in the following situations:

- A business transaction still had the status **In Process**. A newer version of the same business transaction arrived. In this case the new version set the old version to **Irrelevant**.
- A newer version of a business transaction was identical to a version that has already been processed. In this case the system set the newer version to **Irrelevant**.
- A business transaction still had the status **In Process** because it contained faulty data that you **cannot** correct. You then reversed the source document in the operational application. The reversal document sent a new business transaction to accounting. Both the original transaction and the new transaction received the status **Relevant**, although neither of them should be processed in accounting. In this case you can manually set the status of the new transaction to **Irrelevant**. This automatically sets the status of the reversed transaction to **Irrelevant** as well.

- **Relevant**

The business transaction is relevant for accounting.

2.5.3.7.2 Journal Entry Vouchers

2.5.3.7.2.1 Journal Entry Vouchers

Overview

A journal entry voucher is a transaction that you enter directly in accounting in order to generate [journal entries \[page 195\]](#). You use journal entry vouchers for different purposes:

- To make adjusting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
- To enter a large number of postings that were provided by an external application or by a service provider, you can upload a journal entry voucher from a Microsoft Excel file in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
- To make manual postings on fixed assets, you can enter journal entry vouchers as a *Manual Posting* in the [Fixed Assets \[page 465\]](#) view.
You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.
- For periodic postings based on templates, you can automatically create journal entry vouchers using recurring journal entry voucher runs in the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.
You can access the *Post Recurring Journal Entry Vouchers* view from the *General Ledger* work center under *Periodic Tasks*.
- To transfer G/L account balances into the system during implementation, you can create journal entry vouchers in the *Integrate and Extend* phase in the task list of the *Implementation Projects* view using [Data Migration Self-Service](#).

Header Fields

The following fields in the header of a journal entry voucher have an important controlling or informational purpose:

- **Posting Status**

The posting status is automatically assigned by the system. It can have the following values:

- **Not Posted**
If you manually create a journal entry voucher, you can save it without posting it. In this case the journal entry voucher receives the status **Not Posted**.
The system also assigns this status to journal entry vouchers that have been scheduled with a recurring journal entry voucher but not yet been posted by the run.
You can manually post journal entry vouchers that have this status or you can void them.
- **Void**
The system assigns this status to unposted journal entry vouchers that you have voided.
- **Posted**
The system assigns this status to journal entry vouchers for which it has successfully generated the journal entries.
You cannot delete or void journal entry vouchers that have this status, but you can cancel them.
- **Canceled**
The system assigns this status to posted journal entry vouchers that you have canceled.

- **Journal Entry Type**

The journal entry type classifies journal entries into groups. The type classification of journal entries that are based on source documents or valuation runs is derived from the business transaction. Journal entries that are based on journal entry vouchers use the type classification of the journal entry voucher.

For more information, see [Journal Entry Types and Number Ranges \[page 197\]](#).

Journal entry vouchers can have the following journal entry types:

- Manually created journal entry vouchers: When you create a journal entry voucher, you can select one of the journal entry types that SAP has defined for manual postings. If necessary, you can define additional journal entry types for journal entry vouchers that are created manually.
- Journal entry vouchers created by a recurring journal entry voucher: The system automatically uses the journal entry type **Recurring Journal Entry Voucher**.
- Manual fixed asset entries: The system automatically uses the journal entry type **Manual Entry for Fixed Assets**.
- Journal entry vouchers uploaded from Microsoft Excel: You can only use the journal entry type **Manual Entry for Journal Entry Vouchers**.
- Journal entry vouchers entered during migration for G/L account postings: The system automatically uses the journal entry type **Data Migration**.

- **Journal Entry Voucher ID**

Journal entry vouchers receive ID numbers automatically based on the number ranges you assign to the journal entry types.

For more information, see [Journal Entry Types and Number Ranges \[page 197\]](#).

You can define prefixes for the ID of each journal entry type. The system selects the next unused number in the number range for the journal entry type, and prefixes it with the prefix you defined for the journal entry type (such as **RE** for journal entries created by recurring journal entry vouchers).

Tip: You configure the prefixes in the **Business Configuration**.

To find this activity, go to the **Business Configuration** work center and choose the **Implementation Projects** view. Select your implementation project and click [Open Activity List](#). Select the **Fine-Tune** phase, then select the **Journal Entry Types and Number Ranges** activity from the activity list.

Choose [Edit Prefixes for Journal Entry Vouchers](#).

- **Set of Books**

You can specify a set of books when you create a journal entry voucher. In this case the journal entry is created only in that set of books. If you do not specify a set of books, the system creates a journal entry in all of the company's sets of books.

- **Closing Step**

Closing steps classify journal entries based on their role as operational entries or closing entries.

For more information, see [Closing Steps \[page 76\]](#).

Journal entry vouchers can have the following closing steps:

- Manually created journal entry vouchers: When you create a journal entry voucher, you can select one of the predefined closing steps or one that you defined in configuration.
- Journal entry vouchers created by a recurring journal entry voucher: The system automatically uses the closing step **010 — Operational postings**.
- Manual fixed asset entries: When you create a manual fixed asset entry, you can select one of the predefined closing steps or one that you defined in configuration.
- Journal entry vouchers uploaded from Microsoft Excel: When you create a journal entry voucher in Microsoft Excel, you can select one of the closing steps **010 — Operational postings**, **015 — Late operational postings**, or **020 — Closing entries**.
- Journal entry vouchers entered during migration for G/L account postings: The system automatically uses the closing step **010 — Operational postings**.

- **Posting Date**
You can manually enter the posting date when you create the journal entry voucher. The system uses this date to determine the accounting period.

Line Item Fields

The following fields in the line items of the journal entry voucher affect account assignment in the general ledger and cost accounting:

- **Account**
You cannot post a journal entry voucher to accounts with the account blocks **2 – Only automatic postings permitted** or **3 – No postings permitted**.
- **Cost Center and Functional Area**
You can only post a journal entry voucher to a cost center if the account has the account type **COSEXP – Costs or Expenses**. However, it is not necessary to specify a cost center.
The functional area you assigned either to the cost center's type or to the account is proposed as a default. If the functional area cannot be derived from the cost center or from the account, and you have not specified the functional area manually, the system posts the costs to the standard functional area.
For more information, see [Functional Areas \[page 18\]](#).
- **Profit Center and Segment**
The profit center and segment are derived automatically. You can overwrite the proposals. With some reporting principles you need to enter the profit center manually.
For more information, see [Derivation of Profit Centers and Segments \[page 63\]](#).
- **Project/Project Task**
You can only post a journal entry voucher to a project or project task if the account has the account type **COSEXP – Costs or Expenses** or **REVGAN – Revenues or Gains**.

Depending on how you create the journal entry voucher, you can post to a subledger account in addition.

See Also

- [Manual Creation of Journal Entry Vouchers \[page 218\]](#)
- [Uploading a Journal Entry Voucher \[page 231\]](#)
- [Fixed Assets View \[page 465\]](#)
- [Recurring Journal Entry Vouchers \[page 233\]](#)

2.5.3.7.2.2 Creating Journal Entry Vouchers

2.5.3.7.2.2.1 Manual Entry of Journal Entry Vouchers

2.5.3.7.2.2.1.1 Manual Entry of Journal Entry Vouchers

Overview

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*. Special transactions are available in the executing applications for most business transactions. These transactions automatically trigger journal entries and account assignments to the following objects:

- G/L accounts selected by account determination
- Automatically selected additional account assignments of the general ledger: *Profit Center, Segment*, and *Functional Area*
- Additional account assignments of cost accounting: *Cost Center* or *Project/Project Task*
- Subledger account assignments

In some cases you may have to manually correct or adjust the automatic postings.

To make correcting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.

You can manually specify the following account assignments to make adjusting entries between them:

- You must specify a **G/L account** for each line item because the G/L accounts are **not** automatically selected by account determination.
- If you use a corresponding reporting principle, you can specify this in the line item **additional general ledger account assignments** (profit center, segment, and functional area). If you do **not** enter this account assignment manually in the line item, it is entered automatically by the system. For more information, see [Quick Guide for Journal Entry Vouchers \[page 273\]](#).
- With postings to G/L accounts of the account types **REVGAN – Revenue/Gains, COSEXP – Costs/Expenses**, and **CSTGEN – Allocated Costs**, you can specify **additional account assignments of cost accounting**.
- For line items with which you want to correct the subledger, you also need to specify the **subledger account**.

You can add an *item text* to each line.

i This function does not allow posting to fixed assets or tax assignments. For this, use the corresponding functions in the [Fixed Assets \[page 465\]](#) and Manual VAT Entries views.

i If you make manual postings on [reconciliation accounts \[page 88\]](#) without specifying a subledger corresponding to the reconciliation account, the balance on the reconciliation account will no longer match the total of the postings on the subledger. During closing, perform [reconciliation \[page 238\]](#) in order to check the deviations and adjust them if necessary.

Journal Entry Types for Manual Entry of Journal Entry Vouchers

In addition to classifying journal entry vouchers and journal entries, the journal entry type also determines which subledgers you can post to.

The following journal entry types are available for manually entering journal entry vouchers:

- 047 – Manual Posting - Journal Entry Voucher
- 083 – Manual Entry for Cash
- 084 – Manual Entry for Accounts Payable
- 085 – Manual Entry for Accounts Receivable
- 086 – Manual Entry for Production Lots
- 087 – Manual Entry for Materials
- 088 – Manual Entry for Sales Documents
- 103 – Manual Posting - JEV with Offset Entry

The journal entry type **047 – Manual Posting - Journal Entry Voucher** and **103 – Manual Posting - JEV with Offset Entry** only allow you to make adjustments between G/L accounts and additional account assignments of the general ledger and cost accounting. The other journal entry types allow you to make adjustments in subledgers.

The journal entry type **103 – Manual Posting - JEV with Offset Entry** allows you to post an "Offsetting" Journal Entry along with the original Journal Entry from the same Journal Entry Voucher. These entries would be useful in scenarios where you have to post Manual Journal Voucher to close the books for a certain period and such Journal Entry Vouchers need to be reversed in the next period.

You can define additional journal entry types in configuration, but only for the purpose of grouping your adjustment postings in the general ledger. For adjustment postings in the subledgers, you can only use the predefined journal entry types.

→ You access the configuration of the journal entry types from the *Implementation Projects* view. In the *Fine-Tuning* step, choose **Financial and Management Accounting > Number Ranges and Document Types**.

Screen Variants

When you enter a journal entry voucher manually, you can select a screen variant. Screen variants determine which columns are displayed in the list of items.

Which screen variants are offered for selection depends on the journal entry type. Most journal entry types offer two screen variants:

- **Manual Adjusting Entry**

This screen variant enables you to transfer amounts of a subledger from one general ledger or cost accounting object to another. Examples:

- Transfer receivables from one receivables account to another
- Transfer receivables from one profit center to another
- Transfer costs from one cost center to another

Some subledgers allow transfers from one subledger account to another.

- **Manual Write-Up/Write-Down or Manual Debit/Credit**

This screen variant enables you to debit or credit a subledger assignment, or to enter a write-up or write-down amount for it.

In the offsetting posting, you can specify an account assignment in the general ledger or cost accounting (*Cost Center* or *Project/Project Task*).

See Also

[Manual Postings in the General Ledger \[page 220\]](#)

[Manual Postings to Cash Locations \[page 225\]](#)

[Manual Entries for Accounts Receivable \[page 223\]](#)

[Manual Entries for Accounts Payable \[page 221\]](#)

[Manual Entries for Production Lots \[page 228\]](#)

[Manual Entries for Materials \[page 226\]](#)

[Manual Entries for Sales Documents \[page 229\]](#)

2.5.3.7.2.2.1.2 Manual Postings in the General Ledger

Overview

In the [Journal Entry Vouchers \[page 273\]](#) view, you can use journal entry type **047 – Manual Posting - Journal Entry Voucher** to enter journal entry vouchers for G/L accounts in order to make manual correcting entries.

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

Screen Variants

The journal entry type **047 – Manual Posting – Journal Entry Vouchers**, or any entry type you create yourself, offers only the screen variant **601 – Journal Entry Voucher**.

You can only select G/L accounts that have been assigned the account block **All Postings Allowed** in configuration. You cannot make manual postings to G/L accounts of the following account types: **OCLSPL – Opening or Closing Income Statement**, **OCLSBS – Opening or Closing Balance Sheet**, and **CCLEA – Profit Center or Segment Clearing**. These accounts are only used in the balance carryforward run for balance carryforward postings.

You cannot make subledger account assignments, meaning that postings with this journal entry type are always the following type of transfer postings:

- Transfer postings to another G/L account
- Transfer postings to another subassignment in the general ledger
- To another subassignment in cost accounting

You only use this journal entry type for postings that do not require reference to a subledger account assignment.



You want to post the allowance for doubtful accounts to your receivables as part of period-end closing. You check the balance of the receivables account and manually post a percentage of the balance to a contra account. To do this, you use the journal entry type **047 – Manual Posting – Journal Entry Vouchers**.



You need to defer revenue for a customer project. The sales revenue from an invoice has not yet been realized. You therefore need to defer the revenue and the expenses for this project. Use journal entry type **047 – Manual Posting – Journal Entry Vouchers** and enter the following postings:

- Transfer the revenue for the project invoice from the sales revenue account to a revenue deferral account. In the line of the account for sales revenue, specify the project.
- Transfer the expenses for the project from expense account to an expense deferral account. In the line of the expense account, specify the project.

For more information, see [Revenue Deferral and Revenue Recognition for Projects \[page 741\]](#).

2.5.3.7.2.2.1.3 Manual Entries for Accounts Payable

Overview

In the [Journal Entry Vouchers \[page 273\]](#) view, you can manually enter journal entry vouchers for G/L accounts in order to make correcting entries.

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

If you select the journal entry type **084 – Manual Entry for Accounts Payable**, you can also post to accounts in the accounts payable ledger.

Screen Variants

The journal entry type **084 – Manual Entry for Accounts Payable** offers the following screen variants:

- **625 – Manual Adjusting Entry for Accounts Payable**

This screen variant permits you to transfer balances to the following account assignments in the accounts payable ledger:

- *Supplier*
- *Supplier, Source Document Type*, and *Source Document ID*

It is possible to make the following transfer postings:

- Transfer postings to another G/L account
- Transfer postings to another subassignment in the general ledger

You can only select G/L accounts of the account type **AP – Payables**, since only with these accounts is it possible to specify the *Supplier, Source Document Type*, and *Source Document ID*.

One of the account blocks **All postings permitted** or **1 – Only postings with subledger account assignment permitted** must be assigned to these G/L accounts in configuration.

The line items for each subledger account assignment must add to zero.



The master data of one of your foreign suppliers mistakenly contained the account determination group for domestic suppliers. As a result, a supplier invoice was posted to the wrong payables account.

In the first step, you assign the relevant account determination group in the supplier master record. You then transfer the previous posting of the supplier invoice using the screen variant **625 – Manual Adjusting Entry for Accounts Payable**. This means that you transfer the payable from the account for domestic payables to the account for foreign payables. In doing so, you enter the *supplier* and the *source document ID* of the supplier invoice.



If you transfer the balances of a payable from one reconciliation account to another **without** including a reference to the source documents, only the balances are transferred. However, the system continues to carry the open items on the original reconciliation account and clears them there, which does not correct the transferred balance on the new reconciliation account. Thus, transferring balances in this type of situation without including a reference to the source documents will result in an incomplete change of the reconciliation account. If you want to change a reconciliation account when the payable has open items, there are two things you can do:

- If there are only a few open items, transfer them manually. In this case you need to include a reference to each individual source document.
- If there are too many open items, transfer the balances without a reference to the source document as a correcting entry during period-end closing. You then need to reverse this posting at the start of the new period. Over time, the old open items on the original reconciliation account disappear and new open items accumulate on the new reconciliation account.

- **626 – Manual Write-Up/Write-Down Accounts Payable**

This screen variant allows you to write up or write down amounts on (or from) an account in the accounts payable ledger.

For at least one line item, select a G/L account of the account type **AP – Payables** and specify one of the following subledger accounts:

- *Supplier*
- *Supplier, Source Document Type*, and *Source Document ID*

To make the offsetting posting, you can choose G/L accounts of the following account types:

- **OLIAB – Other Liabilities**
- **ACLEAR – Accruals or Clearing**

- OASSET – Other Assets
- REVGAN – Revenues or Gains
- COSEXP – Costs or Expenses
- DIFFER – Differences

The account block **All postings permitted** must be assigned to these G/L accounts in configuration. For line items with accounts of these account types, you can specify additional account assignments of the general ledger.

For line items with accounts of the last three account types, you can also specify additional account assignments of cost accounting.



One of your suppliers cannot reimburse a credit memo to you. Using screen variant **626 – Manual Write-Up/Write-Down Accounts Payable**, you write off the receivable on the account for bad debt expenses..



When you post manual write-ups or write-downs on a payable, you increase or decrease the balance but the line items do not appear in the supplier account monitor. The supplier account monitor shows the transactions from operational applications, including the operational accounting application (cash flow management). Manual posting with journal entry vouchers only amends the existing record of the business transactions in accounting. It does not generate a new business transaction. If you want to post a business transaction in cash flow management so that it appears in the supplier account monitor, use the **New Charge/Credit** function in the supplier account monitor.

To display the postings of all business transactions, as well as manual postings, use the **Accounts Payable - Line Items report**.

Note the following difference between including and not including a reference to a source document in manual write-ups and write-downs:

- Manual write-ups and write-downs **without** a reference to a source document cannot be cleared against other items or otherwise processed in the system. Write-ups and write-downs that have no reference to a source document are therefore suitable only as correction postings during period-end closing, which you reverse at the start of the next period.
- Manual write-ups and write-downs **with** a reference to a source document automatically generate an inverse posting when you completely clear the source document.

2.5.3.7.2.2.1.4 Manual Entries for Accounts Receivable

Overview

In the **Journal Entry Vouchers** view, you can manually enter journal entry vouchers for G/L accounts in order to make correcting entries.

You can access the **Journal Entry Vouchers** view from the **General Ledger** work center under **Journal Entries**.

If you select the journal entry type **085 – Manual Entry for Accounts Receivable**, you can also post to accounts in the accounts receivable ledger.

Screen Variants

The journal entry type **085 – Manual Entry for Accounts Receivable** offers the following screen variants:

- **627 – Manual Adjusting Entry for Accounts Receivable**

This screen variant permits you to transfer balances to the following account assignments in the accounts receivable ledger:

- *Customer*
- *Customer, Source Document Type*, and *Source Document ID*

It is possible to make the following transfer postings:

- Transfer postings to another G/L account
- Transfer postings to another subassignment in the general ledger

You can only choose G/L accounts of the account type **AR – Receivables**, since only with these accounts is it possible to specify the *Customer, Source Document Type*, and *Source Document ID*.

One of the account blocks **All postings permitted** or **1 – Only postings with subledger account assignment permitted** must be assigned to these G/L accounts in configuration.

The line items for each subledger account assignment must add to zero.



The master data of one of your foreign customers mistakenly contained the account determination group for domestic customers. As a result, a customer invoice was posted to the wrong receivables account.

In the first step, you assign the relevant account determination group in the customer master record. You then transfer the previous posting of the customer invoice using the screen variant **627 – Manual Adjusting Entry for Accounts Receivable**. This means that you transfer the receivable from the account for domestic receivables to the account for foreign receivables.

In doing so, you enter the *customer* and the *source document ID* of the customer invoice.



If you transfer the balances of a receivable from one reconciliation account to another **without** including a reference to the source documents, only the balances are transferred. However, the system continues to carry the open items on the original reconciliation account and clears them there, which does not correct the transferred balance on the new reconciliation account. Thus, transferring balances in this type of situation without including a reference to the source documents will result in an incomplete change of the reconciliation account. If you want to change a reconciliation account when the receivable has open items, there are two things you can do:

- If there are only a few open items, transfer them manually. In this case you need to include a reference to each individual source document.
- If there are too many open items, transfer the balances without a reference to the source document as a correcting entry during period-end closing. You then need to reverse this posting at the start of the new period. Over time, the old open items on the original reconciliation account disappear and new open items accumulate on the new reconciliation account.

- **628 – Manual Write-Up/Write-Down Accounts Receivable**

This screen variant allows you to write up or write down amounts on (or from) an account in the accounts receivable ledger.

For at least one line item, select a G/L account of the account type **AR – Receivables** and specify one of the following subledger accounts:

- *Customer*
- *Customer, Source Document Type*, and *Source Document ID*

To make the offsetting posting, you can choose G/L accounts of the following account types:

- **OLIAB – Other Liabilities**

- ACLEAR – Accruals or Clearing
- OASSET – Other Assets
- REVGAN – Revenues or Gains
- COSEXP – Costs or Expenses
- DIFFER – Differences

The account block **All postings permitted** must be assigned to these G/L accounts in configuration. For line items with accounts of these account types, you can specify additional account assignments of the general ledger.

For line items with accounts of the last three account types, you can also specify additional account assignments of cost accounting.



One of your customers cannot pay their debts to you. Using screen variant **628 – Manual Write-Up/Write-Down Accounts Receivable**, you write off the receivables on the account for bad debt expenses.



When you post manual write-ups or write-downs on a receivable, you increase or decrease the balance but the line items do not appear in the customer account monitor. The customer account monitor shows the transactions from operational applications, including the operational accounting application (cash flow management). Manual posting with journal entry vouchers only amends the existing record of the business transactions in accounting. It does not generate a new business transaction. If you want to post a business transaction in cash flow management so that it appears in the customer account monitor, use the **New Charge/Credit** function in the customer account monitor.

To display the postings of all business transactions, as well as manual postings, use the **Accounts Receivable - Line Items [page 356]** report.

Note the following difference between including and not including a reference to a source document in manual write-ups and write-downs:

- Manual write-ups and write-downs **without** a reference to a source document cannot be cleared against other items or otherwise processed in the system. Write-ups and write-downs that have no reference to a source document are therefore suitable only as correction postings during period-end closing, which you reverse at the start of the next period.
- Manual write-ups and write-downs **with** a reference to a source document automatically generate an inverse posting when you completely clear the source document.

2.5.3.7.2.2.1.5 Manual Postings to Cash Accounts

Overview

In the **Journal Entry Vouchers view [page 273]**, you can manually enter journal entry vouchers for G/L accounts in order to make correcting entries.

You can access the **Journal Entry Vouchers** view from the **General Ledger** work center under **Journal Entries**.

If you select the journal entry type **083 – Manual Entry for Cash**, you can also post to accounts assigned to the cash ledger.

Screen Variants

The journal entry type **083 – Manual Entry for Cash** provides only the screen variant **624 – Manual Adjusting Entry for Cash**.

This screen variant permits you to transfer balances to the following accounts assigned to the cash ledger.

- For transferring bank account balances:
 - Enter the **Bank ID** in the *Bank* field.
 - Enter the **bank account ID** in the *Bank Account or Petty Cash ID* field.
- For transferring cash balances:
 - Leave the *Bank* field empty.
 - Enter the **petty cash ID** in the *Bank Account or Cash ID* field.

The following transfers are possible:

- Transfer to another G/L account
- Transfer to another subassignment in the general ledger

You can only choose G/L accounts of the type **CASH – Cash**, since only these accounts can use the *Bank* and *Bank Account or Petty Cash ID* subledger account assignment.

One of the account blocks **All postings permitted** or **1 – Only postings with subledger account assignment permitted** must be assigned to these G/L accounts in configuration.

This transaction only permits cash ledgers, and not cash balances, to be transferred to in-transit accounts.

This transaction does **not** allow transfers between cash balances, such as a cash withdrawal from a bank account, which is paid into petty cash. Transactions of this type must be performed in the *Payment Management* work center. The cash balance can therefore not be changed with this transaction, but instead can be distributed to different G/L accounts or subassignments in the general ledger.

For this reason, the following conditions must be met for the transfer:

- For each cash account assignment, the specified line items must add to zero.
- You must not transfer more than the balance (debit or credit) of the cash account assignment.



Until now, you have managed the balances of two cash funds together on one G/L account. In the future, you want to manage each cash fund on an individual G/L account. You have adjusted account assignments accordingly and defined a new G/L account for a cash fund. You transfer the cash balance of the one cash fund from the original to the new account using the journal entry type **083 – Manual Entry for Cash**.

2.5.3.7.2.2.1.6 Manual Entries for Materials

Overview

In the *Journal Entry Vouchers* [page 273] view, you can manually enter journal entry vouchers for G/L accounts in order to make correcting entries.

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

If you select the journal entry type **087 – Manual Entry for Materials**, you can also make assignments to materials.

Screen Variants

The journal entry type 087 – Manual Entry for Materials provides the following screen variants:

- 629 – Manual Adjusting Entry for Materials

This screen variant enables the following transfers of warehouse inventories, material expenses, and material differences:

- Transfer postings to another G/L account
- Transfer postings to another subassignment in the general ledger

You can only choose G/L accounts of account types that allow the subledger account assignments *Business Residence* and *Material*:

- INV – Warehouse Inventory
- COSEXP – Costs or Expenses
- DIFFER – Differences

One of the account blocks *All postings permitted* or *1 – Only postings with subledger account assignment permitted* must be assigned to these G/L accounts in configuration.

In addition to specifying the material, you can further specify the *Valuation Level ID* for the material. For more information, see [Valuation Levels \[page 530\]](#).

If you want to transfer warehouse inventories, you must specify the *Quantity*.

If you want to transfer expenses or differences, you must specify the *Reference Quantity* to which the transferred amount refers.

For each material inventory or material expense (additional differences), the amount and quantity in the specified line items must produce a balance of zero.



An incorrect account determination group was entered in the the material master data. Therefore, the system posted the material values to the incorrect material stock account. You subsequently assign the correct account determination group and transfer the values to the correct material stock account using the screen variant 629 – Manual Adjusting Entry for Materials.

- 630 – Manual Write-Up/Write-Down for Materials

This screen variant enables the write-up and write-down of warehouse inventories, material expenses, and material differences: You must choose a G/L account from the account types listed above for at least one line item, and make the subledger account assignments for the *Business Residence* or *Material*, to be able to debit or credit the material ledger.

For the offsetting posting, you can use G/L accounts of the same type but you can only make subassignments from the general ledger or cost accounting.

The account block *All postings permitted* must be assigned to these G/L accounts in configuration.

In addition to specifying the material, you can further specify the *Valuation Level ID* for the material. For more information, see [Valuation Levels \[page 530\]](#).

Specify the *Reference Quantity* to which the charge or credit refers. The *Reference Quantity* must be less than the material inventory quantity. In this way, the system ensures that you do not charge or charge for or credit any materials that are no longer available.



You want to capitalize freight costs for a material. You have initially only posted these costs to a cost center. You transfer the costs from the cost center to the material stock account using the screen variant 630 – Manual Write-Up/Write-Down for Materials.



You can then only charge or credit warehouse inventories if they are valued with the moving average costs. Note that the system adjusts the moving average costs according to the charge or credit.

2.5.3.7.2.2.1.7 Manual Entries for Production Lots

Overview

In the [Journal Entry Vouchers \[page 273\]](#) view, you can manually enter journal entry vouchers for G/L accounts in order to make correcting entries.

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

If you select the journal entry type **086 – Manual Entry for Production Lots**, you can also make assignments to production lots.

Screen Variants

The journal entry type **086 – Manual Entry for Production Lots** offers the following screen variants:

- **631 – Manual Adjusting Entry for Production Lots**

This screen variant enables the following balance transfers of a production lot:

- Transfer postings to another G/L account
- Transfer postings to another subassignment in the general ledger
- Transfer postings to another production lot
- Transfer postings to another G/L account (origin)

You can only choose G/L accounts of the account type **WIP – Work in Process**, since only these accounts can use the *Production Lot* subledger account assignment.

One of the account blocks **All postings permitted** or **1 – Only postings with subledger account assignment permitted** must be assigned to these G/L accounts in configuration.



You want to post the value of a production lot to another account for work in process. To prevent reversing and reposting all the documents for this production lot, you post the value of the production lot to the other work in process account using the screen variant **086 – Manual Entry for Production Lots**. In doing so, you specify the production lot and the G/L account (origin).

- **632 – Manual Write-Up/Write-Down for Production Lots**

This screen variant enables you to enter write-up and write-down for production lots. You must choose a G/L account of the account type **WIP – Work in Process** and assign the *Production Lot* subledger account to be able to make a write-up or write-down entry in the production ledger.



You cannot assign the *G/L Account (Origin)* for this subledger account. Instead, the system takes the G/L account of the offsetting posting to be the G/L account (origin). In this way, the system ensures that the type of costs (origin of costs) is not affected. You can therefore only specify one individual offsetting posting line item.

To make the offsetting posting, you can choose G/L accounts of the following account types:

- **CSTGEN – Allocated Costs**
- **REVGAN – Revenues or Gains**
- **COSEXP – Costs or Expenses**

For these line items, you can only make subassignments from the general ledger or cost accounting.

The account block **All postings permitted** must be assigned to these G/L accounts in configuration.



You have posted the transport costs for five production lots to a cost center and an expense account. Subsequently, you decide to split the transport costs between the five production lots. You credit the cost center and debit the individual production lots using the screen variant **632**.

- [Manual Write-Up/Write-Down for Production Lots](#).

2.5.3.7.2.2.1.8 Manual Entries for Sales Documents

Overview

In the [Journal Entry Vouchers \[page 273\]](#) view, you manually enter journal entry vouchers for G/L accounts in order to make correcting entries.

You can access the [Journal Entry Vouchers](#) view from the [General Ledger](#) work center under [Journal Entries](#).

If you select the journal entry type [088 – Manual Entry for Sales Documents](#), you can also post to account assignments of the sales ledger.

Account assignments to the sales ledger consist of the following fields:

- [Sales Document Type](#)
- [Sales Document ID](#)
- [Sales Document Item ID](#)
- [Project Task](#), if the sales document item is project-based
- [Project Task](#), if the project type is [Multi-Customer Project](#)
- [Free Cost Object](#), if the cost object type is flagged as [Sales Document](#)



You normally post to the following sales document types:

- [Sales Order](#)
- [Customer Return](#)
- [Service Order](#)
- [Service Confirmation](#)
- [Point-of-Sale Transaction](#)
- [Customer Contract](#)

You can only post to a [Customer Invoice](#) if there is no reference to any of the above sales document types. This is only the case for **manual invoices**.

In the case of a **project-based sales order item** and a **customer project task**, these two attributes must be specified together.

Screen Variants

The journal entry type [088 – Manual Entry for Sales Documents](#) provides the following screen variants:

- [633 – Manual Adjusting Entry for Sales Documents](#)

This screen variant allows you to transfer the following balances between account assignments:

- Transfers of sales revenues
- Transfers of expenses
- Transfers of accruals

- Transfers of deferrals

You can perform these transfers between the following account assignments:

- G/L accounts
- Additional account assignments of the general ledger (profit-centers, segments, or functional areas)
- Account assignments of the sales ledger
- G/L accounts (origin)

You can only choose G/L accounts of the account types that permit the account assignments of the sales ledger:

- *REVGAN – Revenues or Gains*
- *OLIAB – Other Liabilities*
- *ACLEAR – Accruals or Clearing*
- *OASSET – Other Assets*
- *COSEXP – Costs/Expenses*
- *DIFFER – Differences*

One of the account blocks *All postings permitted* or *1 - Only postings with subledger account assignment permitted* must be assigned to these G/L accounts in configuration.



You have decided to defer revenue for **sales orders** manually. The revenue for a sales order item has not yet been realized. You therefore need to defer the revenue and the cost of goods sold for this sales order item. In this case you would use screen variant *633 – Manual Adjusting Entry for Sales Documents* and enter the following postings:

- Transfer the revenue for the sales order item from the sales revenue account to a revenue deferral account (account type *OLIAB – Other Liabilities*). Enter the *G/L account (origin)* of the sales revenue account in all lines so that the original G/L account is retained in the transfer.
- Transfer the expenses for the sales order item from cost of goods sold to an expense deferral account (account type *OASSET – Other Assets*). Select the same *G/L account (origin)* in the debit and credit line so that the original G/L account is retained in the transfer. To determine the original G/L account, use the *Sales Documents – Line Items [page 878]* report.

For more information, see *G/L Account (Origin) [page 748]*.

- ***634 – Manual Write-Up/Write-Down for Sales Documents***

This screen variant enables you to enter write-ups or write-downs to or from sales documents.

Enter the following lines:

- **Expense or revenue line**

You must choose a G/L account from one of the following account types:

- Expenses: *COSEXP – Costs or Expenses*
- Revenues: *REVGAN – Revenues or Gains*

You can only enter one expense or revenue line.

For this line, you can only make account assignments from the general ledger or cost accounting.

The account block *All postings permitted* must be assigned to this G/L account in configuration.

- **Sales ledger line**

Depending on the account types of the expense or revenue line, the offsetting lines must contain G/L accounts of the following account types:

- If you entered an **expense** line, the offsetting lines must contain G/L accounts of the account types **OASSET – Other Assets** or **COGS – Cost of Sales**.
- If you entered a **revenue** line, the offsetting lines must contain G/L accounts of the account type **OLIAB – Other Liabilities** or **REVGAN – Revenues or Gains**.

You can enter several sales ledger lines if you want to write up or write down to or from several sales documents. For these lines, you must enter a sales ledger account assignment.

If you post to a balance sheet account (account types **OASSET – Other Assets** or **OLIAB – Other Liabilities**) and there is no **accrual method** assigned to the sales document item you entered, you must assign an accrual method in the [Sales Document Items \[page 799\]](#) view.

One of the account blocks **All postings permitted** or **1 – Only postings with subledger account assignment permitted** must be assigned to these G/L accounts in configuration.

i You **cannot** enter the **G/L Account (Origin)** in this line. For accounts of the type **COSEXP – Costs or Expenses** or **REVGAN – Revenues or Gains**, the G/L account (origin) is taken from the G/L account. For accounts of the type **OASSET – Other Assets** or **OLIAB – Other Liabilities**, the system uses the G/L account of the expense or revenue line as the G/L account (origin).



You want to add freight costs to a sales order. You transfer the freight costs from the cost center to the sales order using the screen variant [634 – Manual Write-Up/Write-Down for Sales Documents](#).

2.5.3.7.2.2.2 Upload a Journal Entry Voucher

Overview

You can upload a journal entry voucher from a Microsoft Excel® file and post it in the system. This function is useful when you have a large number of postings to be entered that were provided by an external application or by a service provider.



- Journal entry vouchers that you upload in this way cannot post to subledgers. They can only post to G/L accounts, cost centers, projects and project tasks, or profit centers.
- You can only upload one journal entry voucher at a time. However, individual journal entry vouchers can contain many line items and thus post amounts to different accounts of the general ledger and cost accounting.
- You cannot enter a different exchange rate. The system always uses the exchange rate you defined in the system.



You outsource your payroll functions to an external provider. The provider sends you a file each month containing the accumulated personnel costs for each cost center. You import this file into the template for Microsoft Excel and upload the data into the system.

Prerequisites

Go to [My Computer](#) in the [Self-Services Overview](#) view in the [Home](#) work center to ensure that the following prerequisites are fulfilled:

- You have installed the latest **Add-In for Microsoft Excel®**.
Click [Install Additional Software](#).
- The settings for your browser have been set correctly.
Click [Check My Computer Settings](#).

Process Flow

1. **Open template for Microsoft Excel**
 - Go to the [Journal Entry Vouchers \[page 273\]](#) view.
 - Click  and [Journal Entry Voucher from Microsoft Excel](#).
 - The *Template List* window appears. In the *Show Templates for Language* field, select the language. The system displays all templates available for the add-in in the selected language. Select a template and click .
 - In the Microsoft Windows file download prompt, confirm that you want to open the file. Microsoft Excel starts and opens the selected template.



If you have installed the add-in correctly, the add-in toolbar will appear in Microsoft Excel.

2. **Log on to the Microsoft Excel add-in to the system**

- Click [Log On](#) in the add-in toolbar.
- Select the certificate and click [Edit](#).
- In the [SAP System](#) field, enter the address of your SAP Business ByDesign system.
- Enter your [User ID](#) and [Password](#).



You should only select the option for your computer to remember your user ID and password if you always use the same user ID and system on that computer.

- Click [Log On](#). The Microsoft Excel add-in logs onto the system under your name. The [Log On](#) button on the add-in toolbar changes to [Log Off](#).

3. **Fill out the template**

Enter the data of the journal entry voucher in the template. The fields in which you can enter data are white. To facilitate data entry, two types of input help are available:

- For master data fields, the input help appears when you select the field and click [Choose Value](#) in the add-in toolbar. The add-in takes the values directly from the system to which it is logged on.
- For the [Debit/Credit](#), [Currency](#), [Journal Entry Type](#), and [Closing Step](#) fields, the input help is a dropdown list. The values of these input helps are located on the [Validation](#) sheet of the Microsoft Excel template.

Use the functions available in Microsoft Excel to import external data into the template.

4. **Upload the voucher**

To post the voucher in the system, click [Save Data To](#). The system performs a number of consistency checks before it saves the journal entry voucher, and error messages may be issued. Correct the errors and attempt to save again.



The system posts a new journal entry voucher each time you successfully *export back*. If you post a journal entry voucher by mistake, you can reverse it in the [Journal Entry Vouchers \[page 273\]](#) view.

2.5.3.7.2.2.3 Recurring Journal Entry Vouchers

Overview

You can use this function to enter periodically recurring journal entries and have them run automatically. This enables you defer expenses to future periods, for example.

A recurring journal entry voucher consists of a template and a recurrence pattern. The recurrence pattern defines how frequently and on which day the journal entry voucher is generated. Based on the template and the recurrence pattern, the system generates **scheduled journal entry vouchers**.

You can post scheduled journal entry vouchers in two ways:

- You usually post scheduled journal entry vouchers at regular intervals with a recurring journal entry voucher run in the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.
- You can also post scheduled journal entry vouchers manually in the [Recurring Journal Entry Vouchers \[page 277\]](#) view.

Prerequisites

SAP provides all the preconfigured settings required for recurring journal entry vouchers.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view.

Select your implementation project and click [Open Activity List](#). Select the Fine-Tune phase, then select the *Recurring Journal Entries* activity from the activity list.

You can adapt these settings as follows:

- You create **recurring journal entry voucher types** to be able to classify your recurring journal entry vouchers. For example, you create a new recurring journal entry voucher type for all the recurring journal entry vouchers that reset the provisions on a monthly basis for a specific insurance policy.
- You assign a two-digit **prefix** to the new recurring journal entry voucher type. When a new recurring journal entry voucher is generated, the system assigns it a sequential ten-digit ID (starting with 0000000001), which is placed before the prefix of the recurring journal entry voucher type.



You can change the prefix for a recurring journal entry voucher type if you have **not** saved it in the meantime.

Example

In January you receive an invoice from your insurance company for the annual insurance premium. Since the premium applies to the entire year, you post it to an account for deferred expenses. You create a recurring journal entry voucher that transfers 1/12 of the amount each month from the account for deferred expenses to the account for insurance expenses. To associate the recurring journal entry voucher with the invoice, add the supplier invoice as the reference. The recurring journal entry voucher run automatically posts the scheduled journal entry vouchers.

2.5.3.7.3 Valuation Runs

Overview

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

Valuation runs include:

- Balance carryforward runs
- Foreign currency remeasurement runs for payables or receivables
- Reclassification runs for payables or receivables
- Depreciation runs
- Overhead absorption runs for production lots, service orders, direct cost projects, or overhead cost projects
- Work-in-process clearing runs
- GR/IR (goods receipt/invoice receipt) clearing runs
- Revenue recognition runs
- Distribution runs

Valuation runs are available only in accounting applications. Runs in other applications are called mass data runs, which perform automatic mass processing on operational data. Examples of mass data runs include invoice runs, confirmation update runs, dunning runs, and payment runs.

Valuation Runs versus Mass Data Runs

Valuation runs differ from mass data runs in a number of ways:

- Scheduling
 - Operational applications perform mass data runs relatively frequently, often at regularly scheduled intervals. It is therefore possible to perform a mass data run **repeatedly** with identical selection parameters, or to schedule it as a periodic run. A record of each mass data run is stored in an application log to enable you to trace the results of the run.
 - You perform valuation runs only during period-end closing. It is very important to carry out the different tasks of the period-end closing process in the correct sequence and align them to each other. It would be of little use to schedule a valuation run as a periodic task, so the system does not provide this option. Instead, you use the [Closing Cockpit \[page 286\]](#) to carry out the closing process. You can only perform a valuation run **once**. If you want to repeat a valuation run with the same parameters, you create a new valuation run based on the previous one. The parameters of the previous valuation run are copied into the new run, where you can modify them if necessary before starting the run.
- Results
 - Mass data runs do not generate any postings. Instead, they generate documents or lists which you then process manually. Only this manual processing can generate postings. For example, the payments generated by a payment run first have to be approved before the system posts them.
 - You can create valuation runs as test runs to simulate their effects. Test runs do not generate any postings or change any data. They are simply a means for you to see what the effects of the run would be. Once you are satisfied with the simulated results, you execute the run again as an update run.
- Posting Logic

- When you execute a mass data run, source documents are generated automatically. When they are released, these source documents can be processed in accounting just like manually created source documents.
- When you execute a valuation run, journal entries are generated automatically. You can specify a set of books when you create the valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.



Do **not** execute a valuation run for more than one set of books if the fiscal years for the sets of books are offset against each other. If the fiscal years are offset, the valuation run would generate postings in different calendar months because the period numbers would not refer to the same months in the different fiscal years.

3 General Ledger

3.1 Business Background

3.1.1 Period-End-Close

3.1.1.1 Closing Activities - Year-End Closing

Overview

Before you can create your closing reports, you need to complete a number of preparatory tasks.

Keep in mind that this document does **not** cover all possible closing activities, and that those it does discuss cannot be applied universally. Some preparatory tasks are optional or depend on your business transactions. For example, if you do not have any transactions in foreign currencies, you do not need to perform foreign currency remeasurement.

To ensure that the individual closing activities are performed correctly, you need to have made the correct configuration settings.

i Which activities are performed at period end and the processing sequence for those activities depends on which system functions you use. This document describes the basic process for year-end closing and is based on the sequence proposed in the [Closing Cockpit \[page 286\]](#) view. Furthermore, it is assumed that you use all available application areas.

Prerequisites

Before you can perform year-end closing in financials, you need to carry out the preparatory steps in other application areas. You need to complete your operational daily business and all related tasks, and post all transactions relevant for closing, in the following areas:

- Supply Chain Management (SCM)
- Supplier Relationship Management (SRM)
- Customer Relationship Management (CRM)
- Human Capital Management (HCM)
- Financials (FIN)

Process Flow

For year-end closing, you need to perform individual closing activities in different work centers. The entire process for year-end closing comprises activities in the following work centers:

- Fixed Assets
- Inventory Valuation

- General Ledger
- Receivables
- Payables
- Payment Management
- Tax Management
- Cost and Revenue
- Application and User Management

The individual activities are assigned to the following process steps:

Process Steps

1. Preparatory Tasks for Closing	2. Closing Activities	3. Close Accounting Periods for Operational and Closing Entries	4. Balance Carryforward	5. Close Accounting Period + Fiscal Year	6. Central Bank Reporting	7. Document

i To verify whether a run has been completed successfully, you can run the following checks:

- **Log:**
You find a log for a run (such as a depreciation run or a foreign currency remeasurement run) in the corresponding subview. Each run has a status (*Information, Error*). To display the **details** of a log, select the relevant run and choose *Display*.
If **errors** occur during a run, you need to resolve them. You can find information on the errors on the **Messages** tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
- **Job Monitor:**
If a run has **not** been completed successfully and you **cannot** find and resolve the cause, you can display the technical details relating to the run in the Job Monitor. Select the relevant run and choose *Display Jobs*. If a job finds errors, contact your system administrator.

The following sections describe the process steps in detail.

1. Preparatory Tasks for Closing
 - 1.1 Close Accounting Period for Operational Postings
 - 1.2 Data Flow Verification for Journal Entries / Technical Consistency Check
 - 1.3 [Closing-Relevant Tasks \[page 284\]](#)
 - 1.4 Advance Returns for VAT and Annual Tax Returns
 - 1.5 EC Sales Lists
 - 1.6 Sales and Use Tax Returns (US)
 - 1.7 Withholding Tax Returns (US)
 - 1.8 Balance Confirmation for Payables
 - 1.9 Balance Confirmation for Receivables
 - 1.10 [Reconciliation / Technical Comparison of All Ledgers \[page 238\]](#)
 - 1.11 Transfer Postings / Correcting Entries
2. Closing Activities
 - 2.1 Accrued Expenses
 - 2.2 Deferred Income
 - 2.3 [Recurring Journal Entry Vouchers \[page 277\]](#)
 - 2.4 Reserves for Bad Debt
 - 2.5 [Allowance for Doubtful Accounts \[page 241\]](#)

- 2.6 Reclassification (Receivables)
- 2.7 Reclassification (Payables)
- 2.8 Foreign Currency Remeasurement (Receivables)
- 2.9 Foreign Currency Remeasurement (Payables)
- 2.10 Foreign Currency Remeasurement (Cash)
- 2.11 [GR/IR Clearing Runs \[page 580\]](#)
- 2.12 [Posting Assets Under Construction \[page 373\]](#)
- 2.13 [Automatic Fixed Asset Depreciation \[page 375\]](#)
- 2.14 [Overhead Absorption by Projects \[page 739\]](#)
- 2.15 [Overhead Absorption by Service Order Items \[page 750\]](#)
- 2.16 [Overhead Absorption by Production Lots \[page 568\]](#)
- 2.17 [WIP Clearing Run \(Work in Process\) \[page 641\]](#)
- 2.18 Posting Inventory Valuation and Valuation Difference
- 2.19 Reserves (Using the Example of Leave Reserves)
- 2.20 [Revenue Deferral and Revenue Recognition for Sales Order Items \[page 755\]](#)
- 2.21 [Overhead Distribution \[page 829\]](#)
- 2.22 [Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#)
- 3. Closing Accounting Period for Closing Entries
- 4. [Balance Carryforward \[page 292\]](#)
- 5. Close Accounting Period and Fiscal Year
 - 5.1 Closing Last Accounting Period of Fiscal Year
 - 5.2 Closing Fiscal Years
- 6. Central Bank Reporting (Austria, Denmark, France, Germany, and the Netherlands)
- 7. Documenting
 - 4.1. [Journal \[page 324\]](#)
 - 4.3. [Financial Statements \[page 320\]](#)

3.1.1.2 Reconciliation

Overview

You use reconciliation to check your documents for completeness and to provide external auditors with a template for checking your accounting figures.

As a rule, the entire system is reconciled **automatically**. Nevertheless, if you want to reconcile the system yourself, you can perform reconciliation from a business and technical point of view.

Reconciliation establishes the following:

- That the balance sheet items are composed of the totals and balances from the G/L accounts.
- That the totals and balances of the G/L accounts are composed of the individual journal entries.
- That the balances of the reconciliation accounts in the general ledger match the balances of the subledgers.
- That the balances of the subledgers match the balances of the relevant operational registers.

Prerequisites

Before you can perform a reconciliation, the following prerequisites must be fulfilled:

- **Completeness**

Ensure that all of the business transactions that are relevant for the period in question have been entered and processed completely.

- **BTM Tasks**

Ensure that all closing-relevant tasks are processed for a key date. For details on closing-relevant tasks, see [Closing-Relevant Tasks \[page 284\]](#).

Furthermore, you can perform the following tasks before you start the reconciliation:

- **Data Flow Verification**

This checks the completeness of all journal entries. You can use data flow verification to compare the data of the source documents against the journal entry data.

For more information on data flow verification, see Data Flow Verification.

- **Technical Comparison of All Ledgers**

You can check whether the total of the individual entries on a G/L account matches the G/L account balance updated.

For information on the technical comparison of ledgers, see [Reconciliation \[page 295\]](#).

Reconciliation in Detail

Verification of Line Items (Entries)

To be able to check the line items, use the report Trial Balance.

In the Trial Balance Reconciliation view, you can navigate from each balance to the related postings.

For information on this report, see [Trial Balance \[page 325\]](#).

Verification of Open Items

To be able to check the open items, use the report Trial Balance.

In the Trial Balance Reconciliation view, you can navigate from each balance to the open items.

For information on this report, see [Trial Balance \[page 325\]](#).

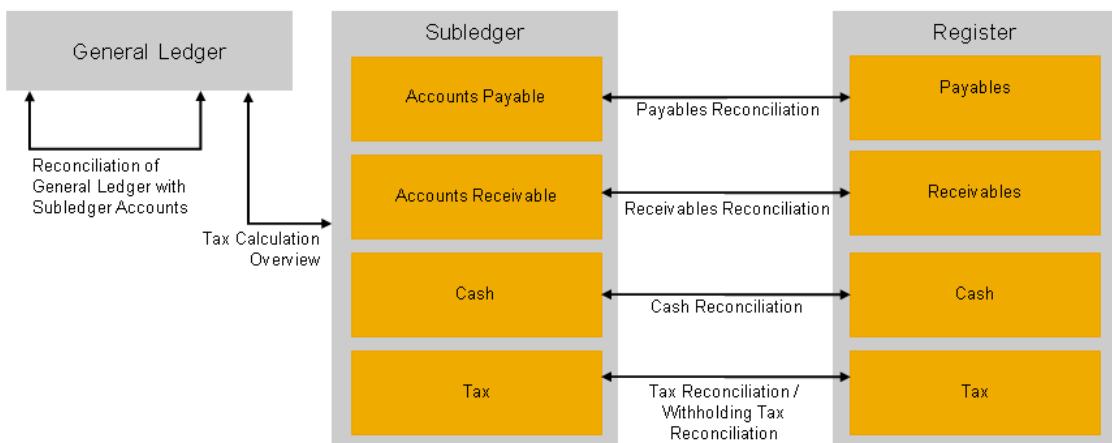
Inventory Reconciliation Between Logistics and the Material Ledger

To ensure that the inventories in logistics match those in the material ledger, you can compare the inventories of both areas.

For more information on reconciliation, see Inventory Reconciliation Between Logistics and the Material Ledger.

Overview of Reconciliation Between General Ledger, Subledgers, and Registers

The following overview shows what type of reconciliation is available between the general ledger, subledgers, and registers.



Reconciliation Between General Ledger, Subledgers, and Registers

Reconciliation of General Ledger with Subledger Accounts

To be able to reconcile the G/L accounts in the general ledger with the subledger accounts, choose the report [Reconciliation of General Ledger with Subledger Accounts](#).

Run the report first in the **default view**. In this way, you can identify the subledger that contains the differences. Then choose the appropriate **subledger view**. This allows you to identify the G/L account in which a difference appears.

For more information on this report, see [Reconciliation of General Ledger and Subledgers \[page 334\]](#).

Reconciliation Between Subledgers

To ensure that the tax amounts appearing on journal entries are reconciled with the tax amounts actually posted, choose the report [Tax Calculation Overview](#).

This report compares the tax amounts appearing on the journal entries against the tax amounts actually posted and shows the tax totals as well as the journal entries relating to any discrepancies.

For more information on this report, see [Tax Calculation](#).

Reconciliation Between Subledgers and Registers

To check the completeness of the subledgers in terms of the transactions in the registers, you can use the following reports:

Report Name	Description
Accounts Payable Reconciliation	Compares the accounts payable balances in the receivables register for a specified key date against the balances posted to the reconciliation accounts. Details [page 336]
Accounts Receivable Reconciliation	Compares the accounts receivable balances in the payables register for a specified key date against the balances posted to the reconciliation accounts. Details [page 339]
Cash Reconciliation	Compares the balances of cash, checks, and bank balances in the cash register for a selected key date against the reconciliation account balances. Details [page 341]
Tax Reconciliation	Compares for the selected key date the tax balances in the tax register against the tax account balances. Details [page 346]
Withholding Tax Reconciliation	Compares for the selected key date the withholding tax balances in the tax register against the tax account balances. Details [page 347]

i The system only stores G/L accounts in the general ledger and the subledgers. If you include the [Account](#) characteristic in the display, the G/L account appears in the register as [Unassigned](#).

3.1.1.3 Allowance for Doubtful Accounts

Overview

For year-end closing, you value your receivables with regard to their general credit risk. On the basis of your business experience, you determine a percentage for losses on receivables. You apply this percentage to your receivables and post the general credit risk to a separate account.

Posting Allowance for Doubtful Accounts

To post an allowance for doubtful accounts, you create a journal entry voucher in the *Journal Entry Vouchers* view of the *General Ledger* work center.

The allowance is posted to the following accounts in the delivered charts of accounts:

Posting Type	Account
Debit	Adjustable General Provision for Receivables
Credit	General Provision for Receivables

3.1.1.4 Balance Carryforward

Overview

Balance carryforward transfers the closing balances of G/L accounts from one fiscal year to the next, and ensures that the annual net profit/loss is correctly reported in the balance sheet.

The balance sheet accounts and the profit and loss accounts are carried forward as follows:

- The balances of the **balance sheet accounts** are carried forward into the next fiscal year. This ensures that the closing balances of the balance sheet accounts in the fiscal year being carried forward are the same as the opening balances in the new fiscal year.
- The balances of the **profit and loss accounts** are cumulated and transferred to the corresponding balance sheet account for annual net profit or loss. This ensures that closing balances and opening balances of the profit and loss accounts are always zero.

i If you haven't completed the balance carryforward for the previous year, it is automatically simulated in reports such as trial balance or financial statements. This simulation does not generate any postings.

Retained Earnings Accounts

To be able to perform balance carryforward, your **chart of accounts** needs to contain the following accounts:

- Income Summary Account
- Balance Sheet Closing Account
- Opening Balance Account
- Annual Net Profit Account

- Annual Net Loss Account

You also need to have set up account determination for these accounts.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

To define your chart of accounts, choose *Maintain Chart of Accounts*. To define the account determination, choose *General Ledger Accounting*.

Balance Carryforward Steps

You perform balance carryforward as the last phase of year-end closing, which usually means that you do this in the new fiscal year. The opening balances of the balance sheet accounts need to have been posted at this point.

To make the opening balances of G/L accounts available before balance carryforward is completed, you need to perform balance carryforward in two steps:

- **Step 1: Carry the G/L account balances forward**

This accomplishes the following:

- The balances of the balance sheet accounts are carried forward to the same accounts in the new fiscal year.
- The balances of the profit and loss accounts are cumulated and transferred to the income statement closing account. This ensures that the closing and opening balances of the profit and loss accounts are zero.

Once you have completed Step 1, you can continue to make postings to the fiscal year being carried forward. However, be aware that such postings increase the number of journal entries that need to be carried forward because change documents have to be posted in addition to the journal entries themselves. Change documents update the closing balances in the fiscal year being carried forward and the opening balances of the affected G/L accounts in the new fiscal year.



To avoid generating a large number of journal entries, carry out Step 1 as late as possible during your year-end closing process.

- **Step 2: Calculate and carry forward profit/loss**

This step is the last activity in your balance carryforward process. You perform this step after all postings to the fiscal year to be carried forward have been made. You can only perform this step once you have completed Step 1 in an update run.

Step 2 posts the balance of the income statement closing account to the balance sheet item Equity either of the annual net profit account or the annual net loss account, depending on whether it is a debit or credit balance at the company level. The balance of the annual net profit account or of the annual net loss account is then carried forward to the new fiscal year.



Once you have completed Step 2, the entire fiscal year carried forward is locked against posting. Postings can only be made to the new fiscal year. If postings need to be made to the previous fiscal year, these postings must be made before Step 2.

Performing Balance Carryforward

You can access the *Balance Carryforward* view from the *General Ledger* work center under *Periodic Tasks*.

For more information on performing balance carryforward, see [Balance Carryforward \[page 292\]](#).

3.1.2 Preparation for Consolidation

3.1.2.1 Preparation for Consolidation — Overview

Overview

If you map areas of a group in your system and need to make data from these areas available for consolidation in an external consolidation system, the system helps you prepare the relevant data.

To be able to transfer the relevant data to the consolidation system, note the following:

1. Business processes and posting logic

For business processes in which several partner companies are involved, you have to make sure that the partner information is correctly updated.

For more information, see [Preparation for Consolidation - Business Processes and Posting Logic \[page 245\]](#).

2. Data Provision

You can extract the data required for import into the consolidation system as a file from the system, and then transfer it to the consolidation system.

For more information, see [Preparation for Consolidation – Data Provision \[page 251\]](#).

3. Consolidation steps

You might have to adapt the reporting data of your company to more easily link the individual financial statements in your system and the consolidation system.

For more information, see [Preparation for Consolidation – Consolidation Steps \[page 256\]](#).

i You can also create a simplified balance sheet and income statement. To do this, you need to have mapped your entire group in your system.
For more information on creating a simplified balance sheet and income statement, see [Financial Statements – Preliminary Consolidation Elimination](#).

Prerequisites

To prepare for consolidation, make sure the following prerequisites have been met:

- You have activated preparation for consolidation. For this you have to answer the following questions with **yes** in the business configuration:
 - To find this business option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#).
In the [Scoping](#) step, expand the [Financial and Management Accounting](#) scoping element and select [General Ledger](#) and then [Consolidation Preparation](#).
 - To find this business option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#).
In the [Questions](#) step, expand the [Financial and Management Accounting](#) scoping element and select [General Ledger](#) and then [Financial Statements – Preliminary Consolidation Elimination](#).
- All the companies and customers or suppliers that you treat as partner companies are marked appropriately under Partner Companies. For more information, see [Quick Guide for Partner Companies \[page 262\]](#).
- You have to check whether the financial reporting structures and charts of accounts meet your requirements.

For more information, see Edit Financial Reporting Structures and [Chart of Accounts \[page 66\]](#).

- If you want to post to a different reconciliation account (such as loans), you have to create a new reconciliation account type.

For more information, see Configuration: Reconciliation Account Types.

- You must have assigned the profile *Movement Types for Preparation for Consolidation* to the set of books.

This profile contains special movement types that correspond to the requirements for consolidation preparation.

For more information, see Configuration: Set of Books and [Movement Types \[page 30\]](#).

- If you want to use the report *Financial Statements – Preliminary Consolidation Elimination* for simplified consolidation, you must have activated the use of functional areas. This is irrespective of whether you perform your closing by the function of expense method or nature of expense method.

For more information on functional areas, see [Functional Areas \[page 18\]](#).

- In Asset Accounting, we recommend that you use gross representation for the set of books that is defined for the preparation of consolidation. This means that you can display the acquisition costs and the value adjustments. You need to display your data in this way for the group schedule of fixed assets.



If the local accounting principles differ greatly from the group-defined settings, we recommend that you use a standard set of books for all the companies that have to prepare data for the group closing activities.

Constraints

If you carry out preparation for consolidation, note the following constraints:

One-Sided Elimination of Sales Revenues and Costs of Goods Sold

The posting logic only supports one-sided elimination, since the cost of goods sold or the material expense do not contain any partner information about the supplier.

Your consolidation department can proceed differently for the elimination of sales revenues and material consumption, i.e. costs of goods sold.

- One-sided elimination of internal sales revenues against material consumption, i.e. cost of goods sold.
- Two-sided clearing of internal sales revenue with material consumption, i.e. cost of goods sold of the receiving partner company. The system does **not** support this clearing.

If the goods supplied are used and resold in the same period, both methods lead to the same result.

Additional Postings for the Sale of Assets Between Partner Companies

For postings in Asset Accounting, the system does not differentiate between externally sold or sourced assets, and assets that have been transferred between partner companies.

You have to enter account assignments for these internal transfers by making additional manual postings to separate movement types with partners.

Transaction Currency for Transactions Between Partner Companies

The relevant data is extracted in company currency only.

To extract the data in transaction currency, contact your analytics expert. Your analytics expert can generate a special report for you to include the transaction currency.

Data Provision

The transfer of local master data to the group master data and keys occurs **outside** the SAP Business ByDesign system.

For more information on the general procedures, see [Preparation for Consolidation – Data Provision \[page 251\]](#) under **Transferring Local Master Data to Group Master Data (Mapping)**.

See Also

[Preparation for Consolidation - Business Processes and Posting Logic \[page 245\]](#)

[Preparation for Consolidation – Data Provision \[page 251\]](#)

[Preparation for Consolidation – Consolidation Steps \[page 256\]](#)

3.1.2.2 Preparation for Consolidation - Business Processes and Posting Logic

Overview

In preparation for consolidation, you have to make sure that the partner information is correctly updated for business processes in which several partner companies are involved.

For the following business transactions it is essential that you update the partner information correctly:

- Sale of goods and services between partner companies
- Expenses and revenues from business transactions made with partner companies
- Financing transactions between partner companies
- Internal sales of assets between partner companies
- Closing activities concerning partner companies

In the following you can find posting examples for partner companies involved in these business transactions. These examples are intended to explain the update of partner information. All examples use the IFRS chart of accounts.

Sale of Goods and Services Between Partner Companies

Your company sells goods and services to a partner company.

Typical Business Transactions

If production or sales processes occur in your group and are distributed to various partner companies, some of the following consolidation-relevant business transactions can occur:

- Partner company 1 produces goods or provides services that are marketed by partner company 2.
- Partner company 1 produces components that are used in the production of partner company 2.
- Partner company 1 provides services that are used by partner company 2.

Posting Example

Partner company 1 produces goods that partner company 2 markets. Production and sales are in the same posting period. Costs are incurred and revenues received for this.

- Cost of production for company 1: EUR 800
- Sales revenue for the sale of goods from company 1 to company 2: EUR 1,000
- Sales revenue for the sale of goods from company 2 to an external customer: EUR 1,200

The following postings occur:

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	403000	Intercompany Sales	1	2		1,000
2	111000	Accounts Receivable Intercompany Domestic	1	2	1,000	
3	450230	Material Consumption	1	2	800	
4	125000	Finished Goods Inventory	1			800

Posting items 1 and 2 represent the sales revenues and receivables with respect to company 2 for the sales of goods from company 1 to company 2.

Posting items 3 and 4 represent the consumption of material, i.e. cost of goods sold and the inventory change by the goods withdrawal from the warehouse.

Note that the system displays the goods recipient as the partner company also for material consumption. As the partner information is available both for revenues and material consumption, partner company 1 can display the realized intercompany profit with partner company 2.

Postings in Partner Company 2:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	125000	Finished Goods Inventory	2		1,000	
2	202000	Accounts Payable Intercompany Domestic	2	1		1,000
3	125000	Finished Goods Inventory	2			1,000
4	450230	Material Consumption	2		1,000	
5	400000	Domestic Sales	2			1,200
6	110000	Accounts Receivable Domestic	2		1,200	

Posting items 1 and 2 represent the inventory change through the goods acceptance and also the payables with respect to company 1.

Posting items 3 to 6 represent the further sale of the goods to an external consumer. Posting items 3 and 4 show the consumption of material, i.e. cost of goods sold and the inventory change by the goods withdrawal from the warehouse. Posting items 5 and 6 show the sales revenues and the receivables with respect to the external consumer of the goods.

Note that the system always manages material inventories without partner information.

Link to Consolidation

If this business transaction occurs in your group, note the following in preparing for consolidation:

- Intercompany elimination: The sales revenues posted are to be eliminated from the group view
- Elimination of IC payables & receivables: The payables and receivables between partner companies are to be eliminated from the group view.

- Intercompany profit elimination in current assets: If the goods in company 2 are in the warehouse and have not yet been sold at period-end closing, you have to adjust the inventory valuation in the consolidation system for the group cost of goods sold.

Expenses and Revenues from Business Transactions Made with Partner Companies

Your company displays revenues and expenses from business transactions with partner companies.

Typical Business Transactions

If revenues and expenses arise in your group from transactions with partner companies, the following consolidation-relevant business transactions can occur:

- Rental of office space between partner companies.
- Sale of assets.
- Sale of various materials, for example marketing materials.

Posting Example

Partner company 1 rents a building out to partner company 2 for EUR 1,000. The following postings occur:

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	408000	Other Income	1	2		1,000
2	111600	Other Receivables – Affiliated Companies	1	2	1,000	

These posting items represent the rental income in company 1.

Postings in Partner Company 2:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	513300	Rent or Lease Expense	2	1	1,000	
2	204000	Other Liabilities - Affiliated	2	1		1,000

These posting items represent the rental expenses in company 2.

i You make these postings using the *New Charge/Credit* option and enter a corresponding type of reconciliation account. In doing so, you do not post to the normal reconciliation account *Trade Receivables* or *Trade Payables*, but to the alternative reconciliation account.

For more information on posting using the *New Charge/Credit* option, see Customer Account Monitor and Supplier Account Monitor.

Link to Consolidation

You eliminate this business transaction in the consolidation system in expense and revenue consolidation (profit and loss accounts) and in the elimination of intercompany payables and receivables (balance sheet accounts).

Financing Transactions Between Partner Companies

Your company makes a loan to a partner company, for example, to take advantage of better financing conditions. Repayments and interest payments are made for the loan in the same way as with an external financial service provider.

Prerequisites

You have defined an alternative reconciliation account for loans. You carry out the following steps for this:

1. Create reconciliation account in the chart of accounts
2. Create the type of reconciliation account
3. Set up account determination

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

For more information on how to create these, see Chart of Accounts, Financial Reporting Structures, and Account Determination - Configuration Guide.

Typical Business Transactions

If loans are granted between partner companies in your group, the following consolidation-relevant business transactions may occur:

- Partner company 1 grants a loan to partner company 2.
- Partner company 2 makes a monthly repayment to partner company 1.
- Partner company 2 makes a monthly payment of loan interest to partner company 1.

Posting Example

Partner company 1 grants a loan to partner company 2 amounting to EUR 100,000. Monthly repayments of EUR 5,000 and monthly interest payments of EUR 1,000 are agreed.

The following postings occur:

1. Partner company 1 grants a loan to partner company 2:

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	111600	Other Receivables – Affiliated Companies	1	2	100,000	
2	102020	Cash Disbursement (Clearing Account)				100,000

Postings in Partner Company 2:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	102010	Cash Receipt (Clearing Account)			100,000	
2	204000	Other Liabilities - Affiliated	2	1		100,000

2. Partner company 2 makes a monthly repayment to partner company 1.

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
3	102010	Cash Receipt (Clearing Account)			5,000	
4	111600	Other Receivables – Affiliated Companies	1	2		5,000

Postings in Partner Company 2:

	Account	Account Name	Company	Partner Company	Debit	Credit
3	204000	Other Liabilities - Affiliated	2	1	5,000	
4	102020	Cash Disbursement (Clearing Account)				5,000

3. Partner company 2 makes a monthly payment of loan interest to partner company 1.

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
5	102010	Cash Receipt (Clearing Account)			1,000	
6	407000	Other Interest and Similar Revenues - Affiliated	1	2		1,000

Postings in Partner Company 2:

	Account	Account Name	Company	Partner Company	Debit	Credit
5	540000	Other Interest and Similar Expenses - Affiliated	2	1	1,000	
6	102020	Cash Disbursement (Clearing Account)				1,000

Link to Consolidation

You eliminate this business transaction in the consolidation system in expense and revenue consolidation (profit and loss accounts) and in the elimination of intercompany payables and receivables (balance sheet accounts).

Internal Sales of Assets Between Partner Companies

Your company divests fixed assets to a partner company. Your company makes a retirement entry; the partner company enters an acquisition.

Typical Business Transactions

If fixed assets are divested between partner companies in your group, the following consolidation-relevant business transactions may occur:

- Transfer of equipment
- Sale of property and land
- Transfer of personal office equipment or company cars when an employee changes from one subsidiary to another.

Posting Example

Partner company 1 sells a building for EUR 900,000 to partner company 2. The acquisition costs of the building amount to EUR 1,000,000 and the net book value is EUR 800,000.

The following postings occur:

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	150100	Buildings	1			1,000,000
2	151100	Accumulated Depreciation - Buildings	1		200,000	
3	519400	Gain/Loss from Asset Ret (book value)	1		800,000	
4	519500	Net Value Fixed Asset Sale Profit/ Loss	1			900,000
5	111000	Accounts Receivable Intercompany Domestic	1	2	900,000	

Posting items 1 to 3 represent the accumulated depreciation of the building.

Posting items 4 and 5 represent the revenues and receivables with respect to company 2 for the sale of the building from company 1 to company 2.

Postings in Partner Company 2:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	150100	Buildings	2		900,000	
2	202000	Accounts Payable Intercompany Domestic	2	1		900,000

The posting items represent the retirement of the building for company 2 and the payables with respect to company 1.

i You can post the retirement of the building in addition to these postings using manual postings with the special movement types **Internal Retirement** and **Internal Acquisition**. This means you can automate part of the required postings in the consolidation system, and enable the group schedule of fixed assets to be correctly displayed.

Link to Consolidation

You have to eliminate this business transaction in the consolidation system to ensure the following:

- Display of a correct group schedule of fixed assets. For this, you have to make the described adjusting journal entries in your system or the consolidation system.
- Elimination of revenue from the internal sale (expense and revenue elimination).
- Adjustment of the asset book value for the receiving company on the group valuation approach.
- Adjustment of the subsequent depreciation for the asset-managing company. This value usually corresponds to the depreciation of the previous asset-managing company.

Closing Activities Concerning Partner Companies

Your company performs closing activities that affect a partner company.

Typical Business Transactions

If you do not use a separate set of books for preparing the consolidation-relevant data for your group, the following business transactions can occur within period-end closing (and the related valuations):

- You make a value adjustment for receivables with respect to a partner company.
- You create provisions for doing business with partner companies.

i If you work with a specific set of books for the preparation of your consolidation-relevant data for your group, you should **not** make these valuations in this set of books. This means that you do **not** have to eliminate these valuations within the consolidation.

We recommend that you agree this procedure with your consolidation department.

Posting Example

Partner company 1 has receivables with respect to partner company 2. Within period-end closing partner company 1 makes a value adjustment here.

The following postings occur:

Postings in Partner Company 1:

	Account	Account Name	Company	Partner Company	Debit	Credit
1	114900	General Allowance for Doubtful Debt Accounts	1	2		200
2	514000	Bad Debt Expense from General Provision	1	2	200	

Link to Consolidation

If there are corresponding valuation influences in your posting material, you usually eliminate these in the consolidation system when you exclude intercompany payables and receivables.

See Also

- [Preparation for Consolidation — Overview \[page 243\]](#)
- [Preparation for Consolidation – Data Provision \[page 251\]](#)
- [Preparation for Consolidation – Consolidation Steps \[page 256\]](#)

3.1.2.3 Preparation for Consolidation – Data Provision

Overview

You can create the file required for import into the consolidation system in two ways:

1. You can create a trial balance using the *Trial Balance* report that you can save locally, and then transfer to the external consolidation system.

You need to ensure that this file contains the consolidation-relevant data, for example, partner information and movement types. You have the following options:

1. You can personalize the trial balance and add the relevant columns to the display.
2. You can contact your analytics expert. The analytics expert can assign the report *Financial Statement Consolidation Preparation – Data Export* to your user so that you can see it. This report contains all of the relevant data.
2. You can extract the data in the *Extraction Runs for Financial Data* view. The system similarly creates a file that you first save locally, and then can transfer to the external consolidation system. This list contains the related partner information and movement types.

In the *Extraction Runs for Financial Data* view, you can save the transferred data to store it and protect it from being deleted.

You can access the *Extraction Run for Financial Data* view from the *General Ledger* work center under *Periodic Tasks*.

In this way the system supports you in your obligation to produce supporting documents. Data extraction ensures that for each company you can ascertain the following at any time:

- a. Who created the data extraction?
- b. When was the data extraction created?
- c. What selection criteria were used to create the data extraction?
- d. What was the result of the data extraction?

To carry out the data extraction, choose the reporting package *Financial Statement Consolidation Preparation – Data Export*. This reporting package contains a variant of the trial balance and provides all of the data that you need to transfer to your consolidation system.

The system provides the data in SAP Audit Format. Depending on the requirements of your consolidation system, you have to transform this data for the transfer.

For more information, see [Extraction Run for Financial Data Quick Guide \[page 306\]](#) and Configuration: Digital Extract.

Prerequisites

Before you can start exporting the consolidation-relevant data, you must make sure that all prerequisites for this have been met:

- **Set of Books**

Decide whether to use a separate set of books for consolidation.

If you use a set of books only for providing the data necessary for consolidation and that contains the valuation approaches according to corporate policy, select this set of books when you create the trial balance.

If you **do not** use a separate set of books, make sure the necessary adjusting journal entries are made in the consolidation system.

- **Type of Data Provision**

You must agree with your consolidation department the form in which to provide the consolidation-relevant data, for example, in periodic movements or cumulated annual values.

If your consolidation system expects to apply the same procedure for all reports, then choose in the report selection the corresponding whole year or the relevant period as the time period.

If your consolidation system expects a separate procedure for the balance sheet and income statement, you have to create separate reporting files.



To achieve greater transparency and flexibility when eliminating errors, it is advisable to use cumulated data when transferring your data to a consolidation system.

Transfer of Local Master Data to Group Master Data (Mapping)

When you extract consolidation-relevant data, the file contains the local master data of your system, for example, the accounts that you use.

The local master data used does not meet the requirements of the group on a frequent basis. In particular, the following transfers might be necessary:

- Local account number to group item
- Local movement type to group movement types
- Local company key (including partner) to group company key
- Local profit centers to group management units
- Enhancement with additional posting keys that are **not** known in SAP Business ByDesign
- Replacement of character **#** for fields that are not filled with the key that your consolidation system expects, for example **Empty**.

To be able to reduce the transfer effort, you can rely on the group master data, for example, use a group chart of accounts as the basis for your individual settings.

You must transfer your local master data to the master data and key of the group outside of your system.

You can make this transfer with the following activities:

- **Transfer Rules when Importing the File**

You can define rules in your consolidation system that transfer local account 123456 to group account A1234, for example.

SAP provides these functions in the applications SAP BusinessObjects Planning & Consolidation and SAP Strategic Enterprise Management – Business Consolidation.

- **Transfer Rules in an Application Pre-Filtered for Consolidation**

You can process the report file in an application that has already been pre-stored in the actual consolidation system, and in which the transfer takes place. You can then transfer the result of this application to the consolidation system.

SAP provides you with these functions in the SAP BusinessObjects Financial Information Management application.

- **Transfer By Adjusting the Reporting File**

To change the reporting file directly, open the file with a spreadsheet program or a database application. Then transfer the processed file to your consolidation system.



Confirm with your auditors **and** auditing department that you have met all of the documentation requirements necessary for the transfer.

Importing the Reporting File to the Consolidation System

You can download the reporting file to the consolidation system. For more information on importing a file to your consolidation system, refer to the appropriate system documentation or follow the instructions of the department responsible.

The file usually contains the complete dataset at the time the file was created. You need to ensure organizationally that if you create and transfer the reporting file again that the data is not inadvertently changed in the consolidation system.

Dealing with Errors in the Posting Material

Various errors may occur while you are transferring the data from the source system to the consolidation system. The following may occur:

Formal Errors in the Data Record: Movement Types

The following formal errors can occur in the data record:

- **Missing Account Assignment of Movement Types**



You have **not** used any movement types in your system when making manual postings (for example, in the equity area). However, the consolidation system expects movement types on an equity account.

- **Incorrect Account Assignment of Movement Types**



You have used the movement types in your system correctly, but they do not correspond to any movement types permitted in the consolidation system.

Formal errors in the data record are usually displayed immediately **during import** into the consolidation system, which then prevent the import.

If formal errors occur in your data record, you can proceed as follows:

You need to reverse the posting that caused the error, and post again making sure you follow the posting rules.

If it is **not** possible to make the original posting again, make a correcting entry. This correcting entry must lead to the data being displayed correctly in the consolidation system when it is added to the original posting.

If you carry out periodic data reporting in the consolidation system, you must make the correcting entries by period.



You can also change the reporting file directly. If you do this, you are responsible for ensuring that you fulfill all legal requirements concerning obligatory documentation and traceability of financial data, as the manually entered data is not maintained in the system.

Formal Errors in the Data Record: Partner Information

- **Missing Account Assignment for Partner Information**



You have neither inserted a partner company in your organizational structure nor indicated it as a partner company (*Partner Company* view). The previous documents from the business relationship for this partner company **do not** contain any partner information.

Required Correction:

1. Add the company to your organizational structure or identify it as a partner company in the *General Ledger* work center, *Partner Company* view.
You can access the *Partner Companies* view from the *General Ledger* work center under *Master Data*. In the customer or supplier account monitor, you use *Action > Split Open Items* and post a split for 100%. The system clears the old document with the original account assignment. The new document is posted with the current settings of the partner companies. This posting means it is **not** necessary to enter additional data manually.

For more information about this posting, see Supplier Account Monitor or Customer Account Monitor.

2. Repost the appropriate expense and revenue accounts in the general ledger to the correct partner.

- **Incorrect Account Assignment for Partner Information**



You have several receivables/payables with the same name. Only one of these receivables/payables is a partner company at the same time, and indicated as a partner company in your system. You post inadvertently to the wrong receivable/payable. The previous documents from the business relationship with your partner company therefore **do not** contain any partner information.

Required Correction:

1. Repost all open items for the incorrect receivable/payable to the correct receivable/payable. You use *Action > Reposting of Payments* in the customer or supplier account monitors.

For more information about this posting, see Supplier Account Monitor or Customer Account Monitor.

2. Repost the appropriate expense and revenue accounts in the general ledger to the correct partner.

Content Error in the Posting Material

The following formal content errors can occur in the posting material:

- **Inconsistencies in Your System**



You have created provisions, and for the financial statement imbalance, used a different account for your income statement than the consolidation system expects in the validation rule. This means you receive an error message in the consolidation system, for example: Setting in provision in balance sheet does not correspond to the provision imbalance in the income statement.

- **Inconsistencies in the Transfer of Local Master Data to Group Master Data**



When you transferred the master data from your system to the group master data you assigned an assets account to a group income statement account. This means you receive an error message in the consolidation system, for example: Assets do not equal liabilities and owner equity.

Content errors in the posting material are usually displayed in the consolidation system within the plausibility checks or validation steps, **once the import has been made**. Plausibility checks are mostly created group-specific.

If content errors occur in your posting material, you can proceed as follows:

In a similar way as for formal errors in the dataset, you can make corrections using reversal and correcting entries. For errors in the transfer of the reporting file, carry out the transfer again.

You can also make correcting entries in the consolidation system. For this you have to agree with your consolidation department whether the corresponding postings must be made **only** in the consolidation system or **in addition** in your system.

Verifiability of the Reporting File

You have to ensure organizationally that the data that you make available is transferred correctly to the consolidation system.

You can check if the transfer is correct by comparing financial closing in the SAP Business ByDesign system with the corresponding areas in the report from the consolidation system.

If you use the *Extraction Runs for Financial Data* view to create the reporting file, you can track the related runs in the log to determine when, by whom, and with which settings the file was created. In addition, you can save the transferred data to store it.

You can access the *Extraction Run for Financial Data* view from the *General Ledger* work center under *Periodic Tasks*.

If you export the reporting file, the system **does not** create an electronic signature or a check sum. Such a signature or check **cannot** be generated automatically, since uniform signature mechanisms would be required in both the source system and consolidation system. Since the data transfer takes place by exporting data from the source system and importing data to the consolidation system, there is no direct connection or direct reconciliation between the two systems.

See Also

[Preparation for Consolidation — Overview \[page 243\]](#)

[Preparation for Consolidation - Business Processes and Posting Logic \[page 245\]](#)

[Preparation for Consolidation – Consolidation Steps \[page 256\]](#)

3.1.2.4 Preparation for Consolidation – Consolidation Steps

Overview

In the SAP Business ByDesign system, data is updated according to the requirements for consolidation. The SAP Business ByDesign system does **not** support consolidation.

To perform consolidation, you need an **external** consolidation system to which you transfer the consolidation-relevant data. You must perform various steps in this external system to create an easier connection between financial closing in the SAP Business ByDesign system and the consolidation system.

If you only transfer the consolidation-relevant data, you can also transfer the following information to support your consolidation department.

Adjusting the Reporting Data

You need to handle value adjustments between the local requirements for financial closing and the requirements according to group specifications. You have the following options:

- Multi-GAAP reporting in the SAP Business ByDesign system. For more information about multi-GAAP reporting, see [Multiple Sets of Books \[page 43\]](#).
- Manual adjusting journal entries for additional accounts in the SAP Business ByDesign system. You merge these with the original accounts during the transfer to the consolidation system.
- Manual adjusting entries in the consolidation system.

 If the valuations between financial closing and the group specifications differ from each other greatly, we recommend that you use multiple sets of books in the SAP Business ByDesign system.

If only a few adjustments are needed, make the relevant adjusting entries.

Validation of the Reporting Data

The consolidation system as a rule carries out data checks. This ensures that the transferred data contains all of the required fields and the posting material content is correct.

You can reproduce these checks organizationally in the SAP Business ByDesign system using reporting, for example:

- Total assets are equal to total liabilities.
- Total of depreciation income statement is equal to the fiscal year depreciation in the schedule of fixed assets.
- Total of posted retained earnings is equal to income statement result.

If you encounter errors in your consolidation system in the course of the data validation, you have to correct them.

For more information on correcting errors that have occurred, see [Preparation for Consolidation – Data Provision \[page 251\]](#) under **Dealing with Errors in the Posting Material**.

Transfer of Reporting Data

In most cases, the reporting data is transferred to the consolidation system in local currency, and then translated to the corresponding currency in the consolidation system.

Cleanup of Aggregated Balance Sheet

The aggregated balance sheet is cleaned on the basis of intercompany transactions. This elimination is made in the following steps:

Type of Elimination	Reporting Data to be Cleaned	Required Information	Note
Intercompany elimination	Intercompany revenues from business transactions between partner companies	Revenue line contains partner information	Note that the intercompany elimination must be one-sided. This means that the elimination must be based only on the posted revenues of the seller, without comparison with the costs or inventory postings of the receiver.
Expense and revenue consolidation	Intercompany revenues and expenditure from business transactions between partner companies	Revenue and expense lines contain partner information	You can make these eliminations in the consolidation system either according to expense and revenue types (for example, rent or interest) or summarized across various accounts.
Elimination of IC payables & receivables	Intercompany balance sheet items from open business transactions between partner companies	The partner companies have to provide two-way partner information	The relevant balance sheet items can arise from normal business activities (such as sale of goods and services) or from financial business transactions.
Intercompany profit elimination	Revaluation of the assets or circulating assets that are valued in the inventory-managing company using a valuation approach other than that would be required by the group view.	Transparent display of intercompany profits from supplies to partner companies. You can use various reports for this display, such as financial statements – one year, or the journal	As the inventory-managing company unit, you can only ascertain the proportion of the warehouse inventory that has been supplied by a partner company if the material was only procured from one partner company. Otherwise you have to estimate the corresponding proportion of the warehouse inventory. You have to eliminate intercompany procurements of goods from fixed assets as follows: <ul style="list-style-type: none">• Elimination of book gains for the seller• Adjustment of the book value for the purchaser and subsequent depreciation

Consolidation of investments	Setting off of investments (proportions to partner companies) with the equity of the partner company held. Calculation of the company value. Distribution of the equity items and current profits to group and minority interests.	Administration of the relevant information (for example, investment records) in the consolidation system.	All required information is always managed in the consolidation system. You can display the partner company retained as a partner under 'Shares in Partner Companies'. Depending on the procedure in your group, you may have to post results of the consolidation of investments in the local general ledger manually, for example company values from the first consolidation that can be updated by the subsidiary company.
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For more information on partner updates, see Preparation for Consolidation – Business Processes and Posting Logic.

For more information on intercompany profit elimination, see Preparation for Consolidation – Overview in the area **Additional Postings for the Sale of Assets Between Partner Companies**.

See Also

[Preparation for Consolidation — Overview \[page 243\]](#)

[Preparation for Consolidation - Business Processes and Posting Logic \[page 245\]](#)

[Preparation for Consolidation – Consolidation Steps \[page 256\]](#)

3.2 Master Data

3.2.1 Sets of Books and Assigned Companies View

3.2.1.1 Quick Guide for Sets of Books and Assigned Companies

You can access the *Companies* view from the *General Ledger* work center under *Master Data*.

This view shows the configuration settings that are relevant for the accounting procedures of your companies in the assigned sets of books. You can also control the document flow of your companies from this view. For each company, you can open and close fiscal years and the associated accounting periods, and control separately the document flow for individual business process groups.

Business Background

Organizational Structure

You create your companies in your organizational structure.

For more information, see [Quick Guide for Organizational Structures \[page 19\]](#).

Set of Books

To enable entries to be made for your companies, each company must be assigned to at least one set of books. The set of books contains higher-level and specific settings for each of the assigned companies.

For more information, see [Set of Books \[page 42\]](#).

Journal Entries and Business Transactions in Accounting

All the business transactions in your company that are relevant for accounting are forwarded to the accounting area in the form of source documents (such as customer and supplier invoices) where they are then valued and posted to the corresponding G/L accounts. Each posting is recorded in the form of a journal entry. The entire transaction, from source document through journal entry, is described as the **document flow**.

For more information, see [Document Flow into Accounting \[page 191\]](#).



Tasks

Display Companies

The *Sets of Books and Assigned Companies* view displays all the companies in your system in the assigned sets of books. The system also displays all the higher-level settings of the assigned set of books as well as any company-specific settings. For more information on the individual settings, see Configuration: Set of Books.

You can restrict the display to specific companies, such as the companies that you have assigned to a specific set of books. To do this, click **Advanced** and enter the selection characteristic that you want to use.

Open and Close an Accounting Period

The business transactions relevant for accounting are posted in the form of a source document to accounting on a specific **posting date**. For the system to be able to do this, the accounting period corresponding to the posting date must be open. To open or close an accounting period, click **Open and Close Periods**.

For more information, see [Opening and Closing Accounting Periods \[page 260\]](#).

Open and Close a Fiscal Year

To be able to open an accounting period, you first need to ensure that the entire corresponding fiscal year is open. Once you have performed your year-end closing activities, you need to close the closed fiscal year. To open or close a fiscal year, click **Open and Close Fiscal Year**.

For more information, see [Create a Fiscal Year \[page 259\]](#) and Close a Fiscal Year.

3.2.1.2 Tasks

3.2.1.2.1 Creating Fiscal Years

Overview

To be able to make postings in a fiscal year, you first need to create a new **fiscal year** with its related accounting periods.

You can access the *Companies* view from the *General Ledger* work center under *Master Data*.

Select the row for the desired company and set of books and click [Edit Fiscal Years](#).

Prerequisites

Before you can **create a new fiscal year**, the following prerequisites must be fulfilled:

- You have to assign a fiscal year variant to your set of books. For more information, see [Fiscal Year Variant \[page 72\]](#).
- Ensure that **no more than two** fiscal years are open for the company, since the maximum number of fiscal years that can be open concurrently is three.

Creating a New Fiscal Year

To create a new fiscal year, click [New Fiscal Year](#) and enter the fiscal year that you want to use.

The system then makes the following settings automatically:

- The entire fiscal year is **open**.
- **Accounting periods** for the fiscal year are created. The fiscal year variant and the number of accounting periods are determined based on the set of books.



If you are using a **year-specific fiscal year variant**, you need to edit the period details for each new fiscal year. For more information, see [Fiscal Year Variant \[page 72\]](#).

- In each new fiscal year, the **first accounting period** is always open for posting the opening balances from balance carryforward and for all operational postings. All remaining accounting periods are closed. If you want to open other accounting periods, you must do so manually. For more information, see [Open and Close Accounting Periods \[page 260\]](#).

3.2.1.2.2 Open and Close Accounting Periods

Overview

You can open and close individual accounting periods within a fiscal year. When a period is closed, no journal entries with a posting date in that period can be created.

You can also use the closing steps to partially open or close accounting periods. For example, an accounting period can be closed for operational postings but open for closing entries.

You can access the **Open and Close Periods** activity from the **General Ledger** work center under **Set of Books and Assigned Companies** view in **Master Data**.

Prerequisites

For you to be able to open or close an accounting period, the relevant fiscal year needs to have been created. For more information, see [Creating Fiscal Years \[page 259\]](#).

Opening and Closing an Accounting Period

To open or close an accounting period, select the desired company and set of books and click [Open and Close Periods](#).

- When you create a new fiscal year, the first accounting period of that fiscal year is automatically open for posting the opening balances and for operational postings. You have to open other accounting periods within the fiscal year manually.
- To open **multiple accounting periods** concurrently, you must open each period in sequence.
- You cannot **close** a period unless the period preceding it is closed.



- You cannot close last period in a fiscal year if balance carry forward for the year is not finished.
- You cannot open a period within a closed fiscal year.

Closing Steps of an Accounting Period

You can use closing steps to open accounting periods for specific postings only. Closing steps classify postings according to the time when they were made during period-end or year-end closing. You can open each accounting period either for individual closing steps or for an area of closing steps. Both of the following closing steps are particularly relevant for the closing process:

- With closing step *010 – Operational Postings*, all types of postings – automatic and manual alike - can be performed.
- With closing step *020 – Closing Entries*, no automatic entries can be made. Instead, you can only make manual entries or entries that the system makes during automatic closing processes (such as GR/IR clearing or foreign currency valuation).

For more information, see [Closing Steps \[page 76\]](#).

Accounting Periods and Process Control

If you open an accounting period with the closing step *10 – Operational Postings*, the system automatically creates an entry in the **process control**. If you close the accounting period, the entry is automatically deleted.

When a source document is posted in the original application, the system uses the process control to run the following checks:

- The system checks, whether the **proposed posting date** of the source document is within an open accounting period. It therefore checks, whether an entry for this accounting period exists in the process control. If there is no entry, an error message is displayed and the source document cannot be posted.
- The system checks the **entry date** of the source document. By default, source documents can be entered up to 14 days **after** the last posting date of the period.



Even if the accounting period remains open, it is **not** possible to post source documents with an entry date **after** the last possible entry date.

You can adapt this standard procedure, for example, you can edit the last possible entry date of an accounting period for special business transactions. For more information, see [Process Control for Operational Postings \[page 79\]](#).

Re-Opening Closed Accounting Periods

You can re-open a closed accounting period when both the relevant fiscal year and the subsequent accounting period are still open. To do so, select the desired accounting period and choose **Open Period**.



Avoid reopening a closed period with the closing step *010 – Operational Postings*. Doing so would mean that any business transaction that could not be posted because the period was closed would then be posted to that accounting period **without being checked**.

Closing step *015 – Late Operational Postings* allows you to re-open an accounting period that has previously been closed. In the case of business transactions that could not be posted because the accounting period was closed, you can now post them individually to the previously closed accounting period. For more information, see [Checking the Accounting Period for Operational Postings \[page 77\]](#).

See Also

[Creating Fiscal Years \[page 259\]](#)

Closing Fiscal Years

3.2.2 Quick Guide for Partner Companies

You can access the *Partner Companies* view from the *General Ledger* work center under *Master Data*.

This view displays the affiliated companies in your group. You can also mark customers or suppliers as partner companies to ensure that the partner information is displayed correctly in journal entries.



The amount calculated at the level of the partner companies is displayed differently on the balance sheet and income statement, since VAT (value-added tax) is not calculated at that level.

The system displays the following companies based on the current date:

- Companies in your organizational structure. These companies are always treated as affiliated companies.
- Customers or suppliers that you have marked as partner companies in the Partner Companies area.

Business Background

Organizational Structure

For detailed information on how to set up an organizational structure, see [Guide: Setting Up Your Org Structure](#).

Preparation for Consolidation

If you map areas of a group in your system and need to make data from these areas available for consolidation in an external consolidation system, the system helps you prepare the relevant data.

For more information, see [Preparation for Consolidation \[page 243\]](#).

Financial Statements – Preliminary Consolidation Elimination

You can use this report to simplify and consolidate your financial statements. To do this, you need to have mapped your entire group in your system.

Primarily, you generate this report in preparation for your period-end consolidation. However, the report can be generated at any time to gain an overview of intercompany gains and losses.



This report does **not** represent a legal document for preparing consolidation for your company. It serves only to simplify transactions between partner companies. To do this, you need to ensure that you follow all the prerequisites in this report. Refer also to the relevant limitations when preparing for consolidation under [Preparation for Consolidation – Overview \[page 243\]](#).

For more information, see Financial Statements – Preliminary Consolidation Elimination.



Tasks

Restrict Display to Specific Partner Companies

To restrict the display to specific partner companies, go to the *Show* dropdown list and select one of the following options:

- *Current Partner Companies*: The system displays all the companies that are **currently** marked as your partner companies.
- *Former Partner Companies*: The system displays all the companies that were marked as partner companies **in the past**.
- *All Partner Companies*: The system displays all the companies irrespective of when they were marked as a partner company.

Create a New Partner Company

All companies in your organizational structure are automatically marked as partner companies. You can also mark customers and suppliers as partner companies as follows:

1. Click [New > Partner Company](#).
2. Select a customer or supplier and the affiliation period during which the customer or supplier is to be treated as a partner company.



If you define a customer or supplier as a partner company, you need to ensure that the account determination group in the customer or supplier master data is adjusted accordingly.

Edit a Partner Company

You can edit partner companies when dealing with customers or suppliers that are not included in your organizational structure. You cannot edit companies in your organizational structure directly from the list of partner companies.

To edit a partner company, select the company and click [Edit](#).

The system displays information on the following tabs:

- *General*: You can change the affiliation period.
- *Changes*: You can display all the changes that were made to a partner company over a specific period. You can restrict the display to a specific user or to a specific attribute.
- *Notes*: You can enter notes for partner companies. The system displays all the notes entered so far. You can also remove notes.
- *Attachments*: You can upload attachments for partner companies. You can also download, replace, or delete existing attachments.

Subsequent Changes Relating to the Affiliation Period

If you make subsequent changes relating to the affiliation period of a company, the system does not create any adjusting journal entries. You should therefore note the following:

1. Subsequent Marking of a Partner Company

A customer or supplier has been a partner company since January 1 of a particular year. However, it is only on March 1 that you first mark the customer or supplier as being a partner company.

The entries that you made from January 1 through March 1 do not contain any partner information.

2. Subsequent Removal of a Partner Company

A customer or supplier is marked in your system as being a partner company until the end of a particular year. However, as of March, the customer or supplier is no longer recognized as a partner company.

The entries made between March 1 and the end of the year contain partner information that is **incorrect**.

The system does **not** make any automatic adjusting journal entries. You need to reverse the source document or make manual transfer postings as required.

Remove Partner Companies

You can remove partner companies when dealing with customers or suppliers that are not included in your organizational structure. You cannot remove companies in your organizational structure directly from the list of partner companies.

i If you have used a partner company in combination with your entries, you cannot delete that partner company. You can only change the affiliation period.

To remove a customer or supplier from the list of partner companies, select the company and click Remove Partner Company.

The system removes the customer or supplier only from the list of partner companies. Note that the customer or supplier is still available in the system.

Exclude Profit Centers from Postings

You can view all profit centers that belong to the chosen company in an organizational structure and all profit centers that are completely unassigned.

To exclude profit centers from postings, set the *Block Profit Centers* indicator. You can only exclude the profit centers from postings that are completely unassigned. If you exclude profit centers from postings, the profit center cannot be derived automatically by the system or entered manually, such as when creating journal entry vouchers. The block applies immediately, irrespective of the general validity period of the profit center.

i If you create a journal entry voucher, only the profit centers that you can use for postings are displayed.

3.2.3 Partner Companies View

3.2.3.1 Quick Guide for Partner Companies

You can access the *Partner Companies* view from the *General Ledger* work center under *Master Data*.

This view displays the affiliated companies in your group. You can also mark customers or suppliers as partner companies to ensure that the partner information is displayed correctly in journal entries.

 The amount calculated at the level of the partner companies is displayed differently on the balance sheet and income statement, since VAT (value-added tax) is not calculated at that level.

The system displays the following companies based on the current date:

- Companies in your organizational structure. These companies are always treated as affiliated companies.
- Customers or suppliers that you have marked as partner companies in the Partner Companies area.

Business Background

Organizational Structure

For detailed information on how to set up an organizational structure, see Guide: Setting Up Your Org Structure.

Preparation for Consolidation

If you map areas of a group in your system and need to make data from these areas available for consolidation in an external consolidation system, the system helps you prepare the relevant data.

For more information, see [Preparation for Consolidation \[page 243\]](#).

Financial Statements – Preliminary Consolidation Elimination

You can use this report to simplify and consolidate your financial statements. To do this, you need to have mapped your entire group in your system.

Primarily, you generate this report in preparation for your period-end consolidation. However, the report can be generated at any time to gain an overview of intercompany gains and losses.

 This report does **not** represent a legal document for preparing consolidation for your company. It serves only to simplify transactions between partner companies. To do this, you need to ensure that you follow **all** the prerequisites in this report. Refer also to the relevant limitations when preparing for consolidation under [Preparation for Consolidation – Overview \[page 243\]](#).

For more information, see Financial Statements – Preliminary Consolidation Elimination.



Tasks

Restrict Display to Specific Partner Companies

To restrict the display to specific partner companies, go to the *Show* dropdown list and select one of the following options:

- *Current Partner Companies*: The system displays all the companies that are **currently** marked as your partner companies.
- *Former Partner Companies*: The system displays all the companies that were marked as partner companies **in the past**.
- *All Partner Companies*: The system displays all the companies irrespective of when they were marked as a partner company.

Create a New Partner Company

All companies in your organizational structure are automatically marked as partner companies. You can also mark customers and suppliers as partner companies as follows:

1. Click *New > Partner Company*.
2. Select a customer or supplier and the affiliation period during which the customer or supplier is to be treated as a partner company.

i If you define a customer or supplier as a partner company, you need to ensure that the account determination group in the customer or supplier master data is adjusted accordingly.

Edit a Partner Company

You can edit partner companies when dealing with customers or suppliers that are not included in your organizational structure. You cannot edit companies in your organizational structure directly from the list of partner companies.

To edit a partner company, select the company and click *Edit*.

The system displays information on the following tabs:

- *General*: You can change the affiliation period.
- *Changes*: You can display all the changes that were made to a partner company over a specific period. You can restrict the display to a specific user or to a specific attribute.
- *Notes*: You can enter notes for partner companies. The system displays all the notes entered so far. You can also remove notes.
- *Attachments*: You can upload attachments for partner companies. You can also download, replace, or delete existing attachments.

Subsequent Changes Relating to the Affiliation Period

If you make subsequent changes relating to the affiliation period of a company, the system does not create any adjusting journal entries. You should therefore note the following:

1. **Subsequent Marking of a Partner Company**

A customer or supplier has been a partner company since January 1 of a particular year. However, it is only on March 1 that you first mark the customer or supplier as being a partner company.

The entries that you made from January 1 through March 1 do not contain any partner information.

2. Subsequent Removal of a Partner Company

A customer or supplier is marked in your system as being a partner company until the end of a particular year. However, as of March, the customer or supplier is no longer recognized as a partner company.

The entries made between March 1 and the end of the year contain partner information that is **incorrect**.

The system does **not** make any automatic adjusting journal entries. You need to reverse the source document or make manual transfer postings as required.

Remove Partner Companies

You can remove partner companies when dealing with customers or suppliers that are not included in your organizational structure. You cannot remove companies in your organizational structure directly from the list of partner companies.

i If you have used a partner company in combination with your entries, you cannot delete that partner company. You can only change the affiliation period.

To remove a customer or supplier from the list of partner companies, select the company and click Remove Partner Company.

The system removes the customer or supplier only from the list of partner companies. Note that the customer or supplier is still available in the system.

Exclude Profit Centers from Postings

You can view all profit centers that belong to the chosen company in an organizational structure and all profit centers that are completely unassigned.

To exclude profit centers from postings, set the *Block Profit Centers* indicator. You can only exclude the profit centers from postings that are completely unassigned. If you exclude profit centers from postings, the profit center cannot be derived automatically by the system or entered manually, such as when creating journal entry vouchers. The block applies immediately, irrespective of the general validity period of the profit center.

i If you create a journal entry voucher, only the profit centers that you can use for postings are displayed.

3.2.4 Companies View

3.2.4.1 Quick Guide for Companies (General Ledger)

You can access the *Companies* view from the *General Ledger* work center under *Master Data*.

This view shows the configuration settings that are relevant for the accounting procedures of your companies in the assigned sets of books. You can also control the document flow of your companies from this view. You can open and

close fiscal years and the associated accounting periods, and control the document flow for individual business process groups.

Business Background

Organizational Structure

You create your companies in your organizational structure.

For more information, see [Quick Guide for Organizational Structures \[page 19\]](#).

Set of Books

To enable entries to be made for your companies, each company must be assigned to at least one set of books. The set of books contains higher-level and specific settings for each of the assigned companies.

For more information, see [Set of Books \[page 42\]](#).

Journal Entries and Business Transactions in Accounting

Business transactions that affect accounting are forwarded to accounting in the form of source documents (such as purchase orders or invoices) where they are valued and posted to G/L accounts. Each posting is recorded in the form of a journal entry. The entire transaction, from source document through journal entry, is referred to as the **document flow**.

For more information, see [Document Flow into Accounting \[page 191\]](#).



Tasks

Display Companies

The [Companies](#) view displays your companies in the assigned sets of books and settings relevant for accounting. It also displays the higher-level settings of the assigned set of books as well as any company-specific settings. For more information on the settings, see Configuration: Set of Books.

You can restrict the display to specific companies, such as the companies that you have assigned to a specific set of books. To do this, click [Advanced](#) and enter the selection characteristic that you want to use.

Set the Process Control

Process control defines how source documents in the originating applications can be posted in accounting using the posting date. The business transactions to be posted are grouped into business process groups, such as customer invoices or supplier invoices.

The settings you make for process control affect how the system behaves when checking the posting date in the source documents. In process control, the system checks whether the source document can be posted for that posting date.

The default settings do not allow a source document to be posted if its posting date is in a **closed** period. In this case an error message is sent to the originating application. You only need to set up process control if you want exceptions to this standard behavior for individual business process groups.

To make changes to the standard system behavior, click [Set Process Control](#). For more information, see [Process Control for Operational Postings \[page 79\]](#).

Set the Migration Date

If you copy posting data from another system when starting your system, you need to specify a migration date. The transfer of the posting data is recorded in journal entries. The migration date is used as the posting date in the journal entries.

To set a migration date, choose **Actions > Set Posting Date for Migration**. For more information, see Set Migration Date and Process Control.

3.3 General Ledger Accounts View

3.3.1 Quick Guide for General Ledger Accounts

The  [General Ledger](#)  [General Ledger Accounts](#) view shows an overview of all general ledger accounts used within your organization. This overview includes the account balance for the current period and whether the account uses open item management. You can also manage line items by assigning open item references to clear open items, and administrators can edit the chart of accounts.

Business Background

Chart of Accounts

The chart of accounts is the master data for all general ledger accounts in your system. It is the basis for the accounts shown in this view, and it can be edited only by administrators.

For more information, see [Configuration: Chart of Accounts \[page 66\]](#).

Open Item Management

You can manage specific G/L accounts using open item management. Each entry (line item) on such a G/L account automatically obtains the status *Open* and is then managed as an open item. You can clear an open item with an offsetting entry.

A line item and offsetting entry are grouped into the same transaction using an *open item reference*. By assigning an open item reference to a line item, you can then clear the open item again using the same open item reference assigned to the offsetting item. You can also clear multiple line items and offsetting entries with each other. The **balance** from the line items and offsetting entries must always equate to **zero**.

You use open item management when you want to establish for the lines items on a general ledger account whether a corresponding offsetting entry has also been made. For more information, see [Open Item Management and General Ledger Accounts \[page 67\]](#).



Tasks

Edit a General Ledger Account

General ledger account information is stored in the chart of accounts. The chart of accounts is master data and can be edited only by administrators. If you have the required permissions, you can edit the chart of accounts by clicking [Edit](#), then select [Chart of Accounts](#). For more information, see [Configuration: Chart of Accounts](#)

i If you create a new G/L account, you need to add this to the related settings, namely your financial reporting structures and account determination, and then adjust the functional area derivation setting if necessary.

For more information on editing a G/L account, see [Display and Edit Chart of Accounts \[page 68\]](#).

Display General Ledger Account Entries

To view the entries (line items) on a general ledger account, select the an account and click [View Line Items](#).

For more information, see [G/L Accounts - Line Items \[page 327\]](#).

Manage Open Items on a General Ledger Account

Each entry (line item) managed on a G/L account with **open item management** is automatically assigned the status **Open** in the first step and managed as an open item. You can clear an open item with an offsetting entry.

To manage the open items on a G/L account, select the required G/L account that uses open item management and click [Edit Open Items](#).

You can restrict the items displayed for a G/L account to a specific posting date or accounting period, for example. To do this, choose [Advanced](#).

Assign an Open Item Reference

For you to be able to clear an open item, you first need to assign to that item an **open item reference**. The open item reference is used as an indicating characteristic that you can use to group a line item and offsetting entries for the same posting procedure.

1. Choose [Edit Open Items](#). The [Line Items of Account](#) screen appears.
2. Select the required item and click [Assign](#).

You have the following options when assigning the open item reference:

- **Create and assign a new open item reference**

You can create and assign a **new open item reference** for an open item. To do this, select the relevant open item and click [Assign New Open Item Reference](#).

Enter a **description** for your posting procedure as well as the **year** to which the procedure refers. The year is used only for grouping the open item reference and provides you with a reference to search by.

The system then automatically issues a number (open item reference ID) and assigns this number to the open item.

- **Assign an existing open item reference**
You can also assign a common open item reference to **multiple open items** on different G/L accounts. To assign an existing open item reference to an open item, select the relevant open item and click *Assign Existing Open Item Reference*. Choose an *open item reference ID* from a specific *year*.
- **Assign an existing open item reference when creating a journal entry voucher**
You can create a journal entry voucher directly from the open item display. To do this, choose *You Can Also > New Journal Entry Voucher*. When you create a line item that is posted to a G/L account using open item management, you can assign an **existing open item reference**. To do this, set the *Enter Item Details* indicator and select the relevant open item reference ID in the *Clearing* field.

Remove Assignment of an Open Item Reference

You can delete the open item reference assigned to an open item:

1. Choose *Edit Open Items*. The *Line Items of Account* screen appears.
2. Select the relevant open item and click *Remove Assignment*.

Clear an Open Item



You can only clear an open item if the company currency displays a **zero balance** for all the line items assigned to the open item reference.

To clear an open item, click *Edit Open Item*. The *Line Items of Account* screen appears.

You have the following options for clearing an open item:

- **Clearing after line item assignment**
You can clear an open item **after** you have assigned the appropriate open item reference to all the affected line items. To do this, select at least one of the line items to which the open item reference is assigned and click *Clear*.
- **Clearing when assigning the open item reference to the offsetting entry**
You can clear an open item for a G/L account immediately when you **assign the open item reference to the offsetting entry**. To do this, select the offsetting entry and at least one previously-assigned item, and click *Clear*. The system then transfers the open item reference of the offsetting entry and clears the item.

During clearing, the system issues the status **Cleared** for all line items assigned to an open item reference and generates a journal entry (clearing document). You therefore need to enter a posting date for clearing. If the account assignments (such as the profit center or segment) of the individual line items are **not** identical, the system creates additional clearing lines for the individual account assignments.



The system always clears all of the line items that have the open item reference assigned to them. In this way, you also clear line items assigned to the open item reference on other G/L accounts.

Reset Clearing for an Open Item

To reset clearing after it has been performed:

1. Choose *Edit Open Items*. The *Line Items of Account* screen appears.

2. Select one of the line items for which clearing was performed and click [Reset Clearing](#).

3.4 Journal Entries View

3.4.1 Journal Entries Quick Guide

You can access the *Journal Entries* view from the *General Ledger* work center under *Journal Entries*.

The *Journal Entries* view allows you to review journal entries, which are generated automatically on the basis of source documents, journal entry vouchers, and valuation runs.

 A document-flow graphic for each journal entry enables you to trace how the journal entry was generated.

Business Background

Journal Entries

Each business transaction that affects accounting generates a journal entry automatically.

Journal entries can be based on source documents, journal entry vouchers, or valuation runs:

- **Source Documents**

Source documents record business transactions initiated in application areas **outside Financial and Management Accounting**, such as supplier invoices, customer invoices, and payments.

To display source documents, open the [Source Documents \[page 290\]](#) view.

- **Journal Entry Vouchers**

Journal entry vouchers record business transactions entered **directly in Financial and Management Accounting**, such as adjusting entries.

To display journal entry vouchers, open the [Journal Entry Vouchers \[page 273\]](#) view.

- **Valuation Runs**

Valuation runs generate journal entries for periodic tasks in **Financial and Management Accounting**, such as the depreciation run, the recurring journal entry voucher run, or the foreign currency remeasurement run.

To display the journal entries from a valuation run, open the associated view for the valuation run.

For more information, see [Journal Entries \[page 195\]](#).

Document Flow

The system stores the data of every step in an operational business process in the form of a document, for example, an opportunity, a sales quote, a sales order, an outbound delivery, or a customer invoice. Since the steps of the business processes are often based on previous steps, the documents are likewise based on one another and thus form a consecutive document chain.

To monitor and analyze this document chain, every document offers a *Document Flow* which is a graphical representation of the document chain.

For more information, see [Document Flow \[page 192\]](#).

Sales Kit Process Flow

A sales kit is defined as a logical group of items that can be sold together as one unit. Wholesale and component manufacturing industries like to offer product bundles as single selling units. In the Business ByDesign system a single selling unit comprising of various components is called a sales kit.

For more information, see [Sales Kit Process Flow \[page 778\]](#)



Tasks

Review a Journal Entry and Its Document Flow

1. Use the available filter and search criteria. For additional search criteria, click [Advanced](#).
2. Select a journal entry and click [View](#).

Information on the selected journal entry is shown on the following tabs:

- [Journal Entry](#)
 - Under **General Information** you can see basic information on the journal entry, such as the journal entry type and the posting date.
 - The fields associated with the **source document** (such as *Source Document ID*) identify the business transaction that generated the journal entry. To see the details of the source document, click the [Source Document ID](#).
 - For some business transactions, there may be additional documents relevant for the journal entry. These additional documents are displayed as **reference source documents**.
 - You can edit the **Header Text** by clicking [Edit](#).

i If you edit the header text, your changes are only valid for the journal entry. They are **not** incorporated into the source document.
 - If your company uses multiple sets of books, the system may generate a separate journal entry for each set of books. These journal entries are shown under **Related Journal Entries**.
 - Under **Line Items** you can see the line items and their key fields, such as *G/L Account*, *Debit in Company Currency*, and *Credit in Company Currency*.
- [Document Flow](#)
Shows the **document flow** graphic associated with the business transaction across all application areas.

3.4.2 Journal Entry Vouchers Quick Guide

You can access the **Journal Entry Vouchers** view from the **General Ledger** work center under **Journal Entries**.

In this view, you can create and edit journal entry vouchers and change their status. You create journal entry vouchers to be able to make manual correcting entries, for example.

To enter a large number of postings that were provided by an external application or by a service provider, you can upload a journal entry voucher from a Microsoft Excel file.

Business Background

Journal Entry Vouchers

A journal entry voucher is a transaction that you enter directly in accounting in order to generate [journal entries \[page 195\]](#). You use journal entry vouchers for different purposes:

- To make adjusting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
- To enter a large number of postings that were provided by an external application or by a service provider, you can upload a journal entry voucher from a Microsoft Excel file in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
- To make manual postings on fixed assets, you can enter journal entry vouchers as a *Manual Posting* in the [Fixed Assets \[page 465\]](#) view.
You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.
- For periodic postings based on templates, you can automatically create journal entry vouchers using recurring journal entry voucher runs in the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.
You can access the *Post Recurring Journal Entry Vouchers* view from the *General Ledger* work center under *Periodic Tasks*.
- To transfer G/L account balances into the system during implementation, you can create journal entry vouchers in the *Integrate and Extend* phase in the task list of the *Implementation Projects* view using [Data Migration Self-Service](#).

For more information, see [Journal Entry Vouchers \[page 216\]](#).

Manual Entry of Journal Entry Vouchers

Special transactions are available in the executing applications for most business transactions. These transactions automatically trigger journal entries and account assignments to the following objects:

- G/L accounts selected by account determination
- Automatically selected additional account assignments of the general ledger: *Profit Center*, *Segment*, and *Functional Area*
- Additional account assignments of cost accounting: *Cost Center* or *Project/Project Task*
- Subledger account assignments

In some cases you may have to manually correct or adjust the automatic postings.

To make correcting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.

For more information, see [Manual Entry of Journal Entry Vouchers \[page 218\]](#).

Financial Closing

The Financial Closing business process helps you correctly perform financial period-end closing activities. Other closing activities are performed in the corresponding areas separately. The system generates a closing activity list based on scoping that can be adapted according to the requirements of month-end or year-end closing.

The accountant prepares for closing by ensuring that all operational transactions have been entered. The accountant performs periodic valuation tasks such as asset depreciation or foreign currency remeasurement and allocates costs and revenues to the correct periods.

The *Closing Cockpit* supports legal requirements and minimizes the risk of overlooking important steps or carrying them out in the wrong sequence.

For more information, see Financial Closing.

Payroll Services

The business scenario Payroll Services is designed to efficiently support the payroll process with an external payroll system. Payroll Services combines the advantages of an internal payroll - transparency and monitoring and controlling – with the advantages of an outsourced payroll - lower costs, higher efficiency and lower risk of liability. In the BPO scenario of Payroll Services, the payroll provider takes care of tax calculations and remittance, and he initiates the salary payments to employees which extremely reduces your administrative costs. has started.

On the other hand, Payroll Services provides you with a preview of all payroll input data to validate and correct the data when necessary, so that you have full control over the payroll before the payroll calculation

For more information, see Payroll Services.



Tasks

Create a Journal Entry Voucher

1. Choose **New** and then *Journal Entry Voucher*.
You can also use an existing journal entry voucher as a template. To do so, select the desired journal entry voucher and choose **New** *Journal Entry Voucher with Reference*.
2. **Enter header data**
 - a. Enter the *Company* for which you want to make the entry.
 - b. You can make the entry for a specific *Set of Books*.

i If you do **not** specify a set of books, then a separate journal entry is generated for each set of books to which the specified company is assigned.
 - c. Enter the *Closing Step* and *Posting Date* to classify the entry accordingly and assign it to the correct posting period.
 - d. Enter the *Document Date*, *Transaction Currency*, and a name for the journal entry voucher as the *Header Text*.
 - e. Choose a *Journal Entry Type*.

→ The journal entry type *047 – Manual Posting - Journal Entry Voucher* only allows you to make adjustments between G/L accounts and additional account assignments of the general ledger and cost accounting. The other journal entry types allow you to make adjustments in subledgers.
 - f. Under *Screen Variant*, specify whether you want to make an **adjusting entry** or a **manual write-up/write-down**.

i This distinction is **not** possible for the journal entry types *047 – Manual Posting - Journal Entry Voucher* and *083 – Manual Entry for Cash*.

3. Enter line items

Make entries in the individual line item fields. Under *Consistency Result*, you can see whether the line items balance zero.

a. Enter additional general ledger account assignments

For some reporting principles, you activate additional account assignment features. For example, if you are using profit center accounting and segment reporting, you activate the Profit Center and Segment account assignment features. You can enter these additional account assignments manually in the document line. The system provides only the characteristics that are assigned in the organizational structure to the company specified in the header.

If you do **not** enter the additional account assignment manually in the document line, it is derived automatically during posting. For more information on deriving profit centers and segments automatically, see [Derivation of Profit Centers and Segments \[page 63\]](#).

If you want to deactivate automatic derivation, in the *Change Assignments* area set the *Change Profit Center/Segment* indicator or the *Change Functional Area* indicator. You can then enter **any additional account assignment**, since the system does **not** check whether the additional assignment is assigned to the company in the organizational structure.

i If you set the *Change Profit Center/Segment* or *Change Functional Area* indicators but do **not** make a manual entry for the corresponding additional account assignment, that assignment is then **not** derived by the system and consequently there is **no** additional account assignment available in the journal entry.

b. Enter subledger account assignments and additional details

Additional item fields are displayed depending on which **journal entry type** and **screen variant** you specified in the header. The fields are provided in the *Item Details* area.

4. Save the journal entry voucher

You can save your entries **without** posting the journal entry voucher, for example when you need to interrupt your work. To save your entries, choose **Save**.

5. Simulate posting the journal entry voucher

You can simulate posting the journal entry voucher and review the results. To do this, choose **Simulate**.

6. Post the journal entry voucher

To post the journal entry voucher, choose **Post**. This saves the journal entry voucher and generates all required journal entries. You can display the journal entries in the [Journal Entries \[page 272\]](#) view.

You can also post and immediately create a new journal entry voucher with reference. To do so, choose **Post and New**.

Change the Status of a Journal Entry Voucher

In the *Journal Entry Vouchers* view, you can display all the journal entry vouchers together with their *Posting Status*. To change the posting status, select the appropriate journal entry voucher and click **Actions** to select the required status.



You can also change **multiple journal entry vouchers**, which have the same status, at the same time. To do this, press **CTRL** whilst making your selections.

Note the following when changing the posting status:

- **Not Posted**
Unposted journal entry vouchers are saved but have **not** yet been posted. These might be journal entry vouchers that exist for the following reasons:
 - **Manually created journal entry vouchers**
You can invalidate these journal entry vouchers or post them.
 - **Journal entry vouchers scheduled by a recurring journal entry voucher**
These journal entry vouchers have been scheduled but **not** yet posted in a recurring journal entry voucher run. You can invalidate these journal entry vouchers or post them.
 - **Uploaded journal entry vouchers**
These journal entry vouchers could **not** be posted directly because of existing errors. The system simultaneously generated tasks for these journal entry vouchers. You can view the tasks and their corresponding description in the **Work** view. You can either void these journal entry vouchers or post them after you have eliminated the errors.
- **Posted**
Posted journal entry vouchers have been posted successfully. For each journal entry voucher, one or more journal entries was generated. You can **not** void a posted journal entry voucher. They can only be canceled.
- **Void**
The status of a void journal entry voucher can **not** be changed.

Upload a Journal Entry Voucher

For more information, see [Upload a Journal Entry Voucher \[page 231\]](#).

3.4.3 Quick Guide for Recurring Journal Entry Vouchers

You can access the *Recurring Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

This view allows you to create and edit templates and recurrence patterns for recurring journal entry vouchers. The system schedules journal entry vouchers for posting based on the templates and recurrence patterns.

You post the scheduled journal entry vouchers in the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.

Business Background

Journal Entry Vouchers

A journal entry voucher is a transaction that you enter directly in accounting in order to generate *journal entries* [\[page 195\]](#). You use journal entry vouchers for different purposes:

- To make adjusting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

- To enter a large number of postings that were provided by an external application or by a service provider, you can upload a journal entry voucher from a Microsoft Excel file in the *Journal Entry Vouchers [page 273]* view.

You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.

- To make manual postings on fixed assets, you can enter journal entry vouchers as a *Manual Posting* in the *Fixed Assets [page 465]* view.

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

- For periodic postings based on templates, you can automatically create journal entry vouchers using recurring journal entry voucher runs in the *Post Recurring Journal Entry Vouchers [page 300]* view.

You can access the *Post Recurring Journal Entry Vouchers* view from the *General Ledger* work center under *Periodic Tasks*.

- To transfer G/L account balances into the system during implementation, you can create journal entry vouchers in the *Integrate and Extend* phase in the task list of the *Implementation Projects* view using **Data Migration Self-Service**.

For more information, see [Journal Entry Vouchers \[page 216\]](#).

Recurring Journal Entry Vouchers

You can use this function to enter periodically recurring journal entries and have them run automatically. This enables you defer expenses to future periods, for example.

For more information, see [Recurring Journal Entry Vouchers \[page 233\]](#).

Financial Closing

The Financial Closing business process helps you correctly perform financial period-end closing activities. Other closing activities are performed in the corresponding areas separately. The system generates a closing activity list based on scoping that can be adapted according to the requirements of month-end or year-end closing.

The accountant prepares for closing by ensuring that all operational transactions have been entered. The accountant performs periodic valuation tasks such as asset depreciation or foreign currency remeasurement and allocates costs and revenues to the correct periods.

The *Closing Cockpit* supports legal requirements and minimizes the risk of overlooking important steps or carrying them out in the wrong sequence.

For more information, see Financial Closing.

Payroll Services

The business scenario Payroll Services is designed to efficiently support the payroll process with an external payroll system. Payroll Services combines the advantages of an internal payroll - transparency and monitoring and controlling – with the advantages of an outsourced payroll - lower costs, higher efficiency and lower risk of liability. In the BPO scenario of Payroll Services, the payroll provider takes care of tax calculations and remittance, and he initiates the salary payments to employees which extremely reduces your administrative costs. has started.

On the other hand, Payroll Services provides you with a preview of all payroll input data to validate and correct the data when necessary, so that you have full control over the payroll before the payroll calculation

For more information, see Payroll Services.



Tasks

Create a Recurring Journal Entry Voucher

1. Open the guided activity
Choose **New** and then *Recurring Journal Entry Voucher*. The *New Recurring Journal Entry Voucher* window appears.
2. Define template for recurring journal entry voucher
 - a. Enter the *Company* and *Set of Books* to which you want to post.



The set of books is optional.

If you specify a set of books, journal entries are posted only to that set of books. If you do not specify a set of books, journal entries are generated in all sets of books in the company.

- b. Enter the *Transaction Currency* and an explanatory *Text*.
- c. Specify a *Recurring Journal Entry Voucher Type* to classify the recurring journal entry voucher.
- d. Enter the line items.

Choose **Next**.

3. Define recurrence pattern

First select the *Recurrence Type*: whether you want to define a *Recurrence Pattern* or enter *Individual Dates*.

Then define the recurrence pattern or enter the dates.

Choose **Next**.

4. Related documents and attachments

Enter the ID of the document to which the recurring journal entry voucher relates. For example, you can enter a supplier invoice for which you want to post accruals.



This reference is for informational purposes only and has no influence on the postings. The referenced documents are not affected.

You can also upload additional attachments, such as a scanned insurance invoice.

5. Review

All the data you entered is displayed on a single screen. You can review the data and correct it if necessary.

Choose **Finish** to save the recurring journal entry voucher.

6. Result

The recurring journal entry voucher is saved and added to the list in the *Recurring Journal Entry Vouchers* view.

Choose **Close** to return to the Recurring Journal Entry Vouchers view.

Post Manually

1. Select the recurring journal entry voucher whose scheduled journal entry vouchers you want to post manually.
2. Choose **Actions** and then *Post*.

3. In *Due By*, enter the posting date up to which the system should post all scheduled journal entry vouchers.

Block or Finish Early

1. Select the recurring journal entry voucher whose scheduled journal entry vouchers you want to block or finish early.
2. Choose **Actions** and then *Block or Finish Early*.
3. The following statuses change:
 - The status of the recurring journal entry voucher changes to *Blocked* or *Finished Early*.
 - The status of the journal entry vouchers that have been scheduled but not yet posted changes to *Blocked* or *Finished Early*.

→ Scheduled journal entry vouchers with the status *Blocked* or *Finished Early* are not included in the recurring journal entry voucher run. Recurring journal entry vouchers that were finished early cannot be reactivated. You can reactivate blocked recurring journal entry vouchers with **Actions** and *Unblock*.

To reverse individual journal entry vouchers that have been posted, go to the [Journal Entry Vouchers \[page 273\]](#) view.

To reverse all journal entry vouchers in a recurring journal entry voucher run, go to the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.

3.5 Intercompany Journal Entry Vouchers View

3.5.1 Intercompany Journal Entry Vouchers Quick Guide

Overview

When processing transactions between partner companies of a company group, you can directly assign and distribute cost and revenue amounts to the affected companies. The intercompany journal entry voucher allows you to directly make a journal entry, instead of sending invoices between the companies. The system automatically posts the clearing items between the involved companies. These clearing entries determine the inverted receivables or payables for each company.

You can use intercompany journal entry vouchers for the following purposes:

- To settle the payment of services one company has provided for another
- Subsequent clearing between companies, such as marketing costs that were invoiced centrally to one company and charged to all companies that participated in the consumption of the service

You can access the *Intercompany Journal Entry Vouchers* view from the *General Ledger* work center under *Intercompany Journal Entry Vouchers*.

Business Background

Configuration

For information on how to set up the system for intercompany processes, see Direct Postings — Quick Guide.

Journal Entry Vouchers

A journal entry voucher is a transaction that you enter directly in accounting in order to generate [journal entries \[page 195\]](#). You use journal entry vouchers for different purposes:

- To make adjusting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
- To enter a large number of postings that were provided by an external application or by a service provider, you can upload a journal entry voucher from a Microsoft Excel file in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
- To make manual postings on fixed assets, you can enter journal entry vouchers as a *Manual Posting* in the [Fixed Assets \[page 465\]](#) view.
You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.
- For periodic postings based on templates, you can automatically create journal entry vouchers using recurring journal entry voucher runs in the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.
You can access the *Post Recurring Journal Entry Vouchers* view from the *General Ledger* work center under *Periodic Tasks*.
- To transfer G/L account balances into the system during implementation, you can create journal entry vouchers in the *Integrate and Extend* phase in the task list of the *Implementation Projects* view using [Data Migration Self-Service](#).

For more information, see [Journal Entry Vouchers \[page 216\]](#).

Manual Entry of Journal Entry Vouchers

Special transactions are available in the executing applications for most business transactions. These transactions automatically trigger journal entries and account assignments to the following objects:

- G/L accounts selected by account determination
- Automatically selected additional account assignments of the general ledger: *Profit Center*, *Segment*, and *Functional Area*
- Additional account assignments of cost accounting: *Cost Center* or *Project/Project Task*
- Subledger account assignments

In some cases you may have to manually correct or adjust the automatic postings.

To make correcting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.

For more information, see [Manual Entry of Journal Entry Vouchers \[page 218\]](#).

Financial Closing

The Financial Closing business process helps you correctly perform financial period-end closing activities. Other closing activities are performed in the corresponding areas separately. The system generates a closing activity list based on scoping that can be adapted according to the requirements of month-end or year-end closing.

The accountant prepares for closing by ensuring that all operational transactions have been entered. The accountant performs periodic valuation tasks such as asset depreciation or foreign currency remeasurement and allocates costs and revenues to the correct periods.

The *Closing Cockpit* supports legal requirements and minimizes the risk of overlooking important steps or carrying them out in the wrong sequence.

For more information, see Financial Closing.



Tasks

Create an Intercompany Journal Entry Voucher

1. **Open the quick activity**
Choose **New** and then *IC Journal Entry Voucher*.
2. **Enter header data**
 - The *Leading Company* is the company initiating the intercompany journal entry voucher.
 - The *Posting Date* classifies the entry and assigns it to the correct posting period.
 - *Currency* and *Document Date*
 - Under *Screen Variant*, specify whether you want to make an **adjusting entry** or a **manual write-up/write-down**.
3. **Enter Document Information**
 - a. If necessary, enter an *External Reference*, which you might need for external classification purposes such as a classification criterion for auditors.
 - b. Enter a *Header Text* describing the intercompany journal entry voucher.
 - c. After you have saved, the system displays the *Journal Entry ID*.
4. **Enter line items**

To enter new line items, click **Add Row** in the *Line Items* section. The system creates two rows. In the first row, the *Company* field is defaulted to the leading company. Enter the partner company in the second row. As soon as you enter a credit or debit amount in the leading company row, the system automatically determines the corresponding credit or debit amount in the partner company to clear the item.

 - a. **Enter G/L Account**

As the partner companies may use different charts of accounts, you do **not** enter a specific G/L account but an **account determination group**. The system automatically derives the G/L accounts from the account determination groups when creating the respective journal entries.

Only those account determination groups are available for selection which have been marked as *Available in Other Transactions* in configuration. For more information, see Direct Posting to Partner Companies — Configuration Guide.
 - b. **Enter additional general ledger account assignments**

For some reporting principles, you activate additional account assignment features. For example, if you are using profit center accounting and segment reporting, you activate the Profit Center and Segment account assignment features. You can enter these additional account assignments manually in the

document line. The system provides only the characteristics that are assigned in the organizational structure to the company specified in the header.

If you do **not** enter the additional account assignment manually in the document line, it is derived automatically during posting. For more information on deriving profit centers and segments automatically, see [Derivation of Profit Centers and Segments \[page 63\]](#).

If you want to deactivate automatic derivation, in the *Change Assignments* area set the *Change Profit Center/Segment* indicator or the *Change Functional Area* indicator. You can then enter **any additional account assignment**, since the system does **not** check whether the additional assignment is assigned to the company in the organizational structure.

i If you set the *Change Profit Center/Segment* or *Change Functional Area* indicators but do **not** make a manual entry for the corresponding additional account assignment, that assignment is then **not** derived by the system and consequently there is **no** additional account assignment available in the journal entry.

c. **Enter subledger account assignments and additional details**

Additional item fields are displayed depending on which **journal entry type** and **screen variant** you specified in the header. The fields are provided in the *Item Details* area.

5. **Save the intercompany journal entry voucher**

You can save your entries **without** posting the journal entry voucher, for example when you need to interrupt your work. To save your entries, choose **Save**.

6. **Simulate posting the journal entry voucher**

You can simulate posting the journal entry voucher and review the results. To do this, choose **Simulate**.

7. **Post the intercompany journal entry voucher**

To post the journal entry voucher, choose **Post**. This saves the journal entry voucher and generates all required journal entries. You can display the journal entries in the [Journal Entries \[page 272\]](#) view.

Change the Status of an Intercompany Journal Entry Voucher

In the *Intercompany Journal Entry Vouchers* view, you can display all the journal entry vouchers together with their *Posting Status*. To change the posting status, select the appropriate journal entry voucher and click **Actions** to select the required status.

i You can also change **multiple journal entry vouchers**, which have the same status, at the same time. To do this, press **CTRL** whilst making your selections.

Note the following when changing the posting status:

- **Not Posted**

Unposted journal entry vouchers are saved but have **not** yet been posted. These might be journal entry vouchers that exist for the following reasons:

- **Manually created journal entry vouchers**

You can invalidate these journal entry vouchers or post them.

- **Journal entry vouchers scheduled by a recurring journal entry voucher**

These journal entry vouchers have been scheduled but **not** yet posted in a recurring journal entry voucher run. You can invalidate these journal entry vouchers or post them.

- **Uploaded journal entry vouchers**

These journal entry vouchers could **not** be posted directly because of existing errors. The system simultaneously generated tasks for these journal entry vouchers. You can view the tasks and their corresponding description in the [Work](#) view. You can either void these journal entry vouchers or post them after you have eliminated the errors.

- **Posted**

Posted journal entry vouchers have been posted successfully. For each journal entry voucher, one or more journal entries was generated. You can **not** void a posted journal entry voucher. They can only be canceled.

- **Void**

The status of a void journal entry voucher can **not** be changed.

- **Canceled**

The status of a canceled journal entry voucher can **not** be changed.

See Also

3.6 Closing Cockpit View

3.6.1 Quick Guide for Closing-Relevant Tasks

You can access the *Closing-Relevant Tasks* view from the [General Ledger](#) work center under *Closing Cockpit*.

This view displays all of the tasks that you need to process as part of your closing activities before you create your financial statements (balance sheet, income statement, and cash flow statement).

Before you can create complete and correct financial statements, you need to have processed all of the tasks listed here.

Performing checks with the closing-relevant tasks is part of period-end closing. For more information on period-end closing, see [Quick Guide for Closing Cockpit \[page 286\]](#).

i During the closing process, also check the logs of the individual closing processes, such as the log on the depreciation run, on the foreign currency remeasurement run, and on balance carryforward.

You find the log for a run in a separate subview (for example, under **Fixed Assets > Periodic Tasks > Depreciation**). Each run has a status (*Information, Error*). To display the details of a log, select the relevant run and choose [Display](#).

If **errors** occur during a run, you need to resolve them. You can find information on the errors on the [Messages](#) tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.

Business Background

Closing-Relevant Tasks

A list of all the tasks displayed in the list of closing-relevant tasks is provided under Closing-Relevant Tasks.

Year-End Closing

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities - Year-End Closing \[page 236\]](#).



Tasks

Display Closing-Relevant Tasks

To display the list of closing-relevant tasks, go to the Closing-Relevant Tasks subview. Note the following:

- The tasks displayed in this view are **not** based on the role and responsibility assigned to your user or on a task currently being processed by another employee.
- Closing-relevant tasks arise as a result of incorrect postings, for example. The list of closing-relevant tasks does **not** take into account whether you have posted the incorrect posting to the correct fiscal year (or the correct period) while processing the tasks. The posting date can depend on when your employees process the relevant task. To ensure that all postings have been made in the correct period, create a list of all documents in the new fiscal year. You can do this using the *General Ledger Line Items* report, for example. Then check manually whether this list contains postings that belong to the old fiscal year. If the list does contain such postings, you need to decide in each case how the posting needs to be handled. You can reverse or repost the posting, for example.

Process Closing-Relevant Tasks

You can process the closing-relevant tasks directly from the subview. Use the description of the closing-relevant task to establish which tasks need to be performed and inform the responsible employees about the outstanding tasks or process the tasks yourself.

The [Closing-Relevant Tasks](#) view offers you the following options:

- **Open Details**
To display the details for a task, choose the task that you want to view. Here, you can send an employee a clarification request regarding a task. To do this, choose **Ask for Clarification**.
- **Change Priority**
You can change the priority of individual tasks. To do this, choose **Actions** > [Change Priority](#).
- **Group**
To group the relevant tasks by specific criteria, choose one of the proposed criteria, such as priority or source document type in the [Group By](#) field.

- **Communication with Other Employees**
You can forward a task to another employee. To do this, choose **Actions** > *Forward*. You can create a new task, notification, alert, or clarification and send it to another employee. For this, select the desired type of communication under **New**.
- **Save Additional Data**
You can save additional data for a task, such as notes or attachments. For this, choose **Actions** > *Maintain Notes* or *Maintain Attachment*.

For more information on processing tasks, see Working with Tasks, Notifications, and Alerts.

3.6.2 Quick Guide for Closing Cockpit

You can access the *Closing Cockpit* view from the *General Ledger* work center under *Closing Cockpit*.

This view displays the activities for period-end closing. You can create lists of closing activities and monitor their progress.

- When you create a new period-end close, a predefined list of closing activities is generated automatically. You can adapt this list to your requirements.
- The system displays all closing activities that you need to perform, independently of the work center that contains the activities.
- The statuses of the individual activities allows you to monitor progress.
- Predefined dependencies exist between closing activities. This ensures that activities can only be performed after their prerequisites have been fulfilled.

You can access this view in the *General Ledger* work center.

Business Background

Closing Activities — Year-End Closing

Before you can create your closing reports, you need to complete a number of preparatory tasks.

For more information, see [Closing Activities — Year-End Closing \[page 236\]](#).



Tasks

Perform Closing With/Without Template

1. The system shows a list of all open period-end, quarter-end, and year-end closings that have been created or performed. To display all closings, choose *All Periods* as the display.
2. To create a **new** closing plan, choose **New** and then *Period-End Close*. If you want to use an **existing** closing plan as a template, select the closing plan that you want to use and choose **New** followed by *Period-End Close with Reference*.
3. You can use variables to specify the closing with greater precision. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Company / Set of Books**
You choose the combination of company and set of books for which you want to perform closing.
- **Period / Fiscal Year**
You choose a period and a fiscal year for which you want to perform closing. The system uses the specified fiscal year and accounting period to determine the **closing type**, that is, to determine whether month-end, quarter-end, or year-end closing is performed.
In the **configuration**, the closing type used is specified for each accounting period. When you use a predefined fiscal year variant, the closing type of an accounting period is also predefined. You can display the defined fiscal year variant in the business configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Other Fiscal Year* activity from the activity list.
For more information, see [Fiscal Year Variant \[page 72\]](#).



If your fiscal year corresponds to the calendar year, accounting period 12 is the last accounting period of your fiscal year. This is the accounting period that the system uses to select year-end closing as the closing type.

- **Employee Responsible**
The employee responsible for the overall closing process monitors the processing of the activity list. This colleague can perform **all activities** that belong to one of the work centers assigned to him or her and can change the status of all activities. If you do **not** specify an employee responsible for the overall closing process, the system automatically selects the person who created the closing as the employee with overall responsibility.
- **Close Period by**
You can specify a provisional date by which closing needs to be performed. The selected date is then applied automatically as the completion date for the individual closing activities.
If you do not enter a key date, the system automatically selects the last day of the selected period.

Edit List of Closing Activities

1. Information About the Activity List

The system provides a **predefined list** of closing activities and their **processing sequence**. This list is dependent on the closing type, the settings you made during scoping, and the accounting principle that you assigned to the relevant set of books. Depending on the closing type, additional activities are added to the list of closing activities, such as whether year-end closing also contains the closing activity balance carryforward.

If you have used a closing as a template, the system transfers all settings that you made for the referenced closing and inserts any additional activities. For example, if you select period-end closing as a reference for quarter-end closing, the system adds closing activities that are specific to quarter-end closing.

The list of closing activities makes a distinction between the following **activity types**:

- **Manual Activity**

The manual activities comprise tasks that you need to perform individually or as separate postings, such as period lock, manual correcting entries, or printing financial statements.

- **Mass Data Run**

Mass data runs comprise the automatic processing of document data and the automatic posting of the relevant valuations, such as for GR/IR clearing, foreign currency remeasurement, or the reclassification of receivables and payables.

Moreover, the system displays the following information for each activity:

- **Processing Status and Approval Status**

The **processing status** shows the current status for the processing of an activity. If you want to use dual control, you can also set the **approval status**. The approval status shows the current status for the approval of an activity by the employee responsible for that activity.

- **Execution Possible**

Indicates whether an activity can be performed, that is, whether all prerequisites for the activity have been fulfilled (for example, whether overhead has been calculated for production lots prior to WIP clearing).

2. Change Activity List

To edit the list of closing activities, you have the following options:

- **Insert Manual Activity**

You can insert additional closing activities in the list.

When you add an activity, you can specify the **closing type** for which the activity is relevant. You can add activities for just the current closing type as well as for the closing of shorter periods.

- **Hide Activities**

You can hide activities that you do **not** need for a particular closing. To hide an activity, select the processing status **Not Relevant** for that activity.

To display hidden activities, activate the **Display Irrelevant Activities** indicator.

- **Change Sequence**

You can change the sequence of the closing activities. Note that an activity **cannot** be inserted before the prerequisites for that activity.

- **Specify Processor and Person Responsible for Each Activity**

You specify the processor and person responsible for each individual activity. The processor performs the closing activity and changes the processing status. The person responsible checks the closing activity performed and changes the approval status where appropriate.

For the processor to be able to process an activity, the work center containing that activity must be assigned to that processor.

Unlike the user with responsibility for the overall closing process, processors and users responsible for individual activities **cannot** add activities or change the sequence of the closing activities.

Perform Closing Activities

1. Process Activities

To coordinate and monitor the processing of closing activities, you have the following options:

- **View Prerequisites**

For a selected activity, you can display which activities need to be completed as a prerequisite for performing that selected activity. Once all of the prerequisite activities for an activity have been completed, that activity acquires the indicator denoting that it can be executed.

- **Start Activity**

If you have all of the necessary authorizations for the relevant work center, you can start the individual activities directly from the list of closing activities. You have the following options:

- **Start Manual Activity**

Some manual activities are linked to specific functions in the system. For example, the activity *Close Accounting Period for Operational Postings* is linked to the function **Period Lock**.

To start a manual activity, select the activity in question and choose **Start Activity** > *Start Manual Activity*.

- **Start Mass Data Run**

Once all prerequisites of a mass data run (such as foreign currency remeasurement) have been fulfilled, you can schedule this mass data run.

To start manual data runs, select the activity in question and choose **Start Activity** > *Start Run*.

- **Set Status**

You can change the **Processing Status** (*Irrelevant*, *Not Started*, *In Process*, and *Finished*).

You can change the **Approval status** (*Open*, *Approved*, and *Rejected*).

- **Add Attachments to Activities**

You can add attachments (such as links or files) to an activity. In this way, you can document any manual activities required during closing.

2. Authorizations

Depending on the tasks assigned to you during closing, you can perform the following tasks:

	Processor of an Activity	Person Responsible for an Activity	User with Responsibility for Overall Closing Process
Add Activity	No	No	Yes
Change Sequence	No	No	Yes
Rename Activity	Yes in the case of activities for which you are the processor	Yes in the case of activities for which you are the person responsible	Yes
Perform Activity	Yes in the case of activities for which you are the processor and for which you have the necessary authorizations	Yes in the case of activities for which you are the person responsible and for which you have the necessary authorizations	Yes in the case of activities for which you have the necessary authorizations
Set Processing Status	Yes in the case of activities for which you are the processor	Yes in the case of activities for which you are the person responsible	Yes

Set Approval Status	No	Yes in the case of activities for which you are the person responsible	Yes
Change User with Responsibility for Overall Closing Process	No	No	Yes

Furthermore, any user can add attachments to activities, change the processor of activities, and display the change history. The person who created the closing can also change the person with overall responsibility.

Editing Closing Instances

You can use the list of previous closing instances to create new ones. You also have the following options:

- **Change Closing**

You can make changes to a closing that has the status *Not Started* or *In Process*. You cannot make changes to a closing that has already acquired the *Finished* status.

i This document contains text that is relevant for France. To ensure that the system displays the correct text, select ► **Personalize** ► **My Settings** ▶. Select **Onscreen Help** and, under **Country**, choose **France**. Save your settings and logout to ensure these changes are made.

- **Delete Closing**

You can delete a closing with the status *Not Started*. You cannot delete a closing with the status *In Processing* or *Finished*.

- **Export to Microsoft Office Excel**

You can export the list of closings to Microsoft Office Excel.

- **Display Reports**

You can navigate to the reports *Trial Balance* and *G/L Accounts - Line Items*.

- **Display Change History**

To display the change history for an activity list, go to the **Change History** tab page. You can display changes using the parameters of time, characteristic, and user. You can export the change history to Microsoft Office Excel.

3.6.3 Quick Guide for Source Documents

You can access the *Source Documents* view from the *General Ledger* work center under *Closing Cockpit*.

This view enables you to check the business transactions that were sent from other application areas to *Financial and Management Accounting* for processing. You can view and edit individual business transactions. The *Work* view enables you to easily correct errors and post the business transactions. For more information on the *Work* view, see Quick Guide for Work in General Ledger.

Business Background

Source Documents

Source documents originate in application areas outside *Financial and Management Accounting*. The data in source documents is sent from these areas to *Financial and Management Accounting* for further processing. Examples of source documents are supplier invoices, customer invoices, and payments.

-  Documents that affect the handling of payables and receivables or payment processing are part of the application area *Cash Flow Management*.

For more information, see [Source Documents \[page 214\]](#).

Financial Closing

The Financial Closing business process helps you correctly perform financial period-end closing activities. Other closing activities are performed in the corresponding areas separately. The system generates a closing activity list based on scoping that can be adapted according to the requirements of month-end or year-end closing.

The accountant prepares for closing by ensuring that all operational transactions have been entered. The accountant performs periodic valuation tasks such as asset depreciation or foreign currency remeasurement and allocates costs and revenues to the correct periods.

The *Closing Cockpit* supports legal requirements and minimizes the risk of overlooking important steps or carrying them out in the wrong sequence.

For more information, see Financial Closing.



Tasks

Reverse a Migrated Business Transaction

1. **Open the business transaction for accounting**
Choose *Finished Source Documents* in the *Show* field. Select the business transaction and choose **View Business Transaction**.
The *Business Transactions for Accounting* window appears.
2. **Reverse the Business Transaction**
If the business transaction was migrated, the **Reverse** function is available. Choose **Reverse**.
3. **Result**
The system reverses the business transaction together with all associated journal entries.

Reverse and Repost a Business Transaction

1. **Open the business transaction for accounting**
Choose *Finished Source Documents* in the *Show* field. Select the business transaction and choose **View Business Transaction**.
The *Business Transactions for Accounting* window appears.
2. **Reverse and repost for a set of books**

Choose **Reverse and Repost**.

The *Reverse and Repost* window appears. Enter the *set of books* and choose **OK**.

i Repeat the above steps for each set of books for which you corrected the settings.

3. Result

The system generates reversal journal entries to reverse the faulty journal entries and generates new journal entries based on the correct settings. The reversed journal entries are flagged as *Manually Reversed and Reposted*.

i The system does **not** reverse the source document. The reversal only applies to the journal entries.

You can view the journal entries and reversal journal entries for a business transaction on the **Journal Entries** tab of the business transaction.

i The document flow continues to show the original journal entry. The original journal entry contains a reference to the *reversal journal entry*. *Related Journal Entries* in the reversed journal entry contains references to the new journal entries.

Flag Business Transactions as Irrelevant

1. Open the business transaction for accounting

Choose *Unposted Source Documents* in the *Show* field. Select the business transaction and choose **View Business Transaction**.

i The business transaction must be one whose source document is a *reversal journal entry*.

The *Business Transactions for Accounting* window appears.

2. Flag business transaction as irrelevant

Choose **Set to Irrelevant**.

The *Set to Irrelevant* window appears. Enter the *irrelevance reason* and choose **OK**.

3. Result

The reversing business transaction and the reversed business transaction are set to irrelevant.

3.7 Periodic Tasks View

3.7.1 Quick Guide for Balance Carryforward

You can access the *Balance Carryforward* view from the *General Ledger* work center under *Periodic Tasks*.

You can use this view for your year-end closing to carry forward the balances of your G/L accounts to the new fiscal year. The balances of the balance sheet accounts and profit and loss accounts are carried forward in two steps.

Business Background

Balance Carryforward

You use balance carryforward to carry forward the closing balances of G/L accounts to the new fiscal year and to portray annual net profit/loss in the balance sheet.

For more information, see [Balance Carryforward \[page 241\]](#).



Tasks

Perform Balance Carryforward

1. To create a new carryforward run, click **New** and then *Carryforward Run*.
2. You have the following options for the balance carryforward:
 - **Create with Reference**
To re-use the data from a previous carryforward run, select the run that you want to use and click **Copy**. The system copies the data directly to the input screen for the new balance carryforward. You can then adjust the data copied from the earlier balance carryforward.
 - **Test Run**
To perform the balance carryforward as a test run, set the *Test Run* indicator. The system previews the results of the test run but does not make any postings. The postings are only simulated.

i You can only delete balance carryforward runs that you either scheduled or performed as a test run. To delete a test run, select the carryforward run that you want to delete and click **Delete**.
 - **Set of Books**
You can perform balance carryforward for a single set of books or for all sets of books.
If you use multiple sets of books with different fiscal year variants, you should ideally perform the balance carryforward separately for each set of books. The system determines the key date on the basis of the fiscal year variant of the set of books.
 - **Closing Step**
You select the closing step that you want the system to use when making the postings on the key date to the corresponding accounting period. This accounting period must be open for the closing step that you have selected. For more information, see [Closing Steps \[page 76\]](#).
 - **Balance Carryforward Steps**
You perform balance carryforward in two consecutive steps.
 1. **Step 1: Carry Forward G/L Account Balances**

- The system carries forward the balance sheet accounts to the same accounts in the new fiscal year.
- The system cumulates the balances of the profit and loss accounts on the income statement closing account.

2. Step 2: Calculate and Carry Forward Profit/Loss

The system posts the balance of the income statement closing account to the balance sheet item Equity either of the annual net profit account or the annual net loss account, depending on whether it is a debit or credit balance. The balance of the annual net profit account or of the annual net loss account is then carried forward to the new fiscal year.

3. Scheduling

You can either perform balance carryforward immediately or schedule it to occur later:

- To perform balance carryforward **immediately**, click **Start Now**.

i This run may take several minutes to be executed, which can cause the screen to time out. In such a case, you can go to the main screen for the run and refresh the data. When the run status changes to **Finished**, click **View** to view the logs. Alternatively, you can click **Log Result** in the **Details** section of a finished run.

- To schedule balance carryforward for a **subsequent point in time**, click **Schedule** and specify the time when the system will perform the run. You can view scheduled runs and their times in the corresponding view under **View Jobs**.

Display and Check Log of a Balance Carryforward Run

1. Display Log

- When you have performed balance carryforward **directly**, the system issues a status message. To display a list of the logs, click **Show Log** in the status message.
- When you have **scheduled** balance carryforward, you can display the list of logs in the **Balance Carryforward** subview **after** balance carryforward has been performed. For this, you choose the relevant balance carryforward from the list of logs.

2. Check the Log

The log contains the following information:

- **General**
Shows the result of the reclassification, the execution date, any messages that were issued, and the extent of profit or loss from the valuation.
- **Data Selection**
Shows the information that you entered at the start of the reclassification.
- **Messages**
Shows a list of all messages that were issued (such as warning messages).
- **Postings**
Shows all the account movements for **Closing Balance Sheet Account**, **Opening Balance Sheet Account**, **Profit & Loss Accounts** and the journal entries that the system created.

To verify whether a run has been completed successfully, you can run the following checks:

- **Log**
You find a log for a run in the corresponding subview. Each run has a status (*Information, Error*). To display the details of a log, select the relevant run and click [Display](#).
If **errors** occur during a run, you need to resolve them. You can find information on the errors on the [Messages](#) tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
- **Job Monitor**
If a run has **not** been completed successfully and you cannot find and resolve the cause, you can display the technical details relating to the run in the Job Monitor. Select the relevant run and click [Display Jobs](#). If a job finds errors, contact your system administrator.

3.7.2 Quick Guide for Reconciliation

You can access the *Reconciliation* view from the *General Ledger* work center under *Periodic Tasks*.

This view displays the reconciliation reports from reconciliation runs. You use them to remove any errors before period-end, quarter-end, or year-end closing to prevent inconsistencies in closing.

i In addition to checking the reconciliation report, you must also have performed a data flow check before each closing in *Application and User Management* work center. For more information, see Quick Guide for Data Flow Verification Runs and Quick Guide for Data Flow Verification Results.

Business Background

Before period-end, quarter-end, or year-end closing, you need to check the report and error log of the respective reconciliation run. You can only continue your closing processes when the run has completed without errors. The reconciliation runs are usually scheduled by SAP and performed automatically before each closing. If technical errors occur in a reconciliation run, the system automatically sends a message with an error log to the responsible SAP development unit.

The following checks are performed in each reconciliation run:

- Compare the totals of the line items within the subledgers
- Compare the totals of the subledger line items with those in the general ledger
- Compare the totals and balances of the subledgers with the respective local registers

The system decides between the following processing modes of the runs:

- **Automatic Check:** A reconciliation run performed by SAP during a health check.
- **Correction:** A reconciliation run performed by SAP to correct errors that occurred in an earlier reconciliation run. If the correction editing mode is displayed, the system lists the number of erroneous runs that formed the basis for the correction run under *Check Run Number*.
- **Manual Check:** A reconciliation run performed manually.



Tasks

Perform Reconciliation

Since reconciliation runs are scheduled and performed by default by SAP, you only need to perform a reconciliation run manually in individual cases.



It is highly recommended that you perform a reconciliation run manually before each **year-end closing**.

1. To perform a new reconciliation run, click **New** and then **Reconciliation**.
2. You have an option to perform **Reconciliation with Reference**.

To reuse the data from a previous reconciliation, select the reconciliation run that you want to use and click **Copy**. The system copies the data directly to the input screen on the new reconciliation. You can then adjust the data copied from the previously-executed reconciliation



- Set the **Store Data** indicator so that not only the results data but all run data will be saved.
- You can perform reconciliation for a single set of books or for all sets of books.
- You can perform reconciliation for all sub ledgers or selected few.
- If two reconciliation runs are performed with identical selection criteria, the system overwrites the data of the first run. The overwritten run remains visible in the list of reconciliation runs but without a results log.

3. **Scheduling**

You can perform reconciliation immediately or schedule it to occur later:

- To perform reconciliation **immediately**, click **Start Immediately**.



You have to wait until the foreground job finishes before you can continue with your work. This may take several minutes depending upon the data volume, which can cause the screen to time out. In such a case, you can go to the main screen for the run and refresh the data. When the run status changes to **Finished**, click **View** to view the logs. Alternatively, you can click **Log Result** in the **Details** section of a finished run.

- To schedule reconciliation for a **subsequent point in time**, click **Schedule** and indicate when you want the system to perform reclassification. If you leave the **Date** and **Time** fields empty, the run starts immediately.



You can continue with your work while the system executes the run as a background job.

You can view scheduled reconciliations and their respective times in **View Jobs**.

Display and Check Log

1. **Display Log**

If you performed reconciliation **immediately**, the system issues a status message. To display details, click **Display Log** in the status message.

When you have scheduled reconciliation, you can display the list of logs once the reclassification has been performed. To do this, choose the relevant reconciliation run.

2. Check the Log

The log contains the following information:

- **General**
Shows the result of the reconciliation, the execution date, and any messages that were issued.
- **Data Selection**
Shows the information that you entered at the start of the reconciliation.
- **Messages**
Shows a list of all messages that were issued.
The reconciliation report displays the following message categories:
 - **Information:** No errors exist
 - **Warning:** Accepted differences (for example, due to manually performed postings on reconciliations accounts)
 - **Errors:** Technical errors (for example, in the database or in the programming logic)
- **Tax**
 - a. **VAT / Sales Tax Balances**
Compares the VAT / Sales Tax balances in the tax register against the balances of the tax account.
 - b. **Withholding Tax Balances**
Compares the withholding tax balances in the tax register against the balances of the tax accounts.
 - c. **VAT / Sales Tax Calculation Details**
Shows the proportional VAT / Sales Tax amount for each journal entry line item and compares the tax calculated against the tax that was actually posted.
 - d. **G/L with Sub Ledger**
Compares General Ledger account balances with corresponding subledger account balances.

To verify whether a run has been completed successfully, you can run the following checks:

- **Log**
You find a log for a run in the corresponding subview. Each run has a status (**Information**, **Error**). To display the details of a log, select the relevant run and click **Display**.
If errors occur during a run, you need to resolve them. You can find information on the errors under **Messages**. Once you have resolved the errors, start the run again.
- **Job Monitor**
If a run has not been completed successfully and you cannot find and resolve the cause, you can display the technical details relating to your run in the Job Monitor. Select the relevant run and click **View Jobs**. If a job finds errors, contact your system administrator.

See Also

[Closing Activities — Year-End Closing \[page 236\]](#)

VAT / Sales Tax Reconciliation

3.7.3 Quick Guide for Statutory Reports

Statutory Reports is a subview of the *Periodic Tasks* view, which allows you to perform the balance carry forward closing run for general ledger accounting and to create and review statutory reports.

Statutory Reports provides you with a list of reports required for periodic legal or statutory reporting. The content, format, file type, and frequency of statutory reports are regulated by an external authority. This subview provides links to the statutory reports as well as a description of their use.

The main differences between statutory reports and Business Intelligence (BI) analytical reports are as follows:

- Each statutory report has a report history that lists all existing report runs. In this way it is always possible to review a report run and see the corresponding selection parameters and results. Each report run is documented and can be reproduced.
- Statutory reports support a formatted output. A form is assigned to each report, so that it is always possible to use the preview and print options to generate a PDF output. The resulting PDF is then stored in the overview of created runs and can always be retrieved.

For an overview of all BI reports available in Financial Management, see [Overview of Reports in Financial Management](#).

i This document contains text that is only relevant for China, France, Italy, Spain, and UK. To ensure that the system displays the correct text, select *Personalize> My Settings*. Select the *Onscreen Help* tab and choose the relevant country in the *Country* drop-down menu. Save your settings and logout to ensure the changes are made.

Business Background

Financial Closing

The *Financial Closing* business process helps you to perform financial period-end closing activities to ensure correct financial statements, such as Balance Sheet, Income Statement, and Cash Flow Statement. Other closing activities are performed in the corresponding areas separately. The system generates a closing activity list according to the company's individual scope that can be adapted according to the requirements of month-end or year-end closing. The accountant prepares closing by ensuring that all operational transactions are entered in the system, such as entering and paying invoices or performing physical inventory counts.

The *Closing Cockpit* supports the legal requirements and minimizes the risk of missing important steps or incorrect timing. The accountant performs periodic valuation tasks, such as asset depreciation or foreign currency remeasurement and allocates costs and revenues to the correct periods. This ensures timely and compliant financial reporting and analysis. For more information, see [Financial Closing](#).



Tasks

Create a Statutory Report

1. Select the relevant report from the reports table of the *Statutory Reports* subview. The report history of that report is displayed.
2. From the *New* drop-down menu, you can do the following.
 - To create a new report, select *New > Blank Report Run* and enter all the required parameters.
 - To use another report as the basis of your new report, select the relevant report run in the report history table and choose *New -> With Copied Parameters*. The information from the existing report run is copied into the new version. You can then make any changes that are necessary for this new report.
3. The *View Results* screen of the report run displays the reports results. You have the following options on this screen:
 - Click *Previous* to return to the previous screen if you wish to change the report selection parameters and run the report again.
 - Click *Preview* to check the content and layout of the report run.
 - Click *Finish* to save the report run parameters without running the report.

i If there are no results available for the parameters that you entered, the results table will be empty.
4. In the *Confirmation* screen of the report run, you can click *Print Results* to produce a printed copy of this report. This printout is stored as an attachment of the report run and a PDF file is made available in the overview of created runs. Clicking this button also releases the report run and, in so doing, freezes the report parameters and results. Alternatively, you can click *Release* to release the report run without printing.

Reprint an Existing Statutory Report

1. In the *Statutory Reports* subview, click on the report name. The system displays the report history screen.
2. Select the relevant report in the list. The table in the *Details* area shows the report documents that have been produced for the selected report parameters.
3. Click on the PDF icon for a selected report. The system displays the *Report Preview* screen. Click *Print*.

i You can select a PDF entry in the *Report History* and click *Resubmit*. The system sends the file to the designated printer.

3.7.4 Quick Guide for Post Recurring Journal Entry Vouchers

You can access the [Post Recurring Journal Entry Vouchers](#) view from the [General Ledger](#) work center under [Periodic Tasks](#).

The [Post Recurring Journal Entry Vouchers](#) view enables you to automatically post journal entry vouchers on a scheduled basis.

To schedule recurring journal entry vouchers, open the [Recurring Journal Entry Vouchers \[page 277\]](#) view.

The use of recurring journal entry vouchers to post accruals and deferrals is a step in the year-end closing process. You can perform this step either directly in the [Post Recurring Journal Entry Vouchers](#) view or using the list of closing activities in the [Closing Cockpit view \[page 286\]](#).

Business Background

Journal Entry Vouchers

A journal entry voucher is a transaction that you enter directly in accounting in order to generate [journal entries \[page 195\]](#). You use journal entry vouchers for different purposes:

- To make adjusting entries, you enter journal entry vouchers manually in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the [Journal Entry Vouchers](#) view from the [General Ledger](#) work center under [Journal Entries](#).
- To enter a large number of postings that were provided by an external application or by a service provider, you can upload a journal entry voucher from a Microsoft Excel file in the [Journal Entry Vouchers \[page 273\]](#) view.
You can access the [Journal Entry Vouchers](#) view from the [General Ledger](#) work center under [Journal Entries](#).
- To make manual postings on fixed assets, you can enter journal entry vouchers as a [Manual Posting](#) in the [Fixed Assets \[page 465\]](#) view.
You can access the [Fixed Assets](#) view from the [Fixed Assets](#) work center under [Fixed Assets](#).
- For periodic postings based on templates, you can automatically create journal entry vouchers using recurring journal entry voucher runs in the [Post Recurring Journal Entry Vouchers \[page 300\]](#) view.
You can access the [Post Recurring Journal Entry Vouchers](#) view from the [General Ledger](#) work center under [Periodic Tasks](#).
- To transfer G/L account balances into the system during implementation, you can create journal entry vouchers in the [Integrate and Extend](#) phase in the task list of the [Implementation Projects](#) view using [Data Migration Self-Service](#).

For more information, see [Journal Entry Vouchers \[page 216\]](#).

Recurring Journal Entry Vouchers

You can use this function to enter periodically recurring journal entries and have them run automatically. This enables you defer expenses to future periods, for example.

For more information, see [Recurring Journal Entry Vouchers \[page 233\]](#).

Closing Activities - Year-End Closing

For more information, see [Closing Activities - Year-End Closing \[page 236\]](#).

Financial Closing

The Financial Closing business process helps you correctly perform financial period-end closing activities. Other closing activities are performed in the corresponding areas separately. The system generates a closing activity list based on scoping that can be adapted according to the requirements of month-end or year-end closing.

The accountant prepares for closing by ensuring that all operational transactions have been entered. The accountant performs periodic valuation tasks such as asset depreciation or foreign currency remeasurement and allocates costs and revenues to the correct periods.

The *Closing Cockpit* supports legal requirements and minimizes the risk of overlooking important steps or carrying them out in the wrong sequence.

For more information, see Financial Closing.

Payroll Services

The business scenario Payroll Services is designed to efficiently support the payroll process with an external payroll system. Payroll Services combines the advantages of an internal payroll - transparency and monitoring and controlling – with the advantages of an outsourced payroll - lower costs, higher efficiency and lower risk of liability. In the BPO scenario of Payroll Services, the payroll provider takes care of tax calculations and remittance, and he initiates the salary payments to employees which extremely reduces your administrative costs. has started.

On the other hand, Payroll Services provides you with a preview of all payroll input data to validate and correct the data when necessary, so that you have full control over the payroll before the payroll calculation

For more information, see Payroll Services.



Tasks

Schedule Recurring Journal Entry Voucher Run

1. **Open the quick activity**
Choose **New** and then *Recurring Journal Entry Voucher Run* to open the *New Recurring Journal Entry Voucher Run* quick activity.
2. **Enter the run parameters**
Enter the *Description*. If you want to execute the run in test mode, select the *Test Run* check box. A test run is only a simulation and does not create any actual postings.
3. **Enter selection data**
Select the data for the run by entering filter values such as the *Company ID* or the *Recurring Journal Entry Voucher Type*.
In *Due Date Calculation*, specify how you want the system to determine the date up to which to post the scheduled journal entries. You cannot enter a specific date. However, you can choose one of the following options from the dropdown list:
 - a. *End of Previous Month*
The system posts all recurring journal entry vouchers that are scheduled up to the end of the previous month.
 - b. *Scheduled Execution Date*
The system posts all recurring journal entry vouchers that are scheduled up to the execution date of the run.
 - c. *End of Month*

The system posts all recurring journal entry vouchers that are scheduled up to the end of the current month.

i Since you enter only a general description of the due date, you can schedule the same run repeatedly without having to change the due date.

4. **Activate run**

Choose **Activate**. The screen returns to the *Post Recurring Journal Entry Vouchers* window. The new run is added to the list. The status of the run is **Active**. To schedule the run, select the run and choose **Schedule**.

Reverse Recurring Journal Entry Voucher Run

1. **Open the quick activity**

Select the recurring journal entry voucher run that you want to reverse.

Go to the **Execution Details** tab and select an execution.

Choose **Reverse**.

The *New Reversal Run for Recurring Journal Entry Vouchers* window appears.

2. **Enter the run parameters**

Enter the **Run Description** and the **Posting Date**.

3. **Activate run**

Choose **Activate**. The system returns to the *Post Recurring Journal Entry Vouchers* view and adds the reversal run to the list. The status of the run is **Active**. To schedule the reversal run, select the run and choose **Schedule**.

3.7.5 Quick Guide for DATEV Export

You can access the *DATEV Export* view from the *General Ledger* work center under *Periodic Tasks*.

The DATEV export converts your posting data into DATEV format and creates an export file that you can forward to your tax advisor. The tax advisor can import the file into the DATEV system and then use the posting data to perform closing (period-end, quarter-end, or year-end).

→ You should only run the DATEV export after reconciling your posting data and performing the valuation runs (such as GR/IR clearing and foreign currency remeasurement). In this way, you ensure that your posting data is consistent.

i For technical reasons, SAP has **not** released the posting data grouped in the DATEV export for further processing with DATEV with regard to the generation of advance returns for VAT and annual tax returns. Do **not** use the DATEV export to create advance returns for VAT and annual tax returns.

Business Background

For more information, see DATEV Export.



Tasks

Create a DATEV Export Run

To create a DATEV export run, click [New](#).

1. Decide whether you want to define a new export run from scratch or use an existing one to copy from:
 - To create a new run, click [New DATEV Export Run](#).
 - To copy from an existing run, first select from the list the run you want to use as a reference and choose [New DATEV Export Run With Reference](#).

The [New DATEV Export Run](#) screen appears.

2. Enter data as required. If you have created a run with reference, you only have to change the field entries that differ from the reference for the new run.
 - As [Run Description](#) you can enter any text that will later help you identify why the run was created, for example, [Posting Data for Period-End Closing \(All G/L Accounts\)](#).
 - In the [Control Parameters](#) area, enter your company ID and the set of books ID. This enables the system to derive the settings that you have defined in the configuration for transferring an SAP Business ByDesign chart of accounts to a DATEV chart of accounts. Some of these settings (for example, the currency, length of the G/L account number, DATEV interim account) are displayed in the [DATEV Initial Settings](#) section.
If you select the fields [All G/L Accounts](#), [All Customers](#) and [All Suppliers](#) under Control Parameters, all of the relevant master data will be included in the data to be exported. If you do not select these fields, the export will only include data for G/L accounts, customers, and suppliers for which postings actually exist in the reporting period.
 - In the [Data Selection](#) section, you specify whether all document types should be exported or only certain document types. If you want to define a selection of journal entries, as transfer mode, select [Journal Entries selected by Type](#) and then click [Maintain Journal Entry Type](#) to specify the required journal entry types.
 - Select [Subledger Accounts Used](#) if you want the DATEV ID assigned to the business partner to be displayed in the exported data, and **not** the corresponding collective G/L accounts.
 - Under [Date](#), specify which of the different dates stored parallel for postings in the system you want to be used in the exported data. DATEV does **not** differentiate between types of dates as the SAP Business ByDesign system does, so you must select which date type you want.
 - Specify the reporting period for the data to be exported in the [Start Date/End Date](#) fields.
 - Error messages are issued for any documents that **cannot** be exported during the run and **no** export files are created in this case. However, if you want an export file to be created in such a case as well, select [Incomplete Export Accepted](#). Bear in

mind that data exported in this case is erroneous and **cannot** be used for period closing.

- Your tax advisor will supply you with most of the details that have to be entered under *DATEV Initial Settings*. The settlement number for the export run can be any number you choose between 1 and 69, for example, to enable you to differentiate between several variants of the same run. The system writes the settlement number to the exported data, so that the export run variant can be uniquely identified on the DATEV side as well. This unique identification can be useful later if data that has already been exported needs to be corrected and a re-export is required.

i Certain restrictions apply to the data entered under *DATEV Initial Settings*, for example, the number range of 1 to 69 that is allowed for the settlement number or four-character password restriction. These restrictions are imposed by the DATEV Export Interface and are requirements for further processing of exported data by DATEV. Your entries are checked for compliance with these restrictions by the system and you will be informed if your entries do **not** comply.

i SAP uses two **DATEV clearing accounts** for the DATEV export to enable the individual posting records to be switched to the DATEV format. These clearing accounts are **not** yet available in the DATEV system. They are displayed under *DATEV Predefined Settings* as the **DATEV Clearing Account**.

3. Click **Save and Close** to complete the DATEV export run definition and return to the DATEV Export subview.

Execute a DATEV Export Run

1. Select the appropriate DATEV export run.
2. If the run you select is not active, you can activate it by choosing **Actions** > **Set to Active**.
3. Choose **Schedule**. The *Schedule Job* screen appears.
4. Schedule the run for the required period and click **Save and Close**. You have scheduled the DATEV export run. You can check the results a short time after the export run in the *Execution Details* section.

i You can execute a DATEV export run **as often** as you want. This is possible because the run only reads existing posting data in the system and does not change data. It would be necessary to execute the same run several times if you wanted to export the updated status of data after a correction was required.

Check Results of DATEV Export Run

As soon as the results are available, you should check the results:

1. Select the appropriate DATEV export run.
2. Select the export run you want to analyze in the *Execution Details* section.
3. Choose **View DATEV Export Results**:

- On the **Overview** tab, you can see a general summary of the data processed and the files generated in the export run. Note that the number of DATEV posting lines generated might be more than the number of journal entries posted in SAP Business ByDesign due to the fact that a journal entry may be split into several entries to comply with data transformation requirements. Thus it is quite usual that there are more DATEV posting lines than journal entries.
- On the **Selection** tab, the system displays all of the settings you made when defining the export.
- The **Data Prepared for Export** tab contains further tabs displaying data about the journal entries, G/L accounts, customers, and suppliers included in the export. The data that the system displays here depends on the type of business transactions posted in the reporting period and on the settings you defined for the export. For example, if you use the subledger accounts field and did **not** select *All Suppliers*, the system will **not** export any supplier master data.

i The data displayed on this tab shows the results of the export run. Thus, the data is displayed from the point of view of the importing DATEV system and is identical to the contents of the generated files.
- On the **Data with Errors** tab, the system displays all journal entries, G/L accounts, and business partners where it encountered errors during the export run. This tab contains the four tabs Journal Entries, G/L Accounts, Customers, and Suppliers. For detailed information about any errors reported on this page, see the application log.

i The data displayed on this tab is data for which it was not possible to create corresponding DATEV posting lines. Thus, the data is displayed from the SAP Business ByDesign perspective. The same applies to G/L accounts, customers and suppliers.
- On the **Attachments** tab, the system lists the files that were generated as a result of the export run. If the export run was successful, this page will always contain a file with DATEV-specific administrative data, a file containing the G/L index, and a file containing the DATEV posting lines. In addition, files can be generated containing master data for customers and suppliers, again depending on which business transactions were posted in the reporting period and which settings you defined for the export run.

Forward a DATEV Export Run

When you have ensured that the export ran without errors, you must forward the files listed on the **Attachments** tab of the *DATEV Export Results* view to your tax advisor, so that he or she can further process them (run plausibility and completeness checks, perform year-end closing and so on). You do so by downloading the export files that have been generated by the DATEV Export Run. To do so, take the following steps:

1. Select the file you want to export. Take note of the *File Name* in the *Details* section. You must enter this exact file name in step 3.
2. Choose **Download**.
3. In the *Save As* screen, enter the file name from the *Details* section mentioned in step 1.



Ensure that the file name you enter when downloading the document is **identical** to the *File Name* in the *Details* section of the document in the **Attachments** tab.

4. Choose **Save**.
5. Repeat this procedure for each file you want to download.
6. Forward files to your tax advisor.



Bear in mind when forwarding this data to your tax advisor that the files contain confidential business data that needs to be protected. For this reason, you should ensure that the data is transferred with the utmost security. For example, you can store the encrypted files in a password-protected archive and use a secure transfer protocol, such as HTTPS, for the download.



When your tax advisor imports the export file into the DATEV system, the DATEV system identifies two unknown accounts with the numbers 9998 and 9999. These are the clearing accounts created by SAP. The tax advisor must transfer both accounts to the DATEV system and assign them to account class **09 (General Accounts)**. You **cannot** assign either of these clearing accounts to a special additional function.

3.7.6 Extraction Run for Financial Data Quick Guide

You can access the *Extraction Run for Financial Data* view from the *General Ledger* work center under *Periodic Tasks*.

In this view you can create automatic runs that you can use to extract financial data out of SAP Business ByDesign and save them for retention. This data mainly originates from Financial and Management Accounting, specifically from reports such as the Journal or the Schedule of Changes. The system provides the financial data in the format (*AIS Format*) that is required for auditing and you can save the data in a file.

According to the requirements of the German law **Principles of Data Access and Auditing of Digital Documents (GDPdU)**, you must extract this data and submit to the auditor, if the tax authority requests it.

Similar regulations also apply in other countries. For example, in Austria, tax-relevant data must also be made available on data carriers for the tax authorities, according to the regulations stipulated in Section 131 (subsection 3) and Section 132 (subsection 3) of the Bundesabgabenordnung (Federal Tax Code) of Austria.

You can edit and schedule extraction runs for financial data. You can display existing extraction runs, extraction runs in process, and extraction runs that are finished. You can view the results of extraction runs. You can secure extraction runs to prevent them from being deleted. You can also adjust how long the data is stored in the system.

SAP delivers a reporting package that contains reports from Financial and Management Accounting, from which data is extracted for retention. You can use or change the default reporting package, or you can create a new reporting package depending on what data you want to export and retain for auditing.

Business Background

Access to Tax Data by Tax Authorities (GDPdU)

The SAP Business ByDesign system ensures that tax authorities can access tax data in the system as required by law.

For more information, see Access to Tax Data by Tax Authorities (GDPdU).

Reports for Financial Data Extraction

SAP Business ByDesign provides several reports that you can use for financial data extraction.

For more information, see e.g. Overview of Reports in Financial Management.

To ensure that only reports are used for which you have access authorization, the system checks the access context. Only reports with the access context **company** or with no access context are included.

Valuation Runs

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs \[page 234\]](#).



Tasks

Check Prerequisites

In the system configuration, you can define which reports you want to use for financial data extraction. In the *Extraction Run for Financial Data* screen choose [Edit Reporting Packages](#) to change the existing reporting package or create a new one. The button [Edit Reporting Packages](#) is only visible, if the system user is assigned to the *Business Configuration* work center. For more information, see Configuration: Digital Extract.

If you want to adapt the report views or selection variables of the reports you want to include in the reporting packages, you have to do this in the *Business Analytics* work center.

i Only report views and selection variables that have been created and saved in the *Business Analytics* work center can be used in the reporting packages. It is not possible to use report views or selection variables that have been created in any other work center.

i The Extraction Run for Financial Data only maps parameters such as, key date, posting date or periods. If you want to extend a reporting package with a report that has different mandatory parameters as the mentioned ones, you create a report variant in the *Business Analytics* work center with the respective selection variables and add this report variant to the reporting package. You do this in the Integrate-and-Extend-Activity *Digital Extract* in the *Business Configuration* work center.

To check, whether report variables deliver the correct results in the Extraction Run for Financial Data you can always check the log.

For more information about creating or adapting reports, see Design Reports Quick Guide.

Create an Extraction Run For Financial Data

1. To create a new extraction run for financial data, choose .
2. In the *Extraction Run for Financial Data* view choose and then *New Extraction Run for Financial Data*.
3. You can use the following selection criteria to execute an extraction run for financial data:
 - Company
 - Set of Books

You can create an extraction run for financial data for one set of books.
 - Period From and To

Fiscal period for which data are to be exported
 - Reporting Package

You can enter a reporting package that contains the reports, you want to extract and retain data from. The system proposes the reporting package that is delivered within configuration of the standard system.
 - Display Currency
 - Display Currency – Conversion Date
4. Scheduling

You can either perform an extraction run for financial data immediately or schedule it to occur later.

 - To perform an extraction run for financial data immediately, choose *Start Now*.
 - To schedule an extraction run for financial data for a later point in time, choose *Schedule* and specify the time for the system to perform the extraction run for financial data.

You can view scheduled extraction runs and their respective times in the *Extraction Run for Financial Data* subview under .

Display and Check Log

1. **Display Log**

If you have performed an extraction run for financial data immediately, the system issues a status message. To display a list of the logs, choose *Show Log* in the status message.
To display the list of logs in the *Extraction Run for Financial Data* subview following an extraction run for financial data, choose the relevant extraction run for financial data.
2. **Check the log**

The log contains the following information:

 - **General**

Shows the result of the extraction run for financial data, the execution date, any messages that were issued, and the number of reports and data sets that were executed.
 - **Data Selection**

Shows the information that you entered at the start of the extraction run for financial data.
 - **Messages**

- Shows a list of all messages, such as warning messages.
- **Processed Successfully**
Shows all the data sets that were exported successfully for each report.
- **Processed with Errors**
Shows all the data sets that were subject to errors during processing in each report.

Save Data in a File

To save the financial data in a file you choose **Download** either in the *Periodic Tasks: Extraction Run for Financial Data* view, or after you select a run and choose **View** and then **Processed Successfully**.

The data resulting from the execution of the report and the report selection criteria are saved in a ZIP file or in a TXT file.

Protect Extraction Run Result Against Deletion

To preserve the result of an extraction run for later reference, for example for the statutory retention period, proceed as follows:

1. In the *Extraction Run* view of the *General Ledger* work center select a run from the list, click **Action** and then *Set as Protected against Deletion*.
2. In the following popup enter the date until which the data is to be kept. The run results are now protected and can not be deleted, the *Delete* button is no longer active.

Change Retention Date

To change the retention date, proceed as follows:

1. In the *Extraction Run* view of the *General Ledger* work center select a protected run from the list, click **Action** and then *Change Retention Date*.
2. Enter a new date. The system allows you to prolong the retention period by entering a later date, as well as to shorten the retention period. The earliest end date permitted is the actual date.



If you enter the actual date, the run results can be deleted.

3.7.7 Export Year-End Closing File View

3.7.7.1 Quick Guide for Export Year-End Closing File

This document contains text that is relevant for Austria only. To ensure that the system displays the correct text, select *Personalize> My Settings*. Select the *Onscreen Help* tab and choose Austria in the *Country* drop-down menu. Save your settings and logout to ensure the changes are made.

3.7.7.2 Business Background

3.7.7.2.1 Electronic Export of Year-End Closing File

Overview

This document contains text that is relevant for Austria only. To ensure that the system displays the correct text, select [Personalize > My Settings](#). Select the [Onscreen Help](#) tab and choose Austria in the [Country](#) drop-down menu. Save your settings and logout to ensure the changes are made.

3.7.7.3 Tasks

3.7.7.3.1 Complete Additional Files Template

Overview

This document contains text that is relevant for Austria only. To ensure that the system displays the correct text, select [Personalize > My Settings](#). Select the [Onscreen Help](#) tab and choose Austria in the [Country](#) drop-down menu. Save your settings and logout to ensure the changes are made.

3.7.8 Golden Audit Export Files View

3.7.8.1 Quick Guide for Golden Audit Export Files

This document contains text that is relevant for China only. To ensure that the system displays the correct text, select [Personalize > My Settings](#). Select the [Onscreen Help](#) tab and choose China in the [Country](#) drop-down menu. Save your settings and logout to ensure the changes are made.

3.7.8.2 Business Background

3.7.8.2.1 Golden Audit General Information File – China

Overview

- i** This document contains text that is relevant for China. To ensure that the system displays the correct text, select **► Personalize > My Settings ▶**. Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

3.7.8.2.2 Golden Audit General Ledger File – China

Overview

- i** This document contains text that is relevant for China. To ensure that the system displays the correct text, select **► Personalize > My Settings ▶**. Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

3.7.8.2.3 Golden Audit Accounts Payable/Receivable File – China

Overview

- i** This document contains text that is relevant for China. To ensure that the system displays the correct text, select **► Personalize > My Settings ▶**. Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

3.7.8.2.4 Golden Audit Fixed Asset File – China

Overview

- i** This document contains text that is relevant for China. To ensure that the system displays the correct text, select **► Personalize > My Settings ▶**. Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

3.7.8.2.5 Golden Audit Payroll File — China

Overview

i This document contains text that is relevant for China. To ensure that the system displays the correct text, select . Select **Onscreen Help** and, under **Country**, choose **China**. Save your settings and logout to ensure these changes are made.

3.7.9 Quick Guide for Top 50 Customers and Suppliers — Mexico

i This document contains text that is relevant for Mexico. To ensure that the system displays the correct text, select . Select **Onscreen Help** and, under **Country**, choose **Mexico**. Save your settings and logout to ensure these changes are made.

3.7.10 Electronic Financial Reporting - Germany

3.7.10.1 Electronic Financial Reporting Quick Guide

You can access the *Electronic Financial Reporting — Germany* view from the *General Ledger* work center under *Periodic Tasks*.

In this view you can create a report run to extract predefined sets of financial data from the system for a specified period within a fiscal year, and generate a file containing this data for submission to the public authorities.

The report run is an automatically performed processing task of the selected data. The system performs it based on the criteria you provide and, as a result, creates a report, also called the output file, you submit to the public authorities.

In addition to extracting the financial data from the system, you must upload a Microsoft Excel® file containing your company's general data and include it in the report. When you have created the report run, you can schedule it to start when required. After you have validated the output file, you submit it to the public authorities.

Business Background

Electronic Financial Reporting

In some countries companies are required by law to submit their financial data in electronic form to public authorities. The format used for submission of the data varies per country and depends on the specific regulations and guidelines of the public authorities.

For more information, see [Electronic Financial Reporting \[page 316\]](#).

Closing Cockpit

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Cockpit \[page 236\]](#).

Tasks

Create an Electronic Financial Reporting Run

1. Create a new report run from scratch or use a previously created one as a basis.
 - To create a new run, click **New** and select *Electronic Report Run*.
 - To use an existing run, first select the run you want to use as a reference from the work list. Then click **New** and select *Electronic Report Run with Reference*. All selection parameters are copied from the selected run, and you can then make any changes necessary for the new report run.

The *New Electronic Financial Reporting Run* screen appears.

2. Enter data as required. If you have created a run with reference, for the new run you only have to change the field entries that differ from the reference run.
 - Under *General Data*, in the *Run Description* field, you enter a text that can later help you to identify this report run. If you want to create an additional copy of the output file in an easy-to-read format, select *Create Files in HTML Format*. If you want only an XML version of the output file, leave the *Create Files in HTML Format* checkbox empty.

i The *Create Files in HTML Format* option serves only to facilitate the readability of the created XML file and for verification purposes only. This means that you submit **only** the XML file, **not** the HTML file.

- Under *Report Selection Data*, you specify the criteria for the selection of the data you want to include in the report. The system uses the following information to extract the relevant financial data:
 - *Company*
 - *Set of Books*
 - *Fiscal Year*
 - *Balance Sheet Structure*
 - *Income Statement Structure*

The system uses *Taxonomy* and *Global Common Data Taxonomy* you provided to organize your financial data. By default, the output file is created in a structured XML file format. This is necessary to ensure that the file complies with regulations and specifications of the public authorities.

If you want to include account details such as the account number, its description and current balance, select *Include Account Balance Details*. This data is then added to the output file for all accounts that are marked as mandatory in the taxonomy and for which the information on the account balance is available.

- Under *Attachments*, you upload a filled out Microsoft Excel template with your company's general data. This template is then included in the output file.

If you have selected *Include Account Balance Details* in the *Report Selection Data* section, then you also need to select the account balance details option (Kontensalden zu einer oder mehreren Positionen) in the Microsoft Excel template. Otherwise, the discrepancy can cause an error during the validation of the output file.

i To find this template, go to **Application and User Management** **Business Flexibility** **Office Template Maintenance** **GCDE-Bilanz Germany** and save the template to your local computer or server.

For more information on how to fill out the Microsoft Excel template with your company's general data, see [Provide General Data Using Microsoft Excel \[page 319\]](#).

3. Save your entries to complete the definition of the criteria for the report run.

Schedule an Electronic Financial Reporting Run

When you have defined the data to be exported and included in the report, you can schedule when you want the run to begin.

1. On the *Electronic Financial Reporting — Germany* screen, select the required run from the list.
2. To activate the selected run, click **Actions** and select *Set to Active*.
3. Click **Schedule**. The *Schedule Job* screen appears.
4. Schedule the run for the required period and save your entries.

There are several options for scheduling a report run:

- **Start Immediately**
Starts the run immediately after choosing this option.
- **Run After Job**
Starts the run **after** some other runs have been completed. You define the execution order of the runs.
- **Single Run**
Starts the run at a specific time.
- **Recurrence**
Repeats the execution of the run in defined time intervals.

If you have chosen to start the run immediately, it is now complete. If you have chosen any of the remaining scheduling options, the run is now scheduled.

Check Results of an Electronic Financial Reporting Run

When the run is complete, you can view the data that has been extracted and included in the output file. Under *Details*, the status of the run changes to *Finished* and its corresponding application log becomes available.

1. On the *Electronic Financial Reporting — Germany* screen, select the required electronic financial reporting run.
2. Click **View Report Run Results**.
 - Under the **General** tab, the system displays all of the settings you made when you defined the report run.
 - The **Data Prepared for Export** tab includes further tabs which contain positions from the balance sheet and income statement, also called profit and loss statement, included in the output file. The data that the system displays depends on the settings you defined for the export.
 - Under the **Attachments** tab, the system lists the generated output file. Depending on your settings for the run under *General Data*, the system has created either two files, one in HTML and the other in an XML format, or just one XML file. The latter contains the financial data in an XML format structured by taxonomies, and as specified according to your settings and requirements of the public authorities. This is the file you validate, if necessary, and submit to the relevant public authorities.

On the *Electronic Financial Reporting — Germany* screen, you can also check details, such as a status and history, of a particular report run or perform other activities regarding the report run.

- To activate the selected report run or make it obsolete, click **Actions** and choose a required option from the list.



If you activate an obsolete run, then the status of the run becomes *In Revision*.

- To view details of the run, click **View Jobs**. On the *Job Monitor for Run ID* screen that appears, you can do the following:
 - To set up a different time for a scheduled run, click **Reschedule**.
 - To stop a run from executing, click **Cancel Job**.

Download an Electronic Financial Report

When you have checked the results of the electronic financial reporting run and ensured that the export of data ran without errors, you download the file to your local computer or server.

- On the *Electronic Financial Reporting — Germany* screen, select the required electronic financial reporting run.
- Click **View Report Run Results** and choose **Attachments**.
- Depending on your settings for the run under *General Data*, the system has created either two files, one in HTML and the other in an XML format, or just one XML file.
 - Select the XML file from the list and click **Download**.
 - If the output file in HTML format has also been created, you can select it and download it to your local computer or server. This file provides you with all the data that is contained in the XML output file, just in the format that is easier for you to read. This facilitates the verification of the output file in the XML format.
- Save the output file in the XML format to your local computer or server.

Validate and Submit an Electronic Financial Report

- Download the Validation Software Tool**

You must first validate the completeness and logical correctness of the output file by using the required validation software tool.

- In the title bar select *Go to SAP Store*.
- On the next screen click *See SAP Business ByDesign Solutions*.
- Choose Germany from a list of available countries and select your preferred language.
- Search for *E-Bilanz*.
- Download and install the *E-Bilanz § 5b – EstG – ERIC Client* validation software tool on your local computer or server.

- Validate and Submit the Output File**

- Start the *E-Bilanz § 5b – EstG – ERIC Client* validation software tool.
- Configure the settings for a proxy server, if you are using one.
- On the next screen enter the required information and choose if you want only to validate the output file or if you want to validate **and** submit the output file.
 - If you have chosen only to validate the output file, you either receive a message of successful validation or an error log. If you receive an error log, you can do the following:

- To save the technical log along with the error messages and their technical description, click **Technisches Log speichern**.
- To print the log with error messages, click **Protokoll drucken**.

i In case you receive an error log, you can try to resolve the issues yourself. If you are not able to resolve them, you can send the technical log to the technical support.

2. If you have chosen to validate and send the output file, first you need to enter your company's electronic certificate and its corresponding PIN number.

i For more information about certificates and PIN numbers in the electronic financial reporting process, see <http://www.elster.de>.

4. Click **Übertragung starten**.
5. If you receive an error log, repeat step 3.1. Otherwise, to save the submission protocol to your local computer or server, click **Übertragungsprotokoll speichern...**.

3.7.10.2 Business Background

3.7.10.2.1 Electronic Financial Reporting

Overview

In some countries companies are required by law to submit their financial data in electronic form to public authorities. The format used for submission of the data varies per country and depends on the specific regulations and guidelines of the public authorities.

In Germany, for example, companies are required to electronically submit their financial data to the tax authorities according to the legal requirements stated in the paragraph 5b of the German Income Tax Act (EStG) effective as of December 31, 2011. The electronic format used is an XML-based file called an eXtensible Business Reporting Language (XBRL) file.

Prerequisites

i Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

- Electronic Financial Reporting is selected in your solution configuration. To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. In the *Scoping* step of the project, ensure that *General Ledger* is selected within *Financial and Management Accounting*. In the *Questions* step, expand the *Financial and Management Accounting* scoping element and select *General Ledger*. Select *Communication for General Ledger* and answer the questions related to electronic financial reporting.
- In the *Country* and *Type of Business* step within the Scoping phase, ensure that you have selected a country where it is mandatory to submit financial data to public authorities. This must be the same country where you want to implement your solution.
- In the *Questions* step within the Scoping phase, ensure that you have selected the following:

- All accounting principles you want to use for electronic financial reporting.
- The type of electronic financial reporting that corresponds to the country you have selected.
- In the *Fine-Tune* phase, ensure the following:
 - You have made your own copies of the financial reporting structures that are predefined for the electronic financial reporting.
 - You have performed the *Electronic Financial Reporting* activity.
- As a general prerequisite, ensure that you have downloaded a predefined Microsoft Excel® template for providing your company's general data.
For more information about how to fill out the template, see [Provide General Data Using Microsoft Excel \[page 319\]](#).

File Format and File Structure

Submission of the data in the electronic format and unified structuring of the output file enables automatic data processing which reduces errors and misinterpretations; it is much more efficient and provides high quality analysis of business data. These advantages are provided in the XBRL format.

Data within an XBRL file is structured using hierarchical dictionaries of all the relevant business reporting data. These dictionaries are called **taxonomies**. You can download taxonomies relevant for your country from the official Web site of the public authorities you are submitting the data to.

Once you have set up taxonomies, you have to assign financial reporting structures to them. Basic financial reporting structures are predefined in the system. You use them as templates to create your own copies of financial reporting structures, which you then apply for electronic financial reporting. After all preparatory tasks are performed and your financial data is validated, you can create an electronic financial report also called output file, and submit it to the public authorities.

In some countries, there are additional software tools that need to be used for validation of the created output file before the submission. In Germany, for example, the *E-Bilanz § 5b – EstG – ERIC Client* software tool is used. The output file comprises the balance sheet, income statement, and general information such as details about the company submitting the file and the tax number of the company.

i Due to complex preparation of the financial reporting file, you might need to consult your auditor or tax consultant.

Taxonomies

As backbone structures of the output file, taxonomies contain names and descriptions of the relevant business reporting data that needs to be submitted to the public authorities. Taxonomies are provided in a ZIP file and you need to download the latest versions of relevant taxonomies from the official Web site of the public authorities.

i For Germany, use the following Web site to get the latest taxonomies: <http://www.esteuere.de>.

Taxonomies serve as an underlying structure that must be in place for a file to be created, but they do not contain any financial data. To create meaningful relationships between your company's financial data and taxonomies, you need to assign the financial reporting structures you use in your company to corresponding taxonomy items called **taxonomy nodes**.

The system provides several predefined taxonomies and standard financial reporting structures that are already assigned to the corresponding taxonomies. You can copy and edit these financial reporting structures and assignments to adjust them to the specific needs of your company. You can also upload new taxonomies and financial reporting structures and assign them manually.

There are different taxonomies for every field of business and every country. In Germany for example, **Global Common Data (GCD)** and **Generally Accepted Accounting Principles (GAAP)** are two main taxonomies used for electronic financial reporting. There are several thousands of taxonomy nodes in the GAAP taxonomy but not all of them are mandatory for submission.

You can also add additional accounting principles to reflect the needs of your company.

- i** If some taxonomy nodes that are marked as mandatory are not relevant for your company, you can leave them empty but you still must submit them.

GCD Taxonomy

The GCD taxonomy contains general information about the company. This data is not available in the system and therefore you need to enter it manually. There is a Microsoft Excel template available in the system that you have to use to enter general information.

The GCD taxonomy can contain the following data:

- Legal form of the company
- Headquarters
- Tax number

GAAP Taxonomy

The GAAP taxonomy contains definitions of the relevant business reporting data. Depending on the countries for which you chose to implement the electronic financial reporting activity, corresponding GAAPs are automatically selected. You can also choose additional GAAPs to be applied to your solution.

The GAAP taxonomy can contain the following data:

- Balance sheet
- Income statement
- Cash flow statement

Process Flow

1. Once you have performed all necessary preparatory activities and all the financial and general data is in place, you create the output file using a report run.

The system queries your company's financial reporting structures as a basis for the extraction of the financial data. Based on this information, the system generates the output file in the format required by the public authorities. The data in the file varies in volume and complexity depending on the size and requirements of your company.

For more information, see [Electronic Financial Reporting Quick Guide \[page 312\]](#).

2. Download the output file to your local computer or server and validate it, if required.

- i** In some countries, it is necessary to validate the file before you send it to the public authorities. For example, in Germany you must first validate the completeness and logical correctness of the file using a validation software tool called [E-Bilanz § 5b – EstG – ERIC Client](#). If the file contains no errors, a message notifies you that the validation process is successful and that the file is ready for submission. If the file contains errors or discrepancies, you receive an error log and you cannot submit the file until you have resolved the issues contained in the log.

3. Submit the output file either using the online portal of the public authorities or using the transfer option of the validation software tool.

3.7.10.3 Tasks

3.7.10.3.1 Provide General Data Using Microsoft Excel®

Overview

You provide your company's general data by entering them in a predefined Microsoft Excel template and uploading them to the SAP Business ByDesign system.

Prerequisites

Ensure that you have downloaded the required Microsoft Excel template called *GCD E-Bilanz Germany*.

To find this template, go to ► *Application and User Management* ► *Business Flexibility* ► *Office Template Maintenance* ▶ and search for *GCD E-Bilanz Germany*. Save the template to your local computer or server.

Procedure

1. Open the *GCD E-Bilanz Germany* template.
2. Enter the required details in the template.



Note the following:

- The template is presented with a number of rows where you can enter or copy your data. If you need more, add the number of rows you need before you start entering or copying your data.
- Ensure that mandatory fields (those marked with an asterisk) are filled out.
- To help you fill in the details, some fields have dropdown lists.
- The data in the template written in italics is given only as an example. The data in the template written in normal font weight is a default selection value.
- Ensure that you enter data **only** in blue fields. Otherwise the data is not included in the report run.

3. If you want to continue with the data entry later, save your entries.
4. Upload the filled out Microsoft Excel file when you create a new electronic financial reporting run. You upload the file under Attachments .

3.8 Reports

3.8.1 Financial Statements

Overview

You use this report to create your financial statements for a fiscal year or for a period within a fiscal year:

- Balance sheets
- Income statements
- Cash flow statements

Primarily, you create legally required financial statements during your closing activities. However, you can also create the statements at any other time to assess the current standing of your company.

You cannot create multiple financial statements at the same time. This means that you run each type of financial statement separately to create a balance sheet, income statement, or a cash flow statement. You specify the type of financial statement in the *Financial Reporting Structure* selection field.

When you run the report, you trigger the following calculations:

- For **balance sheets**, the system determines whether **balance-dependent accounts** (such as bank accounts) have a credit or debit balance. Depending on the type of balance, the amount is portrayed as a receivable or payable. When defining your financial reporting structure, you specify which G/L accounts are displayed on the basis of their balance. Furthermore, the **retained earnings or losses** are determined automatically and displayed in the relevant financial statement item.
- For **income statements**, the result is determined automatically and displayed on the relevant financial statement item..
- When a **cash flow statement** is generated, the cash flows belonging to operating, investing, and financing activities are calculated on the basis of G/L account balances. If you want to determine the actual cash receipts and disbursements in more detail or exclude entries not relevant for cash, then you need to make manual adjustments in the area of cash flows from investing and financing activities.

Views

This report offers you the following views:

- **Financial Statements (Standard)**
Creates the financial statement using the financial reporting structure of your choice, using the individual financial statement items of that structure.
- **Financial Statements – by Segment view**
Structures the report by segments.
- **Financial Statements – by Closing Steps view**
Structures the report by closing steps.
- **Financial Statements – by Company view**
Structures the report by partner companies.
- **G/L Accounts – Interactive List view**
Structures the report using your G/L accounts and functional areas.

Prerequisites

Before financial statements can be created, the following prerequisites must be fulfilled:

- You need to have defined your financial reporting structures for balance sheets, income statements, and cash flow statements.
- When you create financial statements for statutory reporting purposes, you need to have completed your closing activities in the various application areas. For more information on the closing activities, see the document [Year-End Closing \[page 236\]](#).

i Ensure that all accounting periods within the closing period are closed at the point in time for which you create your financial statements for statutory reporting purposes. If one or more accounting periods are still open for closing entries, you need to ensure from an organizational point of view that no postings are performed at this point in time.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Financial Reporting Structure**

You specify the type of financial statement that you want to create (balance sheet, income statement, or a cash flow statement). The structure of the financial statement depends on the accounting principles applied. All of the structures that you have defined are offered for selection.

If you want to create a **balance sheet**, you then need to select the desired type of balance sheet in the Balance Sheet Type field.

- **Balance Sheet Type**

If you are creating a **balance sheet**, you can choose from among the following balance sheet types:

- **1 – Cumulative**

In the most common case, you create a cumulative balance sheet for the entire period selected. The last day of the period is used as the balance sheet date. If the specified period has not yet been closed, the last closed day is taken as the balance sheet date.

- **2 – Changes in current period**

Select this balance sheet type to include the changes that have been made in the current period.

- **4 – Opening balance**

Select this balance sheet type to create an opening balance sheet. The first day of the specified fiscal year is used as the balance sheet day.

If you are creating an **income statement** or a **cash flow statement**, only **2 – Changes in current period** is allowed.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose **Filter**.
- To further analyze data in this report, you can drag characteristics to rows and columns.

- From an item displayed in the financial statement, you can navigate to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the account balances, line items, and documents relating to an item and the relevant document flow.

i You also have the option of creating your financial statements as a formatted print version. For this, choose the **Financial Statements - Print Layout** report. With this report, the system produces financial statements in a pre-formatted print version. You can open individual structure elements to display the related details. To print a financial statement, choose *Print Version*. The system then provides your financial statements as a PDF file for printing.

From this report you can navigate to [Financial Reporting Structure](#).

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.2 Financial Statements – Two Years

Overview

This report enables you to create financial statements for any pair of fiscal years or accounting periods and to compare those financial statements:

- Balance sheets
- Income statements
- Cash flow statements

Primarily, you create legally required financial statements during your closing activities. However, you can also create the statements at any other time to assess the current standing of your company.

You cannot create multiple financial statements at the same time. This means that you run each type of financial statement separately to create a balance sheet, income statement, or a cash flow statement. You specify the type of financial statement in the [Financial Reporting Structure](#) selection field.

When you run the report, you trigger the following calculations:

- For **balance sheets**, the system determines whether **balance-dependent accounts** (such as bank accounts) have a credit or debit balance. Depending on the type of balance, the amount is portrayed as a receivable or payable. When defining your financial reporting structure, you specify which G/L accounts are displayed on the basis of their balance. Furthermore, the **retained earnings or losses** are determined automatically and displayed in the relevant financial statement item.
- For **income statements**, the result is determined automatically and displayed on the relevant financial statement item..
- When a **cash flow statement** is generated, the cash flows belonging to operating, investing, and financing activities are calculated on the basis of G/L account balances. If you want to determine the actual cash receipts and disbursements in more detail or exclude entries not relevant for cash, then you need to make manual adjustments in the area of cash flows from investing and financing activities.

Views

This report offers you the following views:

- **Financial Statements – Two Years view (standard)**

Creates the financial statement using the financial reporting structure of your choice, using the individual financial statement items of that structure.

- **Financial Statements – by Segment view**

Structures the report by segments.

- **Financial Statements – by Closing Steps view**

Structures the report by closing steps.

- **Financial Statements – by Company view**

Structures the report by partner companies.

- **G/L Accounts – Interactive List view**

Structures the report using your G/L accounts and functional areas.

Prerequisites

Before financial statements can be created, the following prerequisites must be fulfilled:

- You need to have defined your financial reporting structures for balance sheets, income statements, and cash flow statements.
- When you create financial statements for statutory reporting purposes, you need to have completed your closing activities in the various application areas. For more information on the closing activities, see the document [Year-End Closing \[page 236\]](#).



Ensure that all accounting periods within the closing period are closed at the point in time for which you create your financial statements for statutory reporting purposes. If one or more accounting periods are still open for closing entries, you need to ensure from an organizational point of view that no postings are performed at this point in time.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Financial Reporting Structure**

You specify the type of financial statement that you want to create and compare (that is, balance sheet, income statement, or cash flow statement). The structure of the financial statement depends on the accounting principles applied. All of the structures that you have defined are offered for selection.

If you want to create a balance sheet, you then need to select the desired type of balance sheet in the [Balance Sheet Type](#) field.

- **Balance Sheet Type**

If you are creating a **balance sheet**, you can choose from among the following balance sheet types:

- [1 – Cumulative](#)

In the most common case, you create a cumulative balance sheet for the entire period selected. The last day of the period is used as the balance sheet date. If the specified period has not yet been closed, the last closed day is taken as the balance sheet date.

- **2 – Changes in current period**

Select this balance sheet type to include the changes that have been made in the current period.

- **4 – Opening balance**

Select this balance sheet type to create an opening balance sheet. The first day of the specified fiscal year is used as the balance sheet day.

If you are creating an **income statement** or a **cash flow statement**, only **2 – Changes in current period** is allowed.

- **Comparison Fiscal Year**

You specify the fiscal year against which you want to compare your financial statement.

- **Comparison Period**

You specify the accounting period within the selected fiscal year against which you want to compare your financial statement.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose **Filter**.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From an item displayed in the financial statement, you can navigate to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the account balances, line items, and documents relating to an item and the relevant document flow.

i You also have the option of creating your financial statements as a formatted print version. For this, choose the **Financial Statements - Two Years - Print Layout** report. With this report, the system produces financial statements in a pre-formatted print version. You can open individual structure elements to display the related details. To print a financial statement, choose **Print Version**. The system then provides your financial statements as a PDF file for printing.

From this report you can navigate to **Financial Reporting Structure**.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.3 Journal

Overview

You use this report to record all journal entries in chronological order by document number, document type, and posting date. For each journal entry, the individual line items are also displayed with the accounts to which the entry was posted and the respective amount. You can use this report to check, for example, whether the document numbers have been issued without gaps.

Views

This report offers you the following views:

- **Journal (Default) view**

Structures the report by document number, document type, and posting date.

- **Journal - G/L Account View**

Structures the report by G/L account.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each journal entry, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the line items for the desired journal entry.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.4 Trial Balance

Overview

This report shows the totals and balances of your individual G/L accounts for a specified fiscal year or period:

- Opening balance
- Debit balance
- Credit balance
- Ending balance

Views

This report offers you the following views:

- **Trial Balance (Default) view**

Shows for each G/L account the opening balance, the debit balance, the credit balance, and the ending balance as a total for the entire period selected.

- **Reconciliation – Reconciliation View**

Shows for each G/L account the opening balance, the debit balance, the credit balance, and the ending balance as a total for the entire period selected. This view shows the balances in the local currency as well as in the line item currency.

You use this view for reconciliation with the account balances in the business sense.

- **Trial Balance – Balance View**

Shows the ending balance for each G/L account as a total for the entire period selected.

- **Trial Balance – by Period View**

Shows the opening balance, the debit balance, the credit balance, and the ending balance for each G/L account and for each accounting period of the selected period.

- **Trial Balance – by Partner Company and Movement Type View**

Shows for each G/L account, partner company, and movement type the opening balance, the debit balance, the credit balance, and the ending balance as a total for the entire period selected.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). Note the following:

- **G/L Account Type**

Each G/L account is categorized by a G/L account type, such as an asset account or cash ledger account. The system proposes different G/L account types. However, you can also define your own G/L account types in the configuration.

You can restrict the display of balances and totals to the G/L accounts with a specific G/L account type.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From the individual items of the trial balance, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant line items and documents.

i If you have **not** yet completed balance carryforward for the previous year, the system automatically simulates balance carryforward for the previous year when creating the reports (such as trial balance or financial statements). The system does **not** make any postings.

If you want to use this report to reconcile your balances in the **business** sense, choose the *Trial Balance - Reconciliation* view.

If you want to trace the origin of balances in the trial balance, for example, for a receivables account, you can display the necessary details. Proceed as follows:

1. To do this, select the balance in the local currency and open the corresponding menu. Choose the report [Accounts Receivable - Trial Balance](#). The system applies the accounting period for which you ran the Trial Balance report.
2. Choose the [Accounts Receivable Trial Balance – Trial Balance Reconciliation](#) view. The **G/L Excluded Indicator** column indicates (with X) the postings that were only made to a sub-ledger and consequently do **not** affect the balance in the general ledger. Postings that are relevant to the general ledger have the indicator # in this column.
3. To trace how a balance originated, compare the balances of the [Trial Balance](#) and [Accounts Receivable - Trial Balance](#) reports in the company currency.
4. To call up details about how a balance originated, select the appropriate value and open the corresponding menu. You can choose one of the following reports:
 - [Accounts Receivable – Line Items](#) report: Verification of line items
 - [Accounts Receivable – Open Items](#) report: Verification of Open Items

Simultaneously, you can check the consistency between the [Accounts Receivable – Trial Balance](#) report and the related reconciliation report [Receivables Reconciliation](#). To do this, proceed as follows:

1. Besides calling the [Accounts Receivable – Trial Balance](#) report, go to the [General Ledger](#) work center and choose **Reports > Accounts Receivable Reconciliation**.
2. As the key date, enter the last day of the period for which you have created the [Trial Balance](#) or the [Accounts Receivable – Trial Balance](#) report.
3. Select the [Trial Balance Reconciliation](#) view. Besides showing the reconcilable line items, this view also shows line items that are **not** reconcilable.
To restrict the display to a specific G/L account, go to the **G/L Account** column and choose **Filter**. The system lists all G/L accounts. Select the G/L account to which you want to restrict the display.
4. Compare the **Balance of Accounts Receivable (Total)** column (in the [Accounts Receivable Reconciliation](#) report) with the **Ending Balance (in Company Currency)** column (in the [Accounts Receivable – Trial Balance](#) report).

If there are differences that you cannot explain, contact your system administrator.

From this report you can navigate to [Financial Reporting Structure](#).

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.5 G/L Accounts - Line Items

Overview

This report shows all line items on your G/L accounts. In the line item display, you can include different details from the relevant document. From the line items, you can display the relevant journal entries.

In the line item display, you can include different details from the relevant document:

- **Additional account assignments** from the line of the displayed line item, such as cost center, clearing date, or document number of the clearing document.

- The **offsetting account assignment** (such as offsetting G/L account or offsetting business partner) for the displayed line item, that is, the account assignment in the line item with the inverted +/- sign that shows the highest amount.

Views

This report offers you the following views:

- **General Ledger Line Items (Default) view**
Shows the line items for each G/L account, including the posting date and the document details.
- **General Ledger Line Items view – Assignment**
Shows the line items for each G/L account, including the posting date and the document details. For the line items, you can display additional characteristics that were derived during posting (such as cost center, profit center, segment, project, and functional area).
- **G/L Account by Cost Center view**
Structures the report by cost centers.
- **G/L Account by Project view**
Structures the report by projects.
- **G/L Account by Product view**
Structures the report by products.
- **G/L Account by Resource view**
Structures the report by cost centers.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- You can display the relevant journal entry for each line item. To do this, select the appropriate value and open the corresponding menu.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.6 G/L Accounts - Open Items

Overview

You can use this report to list all open items by general ledger account for a given date.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). Note the following:

- **Open Item Key Date**

You specify the date for which you want to display open items by G/L account.



Irrespective of the key date, the system selects all the entries for which the following applies:

- Posting Date: On or before the key date entered
- Clearing Date: After the key date entered

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.7 Accounts Payable - Trial Balance

Overview

This report shows the balances of the G/L accounts, structured by accounts payable for the specified fiscal year or period. The G/L accounts are the reconciliation accounts of the accounts payable subledger.

Views

This report offers you the following views:

- **G/L Details for AP Balance List view (standard)**

Structures the report by G/L account and accounts payable.

- **AP Balance List - Trial Balance Reconciliation view**

Creates the report for the G/L accounts and in addition shows the line items contained in the subledgers but not in the general ledger.

You use this view for reconciliation **in the business sense** with the trial balance. For details on how to use this view, see Trial Balance.

- **AP Balance List - Balances in Line Item Currency view**

Structures the report by G/L account and accounts payable. This view shows the individual balances in the local currency as well as in the **line item currency**.

- **AP Balance List - Periodic View**

Structures the report by G/L account, accounts payable, and accounting period.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the line items relating to a balance and the relevant open items.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.8 Accounts Receivable - Trial Balance

Overview

This report shows the balances of the G/L accounts, structured by accounts receivable for the specified fiscal year or period. The G/L accounts are the reconciliation accounts of the accounts receivable subledger.

Views

This report offers you the following views:

- **G/L Details for AR Balance List view (standard)**
Structures the report by G/L account and accounts receivable.
- **Accounts Receivable Trial Balance view – Trial Balance Reconciliation**
Creates the report for the G/L accounts and in addition shows the line items contained in the subledgers but not in the general ledger.
You use this view for reconciliation (in the business sense) with the trial balance. For details on how to use this view, see Trial Balance.
- **Accounts Receivable Trial Balance – Balances in Line Item Currency**
Structures the report by G/L account and accounts receivable. This view shows the individual balances in the local currency as well as in the **line item currency**.
- **Accounts Receivable Trial Balance view –Periodic View**
Structures the report by G/L account, accounts receivable, and accounting period.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the line items relating to a balance and the relevant open items.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.9 Cash - Trial Balance

Overview

This report shows the balances of the G/L accounts, structured by the individual cash accounts for the specified fiscal year or period. The G/L accounts are the reconciliation accounts of the cash subledger.

Views

This report offers you the following views:

- **G/L Details for Cash Balance List view (standard)**
Structures the report by G/L account and cash accounts.
- **Cash Balance List - Trial Balance Reconciliation view**
Creates the report for the G/L accounts and in addition shows the line items contained in the subledgers but not in the general ledger.
You use this view for reconciliation **in the business sense** with the trial balance. For details on how to use this view, see Trial Balance.
- **Cash Balance List - Balances in Line Item Currency view**
Structures the report by G/L account and cash accounts. This view shows the individual balances in the local currency as well as in the **line item currency**.
- **Cash Trial Balance - Periodic View**
Structures the report by G/L account, cash account, and accounting period.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Cash Account Type**
You can restrict the display to a specific cash account type or to multiple cash account types, such as cash storage or bank account. If you want to select multiple cash account types, use the input help to select the cash account types you want.
- **Cash and Cash Equivalents**
You can restrict the display to a specific cash type or to multiple cash types, such as a specific cash storage. If you want to select multiple cash types, use the input help to select the cash types you want.
- **Bank**
You can restrict the display to a specific bank.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the line items relating to a balance and the relevant open items.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.10 Tax - Trial Balance

Overview

This report shows the balances of the tax accounts for a given fiscal year or period. The tax accounts are the reconciliation accounts of the tax subledger.

Views

This report offers you the following views:

- **Tax Trial Balance (Default) view**
Structures the report by tax account.
- **Tax Balance List - Trial Balance Reconciliation**
Creates the report for the tax accounts and in addition shows the line items contained in the subledgers but not in the general ledger.
You use this view for reconciliation (in the business sense) with the trial balance. For details on how to use this view, see Trial Balance.
- **Tax Balance List - Balances in Line Item Currency**
Structures the report by tax account. This view shows the individual balances in the company currency as well as in the line item currency.
- **Tax Balance List - Periodic View**
Structures the report by tax account and accounting period.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Country for Product Tax**
You can restrict the display to a specific country.
- **Region**
You specify the geographic or political region of the tax data to be displayed (such as withholding tax: U.S. states).
- **Tax Rate Type**
You can restrict the display to a specific tax rate type, such as standard rate, reduced rate, or tax-exempt.
- **Tax Event**
You can restrict the display to a specific tax event.

The tax event determines for a business transaction type whether taxes are calculated and who (supplier or customer) needs to pay tax.

- **Due Item Category**

You can restrict the display to one due item category, such as Tax Receivable, Tax Payable, or Not Assigned.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the line items relating to a balance and the relevant open items.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.11 Reconciliation of General Ledger and Subledgers

Overview

This report checks for each period and subledger whether the balances of the G/L accounts in the general ledger match the balances of the assigned subledger accounts. If discrepancies are found, the amount of the difference is shown. For example, the report compares the balances of the fixed asset accounts in Genera Ledger against the balances of the assigned fixed assets in Fixed Assets.

With this report, you can ensure that the reconcilable postings in the subledgers have also been made correctly to the relevant G/L accounts.



The following applies for the reconcilability of line items:

- **Reconcilable:**

The line item exists in the general ledger as well as in the subledger.

- **Unreconcilable:**

The line item is **not** in both the general ledger **and** the subledger (such as manual postings in the general ledger).

We recommend running this report as follows:

- Run the report **before** you close an accounting period. In this way, you ensure that you can handle any differences directly in the accounting period in which they arose.
- Run the report first in the **default view**. In this way, you can identify the subledger that contains the differences. Then choose the **appropriate subledger view**. This allows you to identify the G/L account in which a difference appears.

- You can display all the manual postings that you have made directly in the general ledger. To do this, choose the *G/L Postings Only* view. In this way, you obtain for each G/L account a line containing the total of all manual postings made to that G/L account.

i The individual subledger views only show automatic postings. Manual postings are not included in the display.

To display the automatic and manual postings for a G/L account, you adjust the default view as follows:

Add the *G/L Account* characteristic as an additional line above the *Subledger Account Type* characteristic. You can then identify the automatic postings (such as Fixed Assets or Cash) and the manual postings (Without Subledger) for each G/L account.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). When doing so, note the following:

- **Subledger Account Type**

You can perform reconciliation for a specific subledger or for multiple subledgers.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

In the *Absolute Difference* column, the system displays any differences between the balances of the G/L accounts in the general ledger and the balances of the assigned subledger accounts:

- **Green:** There are no differences between the general ledger and the subledger.
- **Red:** There are differences between the general ledger and the subledger.
- **Orange:** You have made manual postings in the general ledger that are displayed in the *Without Subledger* line.

i These colors refer **only** to the default view. If, for example, you include additional characteristics in the display, the system might display differences when in fact **no** differences exist. Note that the balances from the G/L accounts in the general ledger and the balances of the assigned subledger account can only be compared at **account level** and **not** at the level of the characteristics specific to the subledger (such as the customer or supplier).

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- For a given G/L account, you can navigate to the trial balance. To do this, select the appropriate value and open the corresponding menu. From here, you can also display the line items, the related documents, and the document flow.

To analyze any differences, you can call up the details relevant for a difference. To do this, select the appropriate value and open the corresponding menu. The system applies the accounting period for which you ran the *Reconciliation of General Ledger and Subledgers* report.

You can navigate to the following reports:

Trial Balance	Subledger – Trial Balance
<p>To trace the origin of balances in the general ledger, you can navigate to the Trial Balance.</p> <p>To be able to compare balances directly, you have to restrict the trial balance display to the relevant subledger. Copy the free characteristic Subledger into the display, choose the Subledger column and select the Filter.</p> <p>The system lists all subledgers. Select the relevant subledger. The system shows you a breakdown of the balances in the general ledger.</p>	<p>To trace the origin of balance in a subledger, you can navigate to the relevant report for that subledger, such as the Accounts Receivable - Trial Balance report for the accounts receivable subledger.</p> <p>The system shows you a breakdown of the balances in the subledger.</p>

Furthermore, you can run a **technical comparison of the ledgers**. To do this, go to the [General Ledger](#) work center and choose **Periodic Tasks > Technical Comparison of All Ledgers**.

If there are differences that you **cannot** explain, contact your system administrator.

→ To ensure consistency, we recommend that you run additional reports for reconciling subledgers using the corresponding tabs (such as accounts payable reconciliation) and data flow verification.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.12 Accounts Payable Reconciliation

Overview

This report checks for each creditor and on a given key date whether the relevant balance in the accounts payable subledger matches the corresponding balance in the payables register. The report also considers cash and cash equivalents in transit (such as checks that have not yet been deposited or bank transfers).

The key date relates to the transaction date of a payable, **not** to the posting date. If discrepancies are found, the amount of the difference is shown. You can use this report to check whether payables have been transferred correctly to the accounts payable subledger.

We recommend running this report at the following time:

- Run the report for periods in which you **no longer** make operational postings. In this way, you ensure that the report only shows genuine differences.
 - Run the report **before** you close an accounting period. In this way, you ensure that you can handle any differences directly in the accounting period in which they arose.
- If differences are found after you have closed an accounting period, you have to reopen that accounting period to be able to eliminate the difference for the correct period.

Views

This report offers you the following views:

- **Payables Reconciliation (Default) View**

You use this view as the basis for reconciling **in the technical sense** balances from the accounts payable subledger with the corresponding balances in the payables register. This view only displays reconcilable line items.

- **Trial Balance Reconciliation View**

You use this view for reconciling in the **business** sense your balances from the *trial balance*. You can compare the results of this view against the results of the *Accounts Payable - Trial Balance* report. This view shows reconcilable and unreconcilable line items.

For details on how to use this view, see Trial Balance.

i The following applies for the reconcilability of line items:

- **Reconcilable:**

The line item exists in the subledger as well as in the corresponding register.

- **Unreconcilable:**

A line item is considered unreconcilable when it is **not** in the subledger or **not** in the corresponding register, such as manual postings and automatic postings for foreign currency valuation.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Currency**

You can restrict the display to one or more specific currencies. For this, use the input help.

In the payables register, the currency is the transaction currency. In the accounts payable subledger, the currency is the line item currency.

- **Key Date**

You need to specify for which transaction date you want to compare balances.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

To be able to compare balances, the system behaves as follows:

Accounts Payable Subledger	Payables Register
<p>In the accounts payable subledger, line items are stored with the transaction date and the posting date. Balances, on the other hand, are created for the posting date only. To create the balance for a creditor on the transaction date, the system behaves as follows:</p> <ul style="list-style-type: none">From the key date, the system determines the corresponding accounting period and, from that, the balance of the last posting day of the previous accounting period.The system adds to this balance all line items that have a transaction date earlier than or equal to the key date but that are not yet included in the balance of the prior period.	<p>In the payables register, only the transaction date of the open items is stored, not the posting date. The balance is created from all open items of a creditor on a transaction date.</p>

The report is displayed in table format. You find the balances in the following columns:

- **Balance of Accounts Payable (Reconcilable with Register)**
Shows the balance in the accounts payable subledger. This column only contains line items that are reconcilable with the balance in the payables register, that is, **no** manual postings and **no** automatic valuation postings such as foreign currency valuation.
You can expand this column:
 - **Amount Posted Until Key Date** column Shows all line items that have actually been posted up until the specified transaction date.
 - **Amount Posted After Key Date** column Shows all line items that have actually been posted after the specified transaction date.
- **Balance in Payables Register**
Shows the balance in the payables register
- **Difference**
Shows the absolute amount of the differences between the balances in the accounts payable subledger and in the payables register. The report sorts the individual line items in ascending order of the difference amount.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose [Filter](#).
- To further analyze data in this report, you can drag characteristics to rows and columns.

To analyze differences, select the appropriate value and open the corresponding menu. The system uses the key date that you specified when running the Accounts Payable Reconciliation report.

You can navigate to the following reports:

Accounts Payable - Line Items	Open Item List – Suppliers
<p>You can use this report to gain insights about how the balance of the accounts payable subledger was achieved. For this, choose the AP Line Items – View for Reconciliation view. This view provides a list of all open items posted until the key date.</p> <p>i If the transaction date of clearing falls before the key date and the posting date of clearing falls after the key date, the system shows one line for the line item as well as for the clearing item.</p>	<p>You can use this report to gain insights about how the balance of the payables register was achieved. For this, choose the Open Item List – View for Reconciliation view. This view provides a list of all open items posted until the key date.</p>

Compare the data of the reports [Accounts Payable – Line Items](#) ([Balance Line Item Currency](#) column) and [Open Item List – Suppliers](#) ([Open Amount](#) column). By doing so, you can identify open items that caused the difference shown in the Accounts Payable Reconciliation report.

If there are differences that you cannot explain, contact your system administrator.

- You can do the following to simplify the comparison of the balances of the [Accounts Payable - Line Items](#) report against the [Open Item List - Suppliers](#) report:
- Export both reports to Microsoft Excel. To do this, choose [Export to Excel](#).
 - To display just the totals line items for the [Accounts Payable - Line Items](#) report, remove all columns from the display apart from [Line Item Currency](#), [Supplier](#), [Reconcilable with Register](#), and [Order Reference Formatted ID](#).
 - If you reconcile the [Order Reference Formatted ID](#) column ([Accounts Payable – Line Items](#) report) with the [Document Number](#) column ([Open Item – List Suppliers](#) report), note that an ID can be used for multiple document types. For this reason, always apply the combination of journal entry ID and document type for the reconciliation.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.13 Accounts Receivable Reconciliation

Overview

This report checks for each debtor and on a given key date whether the relevant balance in the accounts receivable subledger matches the corresponding balance in the receivables register. The report also considers cash and cash equivalents in transit (such as checks that have not yet been deposited or bank transfers).

The key date relates to the transaction date of a receivable, **not** to the posting date. If discrepancies are found, the amount of the difference is shown. You can use this report to check whether receivables have been transferred correctly to the accounts receivable subledger.

We recommend running this report at the following time:

- Run the report for periods in which you **no longer** make operational postings. In this way, you ensure that the report only shows genuine differences.
- Run the report **before** you close an accounting period. In this way, you ensure that you can handle any differences directly in the accounting period in which they arose.
If differences are found after you have closed an accounting period, you have to reopen that accounting period to be able to eliminate the difference for the correct period.

Views

This report offers you the following views:

- **Receivables Reconciliation (Default) View**

You use this view as the basis for reconciling **in the technical sense** balances from the accounts receivable subledger with the corresponding balances in the receivables register. This view only displays reconcilable line items.

- **Trial Balance Reconciliation View**

You use this view for reconciling **in the business sense** your balances from the *trial balance*. You can compare the results of this view against the results of the *Accounts Receivable - Trial Balance* report. This view shows reconcilable and non-reconcilable line items.

For details on how to use this view, see Trial Balance.



The following applies for the reconcilability of line items:

- **Reconcilable:**

The line item exists in the subledger as well as in the corresponding register.

- **Unreconcilable:**

A line item is considered non-reconcilable when it is neither in the subledger nor in the corresponding register, such as manual postings and automatic postings for foreign currency valuation.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Currency**

You can restrict the display to one or more specific currencies. For this, use the input help.

In the receivables register, the currency is the transaction currency. In the accounts receivable subledger, the currency is the line item currency.

- **Key Date**

You need to specify for which transaction date you want to compare balances.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

To be able to compare balances, the system behaves as follows:

Accounts Receivable Subledger	Receivables Register
<p>In the accounts receivable subledger, line items are stored with the transaction date and the posting date. Balances, on the other hand, are created for the posting date. To create the balance for a debtor on the transaction date, the system behaves as follows:</p> <ul style="list-style-type: none">• From the key date, the system determines the corresponding accounting period and, from that, the balance of the last posting day of the previous accounting period.• The system adds to this balance all line items that have a transaction date earlier than or equal to the key date but that are not yet included in the balance of the prior period.	<p>In the receivables register, only the transaction date of the open items is stored, not the posting date. The balance is created from all open items of a debtor on a transaction date.</p>

The report is displayed in table format. You find the balances in the following columns:

- **Balance of Accounts Receivable (Reconcilable with Register)**

This column only contains line items that are reconcilable with the balance in the receivables register, that is, **no** manual postings and **no** automatic valuation postings such as foreign currency valuation.

You can expand this column:

- **Amount Posted Until Key Date** column Shows all line items that have actually been posted up until the specified transaction date.
- **Amount Posted After Key Date** column Shows all line items that have actually been posted after the specified transaction date.

- **Balance in Receivables Register**

Shows the balance in the receivables register

- **Difference**

Shows the absolute amount of the differences between the balances in the accounts receivable subledger and in the receivables register. The report sorts the individual line items in ascending order of the difference amount.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose **Filter**.
- To further analyze data in this report, you can drag characteristics to rows and columns.

To analyze differences, select the appropriate value and open the corresponding menu. The system uses the key date that you specified when running the *Receivables Reconciliation* report.

You can navigate to the following reports:

Accounts Receivable - Line Items	Open Item List - Customers
<p>You can use this report to gain insights about how the balance of the accounts receivable subledger was achieved. For this, choose the <i>AR Line Items – View for Reconciliation</i> view.</p> <p>This view provides a list of all open items posted until the key date.</p> <p>i If the transaction date of clearing falls before the key date and the posting date of clearing falls after the key date, the system shows one line for the line item as well as for the clearing item.</p>	<p>You can use this report to gain insights about how the balance of the receivables register was achieved. For this, choose the <i>Open Item List – View for Reconciliation</i> view.</p> <p>This view provides a list of all open items posted until the key date.</p>

Compare the data of the reports *Accounts Receivable – Line Items* (*Balance Line Item Currency* column) and *Open Item List – Customers* (*Open Amount* column). By doing so, you can identify open items that caused the difference shown in the Receivables Reconciliation report.

If there are differences that you **cannot** explain, contact your system administrator.

→ You can do the following to simplify the comparison of the balances of the *Accounts Receivable - Line Items* report against the *Open Item List - Customers* report:

- Export both reports to Microsoft Excel. To do this, choose *Export to Excel*.
- To display just the totals line items for the *Accounts Receivable - Line Items* report, remove all columns from the display apart from *Line Item Currency*, *Customer*, *Reconcilable with Register*, and *Order Reference Formatted ID*.
- If you reconcile the *Order Reference Formatted ID* column (*Accounts Receivable – Line Items* report) with the *Document Number* column (*Open Item List – Customers* report), note that an ID can be used for multiple document types. For this reason, always apply the combination of journal entry ID and document type for the reconciliation.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.14 Cash Reconciliation

Overview

This report checks for each petty cash balance, check balance, and bank account balance whether the relevant balance in the cash subledger matches the corresponding balance in the cash register.

The key date relates to the transaction date of a payment, not to the posting date. If discrepancies are found, the amount of the difference is shown. You can use this report to check whether payment amounts have been transferred correctly to the cash subledger.

We recommend running this report at the following time:

- Run the report for periods in which you **no longer** make operational postings. In this way, you ensure that the report only shows genuine differences.
- Run the report **before** you close an accounting period. In this way, you ensure that you can handle any differences directly in the accounting period in which they arose.
If differences are found after you have closed an accounting period, you have to reopen that accounting period to be able to eliminate the difference for the correct period.

Views

This report offers you the following views:

- Payment Reconciliation (Default) view**

You use this view as the basis for reconciling in the **technical** sense balances from the cash subledger with the corresponding balance in the cash register. This view only displays reconcilable line items.

- Trial Balance Reconciliation view**

You use this view for reconciling in the **business** sense your balances from the **trial balance**. You can compare the results of this view against the results of the **Cash - Trial Balance** report. This view shows reconcilable and non-reconcilable line items.

For details on how to use this view, see Trial Balance.



The following applies for the reconcilability of line items:

- Reconcilable:**

The line item exists in the subledger as well as in the corresponding register.

- Non-reconcilable:**

A line item is considered non-reconcilable when it is **neither** in the subledger **nor** in the corresponding register, such as manual postings and automatic postings for foreign currency valuation.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- Cash Account Type**

You can restrict the display to a specific cash account type or to multiple cash account types, such as cash storage or bank account. If you want to select multiple cash account types, use the input help to select the cash account types you want.

- Bank**

You can restrict the display to a specific bank.

- Currency**

You can restrict the display to one or more specific currencies. For this, use the input help. In the cash register, the currency is the transaction currency.

In the cash subledger, the currency is the line item currency.

- Key Date**

You need to specify for which transaction date you want to compare balances.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

To be able to compare balances, the system behaves as follows:

Cash Subledger	Cash Register
<p>In the cash subledger, line items are stored with the transaction date and the posting date. Balances, on the other hand, are created for the posting date only. To create the balance for cash on the transaction date, the system behaves as follows:</p> <ul style="list-style-type: none">From the key date, the system determines the corresponding accounting period and, from that, the balance of the last posting day of the previous accounting period.The system adds to this balance all line items that have a transaction date earlier than or equal to the key date but that are not yet included in the balance of the prior period.	<p>In the cash register, only the transaction date of the open items is stored, not the posting date. The balance is created from all open items of a cash account on a transaction date.</p>

The report is displayed in table format. You find the balances in the following columns:

- **Balances in Cash Ledger (Reconcilable with Register)**
Shows the balance in the cash ledger. This column only contains line items that are reconcilable with the cash register, that is, no manual postings and no automatic valuation postings such as foreign currency valuation. You can expand this column:
 - **Amount Posted Until Key Date** column Shows all line items that have actually been posted up until the specified transaction date.
 - **Amount Posted After Key Date** column Shows all line items that have actually been posted after the specified transaction date.
- **Balance in the Cash Register**
Shows the balance in the cash register.
- **Difference**
Shows the absolute amount of the differences between the balances in the cash ledger and in the cash register. The report sorts the individual line items in ascending order of the difference amount.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose **Filter**.
- To further analyze data in this report, you can drag characteristics to rows and columns.

To analyze differences, select the appropriate value and open the corresponding menu. The system uses the key date that you specified when running the **Cash Reconciliation** report.

You can navigate to the following reports:

Cash - Line Items	Payment List
-------------------	--------------

<p>You can use this report to gain insights about how the balance of the cash ledger was achieved. For this, choose the Cash Line Items – View for Reconciliation view.</p> <p>This view provides a list of all open items posted until the key date.</p> <p>i If the transaction date of clearing falls before the key date and the posting date of clearing falls after the key date, the system shows one line for the line item as well as for the clearing item.</p>	<p>You can use this report to gain insights about how the balance of the cash register was achieved. This view provides a list of all open items posted until the key date.</p> <p>i The balances of the payment list might differ from the balances displayed in the reconciliation report in the following constellation:</p> <ul style="list-style-type: none"> • The posting date and reversal date of the payment allocation are different. • You run the report retroactively on a key date that falls between the posting date and the reversal date <p>In such cases, no differences are shown in the reconciliation report. When you navigate to the payment list, however, the system displays the current status of the payment list and therefore includes the reversal. Consequently, the balance in the directory does not match the balance in the subledger.</p>
--	---

Compare the data of the reports *Cash – Line Items* (*Balance Line Item Currency* column) and *Payment List* (*Reconcilable Amount in Transaction Currency* column). By doing so, you can identify open items that caused the difference shown in the *Cash Reconciliation* report.

If there are differences that you cannot explain, contact your system administrator.

- You can do the following to simplify the comparison of the balances of the *Cash - Line Items* report against the *Payment List* report:
- Export both reports to Microsoft Excel. To do this, choose [Export to Excel](#).
 - To display just the totals line items for the *Cash - Line Items* report, remove all columns from the display apart from *Line Item Currency*, *Supplier*, and *Order Reference Formatted ID*.
 - If you reconcile the *Order Reference Formatted ID* column (*Cash – Line Items* report) with the *Document Number* column (*Payment List* report), note that an ID can be used for multiple document types. For this reason, always apply the combination of journal entry ID and document type for the reconciliation.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.15 VAT / Sales Tax Calculation - Details

This report is used to compare, at the journal entry level and the G/L account level, the proportional tax amount determined against the tax amount that was actually posted.

The report enables you to trace any differences back to the journal entry or the original document. For this report, all business transactions are used where the transaction date (Proposed Posting Date) is within the posting period

that you have specified as the selection parameter for the report. You can trace the differences displayed in the report back to the journal entry or source document.

The data source for all amounts displayed in the report is the Tax Register.

Features

- For more information about the standard variables, see Overview of Reports in Financial Management.
- You can save the values you specify on the selection screen as a report variant that you can use the next time you run this report.
- You can use the context menu of selected fields (for example, journal entry ID) to navigate to the journal entry or journal.

Restriction/Special Feature for Down Payments

In the case of down payments, the reports displays at the G/L account level the tax amounts calculated proportionally on the tax base amount and on tax. However, this separation between the individual accounts is not made in the related journal entry. Here, the down payment amount as well as the total tax amount for the down payment are displayed.

Example:

You need to make a down payment of 119 EUR (gross), for which a tax rate of 19 % is applicable. The report displays the following values:

Journal Entry	G/L Account	Tax Rate	Tax Base Amount (Gross)	Calculated Tax Amount
1100000000060	Down Payments Made	19 %	119	22.61
1100000000060	Down Payments Made - Tax Clearing Account	19 %	- 19	- 3.61
				(19)

The report displays separately the tax amounts calculated proportionally on the tax base amount (22.61 EUR) and on tax (-3.61 EUR).

The journal entry displays the down payment amount as well as the total amount of tax on the down payment.

	Debit	Credit
Cash	119	
Down Payments Made		119
Down Payments Made - Tax Clearing Account	19	
Tax		19

Tax Variances in the Report

The report calculates the tax amounts first based on the journal entries. A tax difference is displayed in the report when the calculated tax amount differs from the tax amount posted. The internal tax amount is already calculated by the system when you enter the business transaction. If the internal tax amount was manually changed in the business transaction and thus differs from the amount posted, the *Tax Amount Overridden* indicator is set in the report.



For journal entries that were created in a previous release, no values are displayed under *Internal Tax Amount*.

To display the internal tax amounts for any existing differences, you first need to show the appropriate column in the report. To do this, in the left menu area under *Columns*, click on the multiple selection symbol and copy the entry *Internal Tax Amount*.

You check an *Internal Tax Amount* that differs from the *Posted Tax Amount* by choosing the context menu (left mouse button) for the selected amount and switching to the source document by choosing *Journal Entry*. Check the tax data and reverse the entry, if necessary, or perform a correcting entry.

You can enter tax amounts manually in the following transactions and journal entry vouchers:

Work Center	Transaction or Journal Entry Voucher
Payables, Receivables	Invoice/credit memo Manual entry of a receivable/payable
Supplier Invoice	Supplier Invoice
Payment Management	Payment allocation Incoming cash payment/outgoing cash payment Incoming check/outgoing check Outgoing bank transfer Outgoing wire transfer
Travel and Expenses, Costs and Revenues	Expense report
Tax Management	Manual tax entry

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.16 VAT / Sales Tax Reconciliation

This report compares, for the selected key date, any tax items in the tax register that have not yet been submitted to the tax authority against the balances posted on the tax accounts. It then shows you any differences found.

Features

- When you call the report, a selection screen appears with default values, which you can modify.
- You can save the values you specify on the selection screen as a report variant that you can use the next time you run this report.

See Also

- Reports View
- Overview of Reports in Financial Management

- Overview of Data Sources in Financial Management

3.8.17 Withholding Tax Reconciliation

You use this report to reconcile the withholding tax items of the tax register with the values posted to the tax accounts in the general ledger. The report takes into account all items that have not yet been reported to the tax authority. It shows the balances of the tax accounts per country, region, and tax type for a given date and compares them with the values in the tax register.

This report offers you the following views:

- **Withholding Tax Reconciliation:** Creates the report in the default display for each country, withholding tax type, and currency of the tax return.
- **Trial Balance Reconciliation:** Creates a report in addition to the default display that compares the totals and balances of the tax subledger with the tax register .

Features

- After you have performed the report, a selection screen appears with default values. Change these values where necessary.
- You can save the values you specify on the selection screen as a report variant that you can use the next time you run this report.

3.8.18 Financial Reporting Structure

Overview

This report shows the G/L accounts of a chart of accounts. You can structure G/L accounts using the reporting structure or by G/L account type.

Views

This report offers you the following views:

- **Financial Reporting Structure (Default) View**
Shows the G/L accounts of a chart of accounts, structured using any G/L account reporting structure.
- **Elements Assigned to Financial Reporting Structure View**
Shows the G/L accounts of a specific chart of accounts and the respective G/L account type. The G/L accounts are sorted by number.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Financial Reporting Structure**

In a G/L account reporting structure, you can group your G/L accounts to suit your needs. You define your G/L account reporting structures in the configuration.

- **G/L Account Type**

You can categorize each G/L account by a G/L account type, such as an asset account or cash ledger account.

The system delivery contains various predefined G/L account types. These G/L account types cannot be modified.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.19 Production Information for Income Statement by Nature of Expense

Overview

The posting logic in the system is intended for creating income statements by function of expense. This enables your reporting to be compared internationally. In some countries, companies are required to create income statements by nature of expense.

Using the nature of expense method requires manual correcting entries to be made monthly. You obtain the data you require for such correcting entries using the following reports:

- Production Information for Income Statements by Nature of Expense
- Sales Information for Income Statement by Nature of Expense

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Set of Books**

You select one of the sets of books assigned to the desired company.

If you use more than one set of books (with the nature of expense method), ensure that you run the reports for each set of books that you want to switch to the nature of expense method.

You also have to create the journal entry vouchers for each set of books.

- **Fiscal Year / Accounting Period**

You choose the period for which you want to run the report. In the case of correcting entries necessitated by the switch from the function of expense method to the nature of expense method, only choose the current period.

For more information about the standard variables, see [Overview of Reports in Financial Management](#).

Analyzing the Report

The report is displayed in table format.

The upper and middle areas of the table show the relevant data for posting correcting entries for material expenses, service costs and overhead, and the related changes to inventory.

The upper area of the table only contains information on production lots that have been delivered, whereas the middle area of the table contains information on all production lots.

The lower area of the table shows the relevant data for posting correcting entries for follow-up line items that occur when you have entered line items for a production lot for which you have previously set the status to **Finally Delivered** in a prior period.

The [Manual Journal Entry Vouchers](#) column shows the relevant data for posting correcting entries for manual line items that you have made on production lots.

The [Production Variances](#) column shows the relevant data for posting correcting entries for production variances that occur after you have changed the status of a production lot to **Finally Delivered**.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose [Filter](#).
- To further analyze data in this report, you can drag characteristics to rows and columns.
- With this report, you can display detailed information. To do this, select the appropriate value and open the corresponding menu. Choose one of the reports [Production Lots - Line Items, Journal](#), or [G/L Accounts - Line Items](#).

For details on analyzing the results of the report as well as information on the line items to be derived from those results, see [Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#).

See Also

- [Reports View](#)
- [Overview of Reports in Financial Management](#)
- [Overview of Data Sources in Financial Management](#)
- [Income Statement by Nature of Expense \[page 47\]](#)
- [Income Statement by Function of Expense \[page 46\]](#)
- [Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#)

3.8.20 Sales Information for Income Statement by Nature of Expense

Overview

The posting logic in the system is intended for creating income statements by function of expense. This enables your reporting to be compared internationally. In some countries, companies are required to create income statements by nature of expense.

Using the nature of expense method requires manual correcting entries to be made monthly. You obtain the data you require for such correcting entries using the following reports:

- Production Information for Income Statements by Nature of Expense
- Sales Information for Income Statement by Nature of Expense

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). When doing so, note the following:

- **Set of Books**

You select one of the sets of books assigned to the desired company.

If you use more than one set of books (with the nature of expense method), ensure that you run the reports for each set of books that you want to switch to the nature of expense method. For the manual adjusting journal entries, you also have to create the journal entry vouchers for each set of books.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format. To obtain additional information on the data displayed, you have to go to the individual views of the report.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- With this report, you can display detailed information. To do this, select the appropriate value and open the corresponding menu. Choose one of the reports *Journal*, *Profit Details List*, *Sales Documents*, or *G/L Accounts - Line Items*.

For details on analyzing the results of the report as well as information on the line items to be derived from those results, see [Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#).

See Also

- Reports View
- Overview of Reports in Financial Management

- Overview of Data Sources in Financial Management

See Also

[Income Statement by Nature of Expense \[page 47\]](#)

[Income Statement by Function of Expense \[page 46\]](#)

[Switching from Function of Expense Method to Nature of Expense Method \[page 49\]](#)

3.8.21 Schedule of Changes

Overview

This report shows the development of specific G/L accounts or G/L account types in the course of a fiscal year. The development of a G/L account is shown using the opening balance, the total of the account movements, and the closing balance. You can use the report to create a schedule of changes for your provision accounts, for example. You determine the type of schedule of changes by choosing the G/L accounts.

The account movements portray the difference between the opening balance and the closing balance. You can divide up the account transactions by movement types (such as acquisition, retirement, or transfer). For this, you need to have always specified a movement type for each manual posting. The movement types are predetermined by the system.

Prerequisites

To be able to divide up the account movements by movement types, you need to have always specified a movement type for each manual posting.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). Note the following:

- **Reporting Structure for G/L Accounts**

Each G/L account is categorized by a G/L account type, such as an asset account or cash ledger account.

The system proposes different G/L account types. However, you can also define your own G/L account types in the configuration.

You can restrict the view to G/L accounts with a specific G/L account type.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The desired financial statement is displayed in table format.

For this report, some movement types are grouped together corresponding to the predefined categories for a schedule of changes.

The following table shows the assignment of movement types to the different columns of the schedule of changes:

Assigning Movement Types

Column	Movement Types	Special Movement Types for Preparation for Consolidation
Opening Balance	900: Opening Balance	500: Accruals – Period Start 600: Equity Capital – Period Start
Addition / Acquisition	910: Addition / Acquisition	520: Addition for Accruals/Provisions 620: Transfer from Net Profit Previous Year
Deduction of Accrued Interest	980: Deduction of Accrued Interest	985: Deduction of Accrued Interest
Addition of Accrued Interest	580: Addition of Accrued Interest	585: Addition of Accrued Interest
Write-Off / Retirement	920: Write-Off / Retirement	540: Consumption Accruals/Provisions 560: Dissolution for Accruals/Provisions 630: Dividends Paid
Utilization / Usage	930: Utilization / Usage	555: Disposals for Accruals/Provisions 645: Reduction of Equity 670: Withdraw. for Discont. Op. in Curr. Yr
Transfer	940: Transfer	570: Reclassification of Accruals/Provisions 640: Capital Increase/Reduction 660: Transfers for Discont. Op. in Curr. Yr
Other	950: Exchange Rate Differences – Current Year 960: Exchange Rate Differences from Opening Balance 990: Other Changes	650: Annual Net Profit/Loss 690: Other Transactions
No movement type assigned	No movement type assigned	—

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose [Filter](#).
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From the individual items of the schedule of changes, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant journal and the line items of the selected G/L account.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.22 Accounts Payable - Balance Audit Trail

Overview

You can use this report to list the opening balance, the relevant line items, and the ending balance for each creditor on the relevant reconciliation account. In contrast to the **AP Balance List** report, this report shows the individual line items for the accounts payable.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.23 Accounts Payable - Open Items

Overview

You can use this report to list all open items by G/L account and creditor for a given date.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). Note the following:

- **Date Type**
Decide whether for the key date you want to specify the posting date or proposed posting date. Note that the posting date and the proposed posting date may be different. For more information, see [Derivation of the Posting Date \[page 206\]](#).
- **Key Date**
You specify the date for which you want to display open items by G/L account and creditor. Depending on the selected date type, you specify either the posting date or the proposed posting date.
- **Reconcilable with Register**

You can restrict the display to the open items that you require for reconciliation using the Accounts Payable Reconciliation report. To do this, choose [x](#).

- **Invoices / Payments Only**

You can restrict the display to documents that have created a due item (for example invoices, payments, credit memos).

- **Statistical Items Indicator**

You can expand the display to include the statistical postings from the receivables register.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose [Filter](#).
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item as well as the corresponding documents.

Views

This report offers you the following views:

- **Open Items – View by G/L Account (Default)**

Shows all open items for each G/L account and supplier. This view prepares the data from the perspective of general ledger accounting. The system displays all the open items in company currency.

To optimize how this view is displayed, we recommend that you choose to specify the posting date for the [Date Type](#) field.

The system lists all the entries by G/L account and supplier and displays the open items.

- **Open Items – View for Invoices and Payments**

Shows all open items by supplier and external reference number. This view prepares the data from the perspective of the payables register. The data contained in this view corresponds to the data that you can display in the supplier account monitor. The system displays all the open items in line item currency.

To optimize the way in which you display this view, we recommend that you make the following field specifications:

- Date Type: Proposed Posting Date
- Restrict the display to Invoices / Payments
- Expand the display to include Statistical Items



Note that there may be slight differences in the register amounts (such as cash discounts) if the system automatically creates split items in accounts payable.

- **Open Items – View for Reconciliation G/L Account and Invoices / Payments**

Shows all the open items by supplier as well as the relevant information about corresponding invoices and payments. This view combines data from the perspective of general ledger accounting and accounts payable accounting. The data is displayed in both line item currency and company currency.

To optimize the way in which you display this view, we recommend that you only display non-reconcilable line items. To do this, choose [Reconcilable with Register](#) [x](#).

If you have used the proposed posting date as the date type, you can expand the Balance in Line Item Currency column to display the amounts that were posted before and after the proposed posting date. You use this view for reconciling your subledger with the corresponding register.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.24 Accounts Receivable - Balance Audit Trail

Overview

You can use this report to list the opening balance, the relevant line items, and the ending balance for each debtor on the relevant reconciliation account. In contrast to the **AR Balance List** report, this report shows the individual line items for the accounts payable.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.25 Accounts Receivable - Line Items

Overview

This report shows the line items for a G/L account and the individual accounts receivable for a specific period. For each line item, the posting date, document type, and document number are displayed.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). Note the following:

- **Date Type**

Decide whether for the key date and for the clearing date you want to specify the posting date or proposed posting date. Note that the posting date and the proposed posting date may be different. For more information, see [Derivation of the Posting Date \[page 206\]](#).

- **Key Date**

You specify the date for which you want to display line items by G/L account and debtor. Depending on the selected date type, you either specify the posting date or use the proposed.

- **Reconcilable with Register**

You can restrict the display to the line items that you require for reconciliation using the Accounts Receivable Reconciliation report. To do this, choose **x**.

- **Invoices / Payments Only**

You can restrict the display to documents that have created a due item (for example invoices, payments, credit memos).

- **Statistical Items Indicator**

You can expand the display to include the statistical postings from the receivables register.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose **Filter**.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item as well as the corresponding documents.

Views

This report offers you the following views:

- **Line items – View by G/L Account (Default)**

Shows all line items for each G/L account and customer. This view prepares the data from the perspective of general ledger accounting. The system displays all the line items in company currency.

To optimize how this view is displayed, we recommend that you choose to specify the posting date for the *Date Type* field.

The system lists all the entries by G/L account and customer and displays the line items.

- **Line items – View for Invoices and Payments**

Shows all line items by customer and external reference number. This view prepares the data from the perspective of the Receivables register. The data contained in this view corresponds to the data that you can display in the customer account monitor. The system displays all the line items in line item currency.

To optimize the way in which you display this view, we recommend that you make the following field specifications:

- Date Type: Proposed Posting Date
- Restrict the display to Invoices / Payments
- Expand the display to include Statistical Items



Note that there may be slight differences in the register amounts (such as cash discounts) if the system automatically creates split items in accounts receivable.

- **Line items – View for Reconciliation G/L Account and Invoices / Payments**

Shows all the line items by customer as well as the relevant information about corresponding invoices and payments. This view combines data from the perspective of general ledger accounting and accounts receivable accounting. The data is displayed in both line item currency and company currency.

To optimize the way in which you display this view, we recommend that you only display non-reconcilable line items. To do this, choose *Reconcilable with Register x*.

If you have used the proposed posting date as the date type, you can expand the Balance in Line Item Currency column to display the amounts that were posted before and after the proposed posting date.

You use this view for reconciling your subledger with the corresponding register.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.26 Accounts Receivable - Open Items

Overview

You can use this report to list all open items by G/L account and debtor for a given date.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). Note the following:

- **Date Type**
Decide whether for the key date you want to specify the posting date or proposed posting date. Note that the posting date and the proposed posting date may be different. For more information, see [Derivation of the Posting Date \[page 206\]](#).
- **Key Date**
You specify the date for which you want to display open items by G/L account and debtor. Depending on the selected date type, you either specify the posting date or use the proposed.
- **Reconcilable with Register**
You can restrict the display to the open items that you require for reconciliation using the Accounts Receivable Reconciliation report. To do this, choose **X**.
- **Invoices / Payments Only**
You can restrict the display to documents that have created a due item (for example invoices, payments, credit memos).
- **Statistical Items Indicator**
You can expand the display to include the statistical postings from the receivables register.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose [Filter](#).
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item as well as the corresponding documents.

Views

This report offers you the following views:

- **Open Items – View by G/L Account (Default)**
Shows all open items for each G/L account and customer. This view prepares the data from the perspective of general ledger accounting. The system displays all the open items in company currency.
To optimize how this view is displayed, we recommend that you choose to specify the posting date for the [Date Type](#) field.
The system lists all the entries by G/L account and customer and displays the open items.
- **Open Items – View for Invoices and Payments**
Shows all open items by customer and external reference number. This view prepares the data from the perspective of the Receivables register. The data contained in this view corresponds to the data that you can display in the customer account monitor. The system displays all the open items in line item currency.
To optimize the way in which you display this view, we recommend that you make the following field specifications:
 - Date Type: Proposed Posting Date
 - Restrict the display to Invoices / Payments
 - Expand the display to include Statistical Items



Note that there may be slight differences in the register amounts (such as cash discounts) if the system automatically creates split items in accounts receivable.

- **Open Items – View for Reconciliation G/L Account and Invoices / Payments**

Shows all the open items by customer as well as the relevant information about corresponding invoices and payments. This view combines data from the perspective of general ledger accounting and accounts receivable accounting. The data is displayed in both line item currency and company currency.

To optimize the way in which you display this view, we recommend that you only display non-reconcilable line items. To do this, choose *Reconcilable with Register X*.

If you have used the proposed posting date as the date type, you can expand the Balance in Line Item Currency column to display the amounts that were posted before and after the proposed posting date.

You use this view for reconciling your subledger with the corresponding register.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.27 Cash - Balance Audit Trail

Overview

You can use this report to list the opening balance, the relevant line items, and the ending balance for each cash account type on the relevant reconciliation account. In contrast to the **Cash Balance List** report, this report shows the individual line items for the cash accounts.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Cash Account Type**

You can restrict the display to a specific cash account type or to multiple cash account types, such as cash storage or bank account. If you want to select multiple cash account types, use the input help to select the cash account types you want.

- **Cash and Cash Equivalents**

You can restrict the display to a specific cash type or to multiple cash types, such as a specific cash storage. If you want to select multiple cash types, use the input help to select the cash types you want.

- **Bank**

You can restrict the display to a specific bank.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.28 Cash - Line Items

Overview

This report shows the line items for a G/L account and the individual cash accounts for a specific period. For each line item, the posting date, document type, and document number are displayed.

Views

This report offers you the following views:

- **G/L Details for Cash Line Items view (standard)**
Shows all line items for each G/L account and accounts payable.
- **Cash Line Items view – View for Reconciliation**
Sorts the report by cash account and additionally shows the line items in the line item currency.
You use this view for technical reconciliation on the basis of account payable reconciliation. For details on how to use this view, see Accounts Receivable Reconciliation.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Cash Account Type**
You can restrict the display to a specific cash account type or to multiple cash account types, such as cash storage or bank account. If you want to select multiple cash account types, use the input help to select the cash account types you want.
- **Cash and Cash Equivalents**
You can restrict the display to a specific cash type or to multiple cash types, such as a specific cash storage. If you want to select multiple cash types, use the input help to select the cash types you want.
- **Bank**
You can restrict the display to a specific bank.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant journal entry and source document for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.29 Cash - Open Items

Overview

You can use this report to list all open items by G/L account and cash account type (such as petty cash, checks or bank balances) for a given date.

Views

This report offers you the following views:

- **Cash – Open Items (Default) view**
Shows all open items for each G/L account and cash account type.
- **Cash Open Items - View for Reconciliation view**
Sorts the report by cash account type and additionally shows the open items in the line item currency.
You use this view for reconciliation in the business sense.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Open Item Key Date**
You specify the date for which you want to display open items by G/L account and cash account type.



Irrespective of the key date, the system selects all the entries for which the following applies:

- Posting Date: On or before the key date entered
- Clearing Date: After the key date entered

- **Cash Account Type**

You can restrict the display to a specific cash account type or to multiple cash account types, such as cash storage or bank account. If you want to select multiple cash account types, use the input help to select the cash account types you want.

- **Cash and Cash Equivalents**

You can restrict the display to a specific cash type or to multiple cash types, such as a specific cash storage. If you want to select multiple cash types, use the input help to select the cash types you want.

- **Bank**

You can restrict the display to a specific bank.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.30 Tax - Balance Audit Trail

Overview

You can use this report to list the opening balance, the relevant line items, and the ending balance for each tax account. In contrast to the **Tax Balance List** report, this report shows the individual line items for the tax accounts.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Region**
You specify the geographic or political region of the tax data to be displayed (such as withholding tax: U.S. states).
- **Tax Rate Type**
You can restrict the display to a specific tax rate type, such as standard rate, reduced rate, or tax-exempt.
- **Tax Event**
You can restrict the display to a specific tax event.
The tax event determines for a business transaction type whether taxes are calculated and who (supplier or customer) needs to pay tax.
- **Due Item Category**
You can restrict the display to one due item category, such as Tax Receivable, Tax Payable, or Not Assigned.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The desired financial statement is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.31 Tax - Line Items

Overview

This report shows for a specific period the line items for each tax account. For each line item, the posting date, document type, and document number are displayed.

Views

This report offers you the following views:

- **G/L Details for Tax Line Items (Default) view**
Shows all line items for a tax account.
- **Tax Line Items view - View for Product Tax Reconciliation**
Sorts the report by tax event type and additionally shows the line items in the line item currency.
You use this view for technical reconciliation on the basis of tax reconciliation. For details on how to use this view, see Tax Reconciliation.

- **Tax Line Items view - View for Withholding Tax Reconciliation**
Sorts the report by withholding tax type and additionally shows the line items in the line item currency. You use this view for technical reconciliation on the basis of withholding tax reconciliation. For details on how to use this view, see Withholding Tax Reconciliation.

Features

Running the Report

Before running the report, you specify the data that you want to display by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Region**
You specify the geographic or political region of the tax data to be displayed (such as withholding tax: U.S. states).
- **Tax Rate Type**
You can restrict the display to a specific tax rate type, such as standard rate, reduced rate, or tax-exempt.
- **Tax Event**
You can restrict the display to a specific tax event.
The tax event determines for a business transaction type whether taxes are calculated and who (supplier or customer) needs to pay tax.
- **Due Item Category**
You can restrict the display to one due item category, such as Tax Receivable, Tax Payable, or Not Assigned.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant journal entry and source document for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.8.32 Deferred Tax Items

You can use this report to list all deferred tax items for a given date.

Views

This report offers you the following views:

- **Deferred Tax Items (Default) View**
Shows all open items for a tax account.

- **Deferred Tax Items View – View for VAT / Sales Tax Reconciliation**
Sorts the report by tax account and additionally shows the open items in the line item currency.
You use this view for reconciliation in the business sense.

Features

Running the Report

Before running the report, you specify the data that you want to see by selecting variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*). For some variables, note the following:

- **Open Item Key Date**

You specify the date for which you want to display open items by tax account.



Irrespective of the key date, the system selects all the entries for which the following applies:

- Posting date: On or before the key date entered
- Clearing date: After the key date entered

- **Region**

You specify the geographic or political region of the tax data to be displayed (such as withholding tax: U.S. states).

- **Tax Rate Type**

You can restrict the display to a specific tax rate type, such as standard rate, reduced rate, or tax-exempt.

- **Tax Event**

You can restrict the display to a specific tax event.

The tax event determines for a business transaction type whether taxes are calculated and who (supplier or customer) needs to pay tax.

- **Due Item Category**

You can restrict the display to one due item category, such as Tax Receivable, Tax Payable, or Not Assigned.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The desired financial statement is displayed in table format.

You have the following options for analyzing the report:

- You can restrict the data that is displayed. To do this, choose *Filter*.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- From each line item displayed, you can drill down to the relevant details. To do this, select the appropriate value and open the corresponding menu. In this way, you can display the relevant entry in the journal for a line item.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

3.9 Common Tasks

3.9.1 Editing Exchange Rate, Exchange Rate Type, and Conversion Type

Overview

For the system to be able to convert an amount in a specific currency into another currency, you have to enter an exchange rate. This is necessary so that when a journal entry is created, the system can convert an amount in the source document in transaction currency into the local currency of the company, for example.

You always enter an exchange rate for a **currency pair**, such as *Source Currency* EUR – *Target Currency* USD.

For more information, see Quick Guide for Exchange Rates.

Multiple exchange rates might exist for a currency pair. The exchange rate that the system uses to convert an amount depends on the following settings:

Exchange Rate Type

The exchange rate type classifies an exchange rate according to its use in currency conversion. You can therefore specify multiple exchange rates for a currency pair for different purposes, such as for the operational transaction and also for planning.

The **standard exchange rate type** is provided in the standard system. All the exchange rates apply automatically to the standard exchange rate type and are used for all the conversions. You can also add your own exchange rate types.

You define your own exchange rate types in the *Business Configuration*.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Exchange Rate Types* activity from the activity list.

For more information, see Exchange Rate Types.

- i** For the standard exchange rate type delivered with the system, the *Invert* indicator is set. If **no** exchange rate is available for a conversion (such as converting USD to EUR), the system then automatically determines the reverse exchange rate using the exchange rate available for the reverse currency pair (EUR – USD).

Conversion Type and Currency Conversion Profile

For exchange rates, a distinction is made between the following **conversion types**:

- **Bid rate**
The rate that a bank is willing to pay for goods, foreign currency, or securities.
- **Ask rate**
The rate at which goods, foreign currency, or securities are offered for sale.
- **Middle exchange rate**
The average calculated using the bid rate and ask rate.

For each currency pair, you can enter a separate exchange rate per conversion category. Whenever an amount is converted during posting, depending on the **business transaction**, the system applies the exchange rate type defined in the **currency conversion profile** for this business transaction.

In the **currency conversion profile**, the date on which the system performs the conversion is specified simultaneously for each business transaction. This date can be the posting date, the document date, or the transaction date. You define currency conversion profiles in the **Business Configuration**.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Currency Conversion Profiles* activity from the activity list.

You then need to assign your currency conversion profile to the **companies of a given set of books**. For more information, see Configuration: Currency Conversion Profiles.

See Also

[Currencies \[page 39\]](#)

4 Fixed Assets

4.1 Business Background

4.1.1 Life Cycle of a Fixed Asset

4.1.1.1 Life Cycle of a Fixed Asset

Overview

The classic fixed asset accounting process covers the entire life cycle of fixed assets, from purchase or first acquisition through to retirement. Throughout the lifecycle, values for depreciation, interest, and other purposes are calculated automatically and can be viewed in reports.

Fixed Asset

A fixed asset represents a tangible or intangible asset that can be identified on the closing key date as an individual asset and is used permanently by the business. This asset is represented in the system as a fixed asset or subasset account.

In the *Fixed Assets* view, you can create, display, and edit this data as well as change and delete data under certain circumstances.

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

Life Cycle of a Fixed Asset

The life cycle of a fixed asset in a company covers the following transactions:

Transaction	Description
Creation	Fixed assets are usually created automatically in the integrated procurement process. You can also create fixed assets manually.
Acquisition	Acquisition is the purchase or production of an asset and its inclusion in the acquisition and production costs of the company's fixed assets.
Valuation	Fixed assets are included in the fixed assets balance and over time are usually subject to depreciation, write-up, or revaluation.
Special Transactions	Special transactions include the transfer of parts of or entire individual materials, or the transfer of hidden reserves.
Retirement	The life cycle of a fixed asset ends with its retirement from the fixed assets portfolio. Retirement postings distinguish between the sale and scrapping of a fixed asset.

Depending on how the status of a fixed asset is viewed from an accounting perspective, the fixed asset *status* changes for the individual transactions.

You can monitor the status of a fixed asset in the overview included in the *Fixed Assets* view.

The system uses the following statuses:

Status	Description
In Process	This status is assigned when the fixed asset is new and does not yet have a capitalization date.
Capitalized	The capitalization date is set automatically when the first posting is acquired. The fixed asset is then assigned the status <i>Capitalized</i> .
Retired	The system sets the status automatically to <i>Retired</i> if the retirement date is set. This is entered if the last individual material assigned to a fixed asset is removed or written off.

Creation

The system creates fixed assets and corresponding individual materials in the integrated procurement process (purchase order - goods receipt - invoice verification or invoice verification without a purchase reference).

The fixed asset class is determined using the product category assigned to the individual material. The default values are derived from the fixed asset class and used for the depreciation method and useful life of the new fixed asset.

You can also create fixed assets manually. For more information, see [Fixed Assets \[page 387\]](#).

 The individual material not only plays an important role during the creation and procurement of fixed assets, but also as an administrative unit of acquisition and production costs for retirements and transfers. These transactions always take place at the individual material level.

Acquisition

The acquisition of a fixed asset can be entered as follows:

- Procurement Process
- Fixed Assets Under Construction
- Manual Asset Acquisition
- Retroactive Capitalization

Procurement Process

The complete procurement process of fixed assets is mapped in the system using the *Purchase Requests and Orders* work center ► *Goods and Services Receipts* ► *Supplier Invoicing* ▶. Alternatively, a simplified process is available with invoice entry without reference to a purchase order.

For more information, see [Procurement of a Fixed Asset \[page 371\]](#).

Assets Under Construction

Assets under construction represent acquisitions that normally cannot be capitalized and depreciated immediately. Once the assets under construction have been completed, they are transferred to "normal" fixed assets and depreciated. Fixed assets that have been partly completed represent a special case. They can already be valued and depreciated for partial usage.

For more information, see [Assets Under Construction \[page 373\]](#).

Manual Asset Acquisition

The manual acquisition posting function enables you to post acquisition and production costs directly to a fixed asset, without using the system procurement process. It makes sense to use this function if you need to adjust acquisition and production costs posted in the automatic procurement process.

For more information, see [Manual Posting — Acquisition \[page 413\]](#).

Retroactive Capitalization

A fixed asset is capitalized retroactively if costs that require capitalization are not capitalized or not capitalized at the prescribed amount in a closed fiscal year. You make this posting manually.

For more information, see [Manual Posting — Retroactive Capitalization \[page 423\]](#).

Valuation

The original valuation method of a fixed asset with acquisition and production costs is reduced by depreciation and increased by write-ups. Different country-specific and international accounting standards allow you to value fixed assets at fair market value.

Depreciation

Depreciation and special depreciation are calculated automatically based on depreciation methods that represent general calculation procedures. Automatic calculation is controlled by depreciation terms such as the depreciation method and useful life. The calculated depreciation is automatically posted in depreciation runs that you perform periodically.

For more information, see [Automatic Asset Depreciation \[page 375\]](#).

You can also calculate and post both expected depreciation and special depreciation manually. Write-downs can only be calculated and posted manually.

For more information, see [Manual Posting — Manual Depreciation \[page 417\]](#), [Manual Posting — Special Depreciation, \[page 420\]](#) and [Manual Posting — Write-Down \[page 418\]](#).

Write-Ups

Write-ups reverse any depreciation posted in a previous fiscal year. The most common reason for a write-up is to reverse a write-down posted in a previous year if the reason for the write-down no longer applies. In general, you can enter write-ups for depreciation and special depreciation calculated and posted either manually or automatically, as long as the regulations on valuation permit this.

For more information, see [Manual Posting — Write-Up \[page 421\]](#).

Revaluation

For the revaluation of a fixed asset at fair market value, you can use the function to post revaluation manually. For more information, see [Manual Posting — Revaluation \[page 430\]](#).

To calculate replacement values for cost-accounting and insurance purposes, you can have the system automatically determine replacement values using index series. For more information, see [Replacement Values \[page 458\]](#).

Special Transactions

The life cycle of fixed assets can include the following transactions:

Transfer Postings

If you use the functions provided to manually post both a partial and complete transfer of an individual material, you transfer individual materials either partially or completely from one fixed asset to another.

For more information, see [Manual Posting — Complete Transfer of Individual Material \[page 425\]](#) and [Manual Posting — Partial Transfer of Individual Material \[page 427\]](#).

Transfer of Reserves

In some countries, reserves in assets can be deducted from the acquisition and production costs of new fixed assets in subsequent years.

For more information, see [Transfer of Reserves. \[page 433\]](#)

Retirement

Sale of a Fixed Asset

In the *Customer Invoicing* work center, you can include the sale of an individual material when you create a customer invoice. When all the individual materials of a fixed asset are sold, the fixed asset is completely retired.

For more information, see [Sale of a Fixed Asset \[page 382\]](#).

Scrapping

Scrapping is the retirement of an asset that can no longer be used. The functions *Individual Material Scrapping* and *Complete Scrapping* enable you to scrap an individual material of a fixed asset that can no longer be used, or to retire one or more fixed assets no longer fit for use.

For more information, see [Manual Posting – Individual Material Scrapping \[page 415\]](#) and [Manual Posting – Complete Scrapping \[page 416\]](#).

Low-Value Assets

Low-value assets are completely depreciated in the year of acquisition. You use an appropriate depreciation method for this purpose.

For Germany, special tax rules for low-value assets apply starting January 1, 2008 and January 1, 2010.

For more information, see [Low-Value Assets \[page 449\]](#) and [Low-Value Assets for Germany \[page 452\]](#).

4.1.1.2 Procurement of a Fixed Asset

Overview

You have the following options for the procurement of fixed assets:

- Record the process from purchase order through goods receipt to posting the incoming invoice
- Manually post an incoming invoice without reference to a purchase order and without goods receipt
- Manually create new fixed assets and corresponding individual materials and afterwards create a purchase order with account assignment to these individual materials or a supplier invoice without reference to a purchase order
- Manually create new fixed assets from individual materials after the goods receipt is posted

Relevance

Your company organization defines how you record the procurement process of materials, services, and fixed assets. Based on the company and product category, the fixed asset class is determined by means of a derivation rule and a new fixed asset is created automatically, together with an individual material (unless you make a direct posting to

an existing individual material). Whether a new fixed asset is created also depends on your settings in business configuration.

For more information, see

- Fixed Asset Classes — Configuration Guide.
- Configuration: Capitalization Threshold for Fixed Assets

Process Flow

Process Steps of Asset Procurement

<i>Purchase Requests and Orders</i> work center	<i>Goods and Services Receipts</i> work center	<i>Supplier Invoicing</i> work center
Create a purchase order	Post a goods receipt	Post a supplier invoice from the purchase order Post a supplier invoice using an individual material or a product category

To perform this procurement process, you require the appropriate authorization for the work centers mentioned above.

i Process control determines whether a document, such as a supplier invoice, can be posted on the specified posting date. For more information, see [Process Control for Operational Postings \[page 79\]](#).

The individual process steps are briefly described below. For more information, see [Individual Materials and Acquisitions \[page 395\]](#).

Process steps involved in the complete procurement process of a fixed asset:

1. In the *Purchase Requests and Orders* work center, create a new purchase order and enter for each item, alongside the supplier ID and company, the *Product Description*, *Product Category*, *Ship-To Location*, *Quantity*, *Unit of Measure*, *Price*, and *Cost Center*.
You can create a purchase order for an individual material that represents an existing fixed asset.
2. In the *Goods and Services Receipt* work center, display the purchase orders with open delivery and select the purchase order created in process step 1. With the **New Individual Materials** button, you create individual materials. When the goods receipt is posted, the system uses the derivation rule together with the *Company* and *Product Category* to determine the relevant asset class, and creates a fixed asset with its assigned individual material.
For more information, see Asset Procurement in Purchasing.

i You need to ensure that the value limits are exceeded for the capitalization of the fixed asset. If this is not the case, the value is posted to expense.
3. To complete the procurement process, post the supplier invoice in the *Supplier Invoicing* work center. Enter a *new invoice* for your purchase order and goods receipt, check the data transferred from the purchase order, and add the *external document number* date, value, and tax amount. Check the *tax code*.

i A fixed asset is capitalized with the acquisition price (purchase order price). The offsetting posting is made to a GR/IR clearing account: *Unbilled Payables*.

The invoice price offsets the vendor liabilities account in supplier accounting in a *Goods in Transit* GR/IR clearing account. If the invoice price differs from the purchase order price, this is shown provisionally in both clearing accounts.

The periodic GR/IR clearing determines the difference and corrects the acquisition and production costs of the fixed asset. For more information, see [GR/IR Clearing \[page 577\]](#).

If there is a difference to the acquisition and production costs capitalized for the fixed asset, resulting from paying the payable with a cash discount, for example, these costs are also adjusted by the periodic GR/IR clearing.

For more information, see [GR/IR Clearing Run \[page 580\]](#).

Alternatively, you can create and capitalize a fixed asset by posting an incoming invoice. To do this, choose ► *Supplier Invoice* ➤ *New Invoice Without Purchase Order* ▶.

If you have specified a *Company* and *Product Category* with the account assignment *Cost Center* for an invoice item, you can assign the invoice items to existing individual materials or create new individual materials. Fixed assets are created according to the maintained FDT rules in business configuration once the supplier invoice is posted.

- i**
- The Belongs to-reference is not supported in the supplier invoice. In case that one fixed asset shall correspond to several individual materials, the fixed asset and the individual materials have to be created manually and the supplier invoice needs to be posted with account assignment to these manually created individual materials.
 - You need to ensure that the value limits are exceeded for the capitalization of the fixed asset. If this is not the case, this item value is posted to expense.
 - If an invoice without goods receipt displays a different amount to the acquisition and production costs capitalized for the fixed asset, resulting from settling the payment with a cash discount, for example, this difference is deducted from the fixed asset in the payment posting.

4.1.1.3 Posting Assets Under Construction

Overview

For fixed asset investments that have **not** been completed by year-end closing, the expenses are first capitalized as assets under construction and then, once completed, depreciated over their useful life.

Assets under construction cannot be represented automatically. However, you can apply the following workaround to represent assets under construction:

1. Create a project **Assets Under Construction** and enter the costs:
Group acquisitions for fixed assets under construction and assign them first to a *Direct Cost Project*. The system posts the entered items in the *Costs* subledger.
2. Transfer the **Fixed Assets Under Construction** project to a fixed asset under construction.
To manage the fixed assets under construction in the asset portfolio and to display them in the fixed assets schedule, make postings from the project to the individual material of an asset under construction that was previously created and capitalized.
3. Transfer or partial transfer posting from the fixed asset under construction to fixed assets to be capitalized.
You have the following options:

- You can completely transfer the individual material of the fixed asset under construction to a fixed asset that is to be capitalized and written down.
- You can make a partial transfer posting to multiple fixed assets.

Prerequisites

You have made and checked the following settings in your system configuration:

- You have created an expense account for assets under construction.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- The fixed asset class 4000 Assets Under Construction with the account determination group 2070 is active for the company. This asset class does not include depreciation.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

Process Flow

Create Fixed Assets Under Construction Project and Enter Costs

1. Create a project:
 1. Choose *Cost and Revenue* and then [New Project](#).
 2. Under *Project Type*, choose **Direct Cost Project** and then select [Continue](#).
 3. Specify the *Project Name* (for example, Fixed Assets under Construction), the *Person Responsible*, and the *Responsible Cost Center*.
 4. Deselect the project under *Billable*. The indicator is set by default. However, it can be removed in this case because the project is not allocated to a customer.
 5. Release the project and save your entries by clicking [Finish](#).
 6. You can now display the project and all corresponding detailed information.
 7. You can gain an overview of the incurred project costs in the reports provided with the system.
2. Creating the supplier invoice:
 1. For information on entering supplier invoices without reference to a purchase order, see Processing Supplier Invoices Without Reference.
 2. Enter the *invoice date*, but do **not** choose a *product category*. Specify the necessary information and choose [Post](#).

Note: Alternatively, you can enter acquisitions using purchase orders and goods receipts.

Example: Posting Record (Debit Posting):

Account	Debit	Credit
Costs for Fixed Assets Under Construction	1000	
Input Tax (19%)	190	
Credit Trade Payables		1190

Transfer Fixed Assets Under Construction Project to a Fixed Asset Under Construction

To capitalize the costs accumulated for the project in fixed asset accounting, you need to transfer the costs manually to a new fixed asset under construction.

You proceed as follows:

1. Create a new fixed asset in the Assets Under Construction class. The system creates the corresponding individual material automatically.
2. In the fixed asset master data, choose *Depreciation Method* and check that the value 0000 – No Automatic Depreciation has been entered.
3. Transfer the acquisition and production costs from the project to the fixed asset under construction using the function for manually posting *acquisition*. Specify the account on which the project costs are accumulated as the offsetting account. Under the project task ID, enter your project for fixed assets under construction as the subbase. For more information, see [Manual Posting – Acquisition. \[page 413\]](#)

Example: Posting Record (Credit Posting):

Account	Debit	Credit
Fixed Assets Under Construction	1000	
Credit Costs for Fixed Assets Under Construction		1000

Transfer Fixed Asset Under Construction to One or More Fixed Assets

To transfer a fixed asset under construction to capitalized fixed assets, you have the following options:

- If the fixed asset has been partly completed, make partial transfers manually from the asset under construction to one or more fixed assets or their individual materials (see also [Manual Posting - Partial Transfer of Individual Material \[page 427\]](#)).
- You can also make a complete posting from the asset under construction to a fixed asset or its individual material once the asset under construction has been completed (see also [Manual Posting - Complete Transfer of Individual Material \[page 425\]](#)).

Example: Posting Record (Complete Transfer Posting to Complete Fixed Asset in Fixed Asset Accounting):

Account	Debit	Credit
Fixed Asset	1000	
Credit Fixed Assets Under Construction		1000

4.1.1.4 Automatic Fixed Asset Depreciation

Overview

When a fixed asset is created, the depreciation terms are automatically transferred from the default values of the asset class to the master data for each valuation view.

Based on these depreciation terms, the system then automatically calculates depreciation and special depreciation using legally-required and commonly-used procedures.

The depreciation calculated is automatically posted in depreciation runs to be performed periodically.

The calculation of depreciation is also affected by manual adjustment postings.

Process Flow

This process consists of the following process steps:

- **Process Step 1**

When a fixed asset is created, depreciation terms are automatically taken from the default values of the asset class for each valuation view. You can then manually change or add to them using the [Edit](#) function.

- **Process Step 2**

You perform the fixed asset depreciation run.

You can access the [Depreciation](#) view from the [Fixed Assets](#) work center under [Periodic Tasks](#).

For more information, see [Fixed Asset Depreciation Run. \[page 460\]](#)

Factors Influencing the Automatic Calculation of Depreciation

The following factors influence the automatic calculation of depreciation for a valuation view:

- Base value for the depreciation calculation
- Length of depreciation
- Depreciation method
- Special influencing factors
- Manual adjustment postings

Information on the calculated depreciation for each valuation view is available on the [Values](#) of the fixed asset. You can generate a depreciation trace showing how the depreciation was calculated with [Values > Explain Values](#).

Basis of Depreciation Calculation

Acquisition and production costs from acquisition postings as well as any depreciation of a fixed asset already made (net book value) form the basis for calculating asset depreciation (calculated net book value at the start of the fiscal year). Depreciation normally ends once the book value reaches zero.

Depending on legislation and international accounting principles, the replacement value defined for a fixed asset for the manual posting of revaluation can also serve as the basis for the subsequent depreciation calculation. For cost-accounting valuation views or valuation views used for insurance purposes, this replacement value is usually calculated automatically with an index series and then posted.

Duration of Depreciation Calculation

The depreciation calculation performed by the system starts with the [Depreciation Start Date](#) defined in the fixed asset master data. The calculation of the special tax depreciation starts with the date specified under [Start of Special Depreciation](#).

Both of these entries are derived from the capitalization date of the fixed asset using the rules for the start of depreciation (period control) defined in the depreciation method.

You determine the duration of depreciation of a fixed asset by specifying the planned useful life in years/periods for each valuation view. These values are taken from the asset class when a new fixed asset is created. You can change the useful life for a specific time or within a given interval.

Depreciation Method

The system calculates depreciation on the basis of the planned useful life and using the depreciation method, which controls the following:

- The depreciation type
- The calculation method for depreciation
- The period control
- The handling of levels
- The automatic changeover to another depreciation method.

i The accounting principle assigned to your set of books determines which depreciation methods are proposed for your fixed assets.

Depreciation Type

The system distinguishes between three types of depreciation:

- **Depreciation**
Value adjustments to fixed assets resulting from normal wear and tear through use.
- **Special Depreciation**
Depreciation required under tax law only. This type of depreciation permits percentage-based depreciation without taking into consideration the actual wear and tear of the asset.
- **Write-Down**
Value adjustments to fixed assets that are depreciated due to damage, technical progress, shifts in demand, reduction of replacement costs, or bad investments, as opposed to being depreciated due to normal wear and tear during the use of the asset.

The depreciation method determines whether the system calculates and posts ordinary or special depreciation automatically, as is the standard case. Ordinary and special depreciation can be posted manually, although only if you use a depreciation method that does **not** calculate depreciation or special depreciation automatically. Write-downs can only be posted manually.

The valuation view determines which depreciation types can be posted.

i Reductions in acquisition and production costs are posted manually in fixed asset accounting rather than automatically using depreciation methods. An example of this valuation type is its usage in paragraph 6b of the German Income Tax Law. This paragraph permits gains from the sale of a fixed asset to be transferred to a replacement acquisition, which then enables the resulting tax to be distributed over the useful life of the replacement acquisition.

Calculation Method

The calculation method controls in detail how the automatically calculated depreciation types are calculated, for example, for straight-line depreciation, declining balance depreciation, and special depreciation.

Straight-line method distributes the depreciation equally across the asset's planned useful life.

Depreciation calculation uses two types of calculation methods for straight-line depreciation:

- Straight-line depreciation of the acquisition and production costs over the planned useful life

Depreciation is based on the total acquisition and production costs and an annual fixed depreciation percentage rate, which is determined from the planned useful life. Subsequent postings, such as acquisitions or manual write-downs, increase or decrease the original planned useful life.

- Straight-line depreciation of the net book value over the remaining useful life
The depreciation calculation is based on the net book value at the start of the fiscal year and a depreciation percentage rate, which is determined for each year from the remaining useful life. The depreciation percentage increases continuously and results in full depreciation of the asset in the final year of its planned use. In this case, subsequent postings change the amount of depreciation and not the planned useful life.

With the **declining balance method of depreciation**, the depreciation amounts are greater in the first year of use than in following years.

The system uses two types of calculation methods for declining-balance depreciation:

- Declining balance method of depreciation
With this method, the annual depreciation amount is calculated by multiplying the net book value from the previous year with a fixed percentage rate. This reduces the depreciation amounts each year.
- Depreciation by Explicitly Entered Percentages
With this method, a percentage rate is defined for each fiscal year and decreased over the years. The decreasing percentage rates are used to calculate annual depreciation. For example, a depreciation rate of 3.5% might apply to the first 12 years, then 2% to the following 20 years, and finally 1% to the remaining 18 years. The sum of the percentage rates always equals 100% over the entire useful life.

Period Control

The system uses the period control and posting date to determine from which calculation period each asset transaction (acquisition, retirement, or transfer) is to be included in the depreciation calculation.

For more information, see [Period Control \[page 435\]](#).

Handling of Levels

A multi-level method can be applied to complex depreciation methods to enable the total percentage rate for the depreciation to be broken down into multiple levels with different percentage rates and validity periods. Each level contains a specific percentage rate for a specific period. Once the period of validity has expired, this percentage rate is replaced by a subsequent level with a new percentage rate and a new period.

For more information, see [Multilevel Method \[page 444\]](#).

Automatic Changeover to Another Depreciation Method

Complex depreciation methods contain a changeover method, which defines the criteria according to which a changeover is made to a different calculation method. The system ensures that the required salvage value is obtained by the end of the planned useful life, or it can depreciate accordingly at the end of the planned useful life any remaining amounts, such as subsequent asset acquisitions.

For more information, see [Changeover Method \[page 443\]](#).

Other Factors

You can manually influence the calculation of depreciation for a fixed asset by making the following settings:

- Manual transfer of the depreciation method in the fixed asset master data
- Salvage value
- Shift-dependent depreciation
- Shutdown

Salvage Value

Depreciation calculation ends when the book value reaches zero or at the end of the planned useful life of the asset.

The useful life can be reduced if you defined a salvage value. You define the salvage value as an absolute amount or as a percentage of the acquisition and production costs. If you enter both, the percentage is used by default.

Depending on the depreciation method, depreciation can be calculated in either of two ways:

- Depreciation is calculated without considering the salvage value and ends when the salvage value is reached
- The salvage value can be deducted from the depreciation basis at the start of depreciation

With some depreciation methods it is not possible to apply a salvage value at all.

i For Germany and the United States, the system currently does not provide any depreciation methods that apply the salvage value in the form of an immediate reduction of the depreciation basis over the planned useful life. Instead, all depreciation methods for these countries treat the salvage value as a cutoff value. If this value is reached before the end of the asset's planned useful life, depreciation of the original base value (i.e., without the salvage value) stops.

Shift-Dependent Depreciation

You can calculate increased depreciation for fixed assets in multiple shifts by specifying a variable part of the depreciation under *Shift-Dependent Depreciation (Percent)* and entering the number of shifts completed under *Shifts Worked per Day*.

i All automatic depreciation methods for Germany use these entries, with the exception of the depreciation method L200 – straight-line 20% LVA depreciation (tax DE).

For more information, see [Shift-Dependent Depreciation \[page 445\]](#).

Shutdown

You suspend depreciation for fixed assets for a selected period by setting the *Temporarily Out of Service* indicator. The system does not calculate any depreciation for this period. The useful life extends by exactly this time period. If the indicator is reset, the system resumes depreciation calculation.

i All automatic depreciation methods for Germany apply the out-of-service indicator, with the exception of the depreciation methods L020 – Additional special depreciation based on §7ESTG 20% + planned and L200 – Straight-line 20% LVA depreciation (tax DE).

Time-Dependency

The following fields are time-dependent:

Useful Life Years/Periods, *Depreciation Method*, *Shifts Worked per Day*, *Shift-Dependent Depreciation (Percent)*, *Salvage Value*, *Salvage Value (Percent)*, and *Temporarily Out of Service*.

You can change this data as follows, depending on the underlying cause:

- during the existing time interval
- during a new time interval

A change during an existing time interval results in a recalculation of depreciation during the entire time interval for all open fiscal years. If you have already performed one or more depreciation runs during the fiscal year, the difference

to the previously posted amount in the current depreciation period is considered. The following depreciation periods are planned with the newly calculated, proportional depreciation value.



Acquisition value: 10000

Useful life: 5 years

Annual depreciation: $10000 / 5 = 2000$

On 01.07.09, you change the useful life to four years in the existing time interval. This results in the following recalculation:

Acquisition value: 10000

Useful life: 4 years

Annual depreciation: $10000 / 4 = 2500$

The system calculates the depreciation amount for the year 2009 as follows: Periods 1 to 12: $2,500 \times (6/12) = 2,500$

Alternatively, you can create a new time interval and change the named fields. The changes will become effective from the start date of the new time interval.



The start date of a new time interval should always coincide with the start of a calculation period (for example, month or half-period).



Acquisition value: 10000

Useful life: 5 years

Annual depreciation: $10000 / 5 = 2000$

On 01.07.09, you change the useful life to four years in a newly created time interval. This results in the following recalculation:

Acquisition value: 10000

Useful life: 4 years

Annual depreciation: $10000 / 4 = 2500$

The system calculates the depreciation amount for the year 2009 as follows:

Periods 1 to 6: $2,000 \times (6/12) = 1,000$

Periods 7 to 12: $2500 \times (6/12) = 1250$

From these totals, the system calculates annual depreciation of **2,250**.

Manual Adjustment Postings

Manual adjustment postings affect the automatic depreciation of a fixed asset.

Manual Depreciation, Special Depreciation, and Write-Downs

You can post ordinary depreciation, write-downs, and special depreciation manually.

Manual depreciation (special depreciation or write-downs) has the following effects on the automatic calculation of ordinary depreciation:

- When the depreciation methods used calculate depreciation of the acquisition and production costs over the planned useful life, depreciation of the asset is calculated before the end of the planned useful life because the book value reaches zero before the planned useful life ends.

- When the depreciation methods used calculate depreciation of the net book value over the remaining useful life, the amount of annual depreciation for the asset decreases. However, a write-down only affects the calculation of depreciation in the following year.



In 2006, a fixed asset is acquired with acquisition costs of €10,000, and is then depreciated over five years (the remaining useful life) using straight-line depreciation. In 2008, abnormal depreciation reduces the fixed asset by €1,000. In 2008, depreciation of €2,000 is posted automatically, together with write-down. In the remaining fiscal years of 2009 and 2010, the depreciation amount is €1,500.

For more information, see [Manual Posting — Manual Depreciation \[page 417\]](#), [Manual Posting — Special Depreciation, \[page 420\]](#) and [Manual Posting — Write-Down \[page 418\]](#).

Write-Ups

You use a write-up to reverse any depreciation posted in a previous fiscal year. In general, you can manually enter write-up amounts for all types of depreciation. However, the most common usage is to enter a write-up for a write-down performed in a previous year when the reasons for the write-down become obsolete in a subsequent fiscal year, therefore requiring the write-down to be reversed.

Write-ups take effect computationally on the first day of the fiscal year in which they are posted. The posting date is only relevant to determine from which accounting period to include the posting for the automatic calculation of depreciation.

A write-up has the following effects on the automatic calculation of ordinary depreciation:

- When the depreciation methods used calculate depreciation of the acquisition and production costs over the planned useful life, calculation of depreciation of the asset is extended towards the end of the useful life.
- When the depreciation methods used calculate depreciation of the net book value over the remaining useful life, the amount of annual depreciation for the asset increases.

Unlike write-down, a write-up directly affects depreciation in the year in which the write-up is posted.



In 2006, a fixed asset is acquired with acquisition costs of €10,000, and is then depreciated over five years (the remaining useful life) using straight-line depreciation. In 2008, a decrease in value of €1,000 causes the fixed asset to be written down. Depreciation for 2009 and 2010 is then decreased in each year to €1,500. In 2009, it is discovered that this amount of depreciation was excessive. For this reason, a write-up of €500 is posted on January 1, 2009. The depreciation amount for 2009 and 2010 is now €1,750.

For more information, see [Manual Posting — Write-Up \[page 421\]](#).

Revaluations in the Balance Sheet

Some accounting standards such as IFRS require or allow fixed assets to be revaluated beyond the acquisition and production costs. The value used for the comparison is the fair value.

Depending on the type of fixed asset, either the acquisition and production costs need to be increased or the cumulated depreciation also needs to be increased.

Example: In the case of fixed assets that are not subject to wear and tear, such as areas of land, only the acquisition costs are increased. In the case of fixed assets that are subject to wear and tear, the cumulated depreciation also needs to be revaluated.

A revaluation has the following effects on the automatic calculation of ordinary depreciation:

- When the depreciation methods used calculate depreciation of the acquisition and production costs over the planned useful life, calculation of depreciation of the asset is extended across the useful life.
- When the depreciation methods used calculate depreciation of the net book value over the remaining useful life, the amount of annual depreciation for the asset increases.

For more information, see [Manual Posting — Revaluation \[page 430\]](#).

4.1.1.5 Sale of a Fixed Asset

Overview

You post the sale of a fixed asset by selling all the individual materials that are assigned to that particular fixed asset. The retirement posting is always made on the level of the individual material. This means that you need to specify special revenue for each individual material. The system posts the entire transaction in a document for each set of books.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have specified the number of the asset individual material to be sold.
- You have specified the customer number and the sales revenue of the individual material.

Process Flow

This process applies to the *Fixed Assets* and *Customer Invoicing* work centers as follows:

<i>Fixed Assets</i> work center		<i>Customer Invoicing</i> work center	<i>Fixed Assets</i> work center	
1. Display and check fixed asset	2. Specify individual material assigned to fixed asset	3. Post the customer invoice	4. Check individual material status	5. Display journal entry

Check the fixed asset and specify the individual material assigned to the fixed asset

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

To display and check the fixed asset, proceed as follows in the *Fixed Assets* work center:

1. Select the fixed asset and check that the status is set to *Capitalized*.
2. In edit mode, specify the number of the individual material to be sold by choosing [Master Data](#) and then [Individual Material](#). The individual material must have the status *Acquired*.

Post the customer invoice

Go to the *Customer Invoicing* work center to post the invoice:

1. Choose *New Manual Invoice*.
2. Enter the required invoice data, such as the *Customer Name*, *Invoice Date*, and *Currency*.
3. Under *Product ID*, specify the individual material number.



Since the system manages warranties, materials, individual materials, and services under the same **Product ID**, a message might be displayed stating that the system could not make a unique selection. In this case, you must reselect the product manually. Under **Advanced**, you can refine your search by the **individual material Product Type**. The description of the individual material helps you identify it.

4. Enter the **Quantity** and the **List Price** (revenue).
5. Check the **Tax Code**.
6. Enter any additional data and then release the customer invoice.

Check individual material status and display the journal entry

You can access the **Fixed Assets** view from the **Fixed Assets** work center under **Fixed Assets**.

To check the new status of the individual material, proceed as follows in the **Fixed Assets** work center:

1. Select the fixed asset and go to the editing mode. Choose **Master Data** **Individual Material** and check the individual material status. This must be set to **Retired**. If a fixed asset only comprises a sold individual material, the status of the entire fixed asset is set to **Retired**.
2. Click **Values**, and then choose **Journal**.
3. Call up the journal entry relating to the fixed asset sale from the general ledger.

Example



A machine with acquisition costs of EUR 12,000, accumulated depreciation of EUR 10,370, and a current book value of EUR 1,630, is sold to a domestic customer. The agreed sales revenue is EUR 2,000.

The posting records generated by the system for the above posting example are as follows (excluding the tax posting):

	Debit	Credit
Domestic Trade Receivables	2.000	
Revenues from Asset Retirement (Profit)		2.000
Machinery and Equipment		12.000
Value Adjustments for Machinery and Equipment (Accumulated depreciation from previous years)	9.170	
Value Adjustments for Machinery and Equipment (Depreciation in current fiscal year)	1.200	
Book Value at Asset Retirement (Profit)	1.630	

Notes on Posting

The sale of an individual material is mapped in the system as follows:

- When you sell an individual material, you write off in all sets of books the accumulated acquisition and production costs, accumulated depreciation from previous years, and proportional depreciation in the current fiscal year.
- Depreciation is calculated for the current fiscal year on the basis of the posting date of the asset sale and the period control defined in the selected depreciation method.
- The net book value or difference between the acquisition costs and the total depreciation at the time of retirement is posted by the system as expense.

- Depending on whether the asset sale results in a profit or loss, the system posts the retiring net book value and the revenue to different accounts.

See Also

[Posting the Sale of Fixed Assets \(Account Determination\) \[page 129\]](#)

4.1.1.6 German Accounting Law Modernization Act (BilMog) in Fixed Asset Accounting

Overview

On January 1, 2010, the German Accounting Law Modernization Act (BilMog) came into force, bringing with it considerable changes, such as changes that apply to the valuation of fixed assets. These changes and how they are implemented in the system are explained below.

Prerequisites

- i** The impact of the German Accounting Law Modernization Act on your fixed asset accounting depends on your requirements for financial accounting with regard to the sets of books and accounting principles used.

How the legal regulations of the German Accounting Law Modernization Act are used in the system depends on the following:

- Use of two German accounting principles for the commercial balance sheet and tax balance sheet, each with a set of books and a valuation view**

This allows:

- Compliance with the regulations that apply to fixed asset accounting in accordance with the German Accounting Law Modernization Act.
- In the interest of your fixed asset accounting, you can automatically create the tax balance sheet in addition to your commercial balance sheet. This is made possible because all the values are entered correctly for your fixed assets as well as for your commercial and tax-based charts of accounts.

- Use of one German accounting principle with one set of books and two valuation views for the commercial and tax-based valuation**

If you use this method:

- You will face limitations when capitalizing internally-generated intangible fixed assets and when transferring hidden reserves for tax purposes.
- The tax balance sheet needs to be created manually for the purpose of your fixed asset accounting. This is largely because postings in the tax-based valuation view marked as internal are not made to G/L accounts in the general ledger. Any valuation differences due to tax law would have to be posted manually in the general ledger or manually included in the transfer of the commercial balance sheet to the tax balance sheet.

- i** The use and assignment of valuation views or sets of books to one or more accounting principles is defined in the system configuration **prior to** going live.

Changes Resulting from the German Accounting Law Modernization Act

The Accounting Law Modernization Act contains the following changes in asset valuation:

Internally-Generated Intangible Assets

For internally generated intangible assets, the prohibition to capitalize has been changed to a limited option to capitalize. Under tax law, the prohibition to capitalize still applies.

If you want to capitalize internally generated intangible assets for commercial law, proceed as follows:

1. Create a project called Fixed Asset Under Construction and enter the costs on this project (see [Assets Under Construction \[page 373\]](#)).
2. Then transfer the costs from the project to an asset under construction:
 - Create a fixed asset under construction manually.
 - If you are using two sets of books, with a valuation view for commercial law and tax law respectively, post a manual *acquisition* in the amount of the production costs to be capitalized in the set of books and in the valuation view for commercial valuation. For the offsetting account, use the G/L account on which the costs were collected. With this posting based on commercial law, the G/L account is credited and the asset is capitalized with the corresponding costs. Under tax law, the costs remain on the corresponding G/L account. Consequently, you do not enter a posting in the set of books and in the valuation view for valuation based on tax law.
 - If you use a set of books with a commercial law valuation view and a tax law valuation view and you exercise the option to capitalize under commercial law, only a workaround is possible because the acquisition and production costs are always updated in all valuation views of a set of books: Post a manual *acquisition*. As the offsetting account, use the G/L account on which the costs were collected. The production costs are now included in the set of books and in the commercial and tax law valuation views. In the tax law valuation view, correct the total production costs with a manual *revaluation* posting.
3. Finally, transfer the production costs of the asset under construction to one or more tangible assets in the corresponding asset class. For this purpose, perform a *complete transfer* manually.
4. The above applies to the preparation of the commercial balance sheet and the tax law balance sheet.

Special Tax-Allowable Reserve

With the abolishment of the "tax dictates financial accounting" principle, commercial law will in future not permit the recognition of liabilities for special items with reserve.

This principle enabled you to exercise tax law options only under premise that the basis for valuations in the tax balance sheet were also applied in the commercial balance sheet. For tax law recognition of a reinvestment reserve in accordance with § 6b par. 3 EStG (transfer of hidden assets with divestment of certain capital assets) or a replacement reserve in accordance with R 6.6 EstR 2005 (transfer of hidden reserves with replacement acquisitions), a corresponding liability (special item with reserve) would therefore have to be created in the balance sheet based on commercial law. Abolishment of the principle means that creating a special item in the balance sheet based on commercial law is no longer permitted. Under tax law, this option is still available.

If you want to exercise the tax law option for transferring hidden reserves, proceed as follows:

1. Specify the asset to which you want to transfer the hidden reserve. Determine the value of the hidden reserve.
2. If you use two sets of books each with a valuation view for valuation based on commercial law and tax law, in the set of books and in the valuation view for tax law valuation reduce the acquisition and production costs of the asset by the value of the hidden reserve. To do this, use the manual posting for *Acquisition*. From the point of view of commercial law, the unreduced acquisition and production costs remain on the corresponding asset account.

3. If you use a set of books with a commercial law valuation view and a tax law valuation view and you exercise the tax law option, only a workaround is possible because the acquisition and production costs are always updated in all valuation views of a set of books: In the tax law valuation view, reduce the acquisition and production costs by the value of the hidden reserve with a manual *revaluation* posting.
4. The above applies to the preparation of the commercial balance sheet and the tax law balance sheet.

Goodwill

Under commercial law, goodwill acquired for a consideration now has to be capitalized as an asset and depreciated over the normal useful life. Tax law required capitalization and depreciation over 15 years.

You specify the corresponding useful life durations in the commercial law valuation view and in the tax law valuation view.

If the useful life durations are used differently under commercial law and tax law, this results in deviations in the depreciation amounts between the balance sheet based on commercial law and the balance sheet based on tax law. Depending on the sets of books or valuation views in use, the deviations are posted automatically or need to be included manually.

Prohibition of Depreciation That Is Only Allowed Under Tax Law

Depreciation permitted under tax law can no longer be performed under commercial law in the future.

You can define this by specifying separately a valid depreciation method in the commercial and tax valuation views.

If the depreciation methods are used differently under commercial law and tax law, this results in deviations in the depreciation amounts between the balance sheet based on commercial law and the balance sheet based on tax law. Depending on the sets of books or valuation views in use, the deviations are posted automatically or need to be included manually.

Prohibition of Asset Write-Downs with Temporary Impairment

The previous version of German GAAP allowed optional asset write-downs when impairment was only temporary. This has been changed to a prohibition (except for long-term investments). Tax law likewise prohibits partial write-downs when impairment is only temporary.

Under both commercial law and tax law, therefore, write-downs (partial write-downs) are no longer allowed if the impairment is only temporary.

Requirement to Reinstate Original Value

It is now a requirement to reinstate the original value when the reason for the write-down no longer applies in a subsequent fiscal year. Previously this was only an option. This is a requirement under tax law as well.

Both under commercial law and tax law, write-ups are necessary if the reason for the original write-down (partial write-down) ceases to apply.

Expenditures for Startups and Expansions

For corporations, the option to capitalize expenditures for startups and expansions was changed to a prohibition. The prohibition applies under tax law as well.

Low-Value Assets

With the abolishment of the principle that tax dictates financial accounting, depreciation charges that are only allowed under tax law, which therefore includes regulations regarding low-value assets, are no longer allowed under commercial law. They must be capitalized as fixed assets and depreciated over their economically useful life. Under tax law, assets with a value of between €150.00 and €1,000.00 can be included as part of fixed assets and depreciated equally across 5 years starting from the year of acquisition or manufacture. Alternatively, from January

1, 2010 on the basis of the German Economic Stimulus Act, acquisition costs of up to €410.00 can be immediately deducted as operating expenses.

If you use a set of books with a commercial law and tax law valuation view, the system needs to be configured to fulfill the requirements of commercial law valuation. For tax law valuation, you need to manually set the LVA indicator or the LVA depreciation method or useful life in the master record.

If you use two sets of books with a valuation view for valuation based on commercial law and on tax law, the system treats the LVA correctly and automatically for both commercial law and tax law based on the configuration settings.

For more information, see [Low-Value Assets for Germany \[page 452\]](#).

4.1.2 Fixed Assets

4.1.2.1 Fixed Assets

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

A fixed asset represents a tangible or intangible asset that can be identified on the closing key date as an individual asset and is used permanently by the business. This asset is represented in the system as a *Fixed Asset* or *Subasset* and is structured by *Master Data* and *Values*.

If the system has been configured appropriately, fixed assets are created automatically in the integrated procurement and invoicing process using the *Individual Material*. The individual material represents the logical connection within the process, which is used to create fixed assets and for posting acquisition and production costs. Fixed assets and individual materials can also be created and posted manually.

In the *Fixed Assets* view, you can create, display, and edit a fixed asset as well as change and delete it under certain circumstances.

General Information

Data on a fixed asset is structured as follows:

<i>General</i>	On the <i>General</i> tab page, you can see the most important information on a fixed asset at a glance: Current organizational assignment, capitalization date, depreciation start date, depreciation method, useful life, values at the end of the current fiscal year of the valuation view that is relevant for the general ledger, and administrative data.
<i>Master Data</i>	The <i>Master Data</i> tab page contains the organizational assignment(s), depreciation terms over the entire life of the fixed asset, and information about individual materials assigned to a fixed asset. For more information, see Fixed Assets Master Data [page 398] .
<i>Values</i>	The <i>Values</i> tab includes: <ul style="list-style-type: none">• values that are automatically calculated and posted for a fixed asset• an overview of depreciation, special depreciation, interest, and replacement values calculated automatically and posted with the depreciation run for each fiscal year. (The open fiscal years include a preview for future fiscal years).• transactions posted for the fixed asset For more information, see Fixed Assets Valuation View and Value Simulation [page 403] .
<i>Attachments</i>	You can attach documents to a fixed asset using the <i>Attachments</i> tab page.
<i>Changes</i>	The <i>Change History</i> tab shows each change made to a fixed asset. The system notes the time of the change, the user who made the change, and the respective field with the old and new value.

The process flow represented below describes how you manually create and enter a fixed asset.

Individual materials and fixed assets are created automatically in the system's procurement and invoicing process as long as a rule has been defined in configuration to determine the fixed asset class for the company or the product category used in the purchase or invoice. For more information, see [Procurement of a Fixed Asset \[page 371\]](#).

i Note that automatic creation of individual materials or fixed assets during the procurement and invoicing process may represent a violation of the segregation of duties policy in your company. If no rule is specified to determine the fixed asset class for the product category and the company, a segregation of duties is ensured. In this case, the system posts the acquisition costs of the individual material or the fixed asset to expense. The creation of the fixed asset and its posting with acquisition costs needs to be performed manually in the Fixed Assets work center.

Creating a Fixed Asset

A master data record is created manually using the following steps:

Process Step 1	Process Step 2
Create a fixed asset master data record by choosing New Fixed Asset or Subasset Account .	Enter a fixed asset master data record in the Edit mode

To obtain a fixed asset master data record with the corresponding individual material, proceed as follows:

1. Choose **New** and then **Fixed Asset or Subasset**
2. Enter a **Fixed Asset Description**, **Company**, and **Fixed Asset Class**. If you are using a profit center and segment reporting, you also need to specify a **Cost Center**.
3. **Save** your entries. The system creates a fixed asset and a corresponding individual material.
4. The system indicates whether any depreciation terms are missing if during configuration some default values were **not** defined completely in the corresponding fixed asset class.
Click **View All** to switch to the editing mode of the new fixed asset and add the missing entries under **Master Data** and then **Asset Valuation**.

Editing a Fixed Asset

You need to add data to the following fields in edit mode if you did **not** do this when creating the fixed asset and if **no** default values are proposed in the fixed asset class that could have been transferred when the master data record was created automatically. If this data is missing, it is not possible to make postings to the fixed asset.

Field	Master Data	Description
Cost Center	Basic Data	If you use profit center accounting and segment reporting, the system needs the cost center to derive the profit center or segment.
Useful Life in Years/Periods	Asset Valuation	Required for the automatic calculation of depreciation.
Depreciation Method	Asset Valuation	Required for the automatic calculation of depreciation.

To add data to the existing fixed asset data, proceed as follows:

1. Select the fixed asset and click **Edit**.
2. Change the parameters for the fixed asset under **General**, **Master Data**, **Values**.
3. **Save** your entries.

Some master data fields are filled automatically when the first acquisition posting is made.

Once acquisition has been posted, you can make additions to some field entries or change existing ones. To see which fields are filled automatically, which fields you can change manually, and their impact on the automatic calculation of depreciation, interest, and replacement values, see [Fixed Assets Master Data \[page 398\]](#).

i Manual acquisitions are posted using an *acquisition* or *retroactive capitalization* posting. For more information, see [Manual Posting — Acquisition \[page 413\]](#) or [Manual Posting — Retroactive Capitalization \[page 423\]](#).

Displaying a Fixed Asset

You can display the details for a fixed asset in the *Fixed Assets* view. To do this, proceed as follows:

1. Choose the fixed asset that you want to display in the overview and click on the *Fixed Asset Number*. The system displays the overview data for the fixed asset.
2. Click *View All* to switch to the complete view of the fixed asset.

You can display the *Master Data*, *Values*, *Attachments*, and *Changes* for the fixed asset.

Deleting a Fixed Asset

You can delete fixed assets in the *Fixed Assets* view. To do this, proceed as follows:

1. It is possible to delete a fixed asset with *In Process* status. Such a fixed asset will not have had acquisition (or retroactive capitalization) posted to it. When you delete a fixed asset, it is removed from the data. Note that your fixed assets are no longer numbered without gaps due to internal number assignments.
2. Select the fixed asset and click *Delete*.

4.1.2.2 Assets and Subassets

Overview

The data structure for fixed assets allows you to define simple assets as well as more complex assets consisting of multiple asset components. For complex assets, you can create *subasset accounts* to represent the different asset components. Each subasset account can have different depreciation terms.

Relevance

It may be necessary or desirable to break down fixed assets into subassets for the following reasons:

- Legal regulations in some countries require a breakdown into subassets if the depreciation terms of the subassets differ from those of the main asset.
- Subassets provide for more detailed and informative reports.
- Subsequent asset acquisitions can be depreciated individually when the subassets are used. This means that both the accumulated depreciation and the book values can be displayed separately by acquisition year.

Number Assignment

The IDs for fixed assets are assigned automatically. Main fixed assets and their subassets are assigned a 12-digit number and a 4-digit subnumber. The main fixed asset is assigned subnumber 0000. Leading zeroes are deleted automatically.



A fixed asset has two subassets with the following IDs:

Main fixed asset: 300000000123-0
Subasset 1: 300000000123-1
Subasset 2: 300000000123-2

Transferring Individual Materials from Fixed Assets to Subassets

If the terms of use change for certain parts of a fixed asset, you can make transfer postings to subassets with the function *Manual Posting - Complete Transfer of Individual Material*. If multiple individual materials are assigned to your fixed asset, you can transfer one individual material completely to a subasset. Otherwise, you make a partial transfer from the individual material of the fixed asset to the individual material of the subasset. The subasset can now be valued individually.

In the integrated procurement process, the system posts subsequent acquisitions automatically to the specified individual material of the fixed asset. However, in many cases, it is necessary to display the subsequent acquisition to a subasset separately. To post the subsequent acquisition to a subasset, you make a partial transfer with the function *Manual Posting - Partial Transfer of Individual Material*.

To make a complete or partial transfer posting, proceed as follows:

1. Select the relevant asset. Choose **New** and then *Subasset*.
2. The system copies the description of the fixed asset. However, you can change or enter information for the *subasset description*.
3. You then enter a *cost center* and save your entries. The system has now automatically assigned the following subasset number and created an individual material for it.
4. Now choose the main fixed asset again for editing and go to **Manual Posting** *Complete Transfer of Individual Material* or **Manual Posting** *Partial Transfer of Individual Material*.
5. Specify the individual material to be transferred from the fixed asset as well as the new target subasset. For a partial transfer, you also enter the amount to be posted. To make the posting, choose **Save..**



Subassets are not affected by the automatic treatment of low-value assets.

See Also

[Fixed Asset Classes \[page 404\]](#)

[Manual Posting - Complete Transfer of Individual Material \[page 425\]](#)

[Manual Posting - Partial Transfer of Individual Material \[page 427\]](#)

4.1.2.3 Legacy Fixed Asset and Subasset - Legacy Data

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

Select **New** and then *Legacy Fixed Asset* or *Legacy Subasset Account* during the data transfer to migrate legacy data from the source system manually.

Relevance

Legacy assets are usually migrated automatically from the source system prior to the productive system going live. However, the manual method enables you to migrate small volumes of data, or to correct individual fixed assets if data has been migrated automatically.

Prerequisites

Before you can create the legacy asset, the following prerequisites must be fulfilled:

- You specified that you want to migrate fixed asset data.
 - You have ensured the following:
 - Set up account determination for the data transfer.
 - Set the migration date
- To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Integrate and Extend* phase, then select the *Set Migration Date and Process Control* activity from the activity list.
- You have **not yet** started the *Go Live* phase.

Process Flow

The process of migrating legacy fixed assets manually is mapped using the following steps:

Process Step 1	Process Step 2	Process Step 3
Create a legacy fixed asset	Add data to a legacy fixed asset	Enter the migration values for the legacy asset
Choose New <i>Legacy Fixed Asset / Legacy Subasset Account</i>	In Edit mode	In Edit mode

To create a legacy asset, proceed as follows:

1. Select **New** and then *Legacy Fixed Asset* or *Legacy Subasset Account*.
2. Create a legacy asset under **New** and then *Legacy Fixed Asset* or **New** and then *Legacy Subasset Account*. You need to specify the necessary information. The *Migration Date* is taken from the settings made for your company during scoping.
3. Choose **Master Data** and then *Life Cycle Data* and enter the *Initial Acquisition Date* and *Capitalization Date* for each set of books.
4. Under **Master Data** and then *Asset Valuation*, check the depreciation method and useful life taken from the fixed asset class. If you have not specified an individual *Depreciation Start Date* or an expired useful life in years/periods, they are entered automatically by the system based on the depreciation method and capitalization date.
5. Depending on the selected migration date, under **Migration**, the system provides the following value fields for each valuation view:
 - *Acquisition Costs (Accumulated Value from Previous Year)*
 - *Depreciation (Accumulated Value from Previous Year)*
 - *Acquisition Costs (Total Current Year)*
 - *Depreciation (Total Current Year)*

The system calculates the current *Net Book Value* automatically using this data and the selected depreciation terms.

6. If you choose **Save**, you post the legacy asset values to the corresponding general ledger accounts for fixed assets and to the data migration account.
7. You create a subasset account for a legacy asset as follows: Choose a legacy asset and create a subasset account for it under **New** *Legacy Asset - Migration*. Then add the data according to the procedure described above.



- You must enter an inventory ID to be able to migrate fixed assets. Here it makes sense to enter the number you use to manage the fixed asset or individual material in the source system. This is beneficial for reconciliation purposes in which you can easily refer to the legacy asset or legacy individual material in the source system.
- The system might indicate that mandatory master data needs to be entered before you enter the migration values under **Migration**.

Notes on Manual Migration

Note the following when creating legacy assets:

- You can only enter migration values if the legacy asset is relevant for posting and if you have entered the initial acquisition date and capitalization date.
- If you have chosen a migration date at the end of the last closed fiscal year, the system provides the following value fields to enter the accumulated acquisition and production costs and accumulated value adjustments: *Acquisition Costs (Accumulated Value from Previous Year)* and *Depreciation (Accumulated Value from Previous Year)*.
- If the migration date is in the fiscal year following the last closed fiscal year, you can also enter acquisition and production costs for new asset acquisitions *Acquisition Costs (Total Current Year)* or enter depreciation values already posted in the source system *Depreciation (Total Current Year)*. Other transactions, such as write-up, manual depreciation, or retirements, that were posted for the current fiscal year prior to the source system migration, must be posted manually in your new system at a later date.

To avoid technical problems, **do not** enter an acquisition value under *Acquisition Costs (Total Current Year)* if you want to make a manual acquisition posting or transfer posting to the same fixed asset. Instead, enter the acquisition as a manual posting made against the data migration account.



Acquisition and production costs are included in all valuation views for a set of books. Therefore you cannot enter migration values for valuation views that apply acquisition and production costs from another valuation view.

- You can define the kind of tests you want the system to run during the data migration. To prevent the transfer of inconsistent or erroneous fixed assets from the source system to the target system, choose **Master Data** – *Asset Valuation* – **Current Valuation View Settings** and then *Additional Parameters – Valuation Check – Settings* **1- Perform Standard Checks**. Otherwise, choose **3 - No Checks**.

Value Adjustment After Completion of Data Migration

To manually change automatically migrated values or legacy asset values:

1. Access the legacy asset in edit mode.
2. Choose **Reverse Migration** to reverse the migrated values.

3. Reenter the correct migration values.

4.1.2.4 Individual Materials

Overview

An individual material is a component of a fixed asset that is valued separately and whose inventory is tracked separately. The individual materials assigned to a fixed asset are shown on the **Master Data** tab of the fixed asset.

Relevance

An individual material has two main functions in the system:

- It enables the integrated procurement and invoicing process as well as the sale process used with fixed assets. For example, supplier invoices can be assigned to an individual material enabling the acquisition and production costs to be posted to the assigned fixed asset. In the same way, the sale of fixed assets can be processed at the level of the individual material.
- Usually, at least one individual material is assigned to a fixed asset. For your fixed asset accounting, you always manage postings for the fixed asset with reference to, or on the level of, one of these individual materials. For transfer postings or retirements, the individual material is used to determine proportional acquisition costs and depreciation of the fixed asset.

Individual Materials and Integrated Processes

Together with the material and service, the individual material is a characteristic of the product, which is uniquely identified system-wide. By functioning in this way, different work centers can be linked, such as *Purchase Requests and Orders - Goods and Services Receipts - Supplier Invoicing* and *Fixed Assets* or *Customer Invoicing*.

Individual Materials and Fixed Assets Master Data

When an individual material is created, it is assigned a unique number, which can be identified system-wide, together with a material and service.

Each individual material assigned to a fixed asset is managed with a status: This can be used to derive the accounting situation of an individual material.

Status	Description
<i>Assigned</i>	The individual material is assigned to the fixed asset but does not have any values.
<i>Acquired</i>	An acquisition posting or transfer posting is made to the individual material.
<i>Retired</i>	A sale or scrapping is posted.

For each individual material, you can manage an *Inventory ID*. This ID is used to uniquely identify a physical object in an inventory.

Inventory IDs used in the transfer of legacy data are of particular importance: Legacy assets were managed using a particular number in the source system and in many cases labelled with these numbers. To simplify the process of finding the legacy assets in the new system, you need to copy the old inventory ID into the relevant field when transferring legacy data.

New individual materials can already be identified uniquely using the Individual Material Number. However, you can also assign a different inventory ID manually. You specify the inventory ID for the first time when you create the individual material, for example when you enter a supplier invoice or create the fixed asset manually. You can also enter an inventory ID for an individual material later, such as if the individual material was created automatically in the integrated procurement process and you want to assign an additional inventory ID for it.

In *Fixed Assets - Inventory List* report, you can specify the inventory ID as a selection criterion and then search for a specific fixed asset or individual material. This report also provides a view of an *Inventory List* with individual material numbers, which you can use to simplify the inventory of your new and legacy assets.

The total value of all individual materials assigned to a fixed asset equals the acquisition cost of the asset.

Individual Materials and Asset Transactions

Individual Materials and Acquisitions

The system decides at the level of the individual material whether a fixed asset or low-value asset, each with its corresponding individual material, is to be created and valued with acquisition costs, or whether a posting needs to be made to expense.

For more information, see [Individual Materials and Acquisitions \[page 395\]](#).

Individual Materials and Transfers

The system always makes transfer postings at the level of the individual material. The individual material is used to determine the (proportional) acquisition and production costs and write-down of the fixed asset.

You can assign an individual material from a source to a (new) target fixed asset in a complete transfer posting.

Example:

Before Complete Transfer

Fixed Asset: Personal Computer A
Individual material 1: Flat screen monitor
Individual material 2: System unit
Individual material 3: Keyboard and mouse
Individual material 4: Second hard drive

Fixed Asset: Personal Computer B
Individual material 5: Flat screen monitor
Individual material 6: System unit
Individual material 7: Keyboard and mouse

The second hard drive is now transferred from fixed asset A to fixed asset B.

After Complete Transfer

Fixed Asset: Personal Computer A
Individual material 1: Flat screen monitor
Individual material 2: System unit
Individual material 3: Keyboard and mouse

Fixed Asset: Personal Computer B
Individual material 5: Flat screen monitor
Individual material 6: System unit
Individual material 7: Keyboard and mouse
Individual material 4: Second hard drive

For more information, see [Manual Posting – Complete Transfer of Individual Material \[page 425\]](#).

Furthermore, a partial transfer enables you to transfer parts of an individual material assigned to the source asset, to an individual material assigned to a target asset.

Example

Before Partial Transfer

Fixed assets under construction: Office equipment	EUR 10,000
Individual material 1: Office equipment	EUR 10,000

The fixed asset under construction has now been completed and needs to be transferred to multiple individual assets with their corresponding individual material. One of the new fixed assets with production costs of EUR 1200 is to be capitalized.

After Partial Transfer

Fixed assets under construction: Office equipment	EUR 8,800
Individual material 1: Office equipment	EUR 8,800

Fixed Asset: Desk Console	EUR 1,200
Individual material 2: Desk console	EUR 1,200

For more information, see [Manual Posting – Partial Transfer of Individual Material \[page 427\]](#).

Individual Materials and Retirements

The retirement of assets either by sale or scrapping takes place at the level of individual materials.

To represent the sale of an individual material, you post a customer invoice in the *Customer Invoicing* work center.

For more information, see [Sale of a Fixed Asset \[page 382\]](#).

You post the scrapping of an individual material with the manual posting function for individual material scrapping in the *Fixed Assets* work center. For more information, see [Manual Posting - Individual Material Scrapping \[page 415\]](#).

4.1.2.5 Individual Materials and Acquisitions

Overview

When you enter fixed asset acquisitions, you have the following options:

- Automatic posting from a purchase order after goods receipt
- Automatic posting from an invoice without a purchase order

- Manual posting of an acquisition in fixed asset accounting

Automatic Posting from a Purchase Order After Goods Receipt

Prerequisites

The following settings need to be made in *business configuration*:

- You have defined the threshold values for capitalizing fixed assets and low-value assets.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Capitalization Threshold for Fixed Assets* activity from the activity list.
- In the configuration of the fixed asset classes, the derivation rules have been specified for determining the fixed asset class: The system uses the combination of *company* and *product category* in a purchase order or invoice to derive the correct fixed asset class for the new fixed asset or corresponding individual material. You can also define the derivation rules in the *Fixed Assets* work center.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.
 - i** If the company and product category are not assigned to a fixed asset class, the system cannot create a fixed asset, but instead posts to material expense.
 - i** It is not possible to create and post fixed assets automatically if the corresponding fixed asset class does not contain the default values for the depreciation method and useful life.

Purchase Order

After goods receipt, to enable the system to automatically generate a fixed asset and a corresponding individual material in fixed asset accounting, you need to create the purchase order as follows:

1. In the *Purchase Requests and Orders* work center, create a new purchase order. Choose both a *Company* and a *Supplier* and specify the necessary information.
2. You can use the *product number* as reference material: If you have specified this, the system automatically derives the description, quantity unit, product category, and so on, from this material. Make sure that the product category assigned to the product number is configured accordingly with a derivation rule using the company and product category to determine the fixed asset class. Otherwise, the system **cannot** create either a fixed asset **or** a corresponding individual material.
3. In the lower screen area, choose *Cost Center* as the account assignment type, and enter the *Cost Center* that you want to post to. When assigning an account to a project task, the system does not create a fixed asset as standard.
4. Choose [Save](#) and then [Order](#) to send the purchase order to the selected suppliers.

After the goods have been received for this purchase order, the system generates an individual material and its corresponding fixed asset for the relevant item in fixed asset accounting. It then posts the corresponding acquisition value to this individual material.

Multiple Fixed Assets of the Same Type

It is often the case that multiple fixed assets of the same type need to be purchased with one item. Irrespective of the quantity specified in the purchase order item, only one individual material with corresponding fixed asset is created automatically.



Your purchase order contains one item with three laptops. Upon receipt of the goods, the system uses this item to create an individual material with a corresponding fixed asset.

If, however, multiple physical objects of the same type **cannot** be grouped into one fixed asset and one individual material, due to the individual objects being assigned to different cost centers or having to be managed individually for inventory reasons, then split the purchase order into multiple purchase order items with a corresponding cost center assignment. The system then creates an individual material and a fixed asset for each individual item.

Alternatively, you can manually create a new fixed asset with corresponding individual material in the *Fixed Assets* work center and transfer the acquisition and production costs to the new individual material or the new fixed asset.

Manual Posting of An Invoice Without Purchase Order

You use the *Invoice Without Purchase Order* when you purchase a fixed asset directly from the supplier and receive an invoice alongside the purchase.

Three account assignment types are provided for the manual posting:

a) Account Assignment Type: Cost Center

Procedure:

1. Switch to the *Supplier Invoicing* work center. Choose *New Invoice Without Purchase Order*.
2. Choose the purchasing company, invoicer, or supplier. Specify the *external document number*, *invoice date*, value, and tax amount.
3. For the invoice item, specify the necessary information.
4. You can use the *Product Number* as reference material: If you have specified this, the system automatically derives the description, quantity unit, product category, and so on, from this material. Make sure that the product category assigned to the product number is configured accordingly with a derivation rule using the company and product category to determine the fixed asset class. Otherwise, the system **cannot** create either a fixed asset **or** a corresponding individual material.
5. Choose the **Cost Center** account assignment and specify the *Cost Center Number*.
6. To create the journal entries, choose **Save** and then **Post**.

The system can now determine the appropriate fixed asset class based on the company and product category. The system creates a fixed asset and corresponding individual material in fixed asset accounting.

If multiple physical objects are grouped under one invoice item, and if you want to assign different cost centers to these objects, you need to create a separate invoice item for each object. Note that the system checks each invoice item to see whether the value limit for capitalization as a fixed asset or low-value asset is exceeded.

b) Account Assignment Type: Individual Material

Proceed as described above. Instead of choosing the cost center assignment type, choose the **individual material** account assignment type.

1. Specify the *Individual Material Number*. The system posts the value of this invoice item automatically to this individual material or corresponding fixed asset.

2. Alternatively, you can choose **New** to create a new individual material. The system creates a new fixed asset for the new individual material. The cost center that you can specify here is transferred by the system to the new fixed asset.

c) Account Assignment Type: Project Task

If you specify the Project Task account assignment type for an invoice item, by default no fixed asset or corresponding individual material is created.

To transfer the value posted to a fixed asset and its individual material, you need to create a fixed asset manually in the *Fixed Assets* work center.

The individual material is created automatically. You then need to transfer the acquisition value posted with the invoice to the individual material.

You choose the *Project Task* account assignment type for assets under construction, for example. All the costs are collected for the project and upon completion, transferred to one or more fixed assets or corresponding individual materials.

Manual Posting of Acquisition

In the *Fixed Assets* work center, you can create fixed assets manually and use the manual *Acquisition* function to post acquisition and production costs directly, without having to use a system procurement process. The system creates the corresponding individual material automatically.

For more information on manually creating a fixed asset or its individual material, as well as posting acquisition and production costs, see [Fixed Assets \[page 387\]](#) and [Manual Posting – Acquisition \[page 413\]](#).

4.1.2.6 Fixed Assets Master Data

Overview

The master data of a fixed asset contains information such as:

- Organizational assignments for fixed asset classes, cost centers, profit centers, and segments
- Depreciation terms
- The individual materials assigned to the fixed asset

This data can be derived from the fixed asset class, entered manually, or determined at the first acquisition posting. You can display this data and make certain changes in the *Fixed Assets* view.

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

To see the master data, click **Edit**, then *Master Data*. The master data is displayed on the following tabs:

Basic Data

The **Basic Data** shows the following information:

General Data	
<i>Fixed Asset Description</i>	In the integrated procurement process (purchase order - goods receipt - invoice verification, or invoice without a purchase order reference), the product description is transferred from the purchase order or invoice to the fixed asset description. If you use a reference material, the description of this material is transferred to the description automatically.

<i>Migration Date</i>	If legacy assets are transferred either manually or automatically from source systems, the <i>Migration Date</i> is also included in the transfer.
<i>Fixed Asset Class</i>	<p>Fixed asset classes categorize fixed assets according to their business purpose, characteristics, and legal or tax requirements.</p> <p>i</p> <ul style="list-style-type: none"> • You can change the fixed asset class without posting if the same account determination group is assigned to both fixed asset classes. • If different account determination groups are assigned to both fixed asset classes, you make a transfer posting to a newly created fixed asset. • You can always change the fixed asset class if the fixed asset does not have any postings.

Organizational Assignment

If you use profit center accounting and segment reporting, it is strongly recommended that you assign a fixed asset to a **cost center** since the profit center or segment is derived from the cost center.

Assignment to a cost center enables a causal relationship between the expense and the corresponding cost center. However, only entries relevant to the valuation view for the general ledger are made, using the depreciation values calculated for the respective valuation view.

If you use profit center accounting and segment reporting, the profit center or segment for the posting date of a fixed asset transaction is transferred to the acquisition and production costs and/or to the value adjustment journal entry line item for the valuation view relevant to the general ledger. These provide default account assignments for the offsetting posting, which can be overwritten by the receiver.

Possible Effects of a Change in Cost Center

It is possible to change the cost center in the master data of a fixed asset at specific points in time.

The profit center or segment does not change if the changed/new cost center is assigned to the same profit center and segment. This only affects the depreciation run, which makes postings to the new cost center, sometimes on a time-dependent basis.

The profit center or segment changes if the new cost center is assigned to another profit center or segment. If this case, the system creates a transfer posting automatically. The posting date corresponds to the start date of the new organizational assignment.

- i**
- To ensure that the correct value is displayed for the relevant profit center, you cannot enter a posting with a date prior to the start date of the new organizational assignment.
 - Basically, changes can only be made for a start date with no fixed asset postings. This also applies to depreciation postings.

<i>Organizational Assignment</i>	
<i>Current Organizational Assignment</i>	Here you define the <i>current organizational assignment</i> of a fixed asset to a cost center. The system displays each interval in which the current date of calculation occurs.
<i>Organizational Assignment Intervals</i>	You can click Add Row to define a new time interval with a different cost center assignment. You can delete a time interval if no postings have been made during this period.
<i>Valid of - Valid to</i>	<p>The system automatically specifies an initial interval with the start date 0001-01-01 and an unlimited end date.</p> <p>i The system checks whether the cost center is valid for all the open fiscal years.</p>

Life Cycle Data

The [life cycle data](#) shows the sets of books that are assigned to the company.

Set of Books	
<i>Set of Books ID and Description</i>	A <i>Set of Books</i> covers a set of general ledgers and subledgers for which a balance sheet and an income statement can be created.
<i>Initial Acquisition Date</i>	Set automatically when the initial acquisition is posted to the fixed asset.
<i>Capitalization Date</i>	The <i>Capitalization Date</i> is usually derived by the system in the same way as the initial acquisition date, namely from the posting date of the initial acquisition posting. However, this does not apply to acquisitions from a transfer posting, in which the capitalization date is taken from the source asset. You can change the capitalization date later. This change does not affect the depreciation calculation.
<i>Last Retirement Date</i>	Set automatically when a retirement or partial retirement of an individual material is posted.
<i>Deactivation Date</i>	This date is derived from the retirement posting date. It is set automatically when the retirement of the last individual material is posted. You can change the deactivation date manually. However, this change is only used for information purposes.
<i>Low-Value Asset</i>	You specify in the master data whether a fixed asset is a low-value asset (LVA). You can add or remove the checkbox manually. This does not affect the depreciation calculation.

Asset Valuation

Information on this tab is used to value fixed assets in accordance with local book valuation or tax-based valuation and international accounting principles. This information is based on a set of books and valuation view.

For each valuation view, you can edit the terms for automatic calculation of depreciation, interest, or replacement values.

If you specified default values for the following terms in the configuration of fixed asset classes, they are transferred when you create a fixed asset:

- Depreciation Method
- Default value for useful life in years and periods
- Portion of variable depreciation
- Age or time-based index series for replacement value calculation
- Standard method for interest calculation

Check these values and change them if necessary.

If you have not specified any default values, you can add them to the fixed asset master data. For the integrated procurement process, you must specify at least the useful life and depreciation method to be able to create a fixed asset and make postings.

Some fields can be changed for specific points in time. Depending on whether these fields are changed in an existing or new time interval, the system recalculates the values in different ways. For more information and to view an example calculation, see [Automatic Asset Depreciation. \[page 375\]](#)

Current Valuation View Settings

Current Valuation View Parameters	The system displays the depreciation terms that apply to the current calculation date.
<i>Useful Life Years/Periods</i>	Specifies the planned useful life in years and accounting periods. The accounting periods are converted into calculation periods, depending on the fiscal year variant used or the use of a depreciation method for exact days.

<i>Depreciation Method</i>	The valid book valuation and tax-based depreciation methods are provided for each country.
<i>Shift-Dependent Depreciation (%)</i>	Fixed assets used in multiple-shift operations are usually depreciated at a higher rate to account for the greater decrease in value of the fixed asset in the depreciation calculation. For these fixed assets, you can specify in the master data and for a specific point in time the variable portion of depreciation (<i>shift-dependent depreciation in percent</i>) and shifts worked per day. The <i>shifts worked per day</i> show the extent of usage to which the asset is exposed.
<i>Interest Method</i>	For cost-accounting valuation views, the system can calculate interest for analysis purposes. Select an <i>interest method</i> that is defined in configuration for the appropriate valuation view.
<i>Salvage Value</i>	The depreciation calculation performed by the system takes place until there is a salvage value of zero or an absolute <i>Salvage Value</i> that you specified. For more information on the role of the salvage value, see the documentation on automatic asset depreciation.
<i>Salvage Value (Percent)</i>	Alternatively to a specific salvage value, you can specify a percentage that refers to the acquisition and production costs and that is taken into account by the system during the depreciation calculation.
<i>Shifts Worked per Day</i>	See the explanations under shift-dependent depreciation (percent).
<i>Temporarily Out of Service</i>	You can completely suspend the depreciation calculation for a selected time interval by setting this indicator. This indicator can only be set if the depreciation method also includes this shutdown.

Depreciation	
<i>Depreciation Start Date</i>	Derived from the capitalization date and the specifications made in the selected depreciation method. If you change the date, the depreciation is recalculated.
<i>Expired Useful Life Years/Periods</i>	The system determines the expired useful life at the start of each fiscal year and displays it in these two fields.

Special Depreciation	
<i>Start of Special Depreciation</i>	Derived from the capitalization date and the specifications made in the selected depreciation method for special depreciation. If you change the date, the depreciation is recalculated.
<i>Expired Useful Life Years/Periods</i>	The system determines the expired useful life at the start of each fiscal year and displays it in these two fields.

Calculating the Replacement Value	To calculate replacement values and determine insurance values for fixed assets, you usually have the system automatically calculate replacement values using index series. An example of this type of calculation is provided in the documentation on replacement values. It is only possible to calculate replacement values for valuation views indicated for internal use.
<i>Age-Dependent Index Series</i>	Two fields are available: <i>Age-Dependent Index Series</i> and <i>Index Series for Replacement Values</i> . The system uses the appropriate calculation method depending on which field is filled.
<i>Index Series for Replacement Value</i>	See the explanations under Age-Dependent Index Series.

Additional Parameters	
<i>Changeover Year</i>	If the selected depreciation method contains a changeover to another method during the useful life, this field is filled automatically. This is the year the changeover to the next depreciation method takes place.
<i>Valuation Check Settings</i>	Select 1 - Perform standard checks to prevent fixed assets with inconsistent or erroneous data. Alternatively, select 3 - No checks . This is normally used when you transfer legacy data manually, if the data of the fixed asset to be transferred does not fully match the automatic checks.

Valuation Intervals

<i>Valuation Intervals</i>	On the <i>Valuation Interval</i> tab page, you can define a new time interval with changed depreciation terms by clicking Add Row . You can control the following parameters: <ul style="list-style-type: none">• Useful Life Years/Periods• Depreciation Method• Shift-Dependent Depreciation (%)• Interest Method• Temporarily Out of Service• Salvage Value• Salvage Value as Percentage• Shifts Worked per Day
----------------------------	--

Individual Material

An **individual material** represents an individual part of a fixed asset.

<i>List of Individual Materials</i>	
<i>Status</i>	Each individual material is managed with a status, which describes the current condition of an individual material from an accounting perspective.
<i>Individual Material ID</i>	Each individual material is managed with a unique, system-wide ID.
<i>Individual Material Description</i>	In the procurement process provided by the system, the product description is transferred from the purchase order or invoice to the individual material description. If you create a fixed asset manually, the fixed asset description is transferred to the individual material description.
<i>Inventory ID</i>	For inventory purposes, a different inventory ID can be assigned to each individual material.
<i>Reference Material</i>	This contains the product ID from the purchase order or invoice if they were created with reference to a product.
<i>Product Category</i>	If the system created an individual material in the integrated procurement process, the corresponding product category is entered in this column.

<i>Details for Current Period</i>	
<i>Set of Books</i>	The system displays the current acquisition values of the selected individual material for the sets of books managed in accounting.
<i>Acquisition Costs</i>	See the explanations above under "Set of Books".

See Also

- [Automatic Account Determination \[page 82\]](#)
- [Legacy Asset and Subasset Account - Legacy Data \[page 390\]](#)
- [Fixed Asset Classes \[page 404\]](#)
- [Derivation of Profit Centers and Segments \[page 63\]](#)
- [Set of Books \[page 42\]](#)
- [Fixed Asset Valuation Views \[page 408\]](#)
- [Low-Value Assets \[page 449\]](#)
- [Depreciation Methods for Germany \[page 446\]](#)

[Depreciation Methods for the US \[page 446\]](#)
[Shift-Dependent Depreciation \[page 445\]](#)
[Automatic Fixed Asset Depreciation \[page 375\]](#)
[Replacement Values \[page 458\]](#)
[Changover Method \[page 443\]](#)
[Individual Materials \[page 393\]](#)

4.1.2.7 Fixed Assets Valuation View and Value Simulation

Overview

The **Values** tab for a fixed asset shows the following information:

- The book values
- Depreciation calculated automatically and posted using the depreciation run
- Journal entries for the individual fixed asset postings
- Detailed information on how the values were calculated

You can choose **Values** and then **Explain Values** to preview the exact calculation of all the depreciation values calculated automatically by the system for a specific valuation view.

i Values are simulated for a maximum of 50 years. If you use a year-specific fiscal year, only the simulated data of the fiscal years that have been created are displayed. For more information on fiscal years, see [Fiscal Year \[page 70\]](#).

Book Values

The value types and the corresponding **Opening Balance** and **Closing Balance** are displayed, along with the **Posted** values and the values **To Be Posted** for the selected fiscal year.

Depreciation Overview

Shows the depreciation calculated automatically and posted in the depreciation run. In addition, you can display special depreciation and interest calculated automatically as well as revaluation amounts. The depreciation calculated is distributed proportionally to the respective accounting periods for the valuation view relevant to posting. For all other valuation views, depreciation is considered on a yearly basis in the last period.

If the depreciation for a period has already been posted, a green traffic light is displayed in the Status column. If depreciation is first calculated automatically for a period and another depreciation amount needs to be posted, a yellow traffic light is displayed.

Journal

You can display the journal entry relating to an asset transaction for each valuation view.

The following information is displayed:

Column	Description
--------	-------------

Fiscal Year	Displays the fiscal year in which the transaction was made.
Posting Date	The posting date is used to update the journal entry in fixed asset accounting or the general ledger.
Journal Entry ID	The journal entry in the general ledger for the relevant valuation view. You can navigate to the journal entry.
Source Document ID	Depending on the business transaction, in this column you can view detailed information on the purchase order, goods receipt, and asset document, for example.
Source Document Type	Specifies the type of underlying business transaction, such as a goods and services receipt.
Amount and Currency	—
Transaction Category	The type of transaction, such as acquisition or revaluation.
Line Item Type	Additional information on the type of fixed asset transaction.
Business Transaction Type	Provides information about the underlying business transaction on which the fixed asset transaction is based, such as the supplier invoice.
Note	Any descriptions you have entered.

Details on Calculating Fixed Asset Depreciation

In the valuation view, you can see the entire depreciation calculation of a fixed asset and its development including interest and replacement calculations.

Select a valuation view and then click **Values**, then *Explain Values*. A PDF file is displayed showing how the values were calculated (for depreciation, special depreciation, interest, revaluations) for the entire planned useful life of the fixed asset. The data displayed is based on the depreciation terms currently selected for the fixed asset and provides a detailed calculation base for the selected valuation view.

4.1.2.8 Fixed Asset Classes

Overview

Fixed asset classes are the most important means used to structure fixed assets. They classify fixed assets and group them according to their business purpose, characteristics, and legal or tax requirements.

Furthermore, fixed asset classes play an important technical role in the system:

- The fixed asset class provides default values for the master data of corresponding fixed assets, and in doing so, functions as a sample master data record.
- The system assigns ID numbers to fixed assets based on the fixed asset class.
- In addition, the system uses the fixed asset class to derive the account determination group for the corresponding fixed assets.
- Derivation rules enable the system to derive the fixed asset class from the company and product category, which allows the creation of fixed assets in integrated procurement and invoicing processes.



It is no longer possible to get individual materials created automatically in Fixed Assets. To create a new individual material from a purchase order or a goods and service receipt, select **New Individual Materials** in the purchase order or the goods and services receipt. You can also assign an individual material in the purchase order or a goods and services receipt by selecting an account assignment to an individual material.

The system configuration contains predefined fixed asset classes for global use, which apply irrespective of any country-specific settings. The predefined asset classes can usually be adapted to your company's requirements prior to your system going live. This might include deactivating a fixed asset class, for example.

Predefined Fixed Asset Classes

The following fixed asset classes are provided in the standard system:

Class	Description
1000	Land and similar rights
1100	Buildings
1150	Leasehold improvement
1200	Outside facilities/Land improvements
13000	Software
14000	Concessions, licenses and similar rights
2000	Processing machines
2100	General factory equipment
21000	Freight vehicles, motor trucks
22000	Forklift, electric trolley, stacker lift
23000	Other vehicles
29000	Other fixed assets
3000	Fixtures and fittings
3100	Cars
3200	PC, printer, and similar equipment
3300	Telephone, copy machine, and similar equipment
3400	Office furniture
3500	Other furniture and office equipment
4000	Assets under construction

Aspects of Fixed Asset Classes

Default Values

You can define the following default values for fixed asset classes for **each valuation view** in the system configuration:

- Depreciation method
- Useful life (in fiscal years and periods)
- Proportion of variable depreciation (for work shift-dependent depreciation)
- Age or time-based index series for replacement value calculation
- Interest method

When you create a fixed asset, these values are defaulted to the master data fields. You can change the values manually if necessary.



The following applies when you create fixed assets manually: If no default values were defined for the depreciation method and useful life, you must enter these values manually in the master data record.

The following applies to the integrated procurement and invoicing process: It is not possible to create and post fixed assets automatically if the corresponding fixed asset class does not contain the default values for the depreciation method and useful life.

Number Ranges

Each fixed asset class has a standard number range. The number range defines the possible values of the fixed asset IDs in that class.

A number range has a two-digit prefix that defines the start of the range. Fixed asset IDs are twelve-digit numeric fields.

When an asset ID is assigned, leading zeros are always deleted automatically.

Example for prefix 00: All leading zeros (000000000934) are deleted. The ID of the fixed asset is 934.

Prefix 01: The leading zero is deleted. The ID of the fixed asset is 100000000934.



In the system configuration, each predefined fixed asset class is given the prefix 00. You can change this setting.

Account Determination Groups

The system uses the values defined in configuration to derive the account determination group for a fixed asset based on the fixed asset class.

For each transaction involving a fixed asset, the account determination group defines how the values for acquisition, retirement, depreciation, and so forth are posted to the relevant account in the general ledger.

To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view.

Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) activity from the activity list.



The predefined fixed asset classes are assigned to predefined account determination groups in the standard system. You change these assignments to meet your requirements.

Example: You want to transfer all balances and transactions for a German company to DATEV automatically. However, for at least some G/L accounts, DATEV requires a structuring which in the preconfigured system settings only exists at the asset class level.

You therefore need to adjust your chart of accounts, the account determination groups, account determination, and the fixed asset classes.

Proceed as in the following example, which uses fixed asset class 3100 (Cars) and chart of accounts SKR03:

1. In your chart of accounts, create all G/L accounts needed by DATEV: Accounts 32000 Cars, 032010 Adj. Cars, etc.
2. Make sure there is an account determination group corresponding to each asset account of class 0 that is to be carried in Fixed Assets: 0320 Cars.
3. In account determination for all account determination groups, specify G/L accounts for each business transaction.
4. Change the text of class 3100 to 3100 Cars and enter the new account determination group 0320.

Note: Check whether it is possible to set up the chart of accounts based on DATEV with the predefined fixed asset classes. You may have to create additional classes.

Asset Class Determination

To enable automatic creation of fixed assets in system-supported procurement and invoicing processes, a derivation rule must exist that defines how the asset class is determined based on the company and product category. To define the derivation rule, you have the following possibilities:

- **Business Configuration**

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

- **Common Tasks**

You can access the *Edit Asset Class Determination* activity from the *Fixed Assets* work center under *Common Tasks*.

For more information, see [Edit Asset Class Determination \[page 490\]](#).

Deactivating Fixed Assets Classes

If you no longer require a fixed asset class, you can deactivate it. Therefore, you have the following possibilities:

- **Business Configuration**

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

- **Common Tasks**

You can access the *Deactivate Asset Class* activity from the *Fixed Assets* work center under *Common Tasks*.

You deactivate fixed asset classes separately for each company.

For more information see [Deactivate a Fixed Asset Class \[page 489\]](#).

Fixed Asset Classes and Master Data

Note the following regarding fixed asset classes:

- If you create a fixed asset manually, you also need to enter the fixed asset class. The asset class cannot be derived automatically.
- You can change the assignment of a fixed asset class in the fixed asset master data. Changing the fixed asset class in the master data is only possible without posting if the same account determination group is assigned to both the old and the new fixed asset class. No journal entry is generated since the underlying G/L accounts were not changed. You make a transfer posting to a new fixed asset if a fixed asset class with another account determination group is to be assigned to the original fixed asset. A transfer posting is the only way to apply the change of fixed asset class to the schedule of fixed assets. Note that only transfer postings of fixed assets that were capitalized in one of the previous years are portrayed. Transfer postings of asset acquisitions of the current fiscal year are not shown in the schedule of fixed assets.

4.1.2.9 Fixed Asset Valuation Views

Overview

Each fixed asset controls the terms for the depreciation calculation (and the calculation of interest and replacement values, if necessary) as well as the asset values at the level of a valuation view.

By using multiple valuation views, you can perform different fixed asset valuations in parallel, based on local commercial or tax-based principles, or even international accounting principles (IFRS), for example. You can also define valuation views for statistical, cost-accounting, or insurance purposes.

Predefined valuation views are provided which are country-specific or configured according to specific accounting standards. In business configuration you can modify the predefined views or create new ones prior to going live.

Configuration of Valuation Views

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Assets Valuation View* activity from the activity list.

The following settings are defined for each valuation view:

- Value ranges for acquisition costs and net book value (only positive values permitted): The system checks against this rule for each posting.
- Calculation sequence for depreciation when using ordinary and special depreciation in one depreciation method (for example, ordinary depreciation is calculated before special depreciation.)
- Standard depreciation method for low-value assets This depreciation method is applied to the fixed asset instead of the method from the fixed asset class when the acquisition and production costs fall within the specified limits for low-value assets.
- Rounding rules for the base values **Depreciation** or **Net Book Value**, **Replacement Values**, and **Interest**.

Rounding Rules

The rounding rules provided are: **Always Round Up**, **Always Round Down**, **Arithmetic Rounding**, or **Rounding Deactivated**.



A fixed asset has acquisition and production costs of € 2,240, a useful life of 3 years, and uses depreciation method L010.

In configuration, **Depreciation** is defined as the rounding base and **Always Round Up** as the rounding rule.

Depreciation is calculated as follows: $2240/3 = 746,67$. Since the rounding base is **Depreciation** and the rounding rule is **Always Round Up**, the depreciation amount is € 747.

Valuation View and Accounting Principle

Each valuation view is assigned to an accounting principle valid for a particular country or for international accounting standards. This ensures that the specific valuation of fixed assets complies with legal regulations.

Valuation View and Set of Books

Each valuation view is also linked to a set of books. This link is established automatically when the accounting principle is assigned to a set of books (and the valuation view is also assigned to this accounting principle).

If a set of books has multiple valuation views, only one valuation view is relevant for postings made from the Fixed Assets subledger to the General Ledger. All the other valuation views are used only in fixed asset accounting and can be evaluated with reports.

i All valuation views are independent of each other, even if multiple valuation views are assigned to one set of books. A change of valuation parameters (such as useful life, depreciation method, depreciation start date, etc.) in one valuation view does not affect the same valuation parameters in other valuation views.

Default Values in the Fixed Asset Class

For each valuation view, you can define different parameters for a fixed asset to calculate depreciation.

You define default values for each valuation view in the fixed asset class. When you create a fixed asset, the default values are transferred to the master data of a fixed asset and can then be changed there, if necessary.

See Also

[Accounting Principle \[page 45\]](#)

[Set of Books \[page 42\]](#)

4.1.3 Manual Postings in Fixed Assets

4.1.3.1 Manual Postings in Fixed Assets

Overview

Manual postings in fixed assets allow you to make changes that cannot be applied in integrated processes or depreciation runs.

If you cannot or do not want to use the automatic calculation and posting functions in the depreciation methods provided, you can manually perform postings for:

- Specific fixed asset acquisitions
- Retirements without revenue
- Transfer postings
- Retroactive capitalization
- Revaluation
- Write-ups
- Write-downs
- Depreciation
- Special depreciation

Manual postings lead to an adjustment in value of an asset within the fixed assets area or, depending on the type of valuation view you are using, directly trigger an adjustment on the corresponding general ledger accounts.

These functions are available in the Fixed Assets work center in the Fixed Assets view with the [Manual Postings](#) function.

Acquisition Postings

Fixed asset acquisitions, that is, the posting of acquisition and production costs for obtaining fixed assets, are mapped in the system using either the procurement or invoice process. In some cases, it is necessary to post the acquisition and production costs for a fixed asset directly.

You post fixed asset acquisitions using the following manual postings:

- Acquisition
- Retroactive Capitalization

i The system always takes into account the acquisition and production costs in **all the valuation views** for a set of books To enter acquisition and production costs for multiple sets of books, you need to perform a separate manual posting for each set of books concerned.

Acquisition

In the case of an acquisition, you can post the acquisition and production costs for a fixed asset directly, without using the system procurement process. You can also reduce or adapt the costs.

For more information, see [Manual Posting — Acquisition \[page 413\]](#).

Retroactive Capitalization

Retroactive capitalization is the revaluation of a fixed asset for which the acquisition and production costs were set too low in the past (not to be confused with subsequent acquisition costs in the current fiscal year).

For more information, see [Manual Posting — Retroactive Capitalization \[page 423\]](#).

Retirement Postings

You remove a fixed asset or an individual material from your asset portfolio by means of an integrated sales posting or by scrapping.

You post asset retirements or sales revenue using the following manual postings:

- Individual Material Scrapping
- Complete Scrapping

i A retirement posting involves writing off in all sets of books (and valuation views) the accumulated acquisition and production costs, accumulated depreciation from previous years, and **proportional** depreciation in the current fiscal year, with regard to a fixed asset or individual material. Any remaining net book value or difference between the acquisition costs and the total depreciation at the time of retirement is posted by the system as expense.

Depreciation is calculated for the current fiscal year on the basis of the posting date of the asset scrapping and the period control defined in the selected depreciation method.

Individual Material Scrapping

You can use the Individual Material Scrapping function to remove from a fixed asset or subasset account an individual material that can **no longer** be used.

For more information, see [Manual Posting — Individual Material Scrapping \[page 415\]](#).

Complete Scrapping

You can use the *Complete Scrapping* function to remove from your asset portfolio one or more fixed assets that can no longer be used.

For more information, see [Manual Posting — Complete Scrapping \[page 416\]](#).

Transfer Postings

Transfer postings partially or completely transfer the acquisition and production costs of an individual material to a new or existing fixed asset.

i The system makes transfer postings at the level of the individual material. The individual material is used to determine the (proportional) acquisition and production costs and write-down of the fixed asset.

Complete Transfer of an Individual Material

You can use the **Complete Transfer of Individual Material** function to transfer the acquisition and production costs of an individual material **completely** to another fixed asset.

For more information, see [Manual Posting — Complete Transfer of Individual Material \[page 425\]](#).

Partial Transfer of an Individual Material

You can use the **Partial Transfer of Individual Material** function to transfer a **portion** of the acquisition and production costs of an individual material to another fixed asset.

For more information, see [Manual Posting — Partial Transfer of Individual Material \[page 427\]](#).

Valuation Postings

You can apply changes in value to fixed assets using the following manual postings:

- Revaluation of Acquisition and Production Costs
- Revaluation of Accumulated Depreciation
- Manual Depreciation
- Special Depreciation
- Write-Down
- Write-Up

i All of the manual postings mentioned are always posted for the valuation view selected. If you want to include depreciation, write-up, or revaluation postings in other valuation views, you need to perform the manual posting separately for these valuation views.

Revaluation

The revaluation function enables you to adjust the value of individual fixed assets to the fair market value, as can be achieved with local book valuation and international accounting principles

For more information, see [Manual Posting — Revaluation \[page 430\]](#).

Manual Depreciation

You can use the *Manual Depreciation* function to post depreciation on fixed assets.

The standard system calculates and posts depreciation automatically. However, you can also determine depreciation yourself by calculating the depreciation amount and posting it manually. To do this, you have to use a depreciation method that does not support the automatic calculation and posting of depreciation, for example 0900 Manual Depreciation or 0000 No Automatic Depreciation.

For more information, see [Manual Posting — Manual Depreciation. \[page 417\]](#)

Special Depreciation

You can post special depreciation on fixed assets with the Manual Depreciation function.

The system automatically calculates and posts special depreciation by default, based on the defined depreciation methods. However, you can also determine special depreciation independently and post it manually. To do this, you have to use a depreciation method that does not support the automatic calculation and posting of special depreciation, for example 0900 Manual Depreciation or 0000 No Automatic Depreciation.

For more information, see [Manual Posting — Special Depreciation \[page 420\]](#).

Write-Down

You can post write-down with the Manual Depreciation function. Write-downs are always calculated and posted manually.

For more information, see [Manual Posting – Write-Down. \[page 418\]](#)

Write-Up

You can use the write-up function to reverse any depreciation posted in a previous fiscal year.

For more information, see [Manual Posting — Write-Up. \[page 421\]](#)

Asset Accounting Document

The following entries are required for the document:

- The *Document Date* is the date on which the document is created or the original document date. It is used for information purposes only.
- For the *Posting Date*, the system proposes the current date. The posting date is used to determine the accounting period within the fiscal year.
- The system uses the predefined *Journal entry type* named **Manual Posting for Fixed Assets**. Journal entry types are used to classify journal entries into groups.
- You can use the proposed *Closing Step* or make another selection. Closing steps classify journal entries based on their role as operational entries or closing entries.

You can display a journal entry for a fixed asset under **Values** > **Journal**:

1. Select a set of books and a valuation view.
2. Under *Source Document ID*, you can display the asset accounting document.
3. For all the valuation views relevant for the general ledger, a journal entry is also created in the general ledger for the respective set of books. You can display the journal entry under *Journal Entry ID*.

i If you use multiple valuation views in one set of books, only one view is relevant for entries made in the general ledger. All the other valuation views are marked as internal. A journal entry is created only for the valuation view relevant for the general ledger.

If necessary, you can cancel a document in Fixed Assets:

1. In editing mode, choose **Values** and then **Journal**, and select a set of books and a valuation view.

2. The source document is displayed.
3. Click **Edit**.
4. Choose **Reverse**. The system proposes the date of the source document as the **Reversal Posting Date**. You can change this entry and add a **Text** and **Closing Step**.
5. **Save** your entries.

See Also

- [Journal Entries \[page 195\]](#)
[Journal Entry Vouchers \[page 216\]](#)
[Reversing Journal Entries \[page 202\]](#)
[Journal Entry Types and Number Ranges \[page 197\]](#)
[Closing Steps \[page 76\]](#)

4.1.3.2 Manual Posting — Acquisition

Overview

You can access the **Fixed Assets** view from the **Fixed Assets** work center under **Fixed Assets**. If you select a **Fixed Asset**, you can choose **Manual Postings** and then **Acquisition**. With an acquisition, you can post the acquisition and production costs directly to a fixed asset, without using the system procurement process. The capitalization of a fixed asset and its acquisition and production costs is a key process in fixed asset accounting. To map this business process, the system provides the following support:

- The acquisition costs are usually posted to a fixed asset using the complete procurement process  **Order**  **Goods Receipt**  **Invoice Verification**  or as part of the simplified process with the **Invoice Entry without Purchase Order Reference**.
- For fixed assets under construction, the costs are first collected for a project and then usually posted to a fixed asset under construction when the balance sheet is prepared. Upon completion, the fixed asset under construction is transferred to one or more fixed assets.
- You might need to post acquisition or production costs directly to the fixed asset.

Relevance

You may need to post acquisition and production costs to a fixed asset in the following cases:

- Costs that require capitalization were posted in error to an expense account in the current fiscal year. These acquisition costs now need to be posted to a fixed asset, and the expense account or the cost center need to be credited.
- A fixed asset acquired free of charge and is to be capitalized in your asset portfolio at an appropriate value.

You can also use this function to reduce acquisition and production costs, such as for a credit memo posting or the transfer of a reserve.

Depending on the underlying cause, you post a manual asset acquisition to a new or existing asset or subasset.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have defined how you want to enter the manual asset acquisition:
 - For a new asset or subasset account
 - For an existing asset or subasset account
- You have defined the required depreciation terms for the new asset or subasset account.
- You have determined the offsetting account in the General Ledger, and, if necessary, the cost center, profit center, or project task.
- You have determined the acquisition and production costs of the asset.

Posting Manual Acquisition

To post acquisition manually, proceed as follows:

1. Select the fixed asset or subasset account and choose [Manual Posting](#) and then *Acquisition*.
2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.
4. Check the specified *Individual Material ID* or select an individual material.
5. In *Relating To*, select the year in which the asset was acquired.
If the fixed asset was acquired in the current fiscal year, select *1 - Current Year*. If the fixed asset was acquired in a previous year, select *2 - Previous Years*.
6. Select whether you want to make a debit or credit posting. Enter the amount and check the currency.
7. Under *Offsetting*, enter the information for the offsetting posting in the general ledger: *Account Number* or if required *Cost Center, Profit Center, or Project Task*.
8. Click [Simulate](#) to display the document in the general ledger and preview it before the [Posting](#) is made.

Example

Capitalizable shipment costs of EUR 175 are mistakenly posted to the **Outgoing Freight** expense account. The incidental acquisition costs now need to be transferred to the fixed asset and the amount needs to be credited to the expense account and cost center originally charged.

The postings generated would be as follows:

	Debit	Credit
Other Assets, Furniture and Fixtures	175	
Outgoing Freight		175

See Also

[Posting Acquisition \(Account Determination\) \[page 124\]](#)

4.1.3.3 Manual Posting – Individual Material Scrapping

Overview

You can use this function to remove from a fixed asset or subasset an individual material that can no longer be used.

The individual material is retired from the company without revenue at the current net book value.

This function is available in the *Fixed Assets* work center

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the individual material to be removed from an asset or subasset account.
- You have defined the asset retirement date.

Posting the Scrapping of an Individual Material

1. In the *Fixed Assets* view, select the fixed asset or subasset and click **Manual Posting**, then *Individual Material Scrapping*.
2. Check the proposed document date, posting date, and closing step and change them if necessary.
3. Check the specified *Individual Material ID* or select an individual material.
4. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
5. Click **Post** the scrapping.

i If you scrap the last individual material assigned to a fixed asset, the system sets the status of the fixed asset to *Retired*. The asset is then no longer managed on the balance sheet.

Example

A second hard drive installed in a PC is defective and was therefore removed. The historical acquisition cost was EUR 675. At the time of retirement, the net book value was EUR 139.

The posting record generated for this example would be:

	Debit	Credit
Loss from Fixed Asset Retirement - Scrapping	139	
Adjustments to Other Assets, Furniture and Fixtures (accumulated depreciation from previous years)	493	
Adjustments to Other Assets, Furniture and Fixtures (proportional depreciation from current fiscal year)	43	
Other Assets, Furniture and Fixtures		675

See Also

[Posting the Scrapping of an Asset \(Account Determination\) \[page 144\]](#)

4.1.3.4 Manual Posting – Complete Scrapping

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

If you select a *Fixed Asset*, you can choose [Manual Postings](#) and then *Complete Scrapping*.

You can use this function to remove from your asset portfolio one or more fixed assets that can no longer be used.

The assets are retired from the company at the current net book value excluding revenue.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

- You have determined the asset(s) or subasset(s) to be scrapped.
- You have defined the asset retirement date.

Posting the Complete Scrapping of an Asset

1. In the *Fixed Assets* view, select one or more fixed assets or subassets and click [Manual Posting](#), then *Complete Scrapping*.
2. Check the proposed document date, posting date, and closing step and change them if necessary.
3. To specify an additional fixed asset or subasset, click [Add Row](#).
4. Click [Simulate](#) to see a simulation of the journal entry in the general ledger before posting.
5. Click [Post](#) the scrapping.

Example

You purchase new machinery for EUR 25,000. Three years later, the machinery needs to be removed from the asset account due to a fire. The net book value at this time is EUR 15,000.

The posting generated for this example would be:

	Debit	Credit
Loss from Fixed Asset Retirement - Scrapping	15.000	
Adjustments to Other Assets, Furniture and Fixtures (accumulated depreciation from previous years)	7.500	

Adjustments to Other Assets, Furniture and Fixtures (proportional depreciation from current fiscal year)	2.500	
Other Assets, Furniture and Fixtures		25.000

See Also

[Posting the Scrapping of an Asset \(Account Determination\) \[page 144\]](#)

4.1.3.5 Manual Posting – Manual Depreciation

Overview

The standard system calculates and posts depreciation automatically. If you want to determine depreciation yourself, calculate and post the depreciation amount manually to the corresponding G/L accounts.

This function is available in the [Fixed Assets](#) work center.

Relevance

This function can be applied to unit-of-production depreciation, such as depreciation by number of units or mileage driven, or depreciation for depletion.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the [Business Configuration](#) work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the amount of depreciation to be posted.
- To be able to post depreciation manually, you need to select a depreciation method that permits manual depreciation of an asset, such as the depreciation method 0900 *Manual Depreciation* or 0000 *no automatic depreciation*. In other words, you need a depreciation method that is not used for the automatic calculation and posting of depreciation.
To find this activity, go to the [Business Configuration](#) work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase and click [Add Optional Activities](#), then select the *Depreciation Methods* activity from the activity list.



In this case, it is not necessary to enter a useful life.

Posting Manual Depreciation

To manually post depreciation, proceed as follows:

1. Select the fixed asset and choose [Manual Posting](#) and then *Manual Depreciation*.

2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.
4. Specify the *Depreciation Type* **1- Depreciation**.
5. Choose the *Valuation View* that you want to use for posting depreciation manually.
6. Under *Relating To*, enter the year to which the posting refers. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. If a posting is made to a fixed asset that was capitalized in a previous year, choose **2 – Previous Years**.
7. You usually enter a manual depreciation amount on the *Credit* side of the fixed asset account or adjustment account.
You can adjust a manual depreciation amount that was entered too high in the current year with a *Debit* posting. Alternatively, you can cancel the document and re-enter the correct amount.
8. Enter the *Amount* you want to manually depreciate.
9. Click to display the document in the general ledger and preview it before the is made.

Example

The executive management decides to calculate the book depreciation of a commercial vehicle used for business purposes on the basis of its output. In accordance with the indirect method, the depreciation is posted to a separate liabilities balance sheet account for accumulated depreciation. The commercial vehicle is purchased on 10/02/07. The acquisition costs amount to EUR 100,000. The total expected output during the useful life of the asset is 200,000 kilometers. The depreciation amount for each kilometer driven is EUR 0,50. In 2007, 2008, and 2009, distances of 23,000, 36,000, and 29,000 kilometers were covered respectively. In 2009, the amount to be depreciated is EUR 14,500.

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Depreciation of Fixed Assets	14.500	
Adjustment for Other Assets, Furniture and Fixtures		14.500

See Also

[Posting Depreciation \(Account Determination\) \[page 147\]](#)

4.1.3.6 Manual Posting – Write-Down

Overview

You use this function to post a decrease in the value of fixed assets due to damage, technical obsolescence, shifts in demand, reduced replacement costs, or bad investments, as opposed to depreciation due to normal wear and tear.

This function is available in the *Fixed Assets* work center.

Relevance

There is an unexpected permanent reduction in the value of an asset that needs to be posted as both write-down and depreciation.

- i** If the write-down needs to be reversed, this is either done so in the same fiscal year by means of a reversal or debit posting, or in the following fiscal years by posting the write-up.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have calculated the amount of depreciation to be taken into account based on the (updated) acquisition and production costs or the book values and comparison values on the closing key date.

Posting Write-Down

To post write-down, proceed as follows:

1. Select the fixed asset and choose **Manual Posting** and then *Manual Depreciation*.
2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.
4. Specify the *Depreciation Type 3- Write-Down*.
5. Choose the *Valuation View* that you want to use for posting depreciation manually.
6. Under *Relating To*, enter the year to which the posting refers. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. If a posting is made to a fixed asset that was capitalized in a previous year, choose **2 – Previous Years**.
7. You usually enter a write-down amount on the *credit* side of the fixed asset account or adjustment account. You can adjust a write-down amount that was entered too high in the current year with a *debit* posting. Alternatively, you can cancel the document and re-enter the correct amount.
8. Enter the *Amount* of the manual write-down.
9. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.

Example

In 2006 a warehousing facility is purchased at a cost of EUR 12,000 with an expected useful life of ten years. In 2009 the warehouse is damaged, although its usability is not significantly affected. In addition to the depreciation amount of EUR 1,200, it is decided that half the acquisition costs should be written down. A write-down of EUR 1,400 is posted to a separate liabilities balance sheet account for accumulated depreciation, in accordance with the indirect method.

The posting record generated for this example would be:

	Debit	Credit
Write-Down of Fixed Assets	1.400	
Adjustments for Other Assets, Furniture and Fixtures		1.400

See Also

[Posting Write-Down \(Account Determination\) \[page 135\]](#)

4.1.3.7 Manual Posting – Special Depreciation

Overview

You can post special depreciation with this function.

In some countries, tax laws enable you to claim special tax depreciation for certain investments or measures.

Special tax depreciation is calculated and posted automatically based on the depreciation method. You can also specify special tax depreciation individually and post it manually.

This function is available in the [Fixed Assets](#) work center.



Notes on German Law

The German tax law currently differentiates between two types of tax depreciation:

1. Special depreciation that can be claimed in addition to regular depreciation
For special depreciation that can be claimed in Germany in addition to regular depreciation, the system provides corresponding depreciation methods for your tax valuation view.
For special depreciation for small and mid-size companies, choose the depreciation method **L020 – Special Depreciation VAT § 7g Income Tax Law 20 % + Depreciation**. In this case, you do not need to post special depreciation manually.
For periods after December 31, 2009, the German Accounting Law Modernization Act dictates that depreciation permitted for tax purposes can no longer be performed under commercial law. Such depreciation is only relevant for tax valuation. You can achieve this by specifying separately a valid depreciation method in the commercial and tax valuation views. If the depreciation methods are used differently under commercial law and tax law, this results in deviations in the depreciation amounts between the balance sheet based on commercial law and the balance sheet based on tax law. Depending on the sets of books or valuation views in use, the deviations are posted automatically or need to be included manually.
2. The transfer of hidden reserves to newly acquired assets
With the German Accounting Law Modernization Act and the abolishment of the "tax dictates financial accounting" principle, as of December 31, 2009, commercial law does not permit the recognition of liabilities for special items with reserve. Under tax law, the option for transferring hidden reserves is still available.
For more information, see [Transfer of Reserves. \[page 433\]](#)

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the amount of special depreciation for the relevant set of books and the valuation view affected.
- You have selected in the relevant valuation view for your fixed asset a depreciation method that does **not** calculate and post special depreciation automatically.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Assets Valuation View* activity from the activity list.

Posting Special Depreciation

To post special depreciation manually, proceed as follows:

- Select the fixed asset and choose [Manual Posting](#) and then *Manual Depreciation*.
- Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
- If necessary, change the proposed *Set of Books*.
- Specify the *Depreciation Type* **2- Special Depreciation**.
- Choose the *Valuation View* that you want to use for posting special depreciation manually.
- Under *Relating To*, enter the year to which the posting refers. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. If a posting is made to a fixed asset that was capitalized in a previous year, choose **2 – Previous Years**.
- You usually enter a manual special depreciation amount on the *credit* side of the fixed asset account or adjustment account.
You can adjust a manual special depreciation amount that was entered too high in the current year with a *debit* posting. Alternatively, you can cancel the document and re-enter the correct amount.
- Enter the amount that you want to use to perform special depreciation manually.
- Choose [Simulate](#) to display the document and preview it before the [Posting](#) is made.

See Also

[Posting Special Depreciation \(Account Determination\) \[page 150\]](#)

4.1.3.8 Manual Posting — Write-Up

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

If you select a *Fixed Asset*, you can choose [Manual Postings](#) and then *Write-Up*.

You can use this function to reverse any depreciation posted in a previous fiscal year.

Write-ups increase the book value of a fixed asset.

Relevance

The most common reason for write-up to be posted is the reversal in a fiscal year of write-down posted in previous years, since the reasons for the write-down no longer apply.

However, you can generally also enter manual write-up amounts for all other types of depreciation. Possible reasons for such write-up postings are as follows:

- The use of incorrect depreciation terms could have caused excessive depreciation in previous fiscal years. This depreciation needs to be adjusted with a write-up posting in the current fiscal year.
- In previous years, tax concessions or special depreciation may have been calculated. These should be reversed in the current fiscal year.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the basis of the write-up from a business perspective for the relevant set of books and the valuation view affected.
- You have calculated the write-down amount.

Posting Write-Up

To post write-up, proceed as follows:

1. Select the fixed asset and choose [Manual Posting](#) and then [Write-Up](#).
2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.
4. Select a *Depreciation Type*.
5. Choose the *Valuation View* that you want to use for posting write-up manually.
6. Enter the *Amount* you want to write up.
7. Click [Simulate](#) to display the document in the general ledger and preview it before the [Posting](#) is made.

Notes on Posting

You can post write-up to the following depreciation types:

- *Depreciation*: Write-ups on depreciation are posted if the depreciation amounts claimed in previous years were excessive. Check whether the applicable regulations on valuation permit you to make a write-up posting in this case. If this is not possible, you can reduce depreciation for the remaining useful life by adjusting the depreciation terms.
- *Special Depreciation*: Write-ups on special depreciation are usually posted if the special depreciation or concessions need to be reversed.
- *Write-Down*: Write-ups on write-down amounts from previous years are posted if the reasons for the write-down no longer apply in a later fiscal year and the write-down needs to be reversed.

The following terms apply when posting write-up:

- You can **not** enter a write-down and its reversal via a write-up on the same asset in the same fiscal year. In the current fiscal year, you adjust a write-down amount that was entered to high with a debit posting for the difference in amount or by reversing the document. You use a write-up posting to make an adjustment in the following fiscal years.
- The write-up amount must **not** exceed the original depreciation amount.

Example

On April 15, 2002, company premises are purchased for EUR 240,000. It was planned to develop an office building on this land at a later date. In 2005, the municipality disclosed that a new purification plant was to be built alongside the company premises. The value of the land decreased to EUR 150,000 resulting in a write-down of EUR 90,000 for the fiscal year 2005. In 2009, due to massive protests from the local population, it was disclosed that work would cease on the construction project. The market value of the land increased to EUR 270,000.

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Adjustments for Land	90.000	
Revenue from Write-Up for Fixed Assets		90.000

See Also

[Posting Write-Ups \(Account Determination\) \[page 132\]](#)

4.1.3.9 Manual Posting - Retroactive Capitalization

Overview

You use this function to revalue asset acquisition and production costs and adjust the corresponding G/L accounts. Retroactive capitalization is the revaluation of a fixed asset for which the acquisition and production costs were set too low in the past.

This function is available in the *Fixed Assets* work center.

i There is a difference between retroactive capitalization postings and subsequent acquisition costs in the current fiscal year that are to be entered as acquisitions for existing fixed assets. You can post subsequent acquisition costs to the fixed asset via a supplier invoice or by directly posting the acquisition and production costs.

Relevance

It might be necessary to capitalize acquisition and production costs retroactively for the following reasons:

- Incidental acquisition costs that needed to be capitalized were posted as expense.
- Production costs for fixed assets produced internally were set too low.
- An asset requiring capitalization was **not** capitalized.

The fiscal year in which these acquisition and production costs should have been capitalized is now closed. In the current fiscal year, you can post retroactive capitalization to account for this. This transaction is treated the same as a transaction that occurs at the start of the fiscal year.

Any accumulated depreciation that was **not** claimed in previous years is calculated and posted automatically based on the depreciation terms and initial capitalization date that you specified. The net amount of the retroactive capitalization is expensed.

Depending on the circumstances, you post retroactive capitalization as follows:

- If part of an asset was **not** capitalized, you make the posting to an existing fixed asset with the same depreciation start date.
- If you neglected to capitalize an asset completely, create a new asset and post to that.
- If you need to select an alternative depreciation start date, post to a new subasset.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have defined how you want to enter the retroactive capitalization:
 - For a new asset or subasset account
 - For an existing asset or subasset account
- You have defined the required depreciation terms for the new asset or subasset account.
- You have defined the amount by which the acquisition and production costs should be adjusted.
- You have determined the initial capitalization date.

Posting Retroactive Capitalization

1. In the *Fixed Assets* view, select the fixed asset or subasset and click **Manual Posting**, then *Retroactive Capitalization*.
2. Check the proposed document date and enter the posting date.
The posting date must be in the first fiscal year open for posting and in a posting period that is open for posting.
3. You can change the proposed closing step and set of books.
4. Check the specified individual material or select an individual material.
5. Enter the *Initial Capitalization Date*.
The initial capitalization date is the date on which the acquisition and production costs should have been capitalized. The initial capitalization date and the depreciation terms provide the basis for calculating the accumulated depreciation. This date must be in a fiscal year no longer open for posting. The initial capitalization date must not be before the capitalization date of the fixed asset. If your company uses a fiscal year variant for which each fiscal year is individually defined (such as the 4-4-5 calendar used in the US), ensure that you have defined all fiscal years prior to the initial capitalization date.
6. Enter the acquisition and production costs in the *Amount* field.
7. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
8. Click **Post** the retroactive capitalization

Example

A tax audit carried out on 20/12/09 discovers that building maintenance expenses of EUR 10,000 posted on 25/04/07, should have been capitalized as production costs. These production costs requiring capitalization are capitalized retroactively in 2009. The asset is depreciated using straight-line depreciation over ten years. Your accounting department wants to enter the document on 05/01/09. The fiscal year 2009 and the last posting period are still open. All the other previous periods and previous years have been closed.

The corresponding accumulated depreciation is calculated as follows:

2007	750 €
2008	1.000 €
Total	EUR 1,750 (Accumulated depreciation)

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Buildings	10.000	
Adjustments to buildings		1.750
Revenue from Retroactive Capitalization of Fixed Assets		8.250

For the posting example described above, you would enter the document date 05/01/2010, a posting date in December 2009, and the initial capitalization date 25/04/2007

See Also

[Posting Retroactive Capitalization \(Account Determination\) \[page 141\]](#)

4.1.3.10 Manual Posting - Complete Transfer of Individual Material

Overview

You can use this function to transfer an individual material completely from one fixed asset to another.

This function is available in the *Fixed Assets* work center.

Relevance

You might need to transfer an individual material from a fixed asset in the following situations:

- An individual material is physically assigned to a new fixed asset and needs to be tracked in the system.
- An individual material was wrongly assigned to a fixed asset and now needs to be transferred to another fixed asset.
- In the workaround [Assets Under Construction, \[page 373\]](#) this function is used to transfer completed assets under construction to fixed assets for capitalization.

Depending on the circumstances, you transfer individual materials to a new or existing asset or subasset account.

i If you change the cost center or profit center assigned to a fixed asset, the system automatically generates a transfer posting. The posting date corresponds to the start date of the new organizational assignment. Note that you cannot enter a posting with a date before the start date of the new organizational assignment.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the source fixed asset and its source individual material.
- You have determined the target asset to which the transfer should be made:
 - To a new asset or subasset account
 - To an existing asset or subasset account
- You have defined the required depreciation terms for the new asset or subasset account.

Posting the Complete Transfer of An Individual Material

1. In the *Fixed Assets* view, click **Manual Posting**, then *Complete Transfer of Individual Material*.
2. Check the proposed document date, posting date, and closing step and change them if necessary.
3. Check the specified source individual material number or select a source individual material.
4. Specify the fixed asset number and subasset number of the target fixed asset.
If the target fixed asset has a subasset number, the system adds this information automatically. For multiple subassets, you need to select the corresponding subasset number.
Alternatively, you can click **New** to create a new fixed asset.
5. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
6. **Post** the transfer.

Notes on Posting

The transfer of an individual material is mapped in your system as follows:

- All sets of books are affected by the transfer.
- Postings are generated based on the following criteria:
 - Individual materials acquired in previous years and transferred to a different fixed asset or individual material in the current fiscal year.
In this case, the system takes into account the (proportional) acquisition and production costs together with the (proportional) accumulated depreciation of the source and target asset over the previous years.
In addition, the system determines the (proportional) depreciation of the current fiscal year and posts this to the source and target fixed assets.

i If the transfer posting is made to a new fixed asset, the new asset obtains the capitalization date, depreciation start date, and the expired useful life of the source asset.

- Individual materials acquired in the current fiscal year and transferred to a different fixed asset or individual material in the current fiscal year.

In this case, the system takes into account the (proportional) acquisition and production costs together with the (proportional) scheduled depreciation of the source or target asset over the current fiscal year.

- The following applies to the transfer of an individual material:
 - During the transfer posting, the individual material is assigned to the target asset automatically.
 - You do not need to specify any values for the transfer posting because the system automatically determines the (proportional) acquisition or production costs and the depreciation of the transferred individual material.
 - When the last individual material assigned to an asset with the status *Acquired* has been written off, the system sets the asset status to *Retired*. The asset is then no longer included in the balance sheet.

Example

A PC monitor with acquisition and production costs of EUR 500, which is assigned to a PC as an individual material, is connected to a different PC. Accumulated depreciation at the end of the previous fiscal year is EUR 168. In the current fiscal year, depreciation of EUR 28 was incurred up to the transfer posting date.

The posting record generated by this business transaction would be:

	Debit	Credit
Debit Other Assets, Furniture and Fixtures (Target Fixed Asset)	500	
Credit Adjustments to Other Assets, Furniture and Fixtures (Target Fixed Asset) (Accumulated depreciation from previous years)		168
Credit Adjustments to Other Assets, Furniture and Fixtures (Target Fixed Asset) (Proportional expected depreciation in the current fiscal year)		28
Adjustments to Other Assets, Furniture and Fixtures (Source Fixed Asset) (Accumulated depreciation from previous years)	168	
Adjustments to Other Assets, Furniture and Fixtures (Source Fixed Asset) (Proportional expected depreciation in the current fiscal year)	28	
Credit Other Assets, Furniture and Fixtures (Source Fixed Asset)		500

See Also

- [Individual Materials \[page 393\]](#)
- [Transfer Postings \(Account Assignment\) \[page 127\]](#)
- [Manual Posting - Partial Transfer of Individual Material \[page 427\]](#)

4.1.3.11 Manual Posting - Partial Transfer of Individual Material

Overview

You can use this function to transfer part of an individual material from one fixed asset to another.

This function is available in the *Fixed Assets* work center.

Relevance

It may be necessary to transfer part of an individual material, which is assigned to a fixed asset, in the following situations:

- Part of an individual material is assigned to the individual material of a new fixed asset.
- An individual material that is assigned to one fixed asset and that contains multiple physical objects, subsequently needs to be split into multiple fixed assets and multiple individual materials.
- In the workaround [Assets Under Construction \[page 373\]](#), this function is used to transfer a completed asset under construction to multiple fixed assets for capitalization.

Depending on the circumstances, you make partial transfer postings from individual materials to a new fixed asset or subasset account. The system creates the corresponding individual material automatically or posts it to an existing individual material that is assigned to another fixed asset or subasset account.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the source fixed asset and the corresponding source individual material.
- You have determined the target asset or target individual material to which the partial transfer should be made:
 - To a new fixed asset/subasset account or a new individual material
 - To an existing fixed asset/subasset account or an existing individual material
- You have defined the required depreciation terms for the new asset or subasset account.
- You have determined the transfer amount.

Posting the Partial Transfer of An Individual Material

1. In the *Fixed Assets* view, select the fixed asset or subasset and click **Manual Posting**, then *Partial Transfer of Individual Material*.
2. Check the proposed document date, posting date, closing step, and set of books and change them if necessary.
3. Check the specified source individual material number or select a source individual material.
4. In *Relating To*, select the year to which the posting refers.
If the source individual material was capitalized in the current year, select *1 - Current Year*. If a posting is made from a source individual material that was capitalized in a previous year, select *2 – Previous Years*.
5. Click *Amount* and enter for the source individual material the acquisition or production costs to be transferred.
6. Specify the fixed asset number and subasset number of the target fixed asset. If the target fixed asset has a subasset number or has been assigned an individual material, this information is added automatically. For multiple subassets or individual materials, you need to select the corresponding subasset number or individual material number.
Alternatively, click **New** to create a new fixed asset. The corresponding individual material is created automatically.
7. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
8. Click **Post** the partial transfer.

Notes on Posting

- Partial transfers are always included in all valuation views of a set of books. To enter transfer postings for multiple sets of books, you need to perform the posting manually for each set of books.
- Postings are based on the following criteria:
 - Individual materials acquired in previous years are transferred in the current fiscal year to a different fixed asset or individual material.
In this case, the system takes into account the (proportional) acquisition and production costs together with the (proportional) accumulated depreciation of the source and target asset over the previous years. In addition, the system determines the (proportional) depreciation of the current fiscal year and posts this to the source and target fixed assets.

i If the transfer posting is made to a new fixed asset, the new asset obtains the capitalization date, depreciation start date, and the expired useful life of the source asset.

- Individual materials that are acquired in the current fiscal year and also transferred in the current fiscal year to a different fixed asset or individual material.
In this case, the system takes into account the (proportional) acquisition and production costs for a partial transfer, but not the proportional scheduled depreciation of the source or target asset over the current fiscal year.

i This partial transfer posting, relating to the determination of the calculation period, is treated as a new acquisition by the system. Depending on the period control of the selected depreciation method, the system takes the depreciation start date for the new fixed asset from the transfer posting date. Once the partial transfer has been made, you should then check the depreciation start date if the acquisition and transfer postings are in different posting periods. If you find that it is necessary to change this date, the depreciation calculations will not be affected.

Example

An asset under construction that was capitalized in previous years is entered in the system with an individual material. Upon completion in the current fiscal year, the asset needs to be transferred to multiple fixed assets, each with an individual material. One of the new fixed assets with production costs of EUR 12,300 is to be capitalized.

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Machinery and Equipment	12.300	
Assets Under Construction		12.300

See Also

[Individual Materials \[page 393\]](#)

[Transfer Postings \(Account Assignment\) \[page 127\]](#)

[Manual Posting - Complete Transfer of Individual Material \[page 425\]](#)

4.1.3.12 Manual Posting – Revaluation

Overview

This function enables you to adjust the value of individual fixed assets to the fair market value.

There are two procedures for determining the fair market value of a fixed asset:

- Automatic determination of replacement values based on index series
- Upward revaluation of individual fixed assets

You may need to reevaluate a fixed asset at fair value for the following reasons:

- Price changes in capital goods have affected the calculation basis.
- When you determine insurance values, the premium for the insurance policies is often based on the indexed acquisition values of the fixed assets.
- Companies intent on maintaining the value of their fixed assets can calculate the depreciation of (index-based) market values according to country-specific standards (in the UK, for example) and international accounting standards (such as IFRS).
- In some countries with high inflation rates, the market value is permitted as the basis for book depreciation.

To calculate replacement values and determine insurance values for fixed assets, you usually have the system automatically calculate replacement values using index series. For more information, see [Replacement Values \[page 458\]](#).

For valuation in accordance with local book valuation and international accounting principles, you usually manually determine the fair market value and use the function described here to post the difference to the valuation set in your accounting ledgers.



Revaluation is **not** permitted by the local commercial regulations in some countries, such as Germany.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the fair value of the fixed asset.
- You have specified the offsetting account in the General Ledger.

Posting Revaluation

To post the revaluation of an asset, proceed as follows:

1. Select the fixed asset and choose [Manual Posting](#) and then *Revaluation*.
2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.

4. Choose a *Valuation View* to use for the manual posting.
5. Specify what you want the revaluation to relate to:
 - The **acquisition cost** that is increased (or decreased) by the amount posted.
 - The **accumulated depreciation** that is increased (or decreased) by the amount posted.
6. Under *Relating To*, choose if the asset to be revalued was first capitalized in a previous year or in the current year.. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. Otherwise, choose **2 – Previous Years**.



This setting has no impact on the revaluation or depreciation calculation.

7. Specify whether you want to make a *Debit* posting or *Credit* posting to the fixed asset. Enter the *Amount* for revaluation.
8. Under *Offsetting*, enter the following information for the offsetting posting in the General Ledger if you post to the valuation view relevant for the General Ledger: Account number or if required *Cost Center, Profit Center, or Project Task*.
9. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.



The acquisition cost as well as the accumulated depreciation and adjustments for revaluation are displayed separately.

A revaluation posting only influences the calculated depreciation for depreciation methods in which depreciation is calculated from the net book value and the remaining useful life (for example, depreciation method L011 Straight-Line from Remaining Useful Life Net Book Value to 0 for Germany and IFRS. For Australia, depreciation method AU11 can be used).

It is strongly recommended to post the revaluation at the end of the fiscal year.

Example

A company values fixed assets with IFRS, in addition to the book valuation and tax-based valuation. In the IFRS valuation, the company chooses to reevaluate the company property in the current fiscal year. The land was acquired in 2002 at a cost of EUR 450,000. Due to a high increase in real estate prices, the current market value is EUR 510,000. The land should now be increased in value by EUR 60,000. The current local book valuation and tax-based valuation does not permit revaluation using the acquisition cost.

The posting record generated for this example would be:

	Debit	Credit
Land	60,000	
Revaluation Reserves		60,000

Example for Revaluation using the Gross Method (IFRS and Australia)

Using the gross method requires both the asset account and the accumulated depreciation account to be revalued, without any depreciation write-back. Two manual postings are required. For an asset with acquisition cost of \$100,000, accumulated depreciation of \$30,000, and a required 10% revaluation on the net book value, this method would post as per below:

Revalue Depreciation (Previous years or current year)

	Debit	Credit
Accumulated Depreciation		3000
Asset Revaluation Offset account	3000	

Revalue Asset (Previous years or current year)

	Debit	Credit
Asset — Buildings	10,000	
Asset Revaluation Offset account		10,000

The net effect of the gross revaluation is to increase the net book value of the asset by \$7000 or 10%.

Example for Revaluation using the Net Method (IFRS and Australia)

Using the net method requires the accumulated depreciation to be written back against the Acquisition Cost account. Three manual postings are required.

i You have to do these manual postings at the beginning of the fiscal year. The required revaluation postings can only be executed if the fiscal years affected by the revaluation are closed for operational postings.

For an asset with acquisition cost of \$100,000, accumulated depreciation of \$30,000, and a required 10% revaluation on the net book value, this method would post as per below:

1. Reduce Acquisition Cost to current Net Book Value 70,000

	Debit	Credit
Asset Revaluation Reserve	30,000	
Asset — Buildings		30,000

To do this, in the *Fixed Assets* work center, select the respective fixed asset and choose [Manual Posting](#) and then [Revaluation](#).

2. Write back Accumulated Depreciation to 0

	Debit	Credit
Accumulated Depreciation	30,000	
Asset Revaluation Reserve		30,000

To do this, in the *Fixed Assets* work center, select the respective fixed asset and choose [Manual Posting](#) and then [Revaluation](#).

3. Increase Acquisition Cost (current Net Book Value) by 10 percent (7,000)

	Debit	Credit
Assets — Buildings	7,000	
Asset Revaluation Offset account		7,000

To do this, in the *Fixed Assets* work center, select the respective fixed asset and choose [Manual Posting](#) and then [Acquisition](#). For more information, see [Manual Posting — Acquisition \[page 413\]](#).

The net effect of the net revaluation is to increase the net book value of the asset by \$7000 or 10%.

See Also

[Posting Revaluations \(Account Determination\) \[page 139\]](#)

4.1.3.13 Transfer of Reserves

Overview

Tax laws in some countries allow the option of creating reserves for particular business transactions, such as the sale of undervalued assets. In subsequent years these reserves can be deducted from the acquisition and production costs of fixed assets newly acquired or produced.

You can usually only declare tax on the transfer of reserves if you also do this for local book valuation. From a business perspective, book depreciation is calculated (with complete acquisition and production costs) and the transferred reserves are entered or cleared as special items on the liabilities side of the balance sheet. For book valuation, it is **not** possible to manage automatically tax-related transfers of reserves with special items. However, you can deduct the reserves directly from the acquisition and production costs.

i In accordance with the German Accounting Law Modernization Act (BilMoG), the transfer of reserves is not permitted under commercial law as of January 1, 2010. Instead, you can only declare a transfer of reserves for your tax valuation.

Origin and Transfer of Reserves

The origin and transfer of reserves, portrayed in posting records, is covered in the following steps:

1) Sale of a Fixed Asset (Origin of Hidden Reserves)

New Manual Invoice in the Customer Invoicing work center.	Debit	Credit
Trade Receivables	50	
Revenue from Asset Retirement (Profit)		50
Acquisition and Production Costs		100
Accumulated Depreciation	70	
Book Value at Retirement (Profit)	30	

2) Creation of a Reserve

Journal Entry Voucher in the General Ledger work center.	Debit	Credit
Reserves Setting	20	
Reserves		20

3) Transfer of Reserve to Newly Acquired Fixed Asset in Following Year

Manual Acquisition Posting in the Fixed Assets work center.	Debit	Credit
Transfer Reserve	20	
Acquisition and Production Costs		20

4) Clearing of Reserve

<i>Journal Entry Voucher</i> in the <i>General Ledger</i> work center.	Debit	Credit
Reserves	20	
Clear Reserve		20

Posting the Transfer of Reserves in Fixed Assets

Posting the transfer of reserves is based on the legal requirements in your country and the valuation views and sets of books that you are using.

- **You are using one set of books with two valuation views for your commercial and tax-based valuation.**
Since acquisition and production costs are always updated in all valuation views of a set of books, you need to use one of the following workarounds:
 - If the transfer of reserves is permitted under commercial and tax law (Tax Accounting Dictates Financial Accounting Principle), you can manually post *Acquisition* to reduce the acquisition and production costs of a fixed asset.
 - If the transfer of reserves is permitted only under tax law and not commercial law, you can make a manual *Revaluation* posting in the tax valuation view to reduce the acquisition and production costs by the value of the hidden reserve.
- **You are using two sets of books, each with one valuation view for your commercial and tax-based valuation.**
In the set of books and valuation view for tax law, deduct the value of the hidden reserve from the acquisition and production costs of the fixed asset. To do this, use the manual posting for *Acquisition*. From the point of view of commercial law, the unreduced acquisition and production costs remain on the corresponding asset account.

i With the introduction of the German Accounting Law Modernization Act and the abolishment of the "tax dictates financial accounting" principle, commercial law does not permit the recognition of liabilities for special items with reserve as of January 1, 2010.
This principle enabled you to exercise tax law options only under premise that the basis for valuations in the tax balance sheet were also applied in the commercial balance sheet. For tax law recognition of a reinvestment reserve in accordance with § 6b par. 3 EStG (transfer of hidden assets with divestment of certain capital assets) or a replacement reserve in accordance with R 6.6 EstR 2005 (transfer of hidden reserves with replacement acquisitions), a corresponding liability (special item with reserve) would therefore have to be created in the balance sheet based on commercial law. Abolishment of the principle means that creating a special item in the balance sheet based on commercial law is no longer permitted. Under tax law, this option is still available.

See Also

- [Manual Posting — Acquisition \[page 413\]](#)
- [Manual Posting – Revaluation \[page 430\]](#)
- [German Accounting Law Modernization Act \(BilMog\) in Fixed Assets \[page 384\]](#)

4.1.4 Periodic Tasks in Fixed Assets

4.1.4.1 Depreciation

4.1.4.1.1 Automatic Fixed Asset Depreciation

4.1.4.1.1.1 Period Control

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

If you edit a *Fixed Asset*, you can choose *Master Data* and then *Asset Valuation* and then *Current Valuation View Settings*.

The system displays a *Depreciation Method*.

The *Period Control* function is used by the system for each asset transaction to determine the (calculation) period from which the transaction is included in the calculation of automatic depreciation. The period control function also defines the general start of depreciation at the time of the first asset acquisition.

Process Flow

The following shows how the period is determined:

Number	Step
1	If you edit a <i>Fixed Asset</i> , you can choose <i>Master Data</i> and then <i>Asset Valuation</i> and then <i>Current Valuation View Settings</i> . The system displays a <i>Depreciation Method</i> .
2	Each depreciation method is assigned a <i>Period Control Method</i> .  You can see which period control method is assigned to which depreciation method under Depreciation Methods for Germany [page 446] and Depreciation Methods for the US [page 446] .
3	Each period control method contains its own period control key for each transaction, such as: <ul style="list-style-type: none">AcquisitionSubsequent acquisition in following yearsRetirementTransfer Posting  You can see a list of period control keys in Period Control Methods and Period Control Keys [page 438] .

4	<p>In the Period Control for Fixed Assets for the relevant fiscal year variant, you assign calendar periods in a year to posting periods (calculation periods for depreciation) for each period control key. Based on this assignment, the posting date of each transaction determines the calculation period from which the transaction is to be included in the depreciation calculation.</p> <p>i The general depreciation start date of the asset is the first calendar day of the depreciation calculation period determined for the first acquisition.</p>
5	<p>The system calculates the depreciation amount by grouping the individual asset transactions into calculation periods for period intervals. The number of period intervals in a fiscal year is generally derived from the calculation periods and their transactions plus the depreciation terms changed during the fiscal year. The system calculates depreciation on the basis of the period intervals (see example 2, below).</p>

Period Control for Fixed Assets

Fiscal years and posting periods are defined in the [Fiscal Year Variant](#) of a company. You also assign calendar dates to accounting periods for financial accounting here.

Same Fiscal Year Variant in Financial Accounting and Fixed Assets

Fixed asset accounting usually uses the same fiscal year variant as financial accounting. The depreciation or calculation periods in fixed asset accounting correspond in this case to the accounting periods in financial accounting.

In the [Period Control for Fixed Assets](#) for the selected fiscal year variant, the relevant calculation periods are now assigned for all period control keys.

Example:

Fiscal Year Variant 10: Fiscal year same as calendar year, 12 accounting periods

Period Control Keys	Posted To Date	Posted To Month	Fixed Asset Accounting Period (Calculation Period)
01 - Pro rata on period start date	31	01	1
01 - Pro rata on period start date	29	02	2
01 - Pro rata on period start date	31	03	3
etc..			

Different Fiscal Year Variants in Financial and Fixed Asset Accounting

In configuration for the set of books, you can specify a fiscal year variant for each valuation view in the settings for fixed asset accounting, which differs to the fiscal year variant used in financial accounting.

The number of calculation periods used for depreciation in fixed asset accounting can differ from the accounting periods affected in financial accounting.

In the [Period Control for Fixed Assets](#) for the selected fiscal year variant, the relevant calculation periods are now assigned for all period control keys.

Example

Fiscal Year Variant 50: Fiscal year, half-month calendar year, 24 fixed asset accounting periods

Period Control Keys	Posted To Date	Posted To Month	Fixed Asset Accounting Period (Calculation Period)
03 - Pro rata at mid-period	31	01	2
03 - Pro rata at mid-period	29	02	4
03 - Pro rata at mid-period	31	03	6
etc.			

Period Weighting for Fixed Assets

In the fiscal year variant, you can also define a separate **Period Weighting for Fixed Assets**. Annual depreciation is usually distributed equally to the individual periods of the fiscal year, meaning that the system calculates the same depreciation amount for each period.

However, for each fiscal year variant and fiscal year you can assign each period a relative weighting. This is usually only applied to the 4-4-5 calendar used in the U.S. A period is then assigned a depreciation amount based on how its weighting relates to the total asset weighting. This means that depreciation can be distributed according to the number of days or weeks in each period. The distribution affects both periodic depreciation postings and the determination of proportional value adjustments in the case of asset retirements and transfers.

Depreciation By Day

You can have depreciation calculated for exact days. The period control rules of the depreciation method then no longer apply over the entire life of the fixed assets concerned.

This setting is defined by selecting the **Depreciation Period to Exact Date** indicator in the configuration of the depreciation method, and is independent of the selected fiscal year. French depreciation methods, amongst others, apply this setting.

Example 1

The following example explains the relationship between period methods, period control keys, and fiscal year variants:

Valuation view: DE0001 – National GAAP

HGB (German Commercial Code) depreciation method: L010 – Straight-Line from Acquisition Value to 0

The depreciation method contains the period control method 003 (Acquisition: 01 - Pro rata at period start; Subsequent acquisition: 06 - At the start of the year; Retirement or Transfer: 02 - Pro rata up to mid-period at period start date).

Fiscal Year Variant: 10 (fiscal year same as calendar year, 12 accounting periods)

Transaction	Period Control	Posting Date	Accounting Period	Calculation Period
Acquisition	Pro rata at period start date	31.01	1	1
		14.06	6	6
		31.10.	10	10
Subsequent acquisition (in following year)	At the start of the year (current year)	31.01.	1	1
		14.06.	6	1
		31.10.	10	1

Retirement or Transfer	Pro rata up to mid-period at period start date	31.01.	1	2
		14.06.	6	6
		31.12.	12	1 in following year

Example 2

The following example explains how the period intervals are grouped.

The acquisition and production costs amount to 1,000 and the depreciation rate is 10%. Three transactions are posted in different periods.

The resulting period intervals are as follows:

Date	Transaction Type	Amount	Calculation Period	Period Interval
01.01.	Acquisition	1000	1	1 (covers periods 1 to 6)
01.07.	Partial Retirement	-400	7	2 (covers periods 7 to 9)
01.10.	Acquisition	200	10	3 (covers periods 10 to 12)

Based on the period intervals, depreciation is calculated as follows:

Period Interval	Base Amount for Depreciation Calculation	Calculation	Depreciation per Period Interval
1	1000	$1,000 \times 10\% \times (6/12)$	50
2	600 (= 1000 - 400)	$600 \times 10\% \times (3/12)$	15
3	800 (= 600 + 200)	$800 \times 10\% \times (3/12)$	20

4.1.4.1.1.2 Period Control Methods and Keys

Overview

For each period control method, the tables below indicate the period control key for each transaction type and the depreciation keys that use that period control method.

Period Control Key Descriptions

Period Control Key	Period Control Key Description
01	Pro rata at period start date
02	Pro rata up to mid-period at period start
03	Pro rata at mid-period
04	First year convention at half year start
05	Year start date/Mid-year/Year-end(AT)
06	At the start of the year
07	At mid-year
08	At the end of the year
09	At mid-quarter

Period Control Methods

- i** Promotion of Investment, Transfer Reserve, and Down Payment are currently not supported by the system for any period control method.
- i** Retroactive capitalization postings are in principle treated from a depreciation calculation point of view as if they had been posted on the first day of the fiscal year.

Period Control Method 001: 01/01/02/02 Pro Rata at Period Start Date / Pro Rata up to Mid-Period at Period Start

Period Control Method	Period Control Key	Transaction
001	01	Acquisition
001	01	Subsequent Acquisition
001	02	Retirement
001	02	Transfer
001	01	Revaluation
001	01	Promotion of Investment
001	01	Extraordinary Depreciation
001	06	Write up
001	01	Manual Ordinary Depreciation
001	01	Manual Special Depreciation
001	01	Transfer Reserve
001	01	Down Payment

Used by depreciation key 000.

Period Control Method 003: 01/06/02/02 Pro Rata at Period Start Date / At the Start of the Year / Pro Rata up to Mid-Period at Period Start

Period Control Method	Period Control Key	Transaction
003	01	Acquisition
003	06	Subsequent Acquisition
003	02	Retirement
003	02	Transfer
003	01	Revaluation
003	01	Promotion of Investment
003	01	Extraordinary Depreciation
003	06	Write up
003	01	Manual Ordinary Depreciation
003	01	Manual Special Depreciation
003	01	Transfer Reserve

003	01	Down Payment
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Used by depreciation keys: 0100, ML20, D020, ML25, D025, ML30, D030, ML40, L010, L011, L020, MD10, MD35, MD40, MD50, and MD70.

Period Control Method 004: 06/06/02/02 At the Start of the Year / Pro Rata up to Mid-Period at Period Start

Period Control Method	Period Control Key	Transaction
004	06	Acquisition
004	06	Subsequent Acquisition
004	02	Retirement
004	02	Transfer
004	06	Revaluation
004	06	Promotion of Investment
004	01	Extraordinary Depreciation
004	06	Write up
004	01	Manual Ordinary Depreciation
004	01	Manual Special Depreciation
004	06	Transfer Reserve
004	06	Down Payment

Used by depreciation keys: 0900, L020 (Special Depreciation), MD35 (Special Depreciation), MD40 (Special Depreciation), MD10 (Special Depreciation), MD50 (Special Depreciation), and MD70 (Special Depreciation).

Period Control Method 011: 07/07/07/07 At Mid-Year

Period Control Method	Period Control Key	Transaction
011	07	Acquisition
011	07	Subsequent Acquisition
011	07	Retirement
011	07	Transfer
011	07	Revaluation
011	07	Promotion of Investment
011	01	Extraordinary Depreciation
011	06	Write up
011	01	Manual Ordinary Depreciation
011	01	Manual Special Depreciation
011	07	Transfer Reserve
011	07	Down Payment

Used by depreciation keys: D200, D20S, D25S, DCAR, DNA0, DNAS, L030, and L040.

Period Control Method 007: 04/06/02/02 First Year Convention at Half Year Start / At the Start of the Year / Pro Rata up to Mid-Period at Period Start

Period Control Method	Period Control Key	Transaction
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007	04	Acquisition
007	06	Subsequent Acquisition
007	02	Retirement
007	02	Transfer
007	04	Revaluation
007	04	Promotion of Investment
007	01	Extraordinary Depreciation
007	06	Write up
007	01	Manual Ordinary Depreciation
007	01	Manual Special Depreciation
007	04	Transfer Reserve
007	04	Down Payment

Used by depreciation keys: L012 and L200.

Period Control Method 006: 03/03/03/03 Pro Rata at Mid-Period

Period Control Method	Period Control Key	Transaction
006	03	Acquisition
006	03	Subsequent Acquisition
006	03	Retirement
006	03	Transfer
006	03	Revaluation
006	03	Promotion of Investment
006	01	Extraordinary Depreciation
006	06	Write up
006	01	Manual Ordinary Depreciation
006	01	Manual Special Depreciation
006	03	Transfer Reserve
006	03	Down Payment

Used by depreciation keys: L031, L041, LNA1, and LNAS.

Period Control Method 005: 09/09/09/09 At Mid-Quarter

Period Control Method	Period Control Key	Transaction
005	09	Acquisition
005	09	Subsequent Acquisition
005	09	Retirement
005	09	Transfer
005	09	Revaluation
005	09	Promotion of Investment
005	01	Extraordinary Depreciation

005	06	Write up
005	01	Manual Ordinary Depreciation
005	01	Manual Special Depreciation
005	09	Transfer Reserve
005	09	Down Payment

Used by depreciation keys: LA2S and LNA2.

Period Control Method 009: 06/06/06/06 At the Start of the Year

Period Control Method	Period Control Key	Transaction
009	06	Acquisition
009	06	Subsequent Acquisition
009	06	Retirement
009	06	Transfer
009	06	Revaluation
009	06	Promotion of Investment
009	01	Extraordinary Depreciation
009	06	Write up
009	01	Manual Ordinary Depreciation
009	01	Manual Special Depreciation
009	06	Transfer Reserve
009	06	Down Payment

Used by depreciation keys: LA2S (Special Depreciation), LNAS (Special Depreciation), and LSTS (Special Depreciation).

Period Control Method 010: 03/03/03/06 Pro Rata at Mid-Period / At the Start of the Year

Period Control Method	Period Control Key	Transaction
010	03	Acquisition
010	03	Subsequent Acquisition
010	03	Retirement
010	06	Transfer
010	03	Revaluation
010	03	Promotion of Investment
010	01	Extraordinary Depreciation
010	06	Write up
010	01	Manual Ordinary Depreciation
010	01	Manual Special Depreciation
010	03	Transfer Reserve
010	03	Down Payment

Used by depreciation keys: LSTL and LSTS.

4.1.4.1.1.3 Changeover Method

Overview

Certain depreciation methods, due to their mathematical basis, require that you switch to alternative calculation methods to ensure the complete depreciation of a fixed asset during its useful life. An example of this is the declining balance method of depreciation, which, from a mathematical standpoint, can never be depreciated to a book value of zero. Therefore, a number of depreciation methods available in the system incorporate the use of changeover methods.

A changeover method specifies when and how the system should switch from one depreciation method to another.

The following changeover methods are available:

Changeover Method	Rule
1	Changeover is made once the straight-line depreciation is higher (for Germany)
5	Changeover takes place at the end of the planned useful life

To represent such complex depreciation methods in the system, the depreciation period is divided into different phases. Once the event defined in the changeover method has occurred, the system switches to the next phase and uses the calculation method stored there to calculate depreciation.

Depreciation methods can entail a changeover to another method either during or after the planned useful life.

Changeover During the Planned Useful Life

The changeover during the planned useful life is logged based on the changeover year in the master data record of a fixed asset. A changeover year that has been set once is not reset again automatically if it is in an open fiscal year or in the past.

A changeover during the planned useful life is always based on the fiscal year. The changeover criteria are checked in relation to depreciation for the entire year. Depreciation is then calculated for the entire fiscal year, using either the original method or the new method.

Example: Declining balance depreciation method D020 for Germany:

A fixed asset is depreciated according to the declining balance method of 20%. If the calculated depreciation amount when applying the declining balance depreciation method is smaller than when applying the straight-line depreciation method, the declining balance method changes over to the straight-line depreciation method. From then on, the same amount is depreciated each year to a book value of zero. For the depreciation calculation, the net book value at the start of the fiscal year is used as the reference value. This ensures that the fixed asset is depreciated completely at the end of the useful life.

A fixed asset with a useful life of seven years and acquisition costs of EUR 6,000 is to be depreciated according to the declining balance method (20%) over the first three years, and then according to the straight-line method in the last four years of the useful life.

Year	Book Value on 01/01.	Depreciation Rate (Percent)	Annual Depreciation (Amount)	Book Value on 31/12.	Depreciation Method
1	6000	20	1200	4800	Declining balance
2	4800	20	960	3840	Declining balance

Year	Book Value on 01/01.	Depreciation Rate (Percent)	Annual Depreciation (Amount)	Book Value on 31/12.	Depreciation Method
3	3840	20	768	3072	Declining balance
4	3072	25	768	2304	Straight-line
5	2304	25	768	1536	Straight-line
6	1536	25	768	768	Straight-line
7	768	25	768	0	Straight-line

Changeover After the Planned Useful Life

In addition to a changeover during the planned useful life, the system also enables a changeover at the end of the planned useful life.

This changeover applies to a particular period. Unlike the changeover during the useful life, the changeover at the end of the useful life is **not** logged. In general, the change in method is only applied when postings (such as retroactive acquisition postings) are made to an asset at the end of the planned useful life.

Depreciation Methods and Changeover Methods

The following depreciation methods use the changeover methods described above:

Depreciation Methods	Changeover During Planned Useful Life (Changeover Method 1)
For Germany	D020, D025, D030.
For United States	D200, D20S, D25S, DNA0, DNAS.

Depreciation Methods	Changeover At End of Useful Life (Changeover Method 5)
For Germany	D020, D025, D030. L011, L020, MD10, MD35, MD40, MD50, MD70.
For United States	D200, D20S, D25S, DNA0, DNAS. L011, L012.

See Also

[Depreciation Methods – Germany \[page 446\]](#)

[Depreciation Methods – US \[page 446\]](#)

4.1.4.1.1.4 Multi-Level Method

Overview

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view.

Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase and click

Add Optional Activities, then select the *Depreciation Methods* activity from the activity list.

A multi-level method can be applied to complex depreciation methods to enable the total percentage rate for the depreciation to be broken down into multiple levels with different percentage rates and validity periods. Each level

contains a specific percentage rate for a specific period. Once the period of validity has expired, this percentage rate is replaced by a subsequent level with a new percentage rate and a new period.

- i** The country version that you are using determines for which depreciation methods multi-level methods are provided.

The following example shows a possible situation for four and five levels:

Depreciation Method	Depreciation Percentage Rates for Multi-Level Method	Levels (Validity Periods)
Buildings with useful life of 50 years and declining balance depreciation	5 % 2.5 % 1.25 % 1.25 %	8 years 6 years 36 years > 50 years
Buildings with useful life of 40 years and declining balance depreciation	7 % 5 % 2 % 1.25 % 1.25 %	4 years 6 years 6 years 24 years > 40 years

(Note: The values specified here may differ from the values displayed in the actual system.)

4.1.4.1.1.5 Shift-Dependent Depreciation

Overview

Fixed assets used in multiple-shift operation are usually depreciated at a higher rate to account for their greater decrease in value.

For these fixed assets, you can specify in the master data and for a specific point in time, if required, the variable portion of depreciation (shift-dependent depreciation in percent) and the corresponding shifts worked per day.

Features

The system calculates the total depreciation of a fixed asset as follows:

Total Amount of Depreciation = Amount of Fixed Depreciation + (shifts worked per day x variable depreciation)

The following example shows calculation for a fixed asset with a variable depreciation portion of 60%. Annual depreciation without shift-dependent depreciation and without shifts worked per day would be 1,000.

Shifts Worked per Day	Calculation	Total Depreciation
0	$400 + (0 \times 0.60 \times 1,000)$	400 (only fixed portion)
1	$400 + (1 \times 0.60 \times 1,000)$	1000
2	$400 + (2 \times 0.60 \times 1,000)$	1600
3	$400 + (3 \times 0.60 \times 1,000)$	2200



- In the configuration of the *Fixed Asset Classes*, you can define a standard value for the variable portion of depreciation for each valuation view. To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.
- All automatic depreciation methods for Germany use the entries made for shift-dependent depreciation, with the exception of the depreciation method L200 - straight-line 20% LVA depreciation (tax DE).
- Shift-dependent depreciation increases the expired useful life of the fixed asset as well as depreciation, depending on the selected depreciation method. At present, all the automatic depreciation methods provided in the system for Germany apply shift-dependent depreciation in this way, with the exception of the method shown above.

Process Flow

To define shift-dependent depreciation for a fixed asset, proceed as follows:

1. Switch to the Edit mode of the fixed asset and choose [Master Data](#) and then [Asset Valuation](#) and then [Current Valuation View Settings](#).
2. Enter the variable portion of depreciation under *Shift-Dependent Depreciation (Percent)*, and the number of shifts under *Shifts Worked per Day*.

4.1.4.1.2 Depreciation Methods

4.1.4.1.2.1 Depreciation Methods



This document contains text that is relevant for Austria and Germany. To ensure that the system displays the correct text, select . Select [Onscreen Help](#) and, under *Country*, choose the relevant country. Save your settings and logout to ensure these changes are made.

4.1.4.1.2.2 Depreciation Methods - USA

Overview

The system delivers predefined depreciation keys for the US. These keys allow you to depreciate your fixed assets in accordance with financial accounting standards (GAAP) and for tax purposes.

Depreciation keys can be assigned by default to asset classes per valuation view. You can review and adapt the predefined depreciation methods and maintain some calculation parameters in the *Business Configuration*.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase and click [Add Optional Activities](#), then select the *Depreciation Methods* activity from the activity list.

This table displays the depreciation keys provided for the US.

Depreciation Key ID	Description	Comment	Period Control Method (See Period Control Methods and Keys [page 438])
0000	No depreciation	No depreciation is calculated. This key is mainly used for assets under construction.	001
0100	LVA 100 % Complete expense	Complete expense of low-value assets in the year of acquisition.	003
D200	MACRS 3,5,7,10 year property	MACRS, 200% declining balance depreciation for 3,5,7, and 10 year property lives	011
D20S	MACRS 3,5,7,10 year property w/special depr	MACRS, 200% declining balance depreciation for 3,5,7, and 10 year property with additional special deduction. In year 1 special depreciation of acquisition cost \times 30% is applied in addition to ordinary depreciation. In subsequent years only ordinary depreciation is applied.	011
D25S	MACRS 3,5,7,10 year property w/50% special depr.	In year 1, special depreciation of acquisition cost \times 50% is applied in addition to ordinary depreciation. In subsequent years only ordinary depreciation is applied.	011
DCAR	MACRS Luxury Auto	MACRS for Luxury Auto	011
DNA0	Alt Min Tax, 150% DB	AMT depreciation for 3, 5, 7, and 10 property using 150% declining balance	011
DNAS	Alt Min Tax, 150% DB w/ special depr	AMT depreciation for 3, 5, 7, and 10 property using 150% declining balance with additional special deduction. In year 1 special depreciation of acquisition cost \times 30% is applied in addition to ordinary depreciation. In subsequent years only ordinary depreciation is applied.	011
L010	Str.-line from acq.value to 0	Straight-line depreciation using acquisition cost as calculation base and pro rata to determine the start date of the depreciation. A fixed asset acquired on January 14, 2008 has a depreciation start date of January 1, 2008. Additional acquisitions result in an extension of the fixed asset's useful life. See Example 3 in the Examples section.	003
L011	Str.-line from rem.life nbv to 0	Straight-line depreciation using net book value and remaining useful life as calculation base and pro rata to determine the start date of the depreciation. For example, a fixed asset acquired on January 14, 2008 has a depreciation start date of January 1, 2008. Additional acquisitions do not result in an extension of the fixed asset's useful life but do increase the depreciation rate. See Example 4 in the Examples section.	003
L012	S/L over rem. Use. Life 1st yr. conv. to 0	Straight-line depreciation over remaining useful life. With 1st year convention, the depreciation start date for postings in the first half of the year is set to the beginning of the year; the depreciation start date for postings in the second half of the year is set to the middle of the year.	007

Depreciation Key ID	Description	Comment	Period Control Method (See Period Control Methods and Keys [page 438])
L030	E&P S/L - Half Year - All lives	Earnings & Profits, straight line depreciation with half-year convention for all property lives	011
L031	E&P S/L - Mid Month - All lives	Earnings & Profits, straight line depreciation with mid-month convention for all property lives	006
L040	ACE, S/L Half Year - All Lives	ACE, straight line depreciation with half-year convention for all property lives	011
L041	ACE, S/L Mid Month - All Lives	ACE, straight line depreciation with mid-month convention for all property lives	006
LA2S	Alt Min Tax, S/L under 40 years special	AMT depreciation using straight-line depreciation for property with less than a 40-year life and with additional special deduction. In year 1, special depreciation of acquisition cost \times 30% is applied in addition to ordinary depreciation. In subsequent years only ordinary depreciation is applied.	005 009 (Special Depreciation)
LNA1	Alt Min Tax, Straight Line – 40 years	AMT depreciation using straight-line depreciation for property with 40-year life	006
LNA2	Alt Min Tax, S/L- All lives except 40 Year	AMT depreciation using straight-line depreciation for all property lives except 40 years	005
LNAS	Alt Min Tax, S/L - 40 yrs special depr	AMT depreciation using straight-line depreciation for property with 40-year life and with additional special deduction. In year 1, special depreciation of acquisition cost \times 30% is applied in addition to ordinary depreciation. In subsequent years only ordinary depreciation is applied.	006 009 (Special Depreciation)
LSTL	MACRS 27.5, 31.5 years property	MACRS, straight-line depreciation for 27.5 and 31.5 year property	010
LSTS	MACRS 27.5, 31.5 years property w/special depr	MACRS, straight-line depreciation for 27.5 and 31.5 year property with additional special deduction. In year 1, special depreciation of acquisition cost \times 30% is applied in addition to ordinary depreciation. In subsequent years only ordinary depreciation is applied.	010 009 (Special Depreciation)

Examples

Example 1

L010 Str.-line from acq.value to 0

This table demonstrates how a fixed asset that is purchased for EUR 1,000 and has an additional acquisition of EUR 400 during Year 2 is depreciated using depreciation key L010.

Year	Book Value 01.01	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Additional Acquisition	Book Value 31.12
1	EUR 1,000	20%	EUR 200	EUR 200		EUR 800
2	EUR 1,200	20%	EUR 240	EUR 440	EUR 400	EUR 960
3	EUR 960	20%	EUR 240	EUR 680		EUR 720
4	EUR 720	20%	EUR 240	EUR 920		EUR 480
5	EUR 480	20%	EUR 240	EUR 1,160		EUR 240
6	EUR 240	20%	EUR 240	EUR 1,400		EUR 0

Example 2

L011 Str.-line from rem.life nbv to 0

This table demonstrates how a fixed asset that is purchased for EUR 1,000 and has an additional acquisition of EUR 400 during Year 2 is depreciated using depreciation key L011.

Year	Book Value 01.01	Depreciation Rate	Depreciation Expense	Accumulated Depreciation	Additional Acquisition	Book Value 31.12
1	EUR 1,000	20%	EUR 200	EUR 200		EUR 800
2	EUR 1,200	25%	EUR 300	EUR 500	EUR 400	EUR 900
3	EUR 900	33.33..%	EUR 300	EUR 800		EUR 600
4	EUR 600	50%	EUR 300	EUR 1,100		EUR 300
5	EUR 300	100%	EUR 300	EUR 1,400		EUR 0

4.1.4.1.3 Low-Value Assets

4.1.4.1.3.1 Low-Value Assets

Overview

Low-value assets (LVA) are generally assets that have acquisition and production costs within specific value limits. These value limits are set by law, international accounting standards, or internal company regulations. The regulations define how LVA can and must be treated in accounting.

Relevance

In many countries, tax laws allow the full amount of the acquisition or production costs of LVAs either to be posted as expense in the year in which the acquisition was made or to be capitalized and depreciated over the planned useful life.

Following the inversed principle of equality of treatment in the tax and commercial balance sheet, opting to handle acquisition or production costs in this way is generally binding for the commercial valuation base as well.

When specific prerequisites are fulfilled, LVA generally do not have to be included in the asset account or only included in a special form.

i A new ruling on LVA for Germany came into force on 01/01/10. For more information, see [Low-Value Assets for Germany \[page 452\]](#).

Prerequisites

Before you are able to enter LVAs correctly in the system, you need to make the following settings in configuration: To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Capitalization Threshold for Fixed Assets](#) activity from the activity list.

- The [Threshold Value for Fixed Assets](#) is set at the level of the [accounting principle](#).

i The threshold values you set at the level of the accounting principle are valid for one tenant. If an accounting principle allows different valuations, then the decision made is valid for all of the companies that use this accounting principle in a set of books.

 - Fixed assets with acquisition costs below the minimum amount for low-value assets are not capitalized. These acquisition costs are posted automatically to expense when acquisition is posted using the standard procurement process.
 - Fixed assets with acquisition costs within the value limits are capitalized in fixed asset accounting, indicated as LVAs, and usually depreciated completely in the year of their acquisition, based on the depreciation method defined.
 - All fixed assets with acquisition costs above the [Maximum Amount](#) for LVAs are capitalized as assets and depreciated over the planned useful life.
- The standard depreciation method for low-value assets is defined in each [Fixed Assets Valuation View](#). To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Fixed Assets Valuation View](#) activity from the activity list. When a LVA is created automatically, the depreciation method specified at valuation view level is transferred to the master data as opposed to the depreciation method of the fixed asset class.

Process Flow

Any fixed assets with acquisition costs within the defined value limits are managed as LVAs in the existing fixed asset classes, and, compared to other fixed assets, have the following special features in their master data and process flows:

Master Data

If you edit a Fixed Asset, the system displays the LVAs that are designated in the master data with a special indicator: [Low-Value Asset](#).

When the first acquisition posting is made, the system automatically sets this indicator if the above-mentioned configuration settings have been made and the amount of the acquisition posting falls within the specified value limits.

The complete depreciation of LVA is guaranteed by [Depreciation Method](#) 0100 for LVA that is specified in the configuration. If the above-mentioned prerequisites are met when the first acquisition posting is made for an asset, the system automatically transfers to the relevant valuation view of that asset the depreciation method and the settings for the depreciation start made in this method. In addition, when using this depreciation method, the system sets the useful life of the fixed asset automatically to one year.

i Subassets are not managed in the system as low-value assets. They are excluded from the automatic treatment of low-value assets.

Acquisition

Within the process chain purchase order – goods receipt – invoice receipt or when an invoice is entered manually without a purchase order reference, the system automatically creates an LVA when the acquisition and production costs fall within the specified amount intervals and the corresponding settings have been made in the configuration.

If the acquisition and production costs of an LVA are increased by a subsequent acquisition posting and thereby cause the LVA limits specified in the configuration to be exceeded, the system does not automatically correct the fixed asset master data. You therefore have to manually deselect the LVA indicator and adjust the depreciation method, useful life, and, where necessary, the depreciation start date.

If the acquisition and production costs of an LVA are decreased by subsequent cash discount or credit memo postings and thereby cause the LVA upper limit specified in the configuration to no longer be exceeded, the system automatically sets the LVA indicator. In such cases, however, you need to adjust the depreciation method, useful life, and, where necessary, the depreciation start date in the master data.

i You can make settings in the configuration so that the system automatically generates a task to remind you about the necessary subsequent changes to be made to the assets designated as LVA.

Depreciation

The system automatically depreciates LVA completely in the year of acquisition using the selected depreciation method.

Retirement

When you post the sale or scrapping of an LVA, the asset is retired without net book value and its status is set to *Retired*.

Evaluation

Before closing the fiscal year, you evaluate all fixed assets that are designated as LVA.

- For this evaluation, you use a special variant of the *Schedule of Fixed Assets* report in which you set the *Low-Value Asset* indicator to x.
- Check the amount of the acquisition and production costs for all recently acquired LVA:
 - Adjust any fixed assets that are designated as LVA but for which the acquisition and production costs - following a subsequent posting - now exceed the value limits specified for LVA.
 - Also check and where necessary adjust any fixed assets that the system has subsequently designated as LVA.

i You can always create low-value assets manually in fixed asset accounting irrespective of the integrated purchase process, and post acquisition and production costs even if the value is below the defined LVA limits.

Example:

The integrated purchasing process involves the acquisition costs of a fixed asset being posted to expense, since the limits are not achieved for asset capitalization. However, you can create a fixed asset manually and transfer the acquisition costs to this asset.

See Also

[Posting Low-Value Assets \(Account Determination\) \[page 152\]](#)

4.1.4.1.3.2 Low-Value Assets for Germany

Overview

Due to legal reasons, the way in which low-value assets (LVA) are handled for Germany differs from the general LVA logic.

Legal Reasons

Legal Reason	Validity	Description
Commercial Law	As of January 1, 2010	Capitalization and depreciation over the economic useful life
Tax Law	Until December 31, 2007	Immediate depreciation up to a value of EUR 410
Tax Law	From January 1, 2008 to December 31, 2009	§ 6, paragraph 2a, Income Tax Law Capitalization necessary for acquisition costs between EUR 150 and EUR 1,000 and 5-year depreciation
Tax Law	As of January 1, 2010	§ 6 paragraph. 2a n.F. Income Tax Law: Law for Accelerating Economic Growth The right to immediately depreciate assets with acquisition costs up to EUR 410, or keep to the legal regulation of 2008/2009 Since this is a discretionary clause, the assets concerned can also be capitalized as usual and depreciated over the customary useful life.

1. Commercial Law

The abolition of the inverted principle of equality of treatment, which came into effect as of January 1, 2010 with the introduction of the German Accounting Law Modernization Act, has resulted in tax depreciation (which includes the principle for low-value assets) no longer being taken into account under commercial law. LVAs are to be capitalized as normal fixed assets and depreciated over the economic useful life.

2. Tax Law from January 1, 2008 to December 31, 2009: Capitalization Mandatory for Acquisition Costs from EUR 150 to EUR 1,000

Detailed view of the legal requirement from January 1, 2008 to December 31, 2009:

Acquisition/Production Costs or Storage Value	Regulated in	Handling
Up to and including EUR150	§ 6, paragraph 2, Income Tax Law	Declaration as Operating Costs
EUR 150.01 to EUR 1000	§ 6, paragraph 2a, Income Tax Law	The asset is to be considered a fixed asset and depreciated equally over five years starting with the year in which it was acquired. During this period, a divestiture or decrease in value of the fixed asset does not affect how it is depreciated.

3. Tax Law as of January 1, 2010: Options for Acquisition Costs up to EUR 410

As of January 1, 2010, the Law for Accelerating Economic Growth (in accordance with § 6 paragraph 2a of the German Income Tax Law for handling low-value assets) declares the right to opt between applying the existing LVA principle

from 2008/2009 or instead the immediate deduction of taxable income for assets with acquisition costs up to EUR 410.

All taxpayers are entitled to this option, which applies to all assets acquired or created by the company after December 31, 2009.

If you decide to use one of the alternative options, this option will apply uniformly to all the assets acquired or created in a fiscal year.

If you apply the new tax option, your low-value assets will be treated as follows:

Acquisition/Production Costs or Storage Value	Tax Treatment
Up to EUR 150	Immediate Declaration as Operating Costs
EUR 150.01 to EUR 410	Immediate Declaration as Operating Costs This determines that immediate depreciation is applied to all assets acquired in a fiscal year with a value up to EUR 410, and also that assets with acquisition costs exceeding EUR 150.01 are depreciated over their customary useful life. This means that you do not use the LVA regulation from 2008/2009, nor do you capitalize or depreciate over their customary useful life, assets with acquisition costs between EUR 150.01 and EUR 410.
From EUR 410.01	Assets with acquisition costs exceeding EUR 410.01 need to be recognized in your asset portfolio and depreciated proportionally over the normal useful life.



The following assets are acquired in 2010 and can be depreciated in accordance with tax law and based on one of the following three regulations:

	Tax Option 1: Complete depreciation up to EUR 410; capitalization and depreciation over the the normal useful life if exceeding EUR 410.01	Tax Option 2: LVA regulation from 2008/2009 for assets with acquisition costs between EUR 150 and EUR 1,000.	Tax Option 3: Capitalization and depreciation over the normal useful life
Asset 1 with acquisition costs of EUR 140.00 (net) and normal useful life of 5 years	140,00	140,00	28,00
Asset 2 with acquisition costs of EUR 400.00 (net) and normal useful life of 5 years	400,00	80,00	80,00
Asset 3 with acquisition costs of EUR 806 (net) and normal useful life of 13 years	62,00	161,20	62,00
Asset 4 with acquisition costs of EUR 990.00 (net) and normal useful life of 3 years	330,00	198,00	330,00
Total	932,00	579,20	500,00

- Asset 1 can be posted immediately as operating costs, irrespective of whether you want to use the LVA regulation from 2008/2009 for other assets.
- Asset 2 could be depreciated immediately in accordance with the new LVA regulation. The LVA regulation from 2008/2009 would then not apply to other assets with acquisition costs between EUR 150.01 and EUR 1,000. It would also not be possible to capitalize and depreciate over the normal useful life other assets with acquisition costs between EUR 150 and EUR 410.
- Asset 3 could use the LVA regulation from 2008/2009 to reduce the depreciation period to 5 years as opposed to the economic useful life of 13 years.
- Asset 4 would not benefit however from the shorter useful life brought about by the LVA regulation from 2008/2009, since this asset would then need to be depreciated over 5 years.

Prerequisites

Before you are able to enter LVAs for Germany correctly in the system, you need to make the following settings in configuration:

- Depending on the accounting principle that you have selected, you can set time-based value limits at the level of the accounting principle under *Threshold for Fixed Asset Capitalization*.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Capitalization Threshold for Fixed Assets* activity from the activity list.
 - Fixed assets with acquisition costs below the lower limit for low-value assets are not capitalized. These acquisition costs are posted automatically to expense when acquisition is posted using the procurement process provided by the system (purchase order – goods receipt – invoice receipt or invoice receipt without a purchase order reference).
 - Assets with acquisition costs that lie between the value limits are capitalized in fixed asset accounting, indicated as low-value assets, and depreciated according to the method for low-value assets.
 - All fixed assets with acquisition costs above the upper limit for LVAs are capitalized as assets and depreciated over the planned useful life.
- The *standard depreciation code used for LVAs* is defined at the level of the *fixed asset valuation view*. You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*. Edit a *Fixed Asset* and choose the [Valuation](#) view
When a LVA is created automatically, the depreciation method specified at valuation view level is transferred to the master data as opposed to the depreciation method of the fixed asset class.



The system uses the following default settings:

- For accounting principles 4000 and 4020, the limits are set between EUR 150.01 and EUR 1,000.
- For accounting principle 4010, a zero-limit is set.
- For the tax-based valuation view under the standard depreciation method for LVAs, the following depreciation method is entered: `L200 - Linear 20 % LVA Depreciation (Tax - Germany)`.

It is important that you check these settings and make any necessary changes.

General

Regardless of whether you use one or two sets of books with the corresponding valuation views, you always have the following options when handling LVAs:

- You decide at the start of the fiscal year whether to apply immediate depreciation to assets with acquisition costs up to EUR 410.
- You decide at the start of the fiscal year whether to apply the LVA rule from 2008/2009.
- You decide at the start of the fiscal year whether to do without using a LVA rule.
- You want to wait until the end of the year before making a decision, by which time you can see if using one of the LVA rules would benefit you.

A realistic statement about how LVAs are best handled for the benefit of your tax can only really be made when you perform your year-end closing. We therefore recommend that you select the option in which you reach your decision at the end of the year.

One Set of Books with Two Valuation Views

You are using one set of books with two valuation views for your commercial and tax-based valuation.

The threshold value for capitalizing fixed assets or low-value assets can only be set for each set accounting principle.

You are restricted to using the commercial principles since the low-value assets are no longer taken into account.

You therefore need to capitalize all your assets regardless of their acquisition costs.

i You need to ensure that you adjust the configuration setting that is set for accounting principle 4000 for the values between EUR 150.01 and EUR 1,000.

- If you opt for immediate depreciation, you set the limits at the start of the fiscal year between zero and EUR 410. In this case, adjust also the standard depreciation method for LVAs in the tax-based valuation view to the complete depreciation method for LVAs.
- Set the limits between zero and EUR 1,000 if you have already decided at the start of the fiscal year to treat your LVAs according to the 2008/2009 regulations.
- If you opt not to use the regulations for LVAs, set the limits to zero and use the standard depreciation method for LVAs from the tax-based valuation view.
- Set the limits between zero and EUR 1,000 if you want to check at the end of the year which rule would be most beneficial for your tax accounting purposes.

By defining LVA limits between zero and EUR 1,000, you can make use of the LVA indicator, which makes you aware of assets acquired during the fiscal year that could potentially be treated as LVAs for your tax purposes. Setting the LVA indicator does not affect the commercial valuation view as long as the system configuration does not contain a standard depreciation method for LVAs in the commercial valuation view.

At the end of the year, you determine the LVA rule that will most benefit your tax accounting. You do this by selecting the potentially relevant assets, using the schedule of fixed assets and the LVA indicator, and check these using the acquisition costs and the actual useful life periods.

You then need to manually adjust the LVA master data.

- Change the depreciation method to the selected LVA rule: You need to depreciate all assets with acquisition costs up to EUR 150. Depending on the LVA rule that you have selected, you make the necessary changes to assets with acquisition costs between EUR 150 and EUR 410, and to assets with acquisition costs between EUR 410.01 and EUR 1,000.
- You also need to check the useful life and depreciation start date.
- Deselect the LVA indicator, if necessary (for example, if using immediate depreciation for assets with acquisition costs between EUR 410.01 and EUR 1,000).

If you apply the LVA rule from 2008/2009, you use reporting to select the data required to create your tax balance sheet and make a manual posting to the corresponding tax accounts or include the amount when switching from the commercial balance sheet to the tax balance sheet.

Two Sets of Books, Each with One Valuation View

You are using two set of books, each with one valuation view, for your commercial and tax-based valuation.

i You need to ensure that you check and adjust, if necessary, the configuration setting that is set to the values EUR 150.01 through EUR 1,000 for the tax accounting principle 4020. You also need to check the limits (zero) for the commercial accounting principle.

- If you opt for immediate depreciation, you set the limits at the start of the fiscal year between EUR 150.01 and EUR 410. In this case, you also adjust the standard depreciation method for LVAs in the tax-based valuation view to the complete depreciation method for LVAs.
- Keep the limits between EUR 150.01 and EUR 1,000 if you have already decided at the start of the fiscal year to treat your LVAs according to the 2008/2009 regulations.
- If you opt not to use the regulations for LVAs, set the limits to zero and use the standard depreciation method for LVAs from the tax-based valuation view.
- Keep the limits between EUR 150.01 and EUR 1,000 if you want to check at the end of the year which rule would be most beneficial for your tax accounting purposes.

Immediate Depreciation for Assets with Acquisition Costs up to EUR 410

For the acquisition posting, the system automatically posts the acquisition costs of the fixed assets below a value of EUR 150 directly to tax expenses using the procurement process (purchase order - goods receipt - invoice receipt or invoice receipt without a purchase order reference).

For postings within the limit, the system automatically creates a LVA with the corresponding indicator and the complete depreciation method for LVAs. These LVAs are managed in fixed asset accounting, but depreciated immediately. In fixed asset accounting, you can view the acquisition and production costs or storage value as well as the dates of acquisition, production, and storage. These comply with the legal requirement of managing such assets in a register.

The commercial set of books and corresponding valuation view are not affected by the tax approaches. The assets are capitalized according to the commercial regulations irrespective of their acquisition and production costs and then depreciated over their economic useful life.

LVA Regulation 2008/2009

You can decide at the start of the fiscal year whether to apply the LVA regulation from 2008/2009.

If you want to make your decision at the end of the year after seeing how advantageous applying the rule would be, then we recommend that you make your postings in the current fiscal year in accordance with the LVA regulation of 2008/2009. In this case, the LVAs can be evaluated easily, which provides a reliable foundation on which to base your decision.

The following execution steps apply to the tax-based set of books or the tax-based valuation view. The commercial set of books and corresponding valuation view are not affected by the tax approaches. The assets are capitalized according to the commercial regulations irrespective of their acquisition and production costs and then depreciated over their economic useful life.

Posting During the Year Based on LVA Regulation 2008/2009

Fixed assets with acquisition costs within the value limits defined in configuration are managed as LVA in the existing fixed asset classes, but the way in which they are handled differs from the general LVA logic as follows:

Master Data

Only by using individual assets can you adopt a valuation approach that is correct from a business perspective. The law stipulates a collective approach for each fiscal year. However, we recommend that you do **not** adopt the collective asset approach for each combination of fixed asset class and cost center for all corresponding LVA postings in a fiscal year. The business view on the fixed assets is too varied to be able to manage multiple LVAs simultaneously as a collective asset.

Even if you use individual fixed assets, you can still create a collective asset when you perform your tax-based year-end closing.

The depreciation method L200 – Straight-Line 20 % LVA Depreciation (Tax DE) in the tax-based valuation view applies the straight-line depreciation of 5 years as required by German tax law. Based on this depreciation method, the system sets the start of depreciation as the start of the fiscal year and transfers the useful life of five years to the master data of the fixed asset. In this way, the legal requirement of equal depreciation of 1/5 is achieved.

Acquisition

On the basis of the amount of the acquisition and production costs, the system automatically handles assets in three different ways:

Type	Value	Handling
Consumable Goods	Value under 150 EUR	Such assets are not stored in Fixed Assets. Instead, the system automatically and immediately enters them as expense.
Low-Value Asset	Value between EUR 150.01 and EUR 1,000	Such assets are stored as LVA in Fixed Assets and their depreciation is distributed over five years.
Fixed Asset	Value over 1000 EUR	Such assets are stored in Fixed Assets and depreciated over their useful life.

The LVA is created automatically like all other assets in the process chain purchase order – goods receipt – invoice receipt posting or posting of a receipt without purchase order reference and provided with the LVA settings (LVA depreciation method for Germany, LVA indicator, useful life, start date of depreciation).

Retirement

From the legal perspective, a divestiture of an LVA must not have any affect on the depreciation of that LVA during the five-year depreciation period. This legal stipulation is upheld since the system does not make any retirement posting in valuation view DE0010 for assets designated as LVA and does not deactivate such assets either.

Collective Items / Pooling

When you perform year-end closing for tax purposes, you can display your own LVA collective item (pooling) for the fiscal year in a separate balance sheet item.

You proceed as follows:

1. Use the *Schedule of Fixed Assets* report to evaluate all LVA.
2. In the *General Ledger* work center, you use the *New Journal Entry Voucher* function to manually transfer the acquisition and production costs for each asset class and the cumulated depreciation of all LVA for a fiscal year from the relevant current asset balance sheet account to the balance sheet accounts for the LVA. You can access the *Journal Entry Vouchers* view from the *General Ledger* work center under *Journal Entries*.
3. After performing year-end closing, you reverse these transfer postings in the following year.

Treatment at Year-End

At the end of the year, you can assess the advantages of applying a particular tax-based rule and base your decision upon:

- Applying immediate depreciation
- Using the LVA rule from 2008/2009

You proceed as follows:

- Use the *Schedule of Fixed Assets* report to evaluate all fixed assets with a LVA indicator.
- Using the acquisition and production costs and normal useful life periods of all LVAs as a basis, determine the variant that will be most beneficial to you.
- Adjust your configuration settings if it appears that the LVA regulation from 2008/2009 will not be the most beneficial.

- During closing, adjust all the assets with acquisition costs between EUR 150 and EUR 1,000 by changing the LVA indicator, depreciation method, depreciation start date and useful life in the tax valuation view.

See Also

[Posting Low-Value Assets \(Account Determination\) \[page 152\]](#)

[Low-Value Assets \(General\) \[page 449\]](#)

4.1.4.2 Replacement Values and Interest

4.1.4.2.1 Replacement Values

Overview

Valuation of fixed assets at replacement values is used primarily for cost-accounting purposes or to determine insurance values.

Replacement values are calculated automatically using the index series defined in business configuration. The values can be calculated in two ways:

- Year-dependent index series
- Age-dependent index series

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

If you edit a *Fixed Asset*, you can choose *Master Data* and then *Asset Valuation* and then *Current Valuation View Settings* | *Manual Depreciation*.

i After the replacement values have been calculated automatically, it is possible to distinguish the upward revaluation in the balance sheet of individual fixed assets. You use the revaluation function to value the fixed assets in accordance with local book valuation and international accounting principles.

For more information, see [Manual Posting - Revaluation \[page 430\]](#).

Relevance

You reevaluate fixed assets based on index series for the following reasons:

- Replacement values can provide the basis for depreciation calculation. Price changes in capital goods can therefore be included in the calculation basis.
- To maintain the value of your fixed assets, you can integrate the depreciation of replacement values into your reserves policy.
- The premium for insurance policies is often based on the indexed acquisition values of the fixed assets.

Prerequisites

Before you are able to perform valuations with replacement values in the system, you need to make the following settings in configuration:

- Under *Replacement Values for Fixed Assets*, you have created an index series with appropriate values.

- A valuation view needs to be available for cost-accounting purposes or insurance purposes. To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Assets Valuation View* activity from the activity list.

i TA year-dependent *Index Series for Replacement Values (0001)* is provided at a continuous rate of 125%. You can also define your own index series..

When you define the fixed asset class, you can specify a default index series for each valuation view. This series is then used when you create the fixed asset.

Process Flow

Depending on the selected indexing method, the system calculates the replacement value as follows:

- Standard valuation with a year-dependent index series (*Index Series for Replacement Value*) Calculation of the replacement value in the current year based on the replacement value from the previous year:

$$\text{Replacement Value (Current Year)} = \text{Replacement Value (Previous Year)} \times \text{Index (Current Year)} \div \text{Index (Previous Year)}$$

- Age-Dependent Index Series

Determination of a historical acquisition year from the acquisition costs:

$$\text{Replacement Value (Current Year)} = \text{Acquisition Costs} \times \text{Index (Current Year)} \div \text{Index (Acquisition Year)}$$

You use this calculation to recalculate replacement values after data migration when no values are available from previous years.

This method of value determination can also be applied to the subsequent calculation of replacement values for fixed assets that were acquired in previous fiscal years and for which no replacement values previously existed.

The difference between the two types of index series is evident when dealing with subsequent asset acquisitions: An age-dependent index series calculates the replacement value as if the subsequent acquisition occurred in the year of capitalization.

Value adjustments in the past are indexed together with the acquisition values.

In the master data of a fixed asset, you can also enter a year-dependent and an age-dependent index to determine the replacement value. The number of points from both index series are then added together.

Upward revaluations are evaluated separately from the original acquisition value.

Only the asset balance that was available at the start of the year is reevaluated automatically. Transactions in the current year are not included.

Revaluation amounts determined on the basis of existing index points always refer to the entire fiscal year.

Comparison Calculation (Example)

Year	Index	Calculation with Age-Dependent Index Series	Standard Calculation with Index Series for Replacement Value
In 2006, an asset is acquired at a value of 10,000	100	10000	10000
In 2007, acquisition of 5,000 is posted	110	(10000 + 5.000) * 110/100 = 16500	(10000*110/100) + 5.000 = 16000
2008	120	(10000 + 5.000) * 120/100 = 18000	16000 *120/110 = 17.455
2009	130	(10000 + 5.000) * 130/100 = 19500	17.455 *130/120 = 18.909

4.1.4.3 Fixed Asset Depreciation Run

4.1.4.3.1 Fixed Asset Depreciation Run

Overview

The automatically calculated depreciation values lead initially to a change in the planned values only in the Fixed Assets area. The postings are made automatically to the corresponding balance sheet accounts and expense accounts in the general ledger when a periodic depreciation run is performed.

You perform depreciation runs for your closing activities in the *Fixed Assets* work center in the *Depreciation* view. To ensure compliance, check the results of the run.

Prerequisites

Before the fixed asset depreciation run can be performed, the following prerequisites must be fulfilled:

- You have performed the GR/IR clearing.
You can access the *GR/IR Clearing* view from the *Inventory Valuation* work center under *Periodic Tasks*. This ensures that any price differences or payment differences affecting fixed assets are adjusted, and that newly acquired fixed assets are capitalized. (Only fixed assets that are active and posted with acquisition and production costs are relevant for the depreciation run.)
For more information, see [GR/IR Clearing Runs \[page 580\]](#).
- Before you perform the fixed asset depreciation run, check the fixed assets indicated as low-value assets.
The system sets the Low-Value Asset indicator automatically based on the threshold values specified in configuration for asset capitalization and low-value assets. However, any subsequent acquisitions, cash discounts, or credit memo postings require that you manually change data in the fixed asset master data.
For more information, see [Low-Value Assets \[page 449\]](#).
- The posting period must be open for posting for the selected closing step.
You can access the *Open and Close Periods* activity from the *General Ledger* work center under *Set of Books and Assigned Companies* view in *Master Data*.

i When a fiscal year is opened, the system automatically calculates depreciation for the new fiscal year and for all fixed assets and schedules the depreciation postings as part of the fixed asset depreciation run. Planned depreciation is always calculated for all open fiscal years in asset accounting.

Basis for the Fixed Asset Depreciation Run

You perform fixed asset depreciation runs for period-end closing based on your requirements. The Closing Cockpit supports you in planning and performing the necessary closing tasks.

The system runs a check that ensures that you can only close a fiscal year for a company or set of books if you have performed at least one fixed asset depreciation run in the last period of the fiscal year. The depreciation calculated by the system for the current fiscal year must also have been posted completely. If, for example, you have changed depreciation terms for fixed assets after the depreciation run has been performed, and have then not performed the run again, the depreciation calculated differs from the depreciation posted and the system does not allow you to close the fiscal year.

 It is not possible to reverse a fixed asset depreciation run. However, you can make the necessary changes to the assets and then repeat the run for the same period.

Posting Logic

The following applies to the valuation view relevant to the general ledger: The system distributes the automatically-calculated and planned annual depreciation to the respective accounting periods. The fixed asset depreciation run that you perform on a periodic basis automatically posts for each period the proportional depreciation amounts to the G/L accounts defined in account determination. At the same time, the posted value is updated in asset accounting.

If you have not performed the fixed asset depreciation run for a mid-year period for your general ledger-relevant valuation view, the open depreciation for this period is posted with the next run. The posting date for this document is the last day of the period in which the run was performed. You can close the mid-year period despite the depreciation run not having been performed.



For period 001 in 2010, the depreciation run is performed correctly. Postings to G/L accounts are made using the last day in period 001 as the posting date. For period 002 in 2010, the fixed asset depreciation run remains open. The fixed asset depreciation run for the period 003/2010 is used to post depreciation for each line item for all the fixed assets for periods 002 and 003. The system posts depreciation using the last day in period 003 as the posting date.

For all other valuation views, the system considers depreciation on a yearly basis in the last period. However, this depreciation is not posted to G/L accounts but only updated in fixed asset accounting.

Journal Entries

In the fixed asset display under **Values**, you can view the **Status** of the depreciation posting for a fixed asset from the **Depreciation View**. You can call up the direct postings to G/L accounts from the **Journal**.

Performing the Fixed Asset Depreciation Run

You can access the **Depreciation** view from the **Fixed Assets** work center under **Periodic Tasks**.

To ensure the correctness of the automatic depreciation postings, check the results after the depreciation run has been performed. If errors occur during a run, you need to resolve them. For information on possible causes of errors, see **Messages** or **Erroneous Fixed Assets** in the log. You must correct the erroneous fixed assets manually. Once you have resolved the errors, start the depreciation run again. The system repeats the postings that could not be made in the first run.

For more information on performing depreciation runs, see [Quick Guide for Depreciation \[page 491\]](#).

4.1.5 Valuation Reserve- Austria

Overview

Special tax depreciations, which lead to differences in the valuation of fixed assets according to local GAAP and tax, need to be shown on the liabilities side of a balance sheet as valuation reserve.

Examples for special tax depreciations that require a valuation reserve include:

- Advanced depreciation for 2009 and 2010 (Art. 7a Income Tax Law 1988)
- Transfer of reserves (Art. 12 Income Tax Law 1988)

- Complete write-off of low value assets, if they are of significant value (Art. 205 sect. 1 Austrian commercial code)

In SAP Business ByDesign, there is no automatic posting for the allocation or reversal of a valuation reserve. This needs to be manually administrated in fixed asset accounting and manually posted in the general ledger.

The [Fixed Assets - Valuation Comparison](#) report enables you to compare the net values and depreciation amounts of fixed assets for a specific period and to administrate the values of the valuation reserve. For more information, see [Fixed Assets - Valuation Comparison \[page 502\]](#).

- i** Predelivered content for Austria includes the Austrian set of books (8060), which has the following two valuation views:
- **Local GAAP HGB**, which has the valuation view ID: 1.
 - **Tax Valuation**, which has the valuation view ID: 10.

Accelerated Depreciation of a Migrated Fixed Asset

If you are migrating a legacy fixed asset that has a valuation reserve relating to a special tax depreciation method (for example, accelerated depreciation in 2009 and 2010), you should perform the following steps:

1. Edit the migration data of a legacy fixed asset.
 1. In the [Fixed Assets](#) work center, open the [Fixed Assets](#) view and click [New Legacy Fixed Asset](#). Enter all required details such as description, inventory ID, company, and fixed asset class. For more information, see [Quick Guide for Fixed Assets \[page 465\]](#). Click [View All](#) to maintain further details about this asset.
 2. Under [Master Data > Asset Valuation](#), use one of the special depreciation methods (**ATS9 (advanced depreciation 2009)** or **ATS1 (advanced depreciation 2010)**) for the tax valuation view.

i You should use the same useful life value for the local GAAP and tax valuation view.

3. Under [Migration](#), enter the acquisition costs for the local GAAP valuation view in the [Posted Values](#) table. These acquisition costs are transferred to tax valuation view.
 4. Enter the accumulated depreciation values for both the tax and local GAAP valuation view.
 - The accumulated depreciation for the local GAAP valuation view consists of accumulated ordinary depreciation.
 - The accumulated depreciation for the tax valuation view consists of accumulated ordinary depreciation and accelerated depreciation.
5. If a set of books has multiple valuation views assigned, you can maintain acquisition costs only for the leading valuation view. All other valuation views will take the acquisition costs from this leading valuation view.
6. During data migration, account balances were migrated. You should check the migrated balance of **(940000) Undisclosed Reserve for Special Depreciations** account in the [General Ledger](#) work center.
7. Using the [Fixed Assets - Valuation Comparison](#) report as a basis, you can compare the values posted in the general ledger to the differences in the fixed asset valuation views for tax. For more information, see [Fixed Assets - Valuation Comparison \[page 502\]](#).

i You should apply the same logic if you have to migrate low value assets of significant value from the previous year. In this case, you should use the depreciation method **0100 LVA 100% complete depreciation** for the tax valuation view.

It is recommended that you also track the acquisition costs, net book values, and valuation reserves of a fixed asset with an accelerated depreciation in a spreadsheet.

You should reverse the valuation reserve at the point in time when the depreciation for the tax valuation view is equal to zero. You should reverse the valuation reserve completely if the fixed asset is sold or scrapped.

Transfer of Reserves - Austria

Posting the transfer of reserves is based on legal requirements and the valuation views and sets of books that you are using. For more information, see [Transfer of Reserves \[page 433\]](#)

Since acquisition costs are always updated in all valuation views of a set of books, it is recommended that if you have many fixed assets that require transfer of reserves you should use two sets of books with separate valuation views, which you can use to manage fixed assets with different acquisition costs for local GAAP and tax valuation.

- i** You should apply the same logic if fixed assets are acquired with additional grants from public funds.

Transfer of Reserves for a Migrated Fixed Asset

You can only migrate assets with the same acquisition costs in the local GAAP and tax valuation view. You should therefore calculate and track the valuation reserve manually in a spreadsheet for assets with different acquisition costs in these valuation views. You should manually post the reversals of valuation reserves in the [General Ledger](#) work center.

Transfer of Reserves for a New Fixed Asset with Different Acquisition Costs

If you transfer reserves to a newly acquired fixed asset, you should perform the following steps:

- i** If the fixed asset was not created and activated with acquisition costs in a procurement or supplier invoicing process, you should create a new fixed asset and post acquisition costs for this asset. For more information, see [Manual Posting- Acquisition \[page 413\]](#).

1. Post the valuation reserve as a revaluation.
 1. In the [Fixed Assets](#) list of the Fixed Assets view, select the relevant fixed asset and choose [Manual Posting — Revaluation](#).
 2. Enter all required details:
 - You should specify **Tax Valuation (10)** as the valuation view.
 - Under [Revaluation of](#), select **Acquisition and Production Costs**.
 - You should choose **Credit** posting.
- For more information, see [Manual Posting - Revaluation \[page 430\]](#).
3. In the [Fixed Assets](#) list, select the relevant fixed asset and click [Edit](#) to maintain further details about this asset.
4. Choose the [Values](#) tab and select **Tax Valuation (10)**. Under **Book Values, for the Revaluation of Acquisition Costs**, check the closing balance is updated as per your changes.
5. Choose the [Master Data](#) tab. Select the **Tax Valuation (10)** view and you should ensure an appropriate depreciation method is selected.

- i** You should in addition track the acquisition costs, net book values, and valuation reserves of a fixed asset with a transfer of reserves in a spreadsheet.

2. Allocate the valuation reserve in the [General Ledger](#) work center.

You should reverse the valuation reserve for the difference between local GAAP and tax depreciation. You should reverse the valuation reserve completely if the fixed asset is sold or scrapped.

Manual Postings and Allocation of Valuation Reserve

For the predelivered Austrian Chart of Accounts, the following accounts are considered for valuation reserve.

- (940000) Undisclosed Reserve for Special Depreciation
- (880000) Allocation to Reserves on Basis of Special Depreciation
- (862000) Reversal of Reserve on Basis of Special Depreciation
- (942000) Undisclosed Reserve According to Article 12 Income Tax Law 1988
- (864000) Reversal of Other Untaxed Reserves

If you need to maintain valuation reserves for different reasons, such as accelerated depreciation and transfer of reserves in parallel, you should create additional G/L accounts. You should add the legal reference to the account description.

When allocating or reversing a valuation reserve, you should perform the following steps.

Allocating a Valuation Reserve

1. In the [General Ledger](#) work center, create a new journal entry for the allocation of the valuation reserve.
2. In the [New Journal Entry Voucher](#), add the required details such as company, set of books, journal entry type, screen variant, posting date, and currency.
3. Under **Description**, enter **Allocation to Valuation Reserve**, give the legal reference as well as the relevant fixed asset's ID.
4. Enter the debit amount under **(880000) Allocation to Reserves on Basis of Special Depreciation** and enter the credit amount under the **(940000) Undisclosed Reserve for Special Depreciations** account.
- 5.

Reversal of a Valuation Reserve

1. In the [General Ledger](#) work center, create a new journal entry for the reversal of the valuation reserve.
2. In [New Journal Entry Voucher](#), add the required details such as company, set of books, journal entry type, screen variant, posting date, and currency.
3. Under **Description**, enter **Reversal of Valuation Reserve**, give the legal reference, as well as the relevant fixed asset's ID.
4. Enter the debit amount under the **(940000) Undisclosed Reserve for Special Depreciations** account; enter the credit amount under the **(862000) Reversal of Reserve on Basis of Special Depreciation** account.

Additional Reversal of Undisclosed Reserve (Reserve from a previous year)

If the reserve was allocated to account **(942000) Undisclosed Reserve According to Article 12 Income Tax Law 1988** in an earlier year, you must in addition reverse the **(864000) undisclosed reserves** account. You can transfer a reserve to a newly acquired fixed asset in the same fiscal year or allocate it to a special reserve account for a later transfer to fixed assets.

Schedule of Valuation Reserves

You must include a schedule of valuation reserves in your annual financial statements. This should be maintained manually in a spreadsheet.

See Also

[Manual Postings in Fixed Assets \[page 409\]](#)

[Manual Posting- Complete Scrapping \[page 416\]](#)

4.2 Fixed Assets View

4.2.1 Quick Guide for Fixed Assets

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

The system enables you to map the entire life cycle of your company's fixed assets from their initial acquisition through to retirement. Between acquisition and retirement, the system runs through fundamental processes relevant to a fixed asset, such as procurement, the sale of a fixed asset, or depreciation. These processes are mostly performed automatically and are integrated with other work centers.

This view enables you to manage your fixed assets, track all the integrated processes, and perform manual postings:

- You can display, create, add to, or change fixed assets, as well as delete them under certain conditions.
- You can display values for fixed assets or see how the values have arisen, and call up the documents for fixed asset postings.
- You can perform all the manual postings for a fixed asset, such as manually post acquisition and production costs, write-downs, write-ups, transfers postings, or retirements.

Business Background

Fixed Assets

A fixed asset represents a tangible or intangible asset that can be identified on the closing key date as an individual asset and is used permanently by the business. This asset is represented in the system as a *Fixed Asset* or *Subasset* and is structured by *Master Data* and *Values*.

If the system has been configured appropriately, fixed assets are created automatically in the integrated procurement and invoicing process using the *Individual Material*. The individual material represents the logical connection within the process, which is used to create fixed assets and for posting acquisition and production costs. Fixed assets and individual materials can also be created and posted manually.

In the *Fixed Assets* view, you can create, display, and edit a fixed asset as well as change and delete it under certain circumstances.

For more information, see [Fixed Assets \[page 387\]](#).

Assets and Subassets

The data structure for fixed assets allows you to define simple assets as well as more complex assets consisting of multiple asset components. For complex assets, you can create *subasset accounts* to represent the different asset components. Each subasset account can have different depreciation terms.

For more information, see [Assets and Subassets \[page 389\]](#).

Individual Materials

An individual material is a component of a fixed asset that is valued separately and whose inventory is tracked separately. The individual materials assigned to a fixed asset are shown on the **Master Data** tab of the fixed asset. For more information, see [Individual Materials \[page 393\]](#).

Fixed Assets Master Data

The master data of a fixed asset contains information such as:

- Organizational assignments for fixed asset classes, cost centers, profit centers, and segments
- Depreciation terms
- The individual materials assigned to the fixed asset

This data can be derived from the fixed asset class, entered manually, or determined at the first acquisition posting. You can display this data and make certain changes in the *Fixed Assets* view.

For more information, see [Fixed Assets Master Data \[page 398\]](#).

Fixed Assets Valuation View and Value Simulation

The **Values** tab for a fixed asset shows the following information:

- The book values
- Depreciation calculated automatically and posted using the depreciation run
- Journal entries for the individual fixed asset postings
- Detailed information on how the values were calculated

You can choose *Values* and then *Explain Values* to preview the exact calculation of all the depreciation values calculated automatically by the system for a specific valuation view.

For more information, see [Fixed Assets Valuation View and Value Simulation \[page 403\]](#).

Manual Postings in Fixed Assets

By making manual postings in the Fixed Assets area, you can make changes to fixed assets that could not be applied otherwise, either by integrated processes such as fixed asset procurement or sale, or by the periodic depreciation run.

If you do not want to or are not able to use the automatic calculation and posting functions in the depreciation methods provided by the system, then you can manually perform postings for the following: Specific fixed asset acquisitions, retirements without revenue, transfer postings, retroactive capitalization, revaluation, write-up, write-down, depreciation, and special depreciation.

For more information, see [Manual Postings in Fixed Assets \[page 409\]](#).

Fixed Asset Classes

Fixed asset classes are the most important means used to structure fixed assets. They classify fixed assets and group them according to their business purpose, characteristics, and legal or tax requirements.

Furthermore, fixed asset classes play an important technical role in the system:

- The fixed asset class provides default values for the master data of corresponding fixed assets, and in doing so, functions as a sample master data record.
- The system assigns ID numbers to fixed assets based on the fixed asset class.
- In addition, the system uses the fixed asset class to derive the account determination group for the corresponding fixed assets.

- Derivation rules enable the system to derive the fixed asset class from the company and product category, which allows the creation of fixed assets in integrated procurement and invoicing processes.



It is no longer possible to get individual materials created automatically in Fixed Assets. To create a new individual material from a purchase order or a goods and service receipt, select **New Individual Materials** in the purchase order or the goods and services receipt. You can also assign an individual material in the purchase order or a goods and services receipt by selecting an account assignment to an individual material.

The system configuration contains predefined fixed asset classes for global use, which apply irrespective of any country-specific settings. The predefined asset classes can usually be adapted to your company's requirements prior to your system going live. This might include deactivating a fixed asset class, for example.

For more information see [Fixed Asset Classes \[page 404\]](#).

Fixed Asset Valuation Views

Each fixed asset controls the terms for the depreciation calculation (and the calculation of interest and replacement values, if necessary) as well as the asset values at the level of a valuation view.

By using multiple valuation views, you can perform different fixed asset valuations in parallel, based on local commercial or tax-based principles, or even international accounting principles (IFRS), for example. You can also define valuation views for statistical, cost-accounting, or insurance purposes.

Predefined valuation views are provided which are country-specific or configured according to specific accounting standards. In business configuration you can modify the predefined views or create new ones prior to going live.

For more information, see [Fixed Asset Valuation Views \[page 408\]](#).

Valuation Reserve - Austria

Special tax depreciations, which lead to differences in the valuation of fixed assets according to local GAAP and tax, need to be shown on the liabilities side of a balance sheet as valuation reserve.

For more information, see [Valuation Reserve- Austria \[page 461\]](#)



Tasks

Manage Fixed Assets

Create a Fixed Asset

- Choose **New** and then *Fixed Asset* or *SubassetAccount*.
- Enter a *Fixed Asset Description*, *Company*, and *Fixed Asset Class*. If you are using a profit center and segment reporting, you also need to specify a *Cost Center*.
- Save** your entries. The system creates a fixed asset from the corresponding individual material.
- The system indicates whether any depreciation terms are missing if during configuration some default values were **not** defined completely in the corresponding fixed asset class. Click **Edit** to switch to the editing mode of the new fixed asset and add the missing entries under **Master Data** and then **Asset Valuation**.

Create a Fixed Asset from Individual Material

1. Choose **New** and then *Fixed Asset from Individual Material*.
2. Select an *Individual Material* from the list. The system automatically fills in *Fixed Asset Description*, and *Company* that the selected individual material is assigned to. Select a *Fixed Asset Class*. If you are using a profit center and segment reporting, you also need to specify a *Cost Center*.
3. **Save** your entries. The system creates a fixed asset from the corresponding individual material.
4. The system indicates whether any depreciation terms are missing if during configuration some default values were **not** defined completely in the corresponding fixed asset class. Click **Edit** to switch to the editing mode of the new fixed asset and add the missing entries under *Master Data* and then *Asset Valuation*.

Edit a Fixed Asset

1. Select the fixed asset and click **Edit**.
2. Change the parameters for the fixed asset under *General*, *Master Data*, *Values*.
3. **Save** your entries.

Display a Fixed Asset

1. Choose the fixed asset that you want to display in the overview and click on the *Fixed Asset Number*. The system displays the overview data for the fixed asset.
2. Click **View All** to switch to the complete view of the fixed asset.
You can display the *Master Data*, *Values*, *Attachments*, and *Changes* for the fixed asset.

Delete a Fixed Asset

1. It is possible to delete a fixed asset with *In Process* status. Such a fixed asset will not have had acquisition (or retroactive capitalization) posted to it. When you delete a fixed asset, it is removed from the data. Note that your fixed assets are no longer numbered without gaps due to internal number assignments.
2. Select the fixed asset and click **Delete**.

Perform Manual Postings

Post Manual Acquisition

For more information on posting, see [here](#). [page 413]

Post the Scrapping of an Individual Material

For more information on posting, see [here](#). [page 415]

Post Complete Scrapping

For more information on posting, see [here](#). [page 416]

Post Manual Depreciation

For more information on posting, see [here](#). [page 417]

Post Special Depreciation

For more information on posting, see [here. \[page 420\]](#)

Post Write-Down

For more information on posting, see [here. \[page 418\]](#)

Post Write-Up

For more information on posting, see [here. \[page 421\]](#)

Post Retroactive Capitalization

For more information on posting, see [here. \[page 423\]](#)

Post the Complete Transfer of an Individual Material

For more information on posting, see [here. \[page 425\]](#)

Post the Partial Transfer of an Individual Material

For more information on posting, see [here. \[page 427\]](#)

Post Revaluation

For more information on posting, see [here. \[page 430\]](#)

Perform Common Tasks

New Fixed Asset

1. Choose [New](#) and then *Fixed Asset* or *Subasset*
2. Enter a *Fixed Asset Description*, *Company*, and *Fixed Asset Class*. If you are using a profit center and segment reporting, you also need to specify a *Cost Center*.
3. [Save](#) your entries. The system creates a fixed asset and a corresponding individual material.
4. The system indicates whether any depreciation terms are missing if during configuration some default values were **not** defined completely in the corresponding fixed asset class.
Click [View All](#) to switch to the editing mode of the new fixed asset and add the missing entries under [Master Data](#) and then [Asset Valuation](#).

Deactivate a Fixed Asset Class

For more information on this task, see [here \[page 489\]](#).

Edit Asset Class Determination

For more information on this task, see [here \[page 490\]](#).

4.2.2 Tasks

4.2.2.1 Manual Posting — Acquisition

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

If you select a *Fixed Asset*, you can choose **Manual Postings** and then *Acquisition*.

With an acquisition, you can post the acquisition and production costs directly to a fixed asset, without using the system procurement process.

The capitalization of a fixed asset and its acquisition and production costs is a key process in fixed asset accounting. To map this business process, the system provides the following support:

- The acquisition costs are usually posted to a fixed asset using the complete procurement process
► *Order* ► *Goods Receipt* ► *Invoice Verification* or as part of the simplified process with the *Invoice Entry without Purchase Order Reference*.
- For fixed assets under construction, the costs are first collected for a project and then usually posted to a fixed asset under construction when the balance sheet is prepared. Upon completion, the fixed asset under construction is transferred to one or more fixed assets.
- You might need to post acquisition or production costs directly to the fixed asset.

Relevance

You may need to post acquisition and production costs to a fixed asset in the following cases:

- Costs that require capitalization were posted in error to an expense account in the current fiscal year. These acquisition costs now need to be posted to a fixed asset, and the expense account or the cost center need to be credited.
- A fixed asset acquired free of charge and is to be capitalized in your asset portfolio at an appropriate value.

You can also use this function to reduce acquisition and production costs, such as for a credit memo posting or the transfer of a reserve.

Depending on the underlying cause, you post a manual asset acquisition to a new or existing asset or subasset.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have defined how you want to enter the manual asset acquisition:
 - For a new asset or subasset account
 - For an existing asset or subasset account
- You have defined the required depreciation terms for the new asset or subasset account.

- You have determined the offsetting account in the General Ledger, and, if necessary, the cost center, profit center, or project task.
- You have determined the acquisition and production costs of the asset.

Posting Manual Acquisition

To post acquisition manually, proceed as follows:

1. Select the fixed asset or subasset account and choose **Manual Posting** and then **Acquisition**.
2. Check the proposed **Document Date** and **Posting Date**. You can enter a **Description**. You can change the proposed **Closing Step**.
3. If necessary, change the proposed **Set of Books**.
4. Check the specified **Individual Material ID** or select an individual material.
5. In **Relating To**, select the year in which the asset was acquired.
If the fixed asset was acquired in the current fiscal year, select **1 - Current Year**. If the fixed asset was acquired in a previous year, select **2 - Previous Years**.
6. Select whether you want to make a debit or credit posting. Enter the amount and check the currency.
7. Under **Offsetting**, enter the information for the offsetting posting in the general ledger: **Account Number** or if required **Cost Center**, **Profit Center**, or **Project Task**.
8. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.

Example

Capitalizable shipment costs of EUR 175 are mistakenly posted to the **Outgoing Freight** expense account. The incidental acquisition costs now need to be transferred to the fixed asset and the amount needs to be credited to the expense account and cost center originally charged.

The postings generated would be as follows:

	Debit	Credit
Other Assets, Furniture and Fixtures	175	
Outgoing Freight		175

See Also

[Posting Acquisition \(Account Determination\) \[page 124\]](#)

4.2.2.2 Manual Posting – Individual Material Scrapping

Overview

You can use this function to remove from a fixed asset or subasset an individual material that can no longer be used. The individual material is retired from the company without revenue at the current net book value.

This function is available in the **Fixed Assets** work center

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the individual material to be removed from an asset or subasset account.
- You have defined the asset retirement date.

Posting the Scrapping of an Individual Material

1. In the *Fixed Assets* view, select the fixed asset or subasset and click [Manual Posting](#), then *Individual Material Scrapping*.
2. Check the proposed document date, posting date, and closing step and change them if necessary.
3. Check the specified *Individual Material ID* or select an individual material.
4. Click [Simulate](#) to see a simulation of the journal entry in the general ledger before posting.
5. Click [Post](#) the scrapping.

i If you scrap the last individual material assigned to a fixed asset, the system sets the status of the fixed asset to *Retired*. The asset is then no longer managed on the balance sheet.

Example

A second hard drive installed in a PC is defective and was therefore removed. The historical acquisition cost was EUR 675. At the time of retirement, the net book value was EUR 139.

The posting record generated for this example would be:

	Debit	Credit
Loss from Fixed Asset Retirement - Scrapping	139	
Adjustments to Other Assets, Furniture and Fixtures (accumulated depreciation from previous years)	493	
Adjustments to Other Assets, Furniture and Fixtures (proportional depreciation from current fiscal year)	43	
Other Assets, Furniture and Fixtures		675

See Also

[Posting the Scrapping of an Asset \(Account Determination\) \[page 144\]](#)

4.2.2.3 Manual Posting – Complete Scrapping

Overview

You can access the *Fixed Assets* view from the *Fixed Assets* work center under *Fixed Assets*.

If you select a *Fixed Asset*, you can choose **Manual Postings** and then *Complete Scrapping*.

You can use this function to remove from your asset portfolio one or more fixed assets that can no longer be used.

The assets are retired from the company at the current net book value excluding revenue.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the asset(s) or subasset(s) to be scrapped.
- You have defined the asset retirement date.

Posting the Complete Scrapping of an Asset

1. In the *Fixed Assets* view, select one or more fixed assets or subassets and click **Manual Posting**, then *Complete Scrapping*.
2. Check the proposed document date, posting date, and closing step and change them if necessary.
3. To specify an additional fixed asset or subasset, click **Add Row**.
4. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
5. Click **Post** the scrapping.

Example

You purchase new machinery for EUR 25,000. Three years later, the machinery needs to be removed from the asset account due to a fire. The net book value at this time is EUR 15,000.

The posting generated for this example would be:

	Debit	Credit
Loss from Fixed Asset Retirement - Scrapping	15.000	
Adjustments to Other Assets, Furniture and Fixtures (accumulated depreciation from previous years)	7.500	
Adjustments to Other Assets, Furniture and Fixtures (proportional depreciation from current fiscal year)	2.500	
Other Assets, Furniture and Fixtures		25.000

See Also

[Posting the Scrapping of an Asset \(Account Determination\) \[page 144\]](#)

4.2.2.4 Manual Posting – Manual Depreciation

Overview

The standard system calculates and posts depreciation automatically. If you want to determine depreciation yourself, calculate and post the depreciation amount manually to the corresponding G/L accounts.

This function is available in the [Fixed Assets](#) work center.

Relevance

This function can be applied to unit-of-production depreciation, such as depreciation by number of units or mileage driven, or depreciation for depletion.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the [Business Configuration](#) work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the amount of depreciation to be posted.
- To be able to post depreciation manually, you need to select a depreciation method that permits manual depreciation of an asset, such as the depreciation method 0900 *Manual Depreciation* or 0000 *no automatic depreciation*. In other words, you need a depreciation method that is not used for the automatic calculation and posting of depreciation.
To find this activity, go to the [Business Configuration](#) work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase and click [Add Optional Activities](#), then select the *Depreciation Methods* activity from the activity list.



In this case, it is not necessary to enter a useful life.

Posting Manual Depreciation

To manually post depreciation, proceed as follows:

1. Select the fixed asset and choose [Manual Posting](#) and then *Manual Depreciation*.
2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.
4. Specify the *Depreciation Type* 1- *Depreciation*.

5. Choose the *Valuation View* that you want to use for posting depreciation manually.
6. Under *Relating To*, enter the year to which the posting refers. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. If a posting is made to a fixed asset that was capitalized in a previous year, choose **2 – Previous Years**.
7. You usually enter a manual depreciation amount on the *Credit* side of the fixed asset account or adjustment account.
You can adjust a manual depreciation amount that was entered too high in the current year with a *Debit* posting. Alternatively, you can cancel the document and re-enter the correct amount.
8. Enter the *Amount* you want to manually depreciate.
9. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.

Example

The executive management decides to calculate the book depreciation of a commercial vehicle used for business purposes on the basis of its output. In accordance with the indirect method, the depreciation is posted to a separate liabilities balance sheet account for accumulated depreciation. The commercial vehicle is purchased on 10/02/07. The acquisition costs amount to EUR 100,000. The total expected output during the useful life of the asset is 200,000 kilometers. The depreciation amount for each kilometer driven is EUR 0,50. In 2007, 2008, and 2009, distances of 23,000, 36,000, and 29,000 kilometers were covered respectively. In 2009, the amount to be depreciated is EUR 14,500.

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Depreciation of Fixed Assets	14.500	
Adjustment for Other Assets, Furniture and Fixtures		14.500

See Also

[Posting Depreciation \(Account Determination\) \[page 147\]](#)

4.2.2.5 Manual Posting – Special Depreciation

Overview

You can post special depreciation with this function.

In some countries, tax laws enable you to claim special tax depreciation for certain investments or measures.

Special tax depreciation is calculated and posted automatically based on the depreciation method. You can also specify special tax depreciation individually and post it manually.

This function is available in the *Fixed Assets* work center.



Notes on German Law

The German tax law currently differentiates between two types of tax depreciation:

1. Special depreciation that can be claimed in addition to regular depreciation

For special depreciation that can be claimed in Germany in addition to regular depreciation, the system provides corresponding depreciation methods for your tax valuation view.

For special depreciation for small and mid-size companies, choose the depreciation method **L020 – Special Depreciation VAT § 7g Income Tax Law 20 % + Depreciation**. In this case, you do not need to post special depreciation manually.

For periods after December 31, 2009, the German Accounting Law Modernization Act dictates that depreciation permitted for tax purposes can no longer be performed under commercial law. Such depreciation is only relevant for tax valuation. You can achieve this by specifying separately a valid depreciation method in the commercial and tax valuation views. If the depreciation methods are used differently under commercial law and tax law, this results in deviations in the depreciation amounts between the balance sheet based on commercial law and the balance sheet based on tax law. Depending on the sets of books or valuation views in use, the deviations are posted automatically or need to be included manually.

2. The transfer of hidden reserves to newly acquired assets

With the German Accounting Law Modernization Act and the abolishment of the "tax dictates financial accounting" principle, as of December 31, 2009, commercial law does not permit the recognition of liabilities for special items with reserve. Under tax law, the option for transferring hidden reserves is still available.

For more information, see [Transfer of Reserves. \[page 433\]](#)

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.

- You have determined the amount of special depreciation for the relevant set of books and the valuation view affected.

- You have selected in the relevant valuation view for your fixed asset a depreciation method that does **not** calculate and post special depreciation automatically.

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Assets Valuation View* activity from the activity list.

Posting Special Depreciation

To post special depreciation manually, proceed as follows:

- Select the fixed asset and choose [Manual Posting](#) and then *Manual Depreciation*.
- Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
- If necessary, change the proposed *Set of Books*.
- Specify the *Depreciation Type 2- Special Depreciation*.

- Choose the *Valuation View* that you want to use for posting special depreciation manually.
- Under *Relating To*, enter the year to which the posting refers. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. If a posting is made to a fixed asset that was capitalized in a previous year, choose **2 - Previous Years**.
- You usually enter a manual special depreciation amount on the *credit* side of the fixed asset account or adjustment account.
You can adjust a manual special depreciation amount that was entered too high in the current year with a *debit* posting. Alternatively, you can cancel the document and re-enter the correct amount.
- Enter the amount that you want to use to perform special depreciation manually.
- Choose **Simulate** to display the document and preview it before the **Posting** is made.

See Also

[Posting Special Depreciation \(Account Determination\) \[page 150\]](#)

4.2.2.6 Manual Posting – Write-Down

Overview

You use this function to post a decrease in the value of fixed assets due to damage, technical obsolescence, shifts in demand, reduced replacement costs, or bad investments, as opposed to depreciation due to normal wear and tear.

This function is available in the *Fixed Assets* work center.

Relevance

There is an unexpected permanent reduction in the value of an asset that needs to be posted as both write-down and depreciation.

i If the write-down needs to be reversed, this is either done so in the same fiscal year by means of a reversal or debit posting, or in the following fiscal years by posting the write-up.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have calculated the amount of depreciation to be taken into account based on the (updated) acquisition and production costs or the book values and comparison values on the closing key date.

Posting Write-Down

To post write-down, proceed as follows:

1. Select the fixed asset and choose **Manual Posting** and then **Manual Depreciation**.
2. Check the proposed **Document Date** and **Posting Date**. You can enter a **Description**. You can change the proposed **Closing Step**.
3. If necessary, change the proposed **Set of Books**.
4. Specify the **Depreciation Type 3- Write-Down**.
5. Choose the **Valuation View** that you want to use for posting depreciation manually.
6. Under **Relating To**, enter the year to which the posting refers. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. If a posting is made to a fixed asset that was capitalized in a previous year, choose **2 – Previous Years**.
7. You usually enter a write-down amount on the **credit** side of the fixed asset account or adjustment account. You can adjust a write-down amount that was entered too high in the current year with a **debit** posting. Alternatively, you can cancel the document and re-enter the correct amount.
8. Enter the **Amount** of the manual write-down.
9. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.

Example

In 2006 a warehousing facility is purchased at a cost of EUR 12,000 with an expected useful life of ten years. In 2009 the warehouse is damaged, although its usability is not significantly affected. In addition to the depreciation amount of EUR 1,200, it is decided that half the acquisition costs should be written down. A write-down of EUR 1,400 is posted to a separate liabilities balance sheet account for accumulated depreciation, in accordance with the indirect method.

The posting record generated for this example would be:

	Debit	Credit
Write-Down of Fixed Assets	1.400	
Adjustments for Other Assets, Furniture and Fixtures		1.400

See Also

[Posting Write-Down \(Account Determination\) \[page 135\]](#)

4.2.2.7 Manual Posting – Write-Up

Overview

You can access the **Fixed Assets** view from the **Fixed Assets** work center under **Fixed Assets**.

If you select a **Fixed Asset**, you can choose **Manual Postings** and then **Write-Up**.

You can use this function to reverse any depreciation posted in a previous fiscal year.

Write-ups increase the book value of a fixed asset.

Relevance

The most common reason for write-up to be posted is the reversal in a fiscal year of write-down posted in previous years, since the reasons for the write-down no longer apply.

However, you can generally also enter manual write-up amounts for all other types of depreciation. Possible reasons for such write-up postings are as follows:

- The use of incorrect depreciation terms could have caused excessive depreciation in previous fiscal years. This depreciation needs to be adjusted with a write-up posting in the current fiscal year.
- In previous years, tax concessions or special depreciation may have been calculated. These should be reversed in the current fiscal year.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the basis of the write-up from a business perspective for the relevant set of books and the valuation view affected.
- You have calculated the write-down amount.

Posting Write-Up

To post write-up, proceed as follows:

1. Select the fixed asset and choose **Manual Posting** and then **Write-Up**.
2. Check the proposed *Document Date* and *Posting Date*. You can enter a *Description*. You can change the proposed *Closing Step*.
3. If necessary, change the proposed *Set of Books*.
4. Select a *Depreciation Type*.
5. Choose the *Valuation View* that you want to use for posting write-up manually.
6. Enter the *Amount* you want to write up.
7. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.

Notes on Posting

You can post write-up to the following depreciation types:

- *Depreciation*: Write-ups on depreciation are posted if the depreciation amounts claimed in previous years were excessive. Check whether the applicable regulations on valuation permit you to make a write-up posting in this case. If this is not possible, you can reduce depreciation for the remaining useful life by adjusting the depreciation terms.
- *Special Depreciation*: Write-ups on special depreciation are usually posted if the special depreciation or concessions need to be reversed.
- *Write-Down*: Write-ups on write-down amounts from previous years are posted if the reasons for the write-down no longer apply in a later fiscal year and the write-down needs to be reversed.

The following terms apply when posting write-up:

- You can **not** enter a write-down and its reversal via a write-up on the same asset in the same fiscal year. In the current fiscal year, you adjust a write-down amount that was entered too high with a debit posting for the difference in amount or by reversing the document. You use a write-up posting to make an adjustment in the following fiscal years.

- The write-up amount must **not** exceed the original depreciation amount.

Example

On April 15, 2002, company premises are purchased for EUR 240,000. It was planned to develop an office building on this land at a later date. In 2005, the municipality disclosed that a new purification plant was to be built alongside the company premises. The value of the land decreased to EUR 150,000 resulting in a write-down of EUR 90,000 for the fiscal year 2005. In 2009, due to massive protests from the local population, it was disclosed that work would cease on the construction project. The market value of the land increased to EUR 270,000.

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Adjustments for Land	90.000	
Revenue from Write-Up for Fixed Assets		90.000

See Also

[Posting Write-Ups \(Account Determination\) \[page 132\]](#)

4.2.2.8 Manual Posting - Retroactive Capitalization

Overview

You use this function to revalue asset acquisition and production costs and adjust the corresponding G/L accounts. Retroactive capitalization is the revaluation of a fixed asset for which the acquisition and production costs were set too low in the past.

This function is available in the *Fixed Assets* work center.

i There is a difference between retroactive capitalization postings and subsequent acquisition costs in the current fiscal year that are to be entered as acquisitions for existing fixed assets. You can post subsequent acquisition costs to the fixed asset via a supplier invoice or by directly posting the acquisition and production costs.

Relevance

It might be necessary to capitalize acquisition and production costs retroactively for the following reasons:

- Incidental acquisition costs that needed to be capitalized were posted as expense.
- Production costs for fixed assets produced internally were set too low.
- An asset requiring capitalization was **not** capitalized.

The fiscal year in which these acquisition and production costs should have been capitalized is now closed. In the current fiscal year, you can post retroactive capitalization to account for this. This transaction is treated the same as a transaction that occurs at the start of the fiscal year.

Any accumulated depreciation that was **not** claimed in previous years is calculated and posted automatically based on the depreciation terms and initial capitalization date that you specified. The net amount of the retroactive capitalization is expensed.

Depending on the circumstances, you post retroactive capitalization as follows:

- If part of an asset was **not** capitalized, you make the posting to an existing fixed asset with the same depreciation start date.
- If you neglected to capitalize an asset completely, create a new asset and post to that.
- If you need to select an alternative depreciation start date, post to a new subasset.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have defined how you want to enter the retroactive capitalization:
 - For a new asset or subasset account
 - For an existing asset or subasset account
- You have defined the required depreciation terms for the new asset or subasset account.
- You have defined the amount by which the acquisition and production costs should be adjusted.
- You have determined the initial capitalization date.

Posting Retroactive Capitalization

1. In the *Fixed Assets* view, select the fixed asset or subasset and click **Manual Posting**, then *Retroactive Capitalization*.
2. Check the proposed document date and enter the posting date.
The posting date must be in the first fiscal year open for posting and in a posting period that is open for posting.
3. You can change the proposed closing step and set of books.
4. Check the specified individual material or select an individual material.
5. Enter the *Initial Capitalization Date*.
The initial capitalization date is the date on which the acquisition and production costs should have been capitalized. The initial capitalization date and the depreciation terms provide the basis for calculating the accumulated depreciation. This date must be in a fiscal year no longer open for posting. The initial capitalization date must not be before the capitalization date of the fixed asset. If your company uses a fiscal year variant for which each fiscal year is individually defined (such as the 4-4-5 calendar used in the US), ensure that you have defined all fiscal years prior to the initial capitalization date.
6. Enter the acquisition and production costs in the *Amount* field.
7. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
8. Click **Post** the retroactive capitalization

Example

A tax audit carried out on 20/12/09 discovers that building maintenance expenses of EUR 10,000 posted on 25/04/07, should have been capitalized as production costs. These production costs requiring capitalization are capitalized retroactively in 2009. The asset is depreciated using straight-line depreciation over ten years. Your accounting department wants to enter the document on 05/01/09. The fiscal year 2009 and the last posting period are still open. All the other previous periods and previous years have been closed.

The corresponding accumulated depreciation is calculated as follows:

2007	750 €
2008	1.000 €
Total	EUR 1,750 (Accumulated depreciation)

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Buildings	10.000	
Adjustments to buildings		1.750
Revenue from Retroactive Capitalization of Fixed Assets		8.250

For the posting example described above, you would enter the document date 05/01/2010, a posting date in December 2009, and the initial capitalization date 25/04/2007

See Also

[Posting Retroactive Capitalization \(Account Determination\) \[page 141\]](#)

4.2.2.9 Manual Posting - Complete Transfer of Individual Material

Overview

You can use this function to transfer an individual material completely from one fixed asset to another.

This function is available in the *Fixed Assets* work center.

Relevance

You might need to transfer an individual material from a fixed asset in the following situations:

- An individual material is physically assigned to a new fixed asset and needs to be tracked in the system.
- An individual material was wrongly assigned to a fixed asset and now needs to be transferred to another fixed asset.
- In the workaround [Assets Under Construction, \[page 373\]](#) this function is used to transfer completed assets under construction to fixed assets for capitalization.

Depending on the circumstances, you transfer individual materials to a new or existing asset or subasset account.

i If you change the cost center or profit center assigned to a fixed asset, the system automatically generates a transfer posting. The posting date corresponds to the start date of the new organizational assignment. Note that you cannot enter a posting with a date before the start date of the new organizational assignment.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the source fixed asset and its source individual material.
- You have determined the target asset to which the transfer should be made:
 - To a new asset or subasset account
 - To an existing asset or subasset account
- You have defined the required depreciation terms for the new asset or subasset account.

Posting the Complete Transfer of An Individual Material

1. In the *Fixed Assets* view, click **Manual Posting**, then *Complete Transfer of Individual Material*.
2. Check the proposed document date, posting date, and closing step and change them if necessary.
3. Check the specified source individual material number or select a source individual material.
4. Specify the fixed asset number and subasset number of the target fixed asset.
If the target fixed asset has a subasset number, the system adds this information automatically. For multiple subassets, you need to select the corresponding subasset number.
Alternatively, you can click **New** to create a new fixed asset.
5. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
6. **Post** the transfer.

Notes on Posting

The transfer of an individual material is mapped in your system as follows:

- All sets of books are affected by the transfer.
- Postings are generated based on the following criteria:
 - Individual materials acquired in previous years and transferred to a different fixed asset or individual material in the current fiscal year.
In this case, the system takes into account the (proportional) acquisition and production costs together with the (proportional) accumulated depreciation of the source and target asset over the previous years.
In addition, the system determines the (proportional) depreciation of the current fiscal year and posts this to the source and target fixed assets.

i If the transfer posting is made to a new fixed asset, the new asset obtains the capitalization date, depreciation start date, and the expired useful life of the source asset.

- Individual materials acquired in the current fiscal year and transferred to a different fixed asset or individual material in the current fiscal year.
In this case, the system takes into account the (proportional) acquisition and production costs together with the (proportional) scheduled depreciation of the source or target asset over the current fiscal year.
- The following applies to the transfer of an individual material:
 - During the transfer posting, the individual material is assigned to the target asset automatically.
 - You do not need to specify any values for the transfer posting because the system automatically determines the (proportional) acquisition or production costs and the depreciation of the transferred individual material.
 - When the last individual material assigned to an asset with the status *Acquired* has been written off, the system sets the asset status to *Retired*. The asset is then no longer included in the balance sheet.

Example

A PC monitor with acquisition and production costs of EUR 500, which is assigned to a PC as an individual material, is connected to a different PC. Accumulated depreciation at the end of the previous fiscal year is EUR 168. In the current fiscal year, depreciation of EUR 28 was incurred up to the transfer posting date.

The posting record generated by this business transaction would be:

	Debit	Credit
Debit Other Assets, Furniture and Fixtures (Target Fixed Asset)	500	
Credit Adjustments to Other Assets, Furniture and Fixtures (Target Fixed Asset) (Accumulated depreciation from previous years)		168
Credit Adjustments to Other Assets, Furniture and Fixtures (Target Fixed Asset) (Proportional expected depreciation in the current fiscal year)		28
Adjustments to Other Assets, Furniture and Fixtures (Source Fixed Asset) (Accumulated depreciation from previous years)	168	
Adjustments to Other Assets, Furniture and Fixtures (Source Fixed Asset) (Proportional expected depreciation in the current fiscal year)	28	
Credit Other Assets, Furniture and Fixtures (Source Fixed Asset)		500

See Also

[Individual Materials \[page 393\]](#)

[Transfer Postings \(Account Assignment\) \[page 127\]](#)

[Manual Posting - Partial Transfer of Individual Material \[page 427\]](#)

4.2.2.10 Manual Posting - Partial Transfer of Individual Material

Overview

You can use this function to transfer part of an individual material from one fixed asset to another.

This function is available in the [Fixed Assets](#) work center.

Relevance

It may be necessary to transfer part of an individual material, which is assigned to a fixed asset, in the following situations:

- Part of an individual material is assigned to the individual material of a new fixed asset.
- An individual material that is assigned to one fixed asset and that contains multiple physical objects, subsequently needs to be split into multiple fixed assets and multiple individual materials.
- In the workaround [Assets Under Construction \[page 373\]](#), this function is used to transfer a completed asset under construction to multiple fixed assets for capitalization.

Depending on the circumstances, you make partial transfer postings from individual materials to a new fixed asset or subasset account. The system creates the corresponding individual material automatically or posts it to an existing individual material that is assigned to another fixed asset or subasset account.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Chart of Accounts, Financial Reporting Structures, Account Determination* activity from the activity list.
- You have determined the source fixed asset and the corresponding source individual material.
- You have determined the target asset or target individual material to which the partial transfer should be made:
 - To a new fixed asset/subasset account or a new individual material
 - To an existing fixed asset/subasset account or an existing individual material
- You have defined the required depreciation terms for the new asset or subasset account.
- You have determined the transfer amount.

Posting the Partial Transfer of An Individual Material

1. In the *Fixed Assets* view, select the fixed asset or subasset and click **Manual Posting**, then *Partial Transfer of Individual Material*.
2. Check the proposed document date, posting date, closing step, and set of books and change them if necessary.
3. Check the specified source individual material number or select a source individual material.
4. In *Relating To*, select the year to which the posting refers.
If the source individual material was capitalized in the current year, select *1 - Current Year*. If a posting is made from a source individual material that was capitalized in a previous year, select *2 – Previous Years*.
5. Click *Amount* and enter for the source individual material the acquisition or production costs to be transferred.
6. Specify the fixed asset number and subasset number of the target fixed asset. If the target fixed asset has a subasset number or has been assigned an individual material, this information is added automatically. For multiple subassets or individual materials, you need to select the corresponding subasset number or individual material number.
Alternatively, click **New** to create a new fixed asset. The corresponding individual material is created automatically.
7. Click **Simulate** to see a simulation of the journal entry in the general ledger before posting.
8. Click **Post** the partial transfer.

Notes on Posting

- Partial transfers are always included in all valuation views of a set of books. To enter transfer postings for multiple sets of books, you need to perform the posting manually for each set of books.
- Postings are based on the following criteria:
 - Individual materials acquired in previous years are transferred in the current fiscal year to a different fixed asset or individual material.
In this case, the system takes into account the (proportional) acquisition and production costs together with the (proportional) accumulated depreciation of the source and target asset over the previous years.
In addition, the system determines the (proportional) depreciation of the current fiscal year and posts this to the source and target fixed assets.



If the transfer posting is made to a new fixed asset, the new asset obtains the capitalization date, depreciation start date, and the expired useful life of the source asset.

- Individual materials that are acquired in the current fiscal year and also transferred in the current fiscal year to a different fixed asset or individual material.

In this case, the system takes into account the (proportional) acquisition and production costs for a partial transfer, but not the proportional scheduled depreciation of the source or target asset over the current fiscal year.



This partial transfer posting, relating to the determination of the calculation period, is treated as a new acquisition by the system. Depending on the period control of the selected depreciation method, the system takes the depreciation start date for the new fixed asset from the transfer posting date. Once the partial transfer has been made, you should then check the depreciation start date if the acquisition and transfer postings are in different posting periods. If you find that it is necessary to change this date, the depreciation calculations will not be affected.

Example

An asset under construction that was capitalized in previous years is entered in the system with an individual material. Upon completion in the current fiscal year, the asset needs to be transferred to multiple fixed assets, each with an individual material. One of the new fixed assets with production costs of EUR 12,300 is to be capitalized.

The posting record generated by the system for the above posting example is as follows:

	Debit	Credit
Machinery and Equipment	12.300	
Assets Under Construction		12.300

See Also

[Individual Materials \[page 393\]](#)

[Transfer Postings \(Account Assignment\) \[page 127\]](#)

[Manual Posting - Complete Transfer of Individual Material \[page 425\]](#)

4.2.2.11 Manual Posting – Revaluation

Overview

This function enables you to adjust the value of individual fixed assets to the fair market value.

There are two procedures for determining the fair market value of a fixed asset:

- Automatic determination of replacement values based on index series
- Upward revaluation of individual fixed assets

You may need to reevaluate a fixed asset at fair value for the following reasons:

- Price changes in capital goods have affected the calculation basis.
- When you determine insurance values, the premium for the insurance policies is often based on the indexed acquisition values of the fixed assets.

- Companies intent on maintaining the value of their fixed assets can calculate the depreciation of (index-based) market values according to country-specific standards (in the UK, for example) and international accounting standards (such as IFRS).
- In some countries with high inflation rates, the market value is permitted as the basis for book depreciation.

To calculate replacement values and determine insurance values for fixed assets, you usually have the system automatically calculate replacement values using index series. For more information, see [Replacement Values \[page 458\]](#).

For valuation in accordance with local book valuation and international accounting principles, you usually manually determine the fair market value and use the function described here to post the difference to the valuation set in your accounting ledgers.

 Revaluation is **not** permitted by the local commercial regulations in some countries, such as Germany.

Prerequisites

To make the posting, the following prerequisites must be fulfilled:

- You have set up account determination in configuration.
To find this activity, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Open Activity List](#). Select the [Fine-Tune](#) phase, then select the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) activity from the activity list.
- You have determined the fair value of the fixed asset.
- You have specified the offsetting account in the General Ledger.

Posting Revaluation

To post the revaluation of an asset, proceed as follows:

- Select the fixed asset and choose [Manual Posting](#) and then [Revaluation](#).
- Check the proposed [Document Date](#) and [Posting Date](#). You can enter a [Description](#). You can change the proposed [Closing Step](#).
- If necessary, change the proposed [Set of Books](#).
- Choose a [Valuation View](#) to use for the manual posting.
- Specify what you want the revaluation to relate to:
 - The **acquisition cost** that is increased (or decreased) by the amount posted.
 - The **accumulated depreciation** that is increased (or decreased) by the amount posted.
- Under [Relating To](#), choose if the asset to be revalued was first capitalized in a previous year or in the current year.. If the fixed asset was capitalized in the current year, choose **1 - Current Year**. Otherwise, choose **2 – Previous Years**.



This setting has no impact on the revaluation or depreciation calculation.

- Specify whether you want to make a [Debit](#) posting or [Credit](#) posting to the fixed asset. Enter the [Amount](#) for revaluation.
- Under [Offsetting](#), enter the following information for the offsetting posting in the General Ledger if you post to the valuation view relevant for the General Ledger: Account number or if required [Cost Center](#), [Profit Center](#), or [Project Task](#).

9. Click **Simulate** to display the document in the general ledger and preview it before the **Posting** is made.

i The acquisition cost as well as the accumulated depreciation and adjustments for revaluation are displayed separately.

A revaluation posting only influences the calculated depreciation for depreciation methods in which depreciation is calculated from the net book value and the remaining useful life (for example, depreciation method L011 **Straight-Line from Remaining Useful Life Net Book Value to 0 for Germany and IFRS**. For Australia, depreciation method AU11 can be used).

It is strongly recommended to post the revaluation at the end of the fiscal year.

Example

A company values fixed assets with IFRS, in addition to the book valuation and tax-based valuation. In the IFRS valuation, the company chooses to reevaluate the company property in the current fiscal year. The land was acquired in 2002 at a cost of EUR 450,000. Due to a high increase in real estate prices, the current market value is EUR 510,000. The land should now be increased in value by EUR 60,000. The current local book valuation and tax-based valuation does not permit revaluation using the acquisition cost.

The posting record generated for this example would be:

	Debit	Credit
Land	60,000	
Revaluation Reserves		60,000

Example for Revaluation using the Gross Method (IFRS and Australia)

Using the gross method requires both the asset account and the accumulated depreciation account to be revalued, without any depreciation write-back. Two manual postings are required. For an asset with acquisition cost of \$100,000, accumulated depreciation of \$30,000, and a required 10% revaluation on the net book value, this method would post as per below:

Revalue Depreciation (Previous years or current year)

	Debit	Credit
Accumulated Depreciation		3000
Asset Revaluation Offset account	3000	

Revalue Asset (Previous years or current year)

	Debit	Credit
Asset — Buildings	10,000	
Asset Revaluation Offset account		10,000

The net effect of the gross revaluation is to increase the net book value of the asset by \$7000 or 10%.

Example for Revaluation using the Net Method (IFRS and Australia)

Using the net method requires the accumulated depreciation to be written back against the Acquisition Cost account. Three manual postings are required.

i You have to do these manual postings at the beginning of the fiscal year. The required revaluation postings can only be executed if the fiscal years affected by the revaluation are closed for operational postings.

For an asset with acquisition cost of \$100,000, accumulated depreciation of \$30,000, and a required 10% revaluation on the net book value, this method would post as per below:

1. Reduce Acquisition Cost to current Net Book Value 70,000

	Debit	Credit
Asset Revaluation Reserve	30,000	
Asset — Buildings		30,000

To do this, in the *Fixed Assets* work center, select the respective fixed asset and choose [Manual Posting](#) and then *Revaluation*.

2. Write back Accumulated Depreciation to 0

	Debit	Credit
Accumulated Depreciation	30,000	
Asset Revaluation Reserve		30,000

To do this, in the *Fixed Assets* work center, select the respective fixed asset and choose [Manual Posting](#) and then *Revaluation*.

3. Increase Acquisition Cost (current Net Book Value) by 10 percent (7,000)

	Debit	Credit
Assets — Buildings	7,000	
Asset Revaluation Offset account		7,000

To do this, in the *Fixed Assets* work center, select the respective fixed asset and choose [Manual Posting](#) and then *Acquisition*. For more information, see [Manual Posting — Acquisition \[page 413\]](#).

The net effect of the net revaluation is to increase the net book value of the asset by \$7000 or 10%.

See Also

[Posting Revaluations \(Account Determination\) \[page 139\]](#)

4.2.2.12 Deactivate a Fixed Asset Class

Overview

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

In the system configuration, you can deactivate fixed asset classes for each company.

Procedure

1. Choose *Deactivate Asset Class*.
2. Click **Add Row** or **Insert Row** and then specify the *Fixed Asset Class* and *Company ID*.
3. Set the *Deactivated* indicator.
4. **Save** your entries.

Result

The deactivated fixed asset class is then no longer displayed in the list of asset classes. In addition, no more fixed assets can then be assigned.

4.2.2.13 Edit Asset Class Determination

Overview

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

This enables the system to determine the fixed asset class automatically, and, in a typical situation, create a fixed asset automatically in the integrated procurement process.

In the *Purchase Requests and Orders* work center, you create a purchase order. Here, you can also decide what shall be tracked as single item, that means you can create individual materials. When posting a goods and services receipt in the *Goods and Services Receipt* work center, the system uses the derivation rule to check, whether for the product category and the purchasing company, an asset class can be derived. Depending on the country, in which the company resides, and if the capitalization threshold value is exceeded, the system creates automatically a fixed asset for the respective individual material in asset accounting.



You can define determination rules for fixed asset classes in the *Fixed Assets* work center.

Procedure

1. Choose *Edit Asset Class Determination*.
2. Click **Add Row** or **Insert Row** and then specify the company ID and product category ID.

i The system then lists all the product categories available in the system. This includes also the product categories intended only for material postings or services. Product categories that can be used to create fixed assets automatically must be indicated *Product Assignment Allowed*. You can check this in the *Product Data* work center in the *Product Categories*.
3. Assign a *Fixed Asset Class* to this company and product category.
4. **Save** your entries.
5. You can remove the assignment of a company or product category to an asset class by clicking **Delete Row**.

See Also

[Procurement of a Fixed Asset \[page 371\]](#)

Asset Procurement in Purchasing

4.3 Periodic Tasks View

4.3.1 Quick Guide for Depreciation

You can access the *Depreciation* view from the *Fixed Assets* work center under *Periodic Tasks*.

This view enables you to start the fixed asset depreciation run and post the depreciation amounts calculated automatically by the system to the G/L accounts in the general ledger.

Business Background

Automatic Fixed Asset Depreciation

When a fixed asset is created, the depreciation terms are automatically transferred from the default values of the asset class to the master data for each valuation view.

Based on these depreciation terms, the system then automatically calculates depreciation and special depreciation using legally-required and commonly-used procedures.

For more information, see [Automatic Asset Depreciation \[page 375\]](#).

 You can also manually post planned special depreciation and special tax depreciation. Write-downs are always posted manually.

For more information, see [Manual Postings in Fixed Assets \[page 409\]](#).

Fixed Asset Depreciation Run

The automatically calculated depreciation values lead initially to a change in the planned values only in the Fixed Assets area. The postings are made automatically to the corresponding balance sheet accounts and expense accounts in the general ledger when a periodic depreciation run is performed.

You perform depreciation runs for your closing activities in the *Fixed Assets* work center in the *Depreciation* view. To ensure compliance, check the results of the run.

For more information, see [Fixed Asset Depreciation Run \[page 460\]](#).



Tasks

Check Prerequisites for the Fixed Asset Depreciation Run

1. Before you perform the fixed asset depreciation run, check the fixed assets indicated as low-value assets.
2. In the *Inventory Valuation* work center under *Periodic Tasks*, perform the *GR/IR clearing* run.
3. The period you use to perform the fixed asset depreciation run must be open for posting for the selected closing step.

Start a Fixed Asset Depreciation Run

1. To create a new run, click **New** and then *Fixed Asset Depreciation Run*.
2. You then have the following options:
 - **Create a Fixed Asset Depreciation Run with Reference**
To re-use the data from a previous run, select the run that you want to use and click **Copy**. The system copies the data directly to the input screen for the new run. You can then adjust the data copied from the previously-executed run.
 - **Test Run**
To perform the run as a test run, set the *Test Run* indicator. The system previews the results of the test run but does not make any postings. The postings are only simulated.

i You can only delete runs that you either scheduled or performed as a test run. To delete a test run, select the run that you want to delete and click **Delete**.

3. Scheduling
You can perform the run immediately or schedule it for a specific point in time:
 - To perform the run immediately, click **Start Immediately**.

i This run may take several minutes to be executed, which can cause the screen to time out. In such a case, you can go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to view the logs. Alternatively, you can click *Log Result* in the *Details* section of a finished run.

- To schedule the run for a subsequent point in time, click **Schedule** and specify when the system will perform the run. You can view scheduled runs and their times in the corresponding view under **View Jobs**.

Check Results of the Fixed Asset Depreciation Run

1. Processing Status

The *Processing Status* informs you about any *errors* or *warnings* that occurred in the run, or simply provides you with more *information*. If errors occur during a run, you need to resolve them and start the depreciation run again.

2. Log

The system stores one log for every combination of company and set of books processed.

- Display Log**
 - If you have performed the run **immediately**, the system issues a status message. To display a list of the logs, click **View Log**. Select a log and click **View**.
 - When you have **scheduled** and performed the run, you can display the list of logs in the corresponding subview. Choose the corresponding run and click **View**.

- Check the Log**

The log contains the following information:

- Overview**
Shows the result of the run, the execution date, any messages that were issued, and information on the content of the run.
- Data Selection**
Shows the information that you entered at the start of the run.
- Messages**
Shows a list of all messages that were issued (such as warning messages).
- Postings**
Shows the account movements for debit and credit postings for each fixed asset balance sheet account, value adjustment account, and depreciation account. You can also view the journal entries made as a result of the run.
- Processed Fixed Assets**
For each fixed asset, the log displays the depreciation amount posted.
- Erroneous Fixed Assets**
This tab contains detailed information on erroneous fixed assets that you need to adapt.

3. Job Monitor

If a run has not been completed successfully and you cannot find and resolve the cause, you can display the technical details relating to your run in the Job Monitor. Select the relevant run and choose **Display Jobs**. If a job finds errors, contact your system administrator.

4.4 Reports

4.4.1 Depreciation

Overview

This report displays planned and existing depreciation amounts of fixed assets for a specific period.

Views

This report offers you the following views:

- **Planned Values**
This view displays the planned depreciation and planned special depreciation for the selected period at the level of the fixed asset class, as well as the planned net book value at the end of the selected period.
- **Posted Values**
This view displays the posted depreciation, posted special depreciation, and posted write-down for the selected period at the level of the fixed asset class, as well as the posted net book value at the end of the selected period.
- **Posted / Planned Values**
This view displays the following data in a special column for posted values and planned values at the level of the fixed asset class: Net book value at the start of the selected period, planned depreciation, special depreciation, and write-down for the selected period, and the net book value at the end of the selected period.
- **Planned Imputed Interests**
This view displays at the level of the fixed asset class the historical costs at the start of the selected period, the acquisition costs and the planned imputed interests.

Features

Running the Report

Before running the report, you specify the data you want to see by selecting values for variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Note the following, which applies to some variables:

- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.
- The *Valuation View* field is filled by default on the basis of the company and set of books assigned.
- The *Accounting Period / Year* is automatically assigned the value at the start of the current fiscal year, which applies until the end of the current period.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is displayed in table format in the selected default view.

You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can include in the display additional characteristics, (such as **Fixed Asset**), from the Not Shown Currently area.
- You can access the *Fixed Assets - Line Items* report. Select the required object. A triangle icon is displayed to the right of the object. By clicking on the triangle, you can open a menu that provides a report selection for you to choose from.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

4.4.2 Fixed Assets – Inventory List

Overview

This reports displays the acquisition value and net book value for each fixed asset capitalized up to the selected period.

Views

This report offers you the following views:

- **Physical Inventory List**
Displays the original acquisition value, value adjustments (balance of reclassifications, write-ups and write-downs in the period), and the planned net book value at the level of fixed assets and individual materials for each cost center.
- **By Asset Class**
Displays the acquisition value and the planned net book value by fixed asset and fixed asset class.
- **By Individual Material**
Displays the acquisition value of the individual materials at individual material level.
- **By Cost Center**
Displays the acquisition value and the planned net book value by cost center, fixed asset, and fixed asset class.

Features

Running the Report

Before running the report, you specify the data you want to see by selecting values for variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.

- The *Valuation View* field is filled by default on the basis of the company and set of books assigned.
- The *Values Until Accounting Period / Year* field is automatically filled with the **Current Fiscal Period**.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is displayed in table format in the selected default view.

You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- You can access the *Fixed Assets - Line Items* report. Select the required object. A triangle icon is displayed to the right of the object. By clicking on the triangle, you can open a menu that displays the Fixed Assets - Line Items report.
- You can click on a fixed asset to display it and in the same way select the option *Display a Fixed Asset* from the menu.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

4.4.3 Fixed Assets – Line Items

Overview

This report displays for a specific period all the automatic and manual fixed asset transactions grouped by transaction type.

Views

This report offers you the following views:

- **Fixed Assets – Line Items**
Displays all the fixed asset transactions with posting date, source document type, journal entry ID, debit or credit posting, and amount, for each fixed asset and fixed asset class.
- **Manual Entries**
Displays all the manual fixed asset transactions with posting date, source document type, journal entry ID, debit or credit posting, and amount, for each fixed asset and fixed asset class.
- **Acquisitions**
Displays all the fixed asset acquisitions with posting date, source document type, journal entry ID, debit or credit posting, and amount, for each fixed asset and fixed asset class.
- **Retirements**

Displays all the fixed asset retirements with posting date, source document type, journal entry ID, debit or credit posting, and amount, for each fixed asset and fixed asset class.

- **Transfers**

Displays all the transfer postings with posting date, source document type, journal entry ID, debit or credit posting, and amount, for each fixed asset and fixed asset class.

Features

Running the Report

Before running the report, you specify the data you want to see by selecting values for variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Note the following, which applies to some variables:

- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.
- The *Valuation View* field is filled by default on the basis of the company and set of books assigned.
- The *Accounting Period / Year* field is filled automatically with the current period.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is displayed in table format in the selected default view.

You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- You can access the *Journal* report. Select the required object. A triangle icon is displayed to the right of the object. By clicking on the triangle, you can open a menu that enables you to access the report.
- You can click on a fixed asset ID to display the fixed asset and in the same way select the option *Display a Fixed Asset* from the menu.
- You can click on a journal entry ID to display the journal entry and in the same way select the option *Display a Journal Entry* from the menu.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

4.4.4 Fixed Assets - Trial Balance

Overview

Shows the trial balance for fixed assets on the reconciliation accounts.

Views

This report offers you the following views:

- **By Fixed Assets (Standard)**
Displays the trial balance (opening balance, period totals, and ending balance) for fixed assets on the reconciliation accounts.
- **By Asset Class**
Shows the trial balance for fixed assets by asset class on the reconciliation accounts.
- **Periodic View**
Displays the trial balance for fixed assets for each period of the selected timeframe on the reconciliation accounts.

Features

Running the Report

Before running the report, you specify the data you want to see by selecting values for variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Note the following, which applies to some variables:

- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.
- The *Accounting Period / Year* field is filled with the **Year to Date** period.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is first displayed in table format in the selected default view.

You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- You can access the *Fixed Assets - Line Items* report and the *G/L Accounts - Line Items* report. Select the required object. A triangle icon is displayed to the right of the object. By clicking on the triangle, you can open a menu that provides a report selection for you to choose from.
- In the By Fixed Assets view, you can click on a fixed asset to display it and in the same way select the option **Display a Fixed Asset** from the menu.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

4.4.5 Fixed Assets - Master Data

Overview

This report displays all the information on fixed assets for the selected date, such as fixed asset class, valuation view, and the creation date.

Views

This report offers you the following views:

- **General Information (Standard)**
Displays fixed asset master data by fixed asset class and fixed asset. This data includes the creation date, cost center, individual materials, and status.
- **With Set of Books**
Displays fixed asset master data for each set of books by fixed asset class and fixed asset. This data includes the creation date, initial acquisition date, capitalization date, and deactivation date.
- **With Valuation View**
Displays fixed asset master data for each valuation view by fixed asset class and fixed asset. This data includes the creation date, depreciation method, useful life, and depreciation start date.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Note the following, which applies to some variables:

- By default the *Master Data Validity Date* is filled with today's date.
- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.
- The *Valuation View* field is filled by default on the basis of the company and set of books assigned.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is first displayed in table format in the selected default view.

You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- You can navigate to the following reports: *Depreciation*, *Schedule of Fixed Assets*, *Fixed Assets – Inventory List*, and *Fixed Assets- Line Items*. Select the required object. A triangle icon is displayed to the right of the

object. By clicking on the triangle, you can open a menu that provides a report selection for you to choose from.

- You can click on a fixed asset to display it and in the same way select the option *Display a Fixed Asset* from the menu.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

4.4.6 Schedule of Fixed Assets

Overview

This report displays the schedule of fixed assets, which is a record of the changes in the values of the individual balance sheet items of fixed assets during a fiscal year.

The schedule of fixed assets is the most critical asset-related supplement to the balance sheet. Many governments require businesses to produce a schedule of fixed assets and issue regulations regarding its form and content based on the legal form of the company. If this is the case in your country, you need to use a version of the schedule of fixed assets that conforms to the applicable regulations.

Prerequisites

You need to make sure that all assets are capitalized.

Views

This report offers you the following views:

- **Posted Values (default)**
Shows the actual values by account determination and fixed asset class.
- **Detailed View - Posted Values**
Shows the actual values by fixed asset class, fixed asset ID, and subasset account ID.
- **Low Value Assets - Posted Values**
Shows the actual values of low-value assets by account determination group, depreciation method, and year of first acquisition.
- **Planned Values**
Shows the planned values by account determination and fixed asset class.

Each view contains the following data:

- Historical acquisition and production costs (APC) at the start of the selected time period
- Acquisition and production costs incurred during the selected time period
- Retirements during the selected time period
- Transfers during the selected time period
- Write-ups during the selected time period

- Accumulated depreciation
- Total of depreciation
- Value adjustments
- Net book value at the end of the selected time period
- Net book value at the start of the selected time period

Features

Running the Report

Before running the report, you specify the data you want to see by selecting values for variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Note the following, which applies to some variables:

- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.
- The *Valuation View* field is filled by default on the basis of the company and set of books assigned.
- The *Accounting Period/Year* is automatically assigned the value at the start of the current fiscal year, which applies until the end of the current period.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is displayed in table format in the selected default view.

You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can drag characteristics to rows and columns.
- You can access the *Depreciation* and *Fixed Assets - Line Items* reports. Select the required object. A triangle icon is displayed to the right of the object. Clicking on the triangle opens a menu with a selection of reports for you to choose from.
- In the detailed view, you can click on a fixed asset to display it and in the same way select the option *Display a Fixed Asset* from the menu.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

4.4.7 Fixed Assets – Valuation Comparison

Overview

In some cases companies are obliged to realize differences in valuation of valuation views in financial accounting. For example, in Austria, if you use fiscal special depreciation, the resulting differences to the commercial valuation have to be posted as valuation reserves.

This report shows you the values of fixed assets for two valuation views and allows you to analyze the valuation differences. The values can be, for example, net book values or depreciation amounts of fixed assets calculated by different depreciation methods for a specific period.

Views

This report offers you the following views:

- **Posted Values**
Displays posted values of fixed assets for the two selected valuation views.
- **Planned Values**
Displays planned values of fixed assets for the two selected valuation views.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- The *Company* field is defaulted with the financial company assigned to the user.
- The *Set of Books* field is defaulted with the set of books assigned to the company.
- The *Accounting Period / Year* field is automatically assigned the value at the start of the current fiscal year, which applies until the end of the current period.
- The *Valuation View* field is filled by default on the basis of the company and set of books assigned.
- The *Comparison Valuation View* field is normally the tax valuation view.

If you select depreciation methods, data is only displayed if the combination of valuation view and depreciation method or comparison valuation view and depreciation method is valid.

For more information about the standard variables, see [Overview of Reports in Financial Management](#).

Analyzing the Report

The data in this report is first displayed in table format in the selected default view. You have the following options for analyzing the report:

- You can choose a different report view. Choose the required view from the upper-left area of the screen.
- You can restrict the data that is displayed. On the left-hand side of the screen, choose the row that you want to use to filter by and enter the filter criteria.
- To further analyze data in this report, you can display additional characteristics, such as *Account Determination Group* or *Fixed Asset Class*, from the *Not Currently Shown* area.

See Also

Reports View

Overview of Reports in Financial Management

Overview of Data Sources in Financial Management

4.5 Common Tasks

4.5.1 Deactivate a Fixed Asset Class

Overview

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

In the system configuration, you can deactivate fixed asset classes for each company.

Procedure

1. Choose *Deactivate Asset Class*.
2. Click [Add Row](#) or [Insert Row](#) and then specify the *Fixed Asset Class* and *Company ID*.
3. Set the *Deactivated* indicator.
4. [Save](#) your entries.

Result

The deactivated fixed asset class is then no longer displayed in the list of asset classes. In addition, no more fixed assets can then be assigned.

4.5.2 Edit Asset Class Determination

Overview

To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Open Activity List](#). Select the *Fine-Tune* phase, then select the *Fixed Asset Classes* activity from the activity list.

This enables the system to determine the fixed asset class automatically, and, in a typical situation, create a fixed asset automatically in the integrated procurement process.

In the *Purchase Requests and Orders* work center, you create a purchase order. Here, you can also decide what shall be tracked as single item, that means you can create individual materials. When posting a goods and services receipt in the *Goods and Services Receipt* work center, the system uses the derivation rule to check, whether for the product category and the purchasing company, an asset class can be derived. Depending on the country, in which the

company resides, and if the capitalization threshold value is exceeded, the system creates automatically a fixed asset for the respective individual material in asset accounting.

i You can define determination rules for fixed asset classes in the *Fixed Assets* work center.

Procedure

1. Choose *Edit Asset Class Determination*.
2. Click **Add Row** or **Insert Row** and then specify the company ID and product category ID.

i The system then lists all the product categories available in the system. This includes also the product categories intended only for material postings or services. Product categories that can be used to create fixed assets automatically must be indicated *Product Assignment Allowed*. You can check this in the *Product Data* work center in the *Product Categories*.
3. Assign a *Fixed Asset Class* to this company and product category.
4. **Save** your entries.
5. You can remove the assignment of a company or product category to an asset class by clicking **Delete Row**.

See Also

[Procurement of a Fixed Asset \[page 371\]](#)

Asset Procurement in Purchasing

5 Inventory Valuation

5.1 Business Background

5.1.1 Materials

Overview

Materials are tangible products that can be produced, bought, and sold. You create the master data for materials in the *Materials* view of the *Product Data* work center. Valuation details are needed if the material is part of your inventory. All materials you create in this view are immediately visible in the *Inventory Valuation* work center.

Features

The valuation data in the material master is of central importance in the valuation of inventories and goods movements. Tasks are generated in different work centers if any valuation-relevant data is missing.

- If a material movement fails because the company/business residence assignment for the material is missing, a task is sent to the *Inventory Valuation* work center requesting that the organizational assignment for that material be maintained. On the *Valuation* tab of the material's master data record, you specify the company and business residence combinations where this material is to be used in accounting, and maintain the status of these organizational assignments.
- If a goods movement fails because the valuation data of a material is incomplete, a task is sent to the *General Ledger* work center. This task is also solved in the *Valuation* view of the material.

→ If you wish to maintain costs for more than one material, consider using the *Edit Unit Costs* activity under *Common Tasks*.

Cost Types

Cost types enable you to assign different costs to a material for different purposes. The only cost type that actually affects the valuation of material inventories and movements in the system is *inventory cost*.

In addition to inventory cost, the other cost types available are *estimated cost*, *planned cost*, *book value*, and *periodic FIFO cost*. These cost types do **not** affect the valuation of material inventories or movements.

For more information on cost types, see [Cost Types for Inventory Valuation \[page 523\]](#).

Journal Entries

When the inventory cost is updated for a material that is in stock, a revaluation journal entry is generated in the general ledger. You can view this journal entry by searching for the relevant cost change document in the *General Ledger* work center, *Journal Entries* view. The journal entry amount is calculated by multiplying the difference between the old cost and the new cost by the quantity in stock.

i A **cost change document** is always generated for any cost change if the organizational assignment has the status Active. Even if the new cost is the same as the old cost (for example, a cost estimate calculated the same cost as before), a cost change document will be generated because the source document reference is new. However, a **journal entry** is only generated if the inventory cost is changed and the material is in stock.

Account Determination Group

The material's valuation master data includes the account determination group, such as raw materials, semifinished products, or finished products.

Perpetual Cost Method

In the material's valuation master data, you also specify the perpetual cost method (Standard or Moving Average). For more information, see [Perpetual Cost Methods \[page 526\]](#).

Inventory Cost History

A history of the changes to a material's inventory cost is available in the *Inventory Valuation* work center, *Materials* view and *Material Unit Costs* view.

For more information, see [Inventory Cost History \[page 537\]](#).

Material Reports

You can use the [Material Unit Costs \[page 705\]](#) report to gain information about costs and cost comparisons during a defined period.

The [Material Inventories – Balance Summary \[page 693\]](#) report provides information about inventory quantities and values.

See Also

[Valuation \[page 506\]](#)

5.1.2 Valuation

Overview

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.

 You can access the valuation master data for your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Prerequisites

You have entered and activated the following valuation master data for your materials for each company and business residence:

- Cost
- Cost unit (default: base UoM)
- Account determination group
- Perpetual cost method

Valuation Levels

By default, material valuation master data is maintained at the business residence level. You can optionally increase the granularity of material valuation to a finer level.

For more information, see [Valuation Levels \[page 530\]](#).

See Also

[Valuation of Business Transactions \[page 507\]](#)

[Valuation of Material Inventories \[page 509\]](#)

[Valuation of Work in Process \[page 510\]](#)

[Cost Types for Inventory Valuation \[page 523\]](#)

[Perpetual Cost Methods \[page 526\]](#)

5.1.3 Valuation of Business Transactions

Overview

Business transactions generate journal entries and update one or more subledgers in financial accounting. Perpetual cost methods are applied to all transactions that can affect inventory.



Examples of business transactions include goods movements and the allocation of differences through clearing runs and debits or credits to a material.

A business transaction consists of receiving and issuing units. Each of these units is represented by at least one line item.

Business transactions are valued in two steps:

- Determination of the external value
- Determination of the value for each line item

This value is cleared against the receiving or issuing unit.

If the external value of the business transaction differs from the value of a line item, additional line items are generated. For each inventory object, it has to be decided which value should be used to update the inventory. If this value differs from the external value, the difference must be treated as a cost difference.

The perpetual cost method influences the amount and frequency of cost difference postings.

Examples

The following examples show how business transactions are valued. The examples are limited to cases where the inventory does **not** start out (or become) negative:

External Procurement

Transaction	Valuation
Goods receipt for purchase order	Quantity × Purchase Order Price
GR/IR clearing	Difference between value of goods receipt and invoice receipt

Production

Transaction	Valuation
Service confirmation	Quantity × Cost Rate
Goods issue into production	Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued Note: "current" means before the issue
Goods receipt from production	Quantity × Inventory Cost
Overhead	Valuation based on percentages in the overhead rule
WIP clearing	Difference between current production costs and goods receipt

Other

Transaction	Valuation
Edit material costs	(New Inventory Cost × Inventory Quantity) – Current Inventory Value
Goods issue to customer	Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued Note: "current" means before the issue
Customer return	Quantity × Inventory Cost

Negative Inventories

Negative inventories are valued as follows:

- Unlike for positive inventories, a **goods receipt** for a negative inventory is quantity-based (Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued) and a **goods issue** is valued at inventory cost (Quantity × Inventory Cost).
- For materials that use the *Moving Average* perpetual cost method, the inventory cost is frozen if the inventory becomes negative. That is, with a negative inventory the inventory cost is calculated the same way as with the *Standard* cost method.

Defining Inventory Costs, Cost Rates, and Overhead Rules

You define inventory costs for materials, cost rates for services, and overhead rules in the following places:

- **Inventory costs:** *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view

- **Cost rates for services:** *Cost and Revenue* work center, *Service Cost Rates* view
- **Overhead rules:** *Cost and Revenue* work center, *Overhead Rules* view

See Also

- Valuation [page 506]
- Valuation of Material Inventories [page 509]
- Valuation of Work in Process [page 510]
- Negative Inventories
- Perpetual Cost Methods [page 526]

5.1.4 Valuation of Material Inventories

Overview

To ensure accurate valuation of material inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

Determination of Inventory Quantities

The following rules must be followed to enable determination of the correct inventory quantities:

- All inventories that belong to the company must be reported in the balance sheet with a reasonable value. To meet this requirement, the transfer of ownership must be recorded correctly and in a timely manner for both goods issues and goods receipts.
- Inventories that belong to nonaffiliated companies must **not** be included in valuation.
- The inventory values in financials can be adjusted to match the quantities in logistics at any time.

Valuation Master Data

Three basic settings in the valuation master data of each material control how the material is valued:

- Cost type
- Valuation level
- Perpetual cost method

i You can access the valuation master data of your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Cost Type

Within standard business processes, material inventories are valued with the cost type *Inventory Cost*. All other cost types are for informational purposes only and have no effect on the value of your inventories.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Valuation Level

The valuation level for a material determines the granularity at which the unit costs, account determination group, and perpetual cost method for the material are maintained.

By default, the valuation level is the business residence. You can increase the valuation granularity to a finer level if you have activated this feature in your solution configuration.

For more information, see [Valuation Levels \[page 530\]](#).

Perpetual Cost Method

The perpetual cost method determines how the inventory cost per unit of the material is calculated. This enables you to apply different valuation methods to your inventories.

The following perpetual cost methods are available:

- **Standard**

With the Standard method, the inventory cost is a predetermined value that remains constant until you change it manually.

- **Moving Average**

With the Moving Average method, the inventory cost is the total value of the items received into inventory divided by the quantity received.

Perpetual cost methods also differ in how they handle price differences, which are caused for example by goods receipts or invoice receipts. The Standard method posts differences to difference accounts, while the Moving Average method allocates differences to inventory.



Goods are received for a purchase order. **Unbilled Payables** is credited with EUR 100 and **Inventory** is debited in accordance with the selected cost method:

- If the perpetual cost method is **Moving Average** or **Standard** and the inventory cost is EUR 100, **Inventory** is debited with EUR 100.
- If the perpetual cost method is **Standard** and the inventory cost is EUR 90, **Inventory** is debited with EUR 90 and the remaining EUR 10 to **Price Differences**.

You can change the perpetual cost method at any time as this does **not** affect existing inventory values.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Balance Sheet Valuation with FIFO

You can apply the FIFO method to value your material inventories for financial reporting purposes.

For more information, see [Inventory Valuation Based On FIFO \[page 512\]](#).

5.1.5 Valuation of Work in Process

Overview

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

Prerequisites

You have configured account determination for work in process.

You have defined material unit costs in the *Inventory Valuation* work center.

You have defined resource cost rates, service cost rates, and overhead rules in the *Cost and Revenue* work center.

Accounting for Work in Process

Work-in-process inventories are created automatically based on production and service confirmations.

Work in process is directly reported as such in financials. All consumption is allocated directly to a *work in process* account in accordance with the cost-of-sales principle (accounting exchange on the assets side: work-in-process inventory is debited, warehouse inventory is credited, and capitalization of the internal service). Work in process is valued in the same way as the business transaction:

Production	Valuation
Service Confirmation	Quantity x Cost Rate*
Goods Issue into Production	Quantity x Inventory Cost
Goods Receipt from Production	Quantity x Inventory Cost
Overhead	Valuation of material costs and direct costs in work in process based on the percentages in the overhead rule**
WIP Clearing	Difference between current production costs and valuation of goods receipt from production

* Each service confirmation specifies a duration (and in some cases a service product quantity). The service confirmation is usually valued by multiplying the resource quantity by the resource cost rate. If no resource cost rate exists, the confirmation is valued by multiplying the quantity of the service product by the cost rate for the service product.

** For more information, see [Overhead Absorption by Production Lots \[page 568\]](#).

WIP Clearing

When the production lot is completed, its work-in-process inventory is zeroed out by the work in process (WIP) clearing run.

The system informs financials about this change to the status of the production lot. The WIP clearing run reduces the WIP inventory of completed production lots to zero, which adjusts the value of the work in process accordingly.

See Also

[Valuation of Business Transactions \[page 507\]](#)

[Work in Process \[page 639\]](#)

[Work-in-Process Clearing Runs \[page 641\]](#)

5.1.6 Inventory Valuation Based On FIFO

Overview

FIFO (First In, First Out) is an inventory valuation method which assumes that the inventory items acquired or manufactured earliest are the first to be used. With this method, the inventory layers are mainly from the latest purchases or production runs. Thus the inventory values reported in the balance sheet are more realistic as they are based on the most recently incurred costs.

Under IFRS accounting standards, FIFO is a preferred method for measuring the historical cost of inventory (true and fair principle). It is also an appropriate method in inflationary markets because it charges off the earliest (lowest) costs first, allowing you to report higher values for inventory on hand.

To apply the FIFO method, you execute a **material cost accumulation run** on a periodic basis, which collects the costs involved in purchasing or producing the selected materials. You then use a **FIFO cost determination run** to update the calculated cost to the material valuation master data as the *Periodic FIFO Cost*. If you decide that the periodic FIFO cost calculated by the run is appropriate for valuing your inventories, you set it as the new inventory cost. The basic process is illustrated below.



Valuation of Inventories with FIFO Costs

The FIFO functionality is available in the *Inventory Valuation* work center in the following views under *Periodic Tasks*:

- *Material Cost Accumulation*
- *FIFO Cost Determination*

i FIFO costs are only supported for balance sheet valuation. It is not possible to value cost of goods sold with FIFO.

Prerequisites

The FIFO cost method is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click *Edit Project Scope*. Then do the following:

- In the *Scoping* step, in the *Financial and Management Accounting* business area, ensure that the *Valuation of Warehouse Inventory* element is selected within *Inventory Valuation*.
- In the *Questions* step, for the *Valuation of Warehouse Inventory* element, confirm that you want to calculate material costs using the FIFO cost method.

Application of the FIFO Method

The basic procedure for applying the FIFO method to value your inventories is as follows. Click the hyperlinks in each step for detailed instructions. All steps are carried out in the *Inventory Valuation* work center.

1. Execute a **material cost accumulation run** to collect the costs for the selected materials.
View: [Material Cost Accumulation \[page 672\]](#)
2. Execute a **FIFO cost determination run** to calculate the FIFO cost for the selected materials.
View: [FIFO Cost Determination \[page 680\]](#)
3. As a spot check, you can now look at the value for the cost type *Periodic FIFO Cost* for selected materials.
View: [Material Unit Costs \[page 539\]](#)
4. Set the FIFO cost as the new inventory cost.
 - You can do this for individually selected materials with the **Set as Inventory Cost** function.
View: [Material Unit Costs \[page 539\]](#)
 - To set the FIFO cost as the inventory cost for a large number of materials at once, start an **update inventory costs run**.
View: [Update Inventory Costs \[page 622\]](#)

If you wish to see exactly how the FIFO costs differ from the inventory costs for all materials, you can use the [Inventory Cost Analysis Based On FIFO \[page 708\]](#) report.

Material Cost Accumulation Run

Material cost accumulation runs collect all costs of purchasing and production in order to build inventory layers for the materials. These layers are then used by the FIFO cost determination run to calculate the FIFO cost.

- For the **purchasing** process, the material cost accumulation run collects all purchasing costs for the selected materials, including:
 - Standard and moving average costs
 - Price differences
 - GR/IR clearing differences

This produces a total valuation amount for each goods receipt.

- For the **production** process, the material cost accumulation run collects the costs for:
 - Raw materials
 - Semifinished goods
 - Resources consumed
 - Overhead costs applied to the production lot
 - Production price differences from the WIP clearing run

This produces a total cost for the production lot.

For more information, see [Material Cost Accumulation Quick Guide \[page 672\]](#).

FIFO Cost Determination Run

FIFO cost determination runs use the results of material cost accumulation runs to calculate the FIFO cost for the materials. They then write the resulting unit costs to the material valuation master data.

You specify a period and year for the run. The system uses the ending inventory balance for that period to identify which quantities are in stock under a FIFO cost flow assumption. It then allocates the costs collected in the material cost accumulation run to these quantities and writes the resulting unit costs to the material valuation master data as the cost type *Periodic FIFO Cost*.

i In some cases the material cost accumulation run is not able to capture all relevant items and consequently no cost can be determined for some items. In such cases the FIFO cost determination run assigns an alternative cost to the missing items.

For more information, see FIFO Threshold.

For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).

Periodic FIFO Cost

The unit cost for the cost type *Periodic FIFO Cost* is stored in the material valuation master data. You can maintain the unit cost for this cost type in the following ways:

- With a FIFO cost determination run. This run calculates the FIFO cost and updates the material valuation master data with this cost.
For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).
- By calculating your FIFO costs externally and then entering them in the material valuation master data manually or importing them from local Microsoft Excel workbooks.
For more information on entering or importing material unit costs, see [Material Unit Costs Quick Guide \[page 539\]](#).

For more information on the attributes of the cost type *Periodic FIFO Cost*, see [Cost Types for Inventory Valuation \[page 523\]](#).

FIFO Costs with Product Specifications

If valuation at the product specification level is activated in your solution configuration, both the material cost accumulation run and the FIFO cost determination run will process the relevant transactions and include the relevant costs.

For information on the prerequisites for valuation at the product specification level, see [Valuation Levels \[page 530\]](#).

i It is **not** possible to calculate FIFO costs for specific product specifications, since the FIFO costs calculated at the company or business residence level would be updated to all product specifications as well. You can only **exclude** selected valuation levels from the calculation of FIFO costs.

See Also

[Material Cost Accumulation Quick Guide \[page 672\]](#)

[FIFO Cost Determination Quick Guide \[page 680\]](#)

[FIFO Threshold](#)

[Inventory Cost Analysis Based On FIFO \[page 708\]](#)

5.2 Master Data View

5.2.1 Materials View

5.2.1.1 Materials Quick Guide (Inventory Valuation)

The *Materials* view contains information on the material data that is relevant to accounting, such as the account determination group, the perpetual cost method, and the inventory cost. You can update unit costs and view the cost history.

You access this view in the *Inventory Valuation* work center.

 Materials are created in the *Materials* view of the *Product Data* work center.

Business Background

Valuation

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.

For more information, see [Valuation \[page 506\]](#).

Cost Types for Inventory Valuation

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.

- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Perpetual Cost Methods

Perpetual cost methods determine which basic valuation approach is applied to material inventories and goods movements.

The perpetual cost method you specify for a material influences whether goods receipts influence the material's inventory cost (and therefore its inventory value). It also affects how differences resulting from business transactions and clearing runs are accounted for.

The following perpetual cost methods are available:

- Standard
With this method, inventory cost is a constant, predetermined value.
- Moving Average
With this method, inventory cost is the average of the current inventory value and all receipts of the material into inventory.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Standard Cost Method

With the Standard cost method, inventories are valued at a constant cost that is never changed by goods movements or clearing runs.

The inventory cost of the material remains fixed until it is changed manually.

For more information, see [Standard Cost Method \[page 527\]](#).

Moving Average Cost Method

If a material uses the Moving Average cost method, its inventory cost may change as a result of certain business transactions, such as goods receipts for purchase orders, goods receipt and invoice receipt clearing with externally procured materials, and work in process clearing with materials manufactured in-house.

For more information, see [Moving Average Cost Method \[page 528\]](#).

Moving Average Cost Method with Negative Inventory

When the inventory of a material with the moving average cost method becomes negative, the moving average cost is frozen. This means that the material is valued as if it used the standard cost method.

For more information, see [Moving Average Cost Method with Negative Inventory \[page 529\]](#).

Valuation Levels

Valuation levels define the granularity at which material valuation master data is stored and maintained. Material valuation master data includes:

- Unit costs
- Account determination group
- Perpetual cost method

The default valuation level is the **business residence**. Therefore, in the standard system you maintain the material valuation master data for each business residence in which the material is used.

You can increase the valuation granularity to the **product specification** level in order to manage material valuation master data at the level of individual customer requirements. This enhances cost transparency and allows the use of different balance sheet accounts.

For more information, see [Valuation Levels \[page 530\]](#).

Valuation of Material Inventories

To ensure accurate valuation of warehouse inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

For more information, see [Valuation of Material Inventories \[page 509\]](#).

Valuation of Business Transactions

Business transactions result in postings in financials and update one or more subledgers. Cost methods are applied to all business transactions that can affect inventory.

A business transaction consists of receiving and issuing units. Each of these units is represented by at least one line item.

Business transactions are valued in two steps:

- Determination of the external value
- Determination of the value for each line item
This value is cleared against the receiving or issuing unit.

If the external value of the business transaction differs from the value of a line item, additional line items are generated. For each inventory object, it has to be decided which value should be used to update the inventory. If this value differs from the external value, the difference must be posted as a cost difference.

The cost method influences the amount and frequency of cost difference postings.

For more information, see [Valuation of Business Transactions \[page 507\]](#).

Valuation of Work in Process

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

For more information, see [Valuation of Work in Process \[page 510\]](#).

Inventory Cost History

If you notice unexpected or questionable inventory costs for your materials, the inventory cost history can help you determine how the costs arose. This feature provides detailed information on the changes to the inventory cost during a selected period, enabling you to understand how the current inventory cost was arrived at.

For more information, see [Inventory Cost History \[page 537\]](#).



Tasks

Update Unit Costs for a Single Material at Business Residence Level

1. Select the material and click **Edit**.
2. On the **Valuation** tab, in the **Companies/Business Residence** area, select the row for the desired company and business residence and click **Edit Cost**.
3. Select the cost type and enter the new cost and the date from which the new cost is valid.

i If you select the cost type *Inventory Cost*, *Book Value*, or *Periodic FIFO Cost*, you must set the *Valid From* date to the first day of the period, as costs of these cost types are valid for entire periods. If you enter a date that is not the first day of the period, the system corrects it automatically.

4. Click **OK**.

The new cost is shown in the **Details** area.

The system sets the *Valid To* date to Unlimited automatically.

i If necessary, the system automatically adjusts the *Valid To* date of an existing cost of the same cost type so that it does not overlap with the validity range of the new cost.
For example, if an existing cost of the same cost type is valid from October 1 to Unlimited and you define a new cost valid from November 1, the system sets the *Valid To* date of the existing cost to October 31.

5. Save.

If the material is in stock and the cost has been updated, a journal entry is generated.

Update Unit Costs for Multiple Materials at Business Residence Level

1. Go to the **Edit Material Costs** common task.
2. Under **Select Materials**, enter your selection criteria.
If you want to include materials that have no costs (based on the current selection criteria), select *Include Materials Without Costs*.

i If you select the cost type *Inventory Cost*, *Book Value*, or *Periodic FIFO Cost*, you must enter a *Valid From* date that is the first day of the period. If you enter a *Valid From* date that is not the first day of the period, the system corrects it automatically.

3. Click **Go** to search for materials matching your criteria.

4. Enter the new costs.
5. Save.

If a material is in stock and the cost was updated, a journal entry is generated.

Update Unit Costs for a Single Material at Product Specification Level

1. Select a material with the valuation level *Product Specification*, then do either of the following:
 - Click **Maintain Valuation Data**.
 - Click **Edit** and then, on the *Valuation* tab, click **Maintain Product Specification Valuation**.
2. In the *Valuation Level: Business Residence - Product Specification* area, select the product specification whose costs you want to update.
If you want to add a new product specification, click **Add Row** and enter the product specification, the account determination group, and the perpetual cost method.
3. Click **Edit Cost**.
4. Select the cost type and enter the new cost and the date from which the new cost is valid.
5. Click **OK**.

The new cost is shown in the *Details* area.

i If necessary, the system automatically adjusts the *Valid To* date of an existing cost of the same cost type so that it does not overlap with the validity range of the new cost.
For example, if an existing cost of the same cost type is valid from October 1 to Unlimited and you define a new cost valid from November 1, the system sets the *Valid To* date of the existing cost to October 31.

6. Save.

→ You can access the valuation master data at the business residence level with the *Show Valuation Level Business Residence* checkbox.

Update Unit Costs for Multiple Materials at Product Specification Level

1. Go to the *Edit Material Costs* common task.
2. Specify the valid from and valid to dates, company ID, set of books, and cost type.
3. Add the *Valuation Level Type* field by means of screen personalization, then select *Product Specification* in this field.
4. Click **Go** to search for materials matching your criteria.
5. Enter the new costs.
To see the product specifications in the list of materials, add the *Valuation Level ID* field by means of screen personalization.
6. Save.

Change the Valuation Level

1. Click **Edit**.
2. On the **Valuation** tab, set the *Valuation Level Type* to the desired valuation level.

3. Save.

i If you change the valuation level, the change will only affect a given identified stock if **both** of the following conditions apply:

- The identified stock is activated **after** you change the valuation level.
- No other active identified stock exists for the same product (material) and product specification that was activated with a different valuation level. This ensures that all identified stocks belonging to a given combination of product and product specification always have the same valuation level. This valuation level is determined when the **first** of these identified stocks is activated. Identified stocks that existed before the change continue to be valued at the previously defined valuation level.

For an example illustrating the interdependencies between valuation levels and identified stocks, see [Valuation Levels \[page 530\]](#).

View the Cost History

Select a material that has an inventory cost and click [View Cost History](#).

i The cost history is only available for materials that have an inventory cost, including an inventory cost of zero.

5.2.1.2 Business Background

5.2.1.2.1 Materials

Overview

Materials are tangible products that can be produced, bought, and sold. You create the master data for materials in the [Materials](#) view of the [Product Data](#) work center. Valuation details are needed if the material is part of your inventory. All materials you create in this view are immediately visible in the [Inventory Valuation](#) work center.

Features

The valuation data in the material master is of central importance in the valuation of inventories and goods movements. Tasks are generated in different work centers if any valuation-relevant data is missing.

- If a material movement fails because the company/business residence assignment for the material is missing, a task is sent to the [Inventory Valuation](#) work center requesting that the organizational assignment for that material be maintained. On the [Valuation](#) tab of the material's master data record, you specify the company and business residence combinations where this material is to be used in accounting, and maintain the status of these organizational assignments.
- If a goods movement fails because the valuation data of a material is incomplete, a task is sent to the [General Ledger](#) work center. This task is also solved in the [Valuation](#) view of the material.

 If you wish to maintain costs for more than one material, consider using the [Edit Unit Costs](#) activity under [Common Tasks](#).

Cost Types

Cost types enable you to assign different costs to a material for different purposes. The only cost type that actually affects the valuation of material inventories and movements in the system is [inventory cost](#).

In addition to inventory cost, the other cost types available are [estimated cost](#), [planned cost](#), [book value](#), and [periodic FIFO cost](#). These cost types do **not** affect the valuation of material inventories or movements.

For more information on cost types, see [Cost Types for Inventory Valuation \[page 523\]](#).

Journal Entries

When the inventory cost is updated for a material that is in stock, a revaluation journal entry is generated in the general ledger. You can view this journal entry by searching for the relevant cost change document in the [General Ledger](#) work center, [Journal Entries](#) view. The journal entry amount is calculated by multiplying the difference between the old cost and the new cost by the quantity in stock.

 A **cost change document** is always generated for any cost change if the organizational assignment has the status Active. Even if the new cost is the same as the old cost (for example, a cost estimate calculated the same cost as before), a cost change document will be generated because the source document reference is new. However, a **journal entry** is only generated if the inventory cost is changed and the material is in stock.

Account Determination Group

The material's valuation master data includes the account determination group, such as raw materials, semifinished products, or finished products.

Perpetual Cost Method

In the material's valuation master data, you also specify the perpetual cost method (Standard or Moving Average).

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Inventory Cost History

A history of the changes to a material's inventory cost is available in the [Inventory Valuation](#) work center, [Materials](#) view and [Material Unit Costs](#) view.

For more information, see [Inventory Cost History \[page 537\]](#).

Material Reports

You can use the [Material Unit Costs \[page 705\]](#) report to gain information about costs and cost comparisons during a defined period.

The [Material Inventories – Balance Summary \[page 693\]](#) report provides information about inventory quantities and values.

See Also

[Valuation \[page 506\]](#)

5.2.1.2.2 Valuation

Overview

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.

i You can access the valuation master data for your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Prerequisites

You have entered and activated the following valuation master data for your materials for each company and business residence:

- Cost
- Cost unit (default: base UoM)
- Account determination group
- Perpetual cost method

Valuation Levels

By default, material valuation master data is maintained at the business residence level. You can optionally increase the granularity of material valuation to a finer level.

For more information, see [Valuation Levels \[page 530\]](#).

See Also

- [Valuation of Business Transactions \[page 507\]](#)
- [Valuation of Material Inventories \[page 509\]](#)
- [Valuation of Work in Process \[page 510\]](#)
- [Cost Types for Inventory Valuation \[page 523\]](#)
- [Perpetual Cost Methods \[page 526\]](#)

5.2.1.2.3 Cost Types for Inventory Valuation

Overview

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.
- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

You maintain the costs for all cost types in the material valuation master data. You can access this data for example from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Inventory Cost

Inventory cost values the inventory of a material for a given period, and also values movements of the material. The total inventory value for the material is calculated as Inventory Quantity x Inventory Cost.

Inventory cost can be changed as often as necessary during the period. Valuation is based on the current inventory cost or the inventory cost that was last valid for the period:

- In the **current** period, inventories and movements are always valued at the **current** inventory cost.
- In **past** periods, inventories and movements are valued at the inventory cost that was **last valid in the period**.

You cannot maintain inventory costs for future periods.

i Inventory cost is always valid for **entire periods**. Thus if you change the inventory cost in the middle of the period, the new cost will apply from the beginning of the period.

Inventory cost can be changed manually or automatically:

- If you change the inventory cost manually, note the following restrictions:
 - For past periods, you can only change the inventory cost if the period is still open.
 - You can only enter a *Valid From* date that is the start of a period.
 - You can only enter a *Valid To* date that is the end of a period.
 - For the **current** inventory cost, the *Valid To* date must be set to 12/31/9999.
- If the material uses the *Moving Average* cost method, the inventory cost can change automatically as a result of business transactions. For more information, see [Moving Average Cost Method \[page 528\]](#).

You can overwrite the inventory cost with the estimated cost, book value, or periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the *Set as Inventory Cost* task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

i Inventory cost can only be changed if the entire cost change time period is open, regardless of whether there is any inventory or not.

Estimated Cost

Estimated cost can be calculated in material cost estimates or maintained manually. This cost type does not affect the valuation of material inventories or movements.

The validity dates for the estimated cost can be set to any interval that is **not in past periods**.

You can overwrite the estimated cost with the results of material cost estimates. Refer to the information about releasing cost estimates in [Material Cost Estimates Quick Guide \[page 584\]](#).

You can overwrite the inventory cost with the estimated cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the *Set as Inventory Cost* task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Planned Cost

Planned cost is provided to allow you to plan internally for anticipated future costs. This cost type does not affect the valuation of material inventories or movements. There are no restrictions on the validity dates.

Book Value

Book value may be calculated outside of the system by applying a cost flow assumption such as LIFO. This cost type does not affect the valuation of material inventories or movements.

i Book value is always valid for entire periods. It is not possible to change this restriction.

When you edit the book value, you can only enter a *Valid From* date that is the start of a period, and you can only enter a *Valid To* date that is the end of a period. Book value can be maintained for both past and future periods.

You can overwrite the inventory cost with the book value, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Periodic FIFO Cost

Periodic FIFO cost is intended for balance sheet valuation using the First In, First Out method. This cost type can be calculated in a FIFO cost determination run or maintained manually.

To value material inventories in the balance sheet with the periodic FIFO cost, you must overwrite the inventory cost with the periodic FIFO cost.

- i** In order to use periodic FIFO cost, you need to have activated the FIFO cost method in business configuration.

For more information, see [Balance Sheet Valuation Based On FIFO \[page 512\]](#).

Periodic FIFO cost is valid from the first to last day of the period for which the FIFO cost determination run is executed. It **cannot** be maintained for future periods.

You can overwrite the inventory cost with the periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Summary of Cost Types

The differences between the cost types are summarized below.

	Inventory Cost	Estimated Cost	Planned Cost	Book Value	Periodic FIFO Cost
Values inventories and movements	Yes	No	No	No	No
Can overwrite Inventory Cost	–	Yes	No	Yes	Yes
Can be maintained for past periods	Yes, if period open	No	Yes	Yes	Yes
Can be maintained for future periods	No	Yes	Yes	Yes	No
Allowed validity	Valid From: First day of period Valid To: <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period 	Valid From: Any date that is not in past periods Valid To: Any date	Valid From: Any date Valid To: Any date	Valid From: First day of period Valid To: Last day of period	Valid From: First day of period Valid To: <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period

5.2.1.2.4 Perpetual Cost Methods

Overview

Perpetual cost methods determine which basic valuation approach is applied to material inventories and goods movements.

The perpetual cost method you specify for a material influences whether goods receipts influence the material's inventory cost (and therefore its inventory value). It also affects how differences resulting from business transactions and clearing runs are accounted for.

The following perpetual cost methods are available:

- Standard
With this method, inventory cost is a constant, predetermined value.
- Moving Average
With this method, inventory cost is the average of the current inventory value and all receipts of the material into inventory.

Features

The differences between the perpetual cost methods are listed below.

Perpetual Cost Methods

Determination of inventory cost		Effect of goods receipts	Accounting for differences
Standard	Inventory cost is a predetermined value that remains constant until you change it manually.	Goods receipts do not affect inventory cost.	Differences resulting from business transactions and clearing runs are posted to difference accounts.
Moving Average	Inventory cost is the average of the current inventory value and all receipts of the material into inventory.	Goods receipts recalculate inventory cost.	Differences resulting from business transactions and clearing runs are allocated to inventory.

You select the perpetual cost method in the material's valuation master data. You can access this data from the [Inventory Valuation](#) work center, [Materials](#) view or [Material Unit Costs](#) view.

You can change the perpetual cost method at any time as it does **not** affect existing values.

To calculate the moving average in different scenarios, See [Moving Average Calculation](#)

See Also

[Standard Cost Method \[page 527\]](#)

[Moving Average Cost Method \[page 528\]](#)

Example: [Moving Average Cost Across Periods](#)

5.2.1.2.5 Standard Cost Method

Overview

With the *Standard* perpetual cost method, inventories are valued at a predetermined cost that is never changed by goods movements or clearing runs. The inventory cost of the material remains constant until you change it manually.

Prerequisites

You have selected the *Standard* perpetual cost method for the material.

- i** You select the perpetual cost method in the material's valuation master data. You can access this data from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

•

Goods Receipts and Issues

Goods receipts and goods issues are always valued at current inventory cost.

If a business transaction has a different value than the current inventory cost (such as a goods receipt with a different purchase order price), the difference is allocated to a price difference account (this also applies to differences from clearing runs):

- Profit/Loss from Purchasing Differences
- Profit/Loss from Production Differences
- Profit/Loss from Stock Transfer

- i** When inventory movements are posted to **prior periods**, an inventory revaluation posting is automatically added in the subsequent period to prevent the inventory cost in that period from being changed.

Inventory Quantity Changes

A change to the inventory quantity is valued as **Inventory Cost x Goods Movement Quantity**.

Pure Value Postings

Postings that change only the value normally have reference quantities on which they are based (although these quantities do not affect the inventory quantity). Due to delays in data entry, value postings with high reference quantities may be made to inventory items that have low stock quantities. In order to prevent distortions of inventory values in such cases, a stock coverage check compares the reference quantity against the current inventory quantity.

Cancellations

To prevent inventory costs from being changed by cancellations, the system adds an inventory revaluation posting when it processes cancellations of documents and transactions.

See Also

[Perpetual Cost Methods \[page 526\]](#)

5.2.1.2.6 Moving Average Cost Method

Overview

If a material uses the *Moving Average* perpetual cost method, its inventory cost may change as a result of certain business transactions, such as goods receipts for purchase orders, goods receipt and invoice receipt clearing with externally procured materials, and work-in-process clearing with materials manufactured in-house.

Prerequisites

- You have selected the *Moving Average* perpetual cost method for the material.
You select the perpetual cost method in the material's valuation master data. You can access this data from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.
- You have specified whether negative inventories are allowed.

i If the system settings allow negative inventories, inventories can become negative in both **value** and **quantity**.
For more information on negative inventories, see Negative Inventories.

Goods Receipts

The quantity and value of goods receipts into inventory are added to the existing inventory. The new inventory cost is calculated by dividing the total value of the inventory by the inventory quantity.

Goods Issues

Goods issues reduce the inventory value by the external value of the issue. If this results in a new relationship between the inventory value and the inventory quantity, the costs are adjusted accordingly. Since goods issues are usually valued with the current moving average cost, they do **not** normally affect the inventory cost.

i Postings into prior periods change the inventory quantity, value, and costs of both the **current** and **prior** periods.
In order to maintain a constant inventory cost, the cost method changes when exceptional situations are encountered (such as negative inventory).

Clearing Runs

Differences that arise due to clearing runs are allocated to inventory. Such allocations are affected by the stock coverage of the material. Clearing runs change only the inventory value, never the inventory quantity. They therefore always affect the inventory cost.

Change History

All manual and automatic changes to the inventory cost can be seen in the cost change history. From there you can navigate to the line items of the source documents.

- i** The cost change history displays the validity period of a cost for the material. If the validity period is extended such that it completely overlaps the earlier, narrower validity period, the system sets the *Deleted* indicator to show how the new validity period arose. The *Deleted* indicator **cannot** be changed manually.

See Also

Example: Moving Average Cost Across Periods

[Perpetual Cost Methods \[page 526\]](#)

5.2.1.2.7 Moving Average Cost Method with Negative Inventory

Overview

When the inventory of a material with the *Moving Average* perpetual cost method becomes negative, the system freezes the moving average cost. In effect, the inventory is valued as if the perpetual cost method were *Standard*.

- i** You select the perpetual cost method in the material's valuation data. You can access this data from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Case 1: Quantity becomes negative (cost is frozen):

A goods issue causes the inventory quantity to become negative. Possible goods movements:

- Normal goods issue (such as for production): The inventory is valued such that the resulting inventory cost is the same as before the goods issue. In contrast to the normal behavior with a positive inventory quantity, the cost remains frozen while the inventory is negative.
- Reversal of a goods receipt: The inventory is valued such that the resulting inventory cost is based on the value of the movement being reversed.

Example

Transaction	Quantity	Amount	PRD Line	INV Line	Inventory Quantity	Inventory Value	Inventory Cost
Beginning inventory					10	200	20
Goods receipt for PO	10	300		300	20	500	25
Goods issue for production	-19	-475		-475	1	25	25
Reversal of goods receipt for PO	-10	-300	-5	-295	-9	-270	30

In this example, a goods receipt for a purchase order is reversed. The inventory value is now -295, resulting in an inventory cost of 30 (purchase order price). At this point the cost is frozen and remains frozen as long as the inventory is negative.

Case 2: Movements in negative inventory (cost remains frozen):

The inventory quantity is negative both before and after the goods movement. The inventory is valued such that the resulting inventory cost remains the same. This behavior is the same as with the standard cost method.

Case 3: Quantity becomes positive (cost is recalculated):

A goods receipt causes a negative inventory quantity to become positive. Possible goods movements:

- Goods receipt for purchase order
- Reversal of a goods issue

The inventory is valued such that the resulting inventory cost is the purchase order price or is based on the value of the original goods issue.

See Also

[Moving Average Cost Method \[page 528\]](#)

Negative Inventories

5.2.1.2.8 Valuation Levels

Overview

Valuation levels define the granularity at which material valuation master data is stored and maintained. Material valuation master data includes:

- Unit costs
- Account determination group
- Perpetual cost method

The default valuation level is the **business residence**. Therefore, in the standard system you maintain the material valuation master data for each business residence in which the material is used.

You can increase the valuation granularity to the **product specification** level in order to manage material valuation master data at the level of individual customer requirements. This enhances cost transparency and allows the use of different balance sheet accounts.

i The valuation level specified in a material's master data represents the **maximum** granularity at which valuation data for that material is available. That is, if the valuation level is *Product Specification*, you can still view and maintain valuation data at the business residence level.

For example, you could have two variants of a material with different valuation levels:

- MAT-100 is the standard variant without a product specification. You therefore value it at the business residence level.
- MAT-100-PS is a variant of the same material, with a product specification. Therefore you value it at the product specification level.

Valuation levels for product specifications are controlled through identified stocks. See the Identified Stocks section below.

Prerequisites

Valuation at product specification level is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation

project and click [Edit Project Scope](#). In the *Scoping* step of the project, expand the *Financial and Management Accounting* scoping element and ensure that *Valuation of Warehouse Inventory* is selected within *Inventory Valuation*.

In the *Questions* step, expand the *Financial and Management Accounting* scoping element and then expand *Inventory Valuation*. Select *Valuation of Warehouse Inventory* and answer the question about valuation at the material, business residence and product specification level with **Yes**.

Features

The *Valuation Level Type* field in the material master data allows you to change the valuation level of the material. The default valuation level is the business residence.

If you select *Product Specification* as the valuation level, you can maintain the unit costs, account determination group, and perpetual cost method for the material separately for each product specification.

You can change the valuation level from *Business Residence* to *Product Specification*, or vice-versa, at any time.

Valuation at the product specification level is **optional**. Even if a material has a product specification in logistics, you may decide that the differences between the product specification and the standard material are not significant enough to warrant separate valuation. In this case you would use the standard valuation level *Business Residence*.

Inventory transactions for a given combination of material and product specification are always posted to the same valuation level.

i It is **not** possible to have different valuation levels for different business residences. When you select a valuation level, your selection applies to **all** business residences in which the material is used.

Identified Stocks

In logistics processes, product specifications are managed through the use of identified stocks. An identified stock is a batch or lot that is tracked separately from other identified stocks of the same product. The product specification is specified in the identified stock.

All identified stocks belonging to a given combination of product and product specification always have the same valuation level.

i You activate identified stocks in the *Warehousing and Logistics Master Data* work center or the *Planning and Production Master Data* work center.

For more information, see Identified Stock Management.

Effect of Changing the Valuation Level

If you change the valuation level (either from *Business Residence* to *Product Specification* or vice-versa), the change will only affect a given identified stock if **both** of the following conditions apply:

- The identified stock is activated **after** you change the valuation level.
- No other active identified stock exists for the same product and product specification that was activated with a different valuation level.

This ensures that all identified stocks belonging to a given combination of product and product specification always have the same valuation level. This valuation level is determined when the **first** of these identified stocks is activated. Identified stocks that existed before the change continue to be valued at the previously defined valuation level.

Visibility of Valuation Level

The valuation level is displayed in the *Valuation Level Type* field. This field is visible at the following places:

- In the material's master data on the *Valuation* tab. Here it indicates the maximum valuation granularity that is available for the material.
- In the *Inventory Valuation* work center, *Materials* and *Material Unit Costs* views, in the *Details* area. You can also add this field to the list by means of screen personalization. Here it indicates the actual valuation granularity for the inventory item.
- The valuation level type can be added as an additional characteristic in the material inventory reports.

The *Valuation Level ID* field indicates the ID of the product specification. It is displayed in the *Details* area of the *Materials* and *Material Unit Costs* views **only** if the valuation level type is set to *Product Specification*, otherwise it is hidden. You can personalize the *Materials* and *Material Unit Costs* views to display the valuation level ID in the list. The valuation level ID can also be added as an additional characteristic in the material inventory reports.

Example: Valuation Levels and Identified Stocks

The following example illustrates the interdependencies between the valuation level and identified stocks:

1. You set the valuation level for a material to *Product Specification*. No identified stocks are yet activated.
2. You activate an identified stock with reference to a product specification. Items belonging to this identified stock will be valued at the product specification level.
3. You change the valuation level to *Business Residence*, but do not activate any additional identified stocks for this product. The product continues to be valued at the product specification level.
4. You now activate an **additional** identified stock for the same product. The effect of this activation depends on whether the identified stock belongs to the same product specification or not:
 - If the identified stock that you activate belongs to the same product and is assigned to the **same product specification** as the previous identified stocks, the new identified stock will be valued at the product specification level (even though the valuation level in the material master is currently set to the business residence level). This is because *Product Specification* was the level that was set when the first identified stock for this combination of product and product specification was activated.
 - If the identified stock that you activate belongs to the same product but is assigned to a **different product specification**, and no other identified stock for the same combination of product and product specification has been activated, the new identified stock will be valued at the **business residence level**. However, the **previously** activated identified stocks continue to be valued at the product specification level.

i Remember that the applicable valuation level for a given combination of product and product specification is always determined by the identified stock which is activated **first**. All other identified stocks for the same combination of product and product specification **permanently** inherit the valuation level of the identified stock that was first activated.

The valuation level is based on the material, not on the finished product. A finished product can have many input components, each of which is itself a material and which therefore may have differing valuation levels.

See Also

[Valuation \[page 506\]](#)

5.2.1.2.9 Valuation of Material Inventories

Overview

To ensure accurate valuation of material inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

Determination of Inventory Quantities

The following rules must be followed to enable determination of the correct inventory quantities:

- All inventories that belong to the company must be reported in the balance sheet with a reasonable value. To meet this requirement, the transfer of ownership must be recorded correctly and in a timely manner for both goods issues and goods receipts.
- Inventories that belong to nonaffiliated companies must **not** be included in valuation.
- The inventory values in financials can be adjusted to match the quantities in logistics at any time.

Valuation Master Data

Three basic settings in the valuation master data of each material control how the material is valued:

- Cost type
- Valuation level
- Perpetual cost method

i You can access the valuation master data of your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Cost Type

Within standard business processes, material inventories are valued with the cost type *Inventory Cost*. All other cost types are for informational purposes only and have no effect on the value of your inventories.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Valuation Level

The valuation level for a material determines the granularity at which the unit costs, account determination group, and perpetual cost method for the material are maintained.

By default, the valuation level is the business residence. You can increase the valuation granularity to a finer level if you have activated this feature in your solution configuration.

For more information, see [Valuation Levels \[page 530\]](#).

Perpetual Cost Method

The perpetual cost method determines how the inventory cost per unit of the material is calculated. This enables you to apply different valuation methods to your inventories.

The following perpetual cost methods are available:

- **Standard**
With the Standard method, the inventory cost is a predetermined value that remains constant until you change it manually.
- **Moving Average**
With the Moving Average method, the inventory cost is the total value of the items received into inventory divided by the quantity received.

Perpetual cost methods also differ in how they handle price differences, which are caused for example by goods receipts or invoice receipts. The Standard method posts differences to difference accounts, while the Moving Average method allocates differences to inventory.



Goods are received for a purchase order. **Unbilled Payables** is credited with EUR 100 and **Inventory** is debited in accordance with the selected cost method:

- If the perpetual cost method is **Moving Average** or **Standard** and the inventory cost is EUR 100, **Inventory** is debited with EUR 100.
- If the perpetual cost method is **Standard** and the inventory cost is EUR 90, **Inventory** is debited with EUR 90 and the remaining EUR 10 to **Price Differences**.

You can change the perpetual cost method at any time as this does **not** affect existing inventory values.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Balance Sheet Valuation with FIFO

You can apply the FIFO method to value your material inventories for financial reporting purposes.

For more information, see [Inventory Valuation Based On FIFO \[page 512\]](#).

5.2.1.2.10 Valuation of Business Transactions

Overview

Business transactions generate journal entries and update one or more subledgers in financial accounting. Perpetual cost methods are applied to all transactions that can affect inventory.



Examples of business transactions include goods movements and the allocation of differences through clearing runs and debits or credits to a material.

A business transaction consists of receiving and issuing units. Each of these units is represented by at least one line item.

Business transactions are valued in two steps:

- Determination of the external value
- Determination of the value for each line item

This value is cleared against the receiving or issuing unit.

If the external value of the business transaction differs from the value of a line item, additional line items are generated. For each inventory object, it has to be decided which value should be used to update the inventory. If this value differs from the external value, the difference must be treated as a cost difference.

The perpetual cost method influences the amount and frequency of cost difference postings.

Examples

The following examples show how business transactions are valued. The examples are limited to cases where the inventory does **not** start out (or become) negative:

External Procurement

Transaction	Valuation
Goods receipt for purchase order	Quantity × Purchase Order Price
GR/IR clearing	Difference between value of goods receipt and invoice receipt

Production

Transaction	Valuation
Service confirmation	Quantity × Cost Rate
Goods issue into production	Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued Note: "current" means before the issue
Goods receipt from production	Quantity × Inventory Cost
Overhead	Valuation based on percentages in the overhead rule
WIP clearing	Difference between current production costs and goods receipt

Other

Transaction	Valuation
Edit material costs	(New Inventory Cost × Inventory Quantity) – Current Inventory Value
Goods issue to customer	Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued Note: "current" means before the issue
Customer return	Quantity × Inventory Cost

Negative Inventories

Negative inventories are valued as follows:

- Unlike for positive inventories, a **goods receipt** for a negative inventory is quantity-based (Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued) and a **goods issue** is valued at inventory cost (Quantity × Inventory Cost).
- For materials that use the *Moving Average* perpetual cost method, the inventory cost is frozen if the inventory becomes negative. That is, with a negative inventory the inventory cost is calculated the same way as with the *Standard* cost method.

Defining Inventory Costs, Cost Rates, and Overhead Rules

You define inventory costs for materials, cost rates for services, and overhead rules in the following places:

- **Inventory costs:** *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view
- **Cost rates for services:** *Cost and Revenue* work center, *Service Cost Rates* view
- **Overhead rules:** *Cost and Revenue* work center, *Overhead Rules* view

See Also

- [Valuation \[page 506\]](#)
- [Valuation of Material Inventories \[page 509\]](#)
- [Valuation of Work in Process \[page 510\]](#)
- Negative Inventories
- [Perpetual Cost Methods \[page 526\]](#)

5.2.1.2.11 Valuation of Work in Process

Overview

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

Prerequisites

You have configured account determination for work in process.

You have defined material unit costs in the *Inventory Valuation* work center.

You have defined resource cost rates, service cost rates, and overhead rules in the *Cost and Revenue* work center.

Accounting for Work in Process

Work-in-process inventories are created automatically based on production and service confirmations.

Work in process is directly reported as such in financials. All consumption is allocated directly to a *work in process* account in accordance with the cost-of-sales principle (accounting exchange on the assets side: work-in-process inventory is debited, warehouse inventory is credited, and capitalization of the internal service). Work in process is valued in the same way as the business transaction:

Production	Valuation
Service Confirmation	Quantity x Cost Rate*
Goods Issue into Production	Quantity x Inventory Cost
Goods Receipt from Production	Quantity x Inventory Cost
Overhead	Valuation of material costs and direct costs in work in process based on the percentages in the overhead rule**
WIP Clearing	Difference between current production costs and valuation of goods receipt from production

* Each service confirmation specifies a duration (and in some cases a service product quantity). The service confirmation is usually valued by multiplying the resource quantity by the resource cost rate. If no resource cost rate

exists, the confirmation is valued by multiplying the quantity of the service product by the cost rate for the service product.

** For more information, see [Overhead Absorption by Production Lots \[page 568\]](#).

WIP Clearing

When the production lot is completed, its work-in-process inventory is zeroed out by the work in process (WIP) clearing run.

The system informs financials about this change to the status of the production lot. The WIP clearing run reduces the WIP inventory of completed production lots to zero, which adjusts the value of the work in process accordingly.

See Also

[Valuation of Business Transactions \[page 507\]](#)

[Work in Process \[page 639\]](#)

[Work-in-Process Clearing Runs \[page 641\]](#)

5.2.1.2.12 Inventory Cost History

Overview

If you notice unexpected or questionable inventory costs for your materials, the inventory cost history can help you determine how the costs arose. This feature provides detailed information on the changes to the inventory cost during a selected period, enabling you to understand how the current inventory cost was arrived at.

The inventory cost history is available in the [Inventory Valuation](#) work center in the following views:

- [Materials](#)
- [Materials Unit Costs](#)

Features

To display the inventory cost history, select a material with the cost type [Inventory Cost](#) and click [View Cost History](#).

- i**
- In the [Materials](#) view, the inventory cost history is available only for materials that have an inventory cost (including an inventory cost of zero).
 - In the [Material Unit Costs](#) view:
 - If you select a cost type other than Inventory Cost, the cost change history is displayed instead.
 - No cost history is available for the cost type Planned Cost.

Default Period

The inventory cost history initially displays the changes that were made during a period that is within the validity range of the selected cost. This default period will be either the current period, or a period that is as near as possible to the current period while still within the validity range:

- If the cost is valid on the current date, the current period is displayed.

- If the cost is no longer valid, the default period is the most recent possible past period, based on the *Valid To* date of the cost.
- If the selected cost only becomes valid in the future, the default period is the earliest possible future period, based on the *Valid From* date of the cost.

Example

Validity range of cost (From / To)		Period initially displayed if current date is 10/1/2011
1/1/2011	12/31/2011	10/2011
1/1/2011	9/30/2011	9/2011
1/1/2012	12/31/2012	1/2012

This example assumes a calendar-based fiscal year.

You can view the changes in other periods with **Previous Period** and **Next Period**, or by entering the period directly and pressing **ENTER**.

Opening Balance

The *Opening Balance* area shows the inventory quantity, inventory value, inventory cost, and cost unit as they existed when the selected period was opened.

History

The list under *History* shows the changes to the inventory cost that occurred during the period. The following information is displayed:

- **Created On**
The date when the change to the inventory cost was created.
- **Source Document ID**
The source document with which the change to the inventory cost originated. You can access the source document by clicking the ID.
- **Business Transaction Type**
The type of the business transaction that changed the inventory cost, such as Goods Receipt from Supplier.
- **Journal Entry ID**
The journal entry generated by the business transaction. You can access the journal entry by clicking the ID.
- **Posting Date**
The posting date of the journal entry.
- **Capitalized Quantity**
The business transaction quantity that was capitalized to inventory. This quantity is used to calculate the Resulting Inventory Quantity.
- **Capitalized Amount**
The business transaction value that was capitalized to inventory. This amount is used to calculate the Resulting Inventory Value.
- **Resulting Inventory Quantity**
The total inventory quantity that resulted when the business transaction was posted.
- **Resulting Inventory Value**
The total inventory value that resulted when the business transaction was posted.
- **Resulting Inventory Cost**
The inventory cost that resulted when the business transaction was posted.
- **Cost Unit**
The unit on which the inventory cost is based.

The following additional fields can be added by means of screen personalization:

- **Source Document Type**
- **Journal Entry Type**
- **Quantity**

Quantity by which the inventory was changed by the business transaction. With transactions that involve an increase or decrease in value (such as clearing or price changes), this is the quantity on which the transaction is based.
- **Amount**

Amount that should have been capitalized to inventory. Due for example to insufficient stock coverage or the selected perpetual cost method, the actual amount that was capitalized could be less.
- **Unit Cost**

Cost that was calculated from the above Quantity and Amount fields.
- **Cost Method**

The perpetual cost method that was active at the time of the cost change.
- **Created By**

You can download the list of price changes to Microsoft Excel with [Export](#)  [To Microsoft Excel](#).

5.2.2 Material Unit Costs View

5.2.2.1 Material Unit Costs Quick Guide

The *Material Unit Costs* view allows you to quickly gain an overview of your material unit costs for all cost types. You can update unit costs, import unit costs, and view the cost history. You can also overwrite the current inventory cost with the estimated cost, book value, or periodic FIFO cost.

You access this view in the *Inventory Valuation* work center.

Business Background

Valuation

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.

For more information, see [Valuation \[page 506\]](#).

Cost Types for Inventory Valuation

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.
- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Perpetual Cost Methods

Perpetual cost methods determine which basic valuation approach is applied to material inventories and goods movements.

The perpetual cost method you specify for a material influences whether goods receipts influence the material's inventory cost (and therefore its inventory value). It also affects how differences resulting from business transactions and clearing runs are accounted for.

The following perpetual cost methods are available:

- Standard
With this method, inventory cost is a constant, predetermined value.
- Moving Average
With this method, inventory cost is the average of the current inventory value and all receipts of the material into inventory.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Standard Cost Method

With the Standard cost method, inventories are valued at a constant cost that is never changed by goods movements or clearing runs.

The inventory cost of the material remains fixed until it is changed manually.

For more information, see [Standard Cost Method \[page 527\]](#).

Moving Average Cost Method

If a material uses the Moving Average cost method, its inventory cost may change as a result of certain business transactions, such as goods receipts for purchase orders, goods receipt and invoice receipt clearing with externally procured materials, and work in process clearing with materials manufactured in-house.

For more information, see [Moving Average Cost Method \[page 528\]](#).

Moving Average Cost Method with Negative Inventory

When the inventory of a material with the moving average cost method becomes negative, the moving average cost is frozen. This means that the material is valued as if it used the standard cost method.

For more information, see [Moving Average Cost Method with Negative Inventory \[page 529\]](#).

Valuation Levels

Valuation levels define the granularity at which material valuation master data is stored and maintained. Material valuation master data includes:

- Unit costs
- Account determination group
- Perpetual cost method

The default valuation level is the **business residence**. Therefore, in the standard system you maintain the material valuation master data for each business residence in which the material is used.

You can increase the valuation granularity to the **product specification** level in order to manage material valuation master data at the level of individual customer requirements. This enhances cost transparency and allows the use of different balance sheet accounts.

For more information, see [Valuation Levels \[page 530\]](#).

Valuation of Material Inventories

To ensure accurate valuation of warehouse inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

For more information, see [Valuation of Material Inventories \[page 509\]](#).

Valuation of Business Transactions

Business transactions result in postings in financials and update one or more subledgers. Cost methods are applied to all business transactions that can affect inventory.

A business transaction consists of receiving and issuing units. Each of these units is represented by at least one line item.

Business transactions are valued in two steps:

- Determination of the external value
- Determination of the value for each line item
This value is cleared against the receiving or issuing unit.

If the external value of the business transaction differs from the value of a line item, additional line items are generated. For each inventory object, it has to be decided which value should be used to update the inventory. If this value differs from the external value, the difference must be posted as a cost difference.

The cost method influences the amount and frequency of cost difference postings.

For more information, see [Valuation of Business Transactions \[page 507\]](#).

Valuation of Work in Process

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

For more information, see [Valuation of Work in Process \[page 510\]](#).

Inventory Cost History

If you notice unexpected or questionable inventory costs for your materials, the inventory cost history can help you determine how the costs arose. This feature provides detailed information on the changes to the inventory cost during a selected period, enabling you to understand how the current inventory cost was arrived at.

For more information, see [Inventory Cost History \[page 537\]](#).



Tasks

Update Unit Costs for a Single Material at Business Residence Level

1. Select the material and click **Edit**.
2. On the **Valuation** tab, in the **Companies/Business Residence** area, select the row for the desired company and business residence and click **Edit Cost**.
3. Select the cost type and enter the new cost and the date from which the new cost is valid.

i If you select the cost type *Inventory Cost*, *Book Value*, or *Periodic FIFO Cost*, you must set the *Valid From* date to the first day of the period, as costs of these cost types are valid for entire periods. If you enter a date that is not the first day of the period, the system corrects it automatically.

4. Click **OK**.

The new cost is shown in the **Details** area.

The system sets the *Valid To* date to Unlimited automatically.

i If necessary, the system automatically adjusts the *Valid To* date of an existing cost of the same cost type so that it does not overlap with the validity range of the new cost.
For example, if an existing cost of the same cost type is valid from October 1 to Unlimited and you define a new cost valid from November 1, the system sets the *Valid To* date of the existing cost to October 31.

5. Save.

If the material is in stock and the cost has been updated, a journal entry is generated.

Update Unit Costs for Multiple Materials at Business Residence Level

1. Go to the [Edit Material Costs](#) common task.
2. Under [Select Materials](#), enter your selection criteria.
If you want to include materials that have no costs (based on the current selection criteria), select [Include Materials Without Costs](#).

i If you select the cost type [Inventory Cost](#), [Book Value](#), or [Periodic FIFO Cost](#), you must enter a [Valid From](#) date that is the first day of the period. If you enter a [Valid From](#) date that is not the first day of the period, the system corrects it automatically.

3. Click [Go](#) to search for materials matching your criteria.
4. Enter the new costs.
5. Save.

If a material is in stock and the cost was updated, a journal entry is generated.

Update Unit Costs for a Single Material at Product Specification Level

1. Select a material with the valuation level [Product Specification](#), then do either of the following:
 - Click [Maintain Valuation Data](#).
 - Click [Edit](#) and then, on the [Valuation](#) tab, click [Maintain Product Specification Valuation](#).
2. In the [Valuation Level: Business Residence - Product Specification](#) area, select the product specification whose costs you want to update.
If you want to add a new product specification, click [Add Row](#) and enter the product specification, the account determination group, and the perpetual cost method.
3. Click [Edit Cost](#).
4. Select the cost type and enter the new cost and the date from which the new cost is valid.
5. Click [OK](#).

The new cost is shown in the [Details](#) area.

The system sets the [Valid To](#) date to Unlimited automatically.

i If necessary, the system automatically adjusts the [Valid To](#) date of an existing cost of the same cost type so that it does not overlap with the validity range of the new cost.
For example, if an existing cost of the same cost type is valid from October 1 to Unlimited and you define a new cost valid from November 1, the system sets the [Valid To](#) date of the existing cost to October 31.

6. Save.

→ You can access the valuation master data at the business residence level with the [Show Valuation Level Business Residence](#) checkbox.

Update Unit Costs for Multiple Materials at Product Specification Level

1. Go to the [Edit Material Costs](#) common task.

2. Specify the valid from and valid to dates, company ID, set of books, and cost type.
3. Add the *Valuation Level Type* field by means of screen personalization, then select *Product Specification* in this field.
4. Click **Go** to search for materials matching your criteria.
5. Enter the new costs.
To see the product specifications in the list of materials, add the *Valuation Level ID* field by means of screen personalization.
6. Save.

Change the Valuation Level

1. Click **Edit**.
2. On the **Valuation** tab, set the *Valuation Level Type* to the desired valuation level.
3. Save.

i If you change the valuation level, the change will only affect a given identified stock if **both** of the following conditions apply:

- The identified stock is activated **after** you change the valuation level.
- No other active identified stock exists for the same product (material) and product specification that was activated with a different valuation level.
This ensures that all identified stocks belonging to a given combination of product and product specification always have the same valuation level. This valuation level is determined when the **first** of these identified stocks is activated. Identified stocks that existed before the change continue to be valued at the previously defined valuation level.

For an example illustrating the interdependencies between valuation levels and identified stocks, see [Valuation Levels \[page 530\]](#).

Import Unit Costs

For information about this task, see [Upload Material Unit Costs Using Microsoft Excel \[page 563\]](#).

View the Cost History

Select a material and click **View Cost History**.

Result:

- If you selected the cost type *Inventory Cost*, the *Inventory Cost History* is displayed.
- If you selected a cost type other than Inventory Cost, the *Cost Change History* is displayed.

i No cost history is available for the cost type *Planned Cost*.

Set as Inventory Cost

Select one or more materials with the cost type *Estimated Cost*, *Book Value*, or *Periodic FIFO Cost* and click **Set as Inventory Cost**.

You can also select the above-mentioned cost types for individual product specifications. To facilitate selection, add the *Valuation Level ID* to the list by means of screen personalization.

This function is **not** available for the cost type *Planned Cost*.

i *Estimated Cost* can only be set as the inventory cost in the **current fiscal period**. That is, the current period must be within the validity range of the estimated cost.

Delete Planned Costs

Select one or more materials with the cost type *Planned Cost* and click **Delete**.

This function is not available for other cost types.

View Source Document

You can view the source document for the material cost by clicking the name of the source document (if available) in the *Details* area.

- For the cost type *Inventory Cost*, the available source documents include Update Inventory Costs and GR/IR Clearing Run.
- For the cost type *Estimated Cost*, the source document Material Cost Estimate is available if the cost was calculated in a material cost estimate.
- For the cost type *Periodic FIFO Cost*, the source document FIFO Cost Determination Run is available if the cost was calculated in a FIFO cost determination run.

5.2.2.2 Business Background

5.2.2.2.1 Valuation

Overview

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.

i You can access the valuation master data for your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Prerequisites

You have entered and activated the following valuation master data for your materials for each company and business residence:

- Cost
- Cost unit (default: base UoM)
- Account determination group
- Perpetual cost method

Valuation Levels

By default, material valuation master data is maintained at the business residence level. You can optionally increase the granularity of material valuation to a finer level.

For more information, see [Valuation Levels \[page 530\]](#).

See Also

[Valuation of Business Transactions \[page 507\]](#)

[Valuation of Material Inventories \[page 509\]](#)

[Valuation of Work in Process \[page 510\]](#)

[Cost Types for Inventory Valuation \[page 523\]](#)

[Perpetual Cost Methods \[page 526\]](#)

5.2.2.2 Cost Types for Inventory Valuation

Overview

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.
- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

You maintain the costs for all cost types in the material valuation master data. You can access this data for example from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Inventory Cost

Inventory cost values the inventory of a material for a given period, and also values movements of the material. The total inventory value for the material is calculated as Inventory Quantity x Inventory Cost.

Inventory cost can be changed as often as necessary during the period. Valuation is based on the current inventory cost or the inventory cost that was last valid for the period:

- In the **current** period, inventories and movements are always valued at the **current** inventory cost.
- In **past** periods, inventories and movements are valued at the inventory cost that was **last valid in the period**.

You cannot maintain inventory costs for future periods.

i Inventory cost is always valid for **entire periods**. Thus if you change the inventory cost in the middle of the period, the new cost will apply from the beginning of the period.

Inventory cost can be changed manually or automatically:

- If you change the inventory cost manually, note the following restrictions:
 - For past periods, you can only change the inventory cost if the period is still open.
 - You can only enter a *Valid From* date that is the start of a period.
 - You can only enter a *Valid To* date that is the end of a period.
 - For the **current** inventory cost, the *Valid To* date must be set to 12/31/9999.
- If the material uses the *Moving Average* cost method, the inventory cost can change automatically as a result of business transactions. For more information, see [Moving Average Cost Method \[page 528\]](#).

You can overwrite the inventory cost with the estimated cost, book value, or periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the [Set as Inventory Cost task in Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

i Inventory cost can only be changed if the entire cost change time period is open, regardless of whether there is any inventory or not.

Estimated Cost

Estimated cost can be calculated in material cost estimates or maintained manually. This cost type does not affect the valuation of material inventories or movements.

The validity dates for the estimated cost can be set to any interval that is **not in past periods**.

You can overwrite the estimated cost with the results of material cost estimates. Refer to the information about releasing cost estimates in [Material Cost Estimates Quick Guide \[page 584\]](#).

You can overwrite the inventory cost with the estimated cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the [Set as Inventory Cost task in Material Unit Costs Quick Guide \[page 539\]](#).

- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Planned Cost

Planned cost is provided to allow you to plan internally for anticipated future costs. This cost type does not affect the valuation of material inventories or movements. There are no restrictions on the validity dates.

Book Value

Book value may be calculated outside of the system by applying a cost flow assumption such as LIFO. This cost type does not affect the valuation of material inventories or movements.

- i** Book value is always valid for entire periods. It is not possible to change this restriction.

When you edit the book value, you can only enter a *Valid From* date that is the start of a period, and you can only enter a *Valid To* date that is the end of a period. Book value can be maintained for both past and future periods.

You can overwrite the inventory cost with the book value, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Periodic FIFO Cost

Periodic FIFO cost is intended for balance sheet valuation using the First In, First Out method. This cost type can be calculated in a FIFO cost determination run or maintained manually.

To value material inventories in the balance sheet with the periodic FIFO cost, you must overwrite the inventory cost with the periodic FIFO cost.

- i** In order to use periodic FIFO cost, you need to have activated the FIFO cost method in business configuration.

For more information, see [Balance Sheet Valuation Based On FIFO \[page 512\]](#).

Periodic FIFO cost is valid from the first to last day of the period for which the FIFO cost determination run is executed. It **cannot** be maintained for future periods.

You can overwrite the inventory cost with the periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Summary of Cost Types

The differences between the cost types are summarized below.

	Inventory Cost	Estimated Cost	Planned Cost	Book Value	Periodic FIFO Cost
Values inventories and movements	Yes	No	No	No	No
Can overwrite Inventory Cost	–	Yes	No	Yes	Yes
Can be maintained for past periods	Yes, if period open	No	Yes	Yes	Yes
Can be maintained for future periods	No	Yes	Yes	Yes	No
Allowed validity	<p><i>Valid From:</i> First day of period <i>Valid To:</i></p> <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period 	<p><i>Valid From:</i> Any date that is not in past periods <i>Valid To:</i> Any date</p>	<p><i>Valid From:</i> Any date <i>Valid To:</i> Any date</p>	<p><i>Valid From:</i> First day of period <i>Valid To:</i> Last day of period</p>	<p><i>Valid From:</i> First day of period <i>Valid To:</i></p> <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period

5.2.2.2.3 Perpetual Cost Methods

Overview

Perpetual cost methods determine which basic valuation approach is applied to material inventories and goods movements.

The perpetual cost method you specify for a material influences whether goods receipts influence the material's inventory cost (and therefore its inventory value). It also affects how differences resulting from business transactions and clearing runs are accounted for.

The following perpetual cost methods are available:

- Standard
With this method, inventory cost is a constant, predetermined value.
- Moving Average
With this method, inventory cost is the average of the current inventory value and all receipts of the material into inventory.

Features

The differences between the perpetual cost methods are listed below.

Perpetual Cost Methods

Perpetual Cost Methods			
Determination of inventory cost		Effect of goods receipts	Accounting for differences
Standard	Inventory cost is a predetermined value that remains constant until you change it manually.	Goods receipts do not affect inventory cost.	Differences resulting from business transactions and clearing runs are posted to difference accounts.
Moving Average	Inventory cost is the average of the current inventory value and all receipts of the material into inventory.	Goods receipts recalculate inventory cost.	Differences resulting from business transactions and clearing runs are allocated to inventory.

You select the perpetual cost method in the material's valuation master data. You can access this data from the [Inventory Valuation](#) work center, [Materials](#) view or [Material Unit Costs](#) view.

You can change the perpetual cost method at any time as it does **not** affect existing values.

To calculate the moving average in different scenarios, See [Moving Average Calculation](#)

See Also

[Standard Cost Method \[page 527\]](#)

[Moving Average Cost Method \[page 528\]](#)

Example: [Moving Average Cost Across Periods](#)

5.2.2.2.4 Standard Cost Method

Overview

With the **Standard** perpetual cost method, inventories are valued at a predetermined cost that is never changed by goods movements or clearing runs. The inventory cost of the material remains constant until you change it manually.

Prerequisites

You have selected the **Standard** perpetual cost method for the material.

i You select the perpetual cost method in the material's valuation master data. You can access this data from the [Inventory Valuation](#) work center, [Materials](#) view or [Material Unit Costs](#) view.

•

Goods Receipts and Issues

Goods receipts and goods issues are always valued at current inventory cost.

If a business transaction has a different value than the current inventory cost (such as a goods receipt with a different purchase order price), the difference is allocated to a price difference account (this also applies to differences from clearing runs):

- [Profit/Loss from Purchasing Differences](#)

- Profit/Loss from Production Differences
- Profit/Loss from Stock Transfer

i When inventory movements are posted to **prior periods**, an inventory revaluation posting is automatically added in the subsequent period to prevent the inventory cost in that period from being changed.

Inventory Quantity Changes

A change to the inventory quantity is valued as **Inventory Cost x Goods Movement Quantity**.

Pure Value Postings

Postings that change only the value normally have reference quantities on which they are based (although these quantities do not affect the inventory quantity). Due to delays in data entry, value postings with high reference quantities may be made to inventory items that have low stock quantities. In order to prevent distortions of inventory values in such cases, a stock coverage check compares the reference quantity against the current inventory quantity.

Cancellations

To prevent inventory costs from being changed by cancellations, the system adds an inventory revaluation posting when it processes cancellations of documents and transactions.

See Also

[Perpetual Cost Methods \[page 526\]](#)

5.2.2.2.5 Moving Average Cost Method

Overview

If a material uses the **Moving Average** perpetual cost method, its inventory cost may change as a result of certain business transactions, such as goods receipts for purchase orders, goods receipt and invoice receipt clearing with externally procured materials, and work-in-process clearing with materials manufactured in-house.

Prerequisites

- You have selected the **Moving Average** perpetual cost method for the material. You select the perpetual cost method in the material's valuation master data. You can access this data from the **Inventory Valuation** work center, **Materials** view or **Material Unit Costs** view.
- You have specified whether negative inventories are allowed.

i If the system settings allow negative inventories, inventories can become negative in both **value** and **quantity**.

For more information on negative inventories, see Negative Inventories.

Goods Receipts

The quantity and value of goods receipts into inventory are added to the existing inventory. The new inventory cost is calculated by dividing the total value of the inventory by the inventory quantity.

Goods Issues

Goods issues reduce the inventory value by the external value of the issue. If this results in a new relationship between the inventory value and the inventory quantity, the costs are adjusted accordingly. Since goods issues are usually valued with the current moving average cost, they do **not** normally affect the inventory cost.

- i** Postings into prior periods change the inventory quantity, value, and costs of both the **current** and **prior** periods.
In order to maintain a constant inventory cost, the cost method changes when exceptional situations are encountered (such as negative inventory).

Clearing Runs

Differences that arise due to clearing runs are allocated to inventory. Such allocations are affected by the stock coverage of the material. Clearing runs change only the inventory value, never the inventory quantity. They therefore always affect the inventory cost.

Change History

All manual and automatic changes to the inventory cost can be seen in the cost change history. From there you can navigate to the line items of the source documents.

- i** The cost change history displays the validity period of a cost for the material. If the validity period is extended such that it completely overlaps the earlier, narrower validity period, the system sets the **Deleted** indicator to show how the new validity period arose. The **Deleted** indicator **cannot** be changed manually.

See Also

Example: Moving Average Cost Across Periods
[Perpetual Cost Methods \[page 526\]](#)

5.2.2.2.6 Moving Average Cost Method with Negative Inventory

Overview

When the inventory of a material with the **Moving Average** perpetual cost method becomes negative, the system freezes the moving average cost. In effect, the inventory is valued as if the perpetual cost method were **Standard**.

- i** You select the perpetual cost method in the material's valuation data. You can access this data from the [Inventory Valuation](#) work center, [Materials](#) view or [Material Unit Costs](#) view.

Case 1: Quantity becomes negative (cost is frozen):

A goods issue causes the inventory quantity to become negative. Possible goods movements:

- Normal goods issue (such as for production): The inventory is valued such that the resulting inventory cost is the same as before the goods issue. In contrast to the normal behavior with a positive inventory quantity, the cost remains frozen while the inventory is negative.
- Reversal of a goods receipt: The inventory is valued such that the resulting inventory cost is based on the value of the movement being reversed.

Example

Transaction	Quantity	Amount	PRD Line	INV Line	Inventory Quantity	Inventory Value	Inventory Cost
Beginning inventory					10	200	20
Goods receipt for PO	10	300		300	20	500	25
Goods issue for production	-19	-475		-475	1	25	25
Reversal of goods receipt for PO	-10	-300	-5	-295	-9	-270	30

In this example, a goods receipt for a purchase order is reversed. The inventory value is now -295, resulting in an inventory cost of 30 (purchase order price). At this point the cost is frozen and remains frozen as long as the inventory is negative.

Case 2: Movements in negative inventory (cost remains frozen):

The inventory quantity is negative both before and after the goods movement. The inventory is valued such that the resulting inventory cost remains the same. This behavior is the same as with the standard cost method.

Case 3: Quantity becomes positive (cost is recalculated):

A goods receipt causes a negative inventory quantity to become positive. Possible goods movements:

- Goods receipt for purchase order
- Reversal of a goods issue

The inventory is valued such that the resulting inventory cost is the purchase order price or is based on the value of the original goods issue.

See Also

[Moving Average Cost Method \[page 528\]](#)

Negative Inventories

5.2.2.7 Valuation Levels

Overview

Valuation levels define the granularity at which material valuation master data is stored and maintained. Material valuation master data includes:

- Unit costs
- Account determination group
- Perpetual cost method

The default valuation level is the **business residence**. Therefore, in the standard system you maintain the material valuation master data for each business residence in which the material is used.

You can increase the valuation granularity to the **product specification** level in order to manage material valuation master data at the level of individual customer requirements. This enhances cost transparency and allows the use of different balance sheet accounts.

- i** The valuation level specified in a material's master data represents the **maximum** granularity at which valuation data for that material is available. That is, if the valuation level is *Product Specification*, you can still view and maintain valuation data at the business residence level.

For example, you could have two variants of a material with different valuation levels:

- MAT-100 is the standard variant without a product specification. You therefore value it at the business residence level.
- MAT-100-PS is a variant of the same material, with a product specification. Therefore you value it at the product specification level.

Valuation levels for product specifications are controlled through identified stocks. See the Identified Stocks section below.

Prerequisites

Valuation at product specification level is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click *Edit Project Scope*. In the *Scoping* step of the project, expand the *Financial and Management Accounting* scoping element and ensure that *Valuation of Warehouse Inventory* is selected within *Inventory Valuation*.

In the *Questions* step, expand the *Financial and Management Accounting* scoping element and then expand *Inventory Valuation*. Select *Valuation of Warehouse Inventory* and answer the question about valuation at the material, business residence and product specification level with **Yes**.

Features

The *Valuation Level Type* field in the material master data allows you to change the valuation level of the material. The default valuation level is the business residence.

If you select *Product Specification* as the valuation level, you can maintain the unit costs, account determination group, and perpetual cost method for the material separately for each product specification.

You can change the valuation level from *Business Residence* to *Product Specification*, or vice-versa, at any time.

Valuation at the product specification level is **optional**. Even if a material has a product specification in logistics, you may decide that the differences between the product specification and the standard material are not significant enough to warrant separate valuation. In this case you would use the standard valuation level *Business Residence*.

Inventory transactions for a given combination of material and product specification are always posted to the same valuation level.

- i** It is **not** possible to have different valuation levels for different business residences. When you select a valuation level, your selection applies to **all** business residences in which the material is used.

Identified Stocks

In logistics processes, product specifications are managed through the use of identified stocks. An identified stock is a batch or lot that is tracked separately from other identified stocks of the same product. The product specification is specified in the identified stock.

All identified stocks belonging to a given combination of product and product specification always have the same valuation level.

- i** You activate identified stocks in the *Warehousing and Logistics Master Data* work center or the *Planning and Production Master Data* work center.

For more information, see Identified Stock Management.

Effect of Changing the Valuation Level

If you change the valuation level (either from *Business Residence* to *Product Specification* or vice-versa), the change will only affect a given identified stock if **both** of the following conditions apply:

- The identified stock is activated **after** you change the valuation level.
- No other active identified stock exists for the same product and product specification that was activated with a different valuation level.

This ensures that all identified stocks belonging to a given combination of product and product specification always have the same valuation level. This valuation level is determined when the **first** of these identified stocks is activated. Identified stocks that existed before the change continue to be valued at the previously defined valuation level.

Visibility of Valuation Level

The valuation level is displayed in the *Valuation Level Type* field. This field is visible at the following places:

- In the material's master data on the *Valuation* tab. Here it indicates the maximum valuation granularity that is available for the material.
- In the *Inventory Valuation* work center, *Materials* and *Material Unit Costs* views, in the *Details* area. You can also add this field to the list by means of screen personalization. Here it indicates the actual valuation granularity for the inventory item.
- The valuation level type can be added as an additional characteristic in the material inventory reports.

The *Valuation Level ID* field indicates the ID of the product specification. It is displayed in the *Details* area of the *Materials* and *Material Unit Costs* views **only** if the valuation level type is set to *Product Specification*, otherwise it is hidden. You can personalize the *Materials* and *Material Unit Costs* views to display the valuation level ID in the list. The valuation level ID can also be added as an additional characteristic in the material inventory reports.

Example: Valuation Levels and Identified Stocks

The following example illustrates the interdependencies between the valuation level and identified stocks:

1. You set the valuation level for a material to *Product Specification*. No identified stocks are yet activated.
2. You activate an identified stock with reference to a product specification. Items belonging to this identified stock will be valued at the product specification level.
3. You change the valuation level to *Business Residence*, but do not activate any additional identified stocks for this product. The product continues to be valued at the product specification level.
4. You now activate an **additional** identified stock for the same product. The effect of this activation depends on whether the identified stock belongs to the same product specification or not:

- If the identified stock that you activate belongs to the same product and is assigned to the **same product specification** as the previous identified stocks, the new identified stock will be valued at the product specification level (even though the valuation level in the material master is currently set to the business residence level). This is because *Product Specification* was the level that was set when the first identified stock for this combination of product and product specification was activated.
- If the identified stock that you activate belongs to the same product but is assigned to a **different product specification**, and no other identified stock for the same combination of product and product specification has been activated, the new identified stock will be valued at the **business residence level**. However, the **previously** activated identified stocks continue to be valued at the product specification level.

i Remember that the applicable valuation level for a given combination of product and product specification is always determined by the identified stock which is activated **first**. All other identified stocks for the same combination of product and product specification **permanently** inherit the valuation level of the identified stock that was first activated.

The valuation level is based on the material, not on the finished product. A finished product can have many input components, each of which is itself a material and which therefore may have differing valuation levels.

See Also

[Valuation \[page 506\]](#)

5.2.2.2.8 Valuation of Material Inventories

Overview

To ensure accurate valuation of material inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

Determination of Inventory Quantities

The following rules must be followed to enable determination of the correct inventory quantities:

- All inventories that belong to the company must be reported in the balance sheet with a reasonable value. To meet this requirement, the transfer of ownership must be recorded correctly and in a timely manner for both goods issues and goods receipts.
- Inventories that belong to nonaffiliated companies must **not** be included in valuation.
- The inventory values in financials can be adjusted to match the quantities in logistics at any time.

Valuation Master Data

Three basic settings in the valuation master data of each material control how the material is valued:

- Cost type
- Valuation level

- Perpetual cost method

 You can access the valuation master data of your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Cost Type

Within standard business processes, material inventories are valued with the cost type *Inventory Cost*. All other cost types are for informational purposes only and have no effect on the value of your inventories.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Valuation Level

The valuation level for a material determines the granularity at which the unit costs, account determination group, and perpetual cost method for the material are maintained.

By default, the valuation level is the business residence. You can increase the valuation granularity to a finer level if you have activated this feature in your solution configuration.

For more information, see [Valuation Levels \[page 530\]](#).

Perpetual Cost Method

The perpetual cost method determines how the inventory cost per unit of the material is calculated. This enables you to apply different valuation methods to your inventories.

The following perpetual cost methods are available:

- *Standard*

With the Standard method, the inventory cost is a predetermined value that remains constant until you change it manually.

- *Moving Average*

With the Moving Average method, the inventory cost is the total value of the items received into inventory divided by the quantity received.

Perpetual cost methods also differ in how they handle price differences, which are caused for example by goods receipts or invoice receipts. The Standard method posts differences to difference accounts, while the Moving Average method allocates differences to inventory.



Goods are received for a purchase order. **Unbilled Payables** is credited with EUR 100 and **Inventory** is debited in accordance with the selected cost method:

- If the perpetual cost method is *Moving Average* or *Standard* and the inventory cost is EUR 100, **Inventory** is debited with EUR 100.
- If the perpetual cost method is *Standard* and the inventory cost is EUR 90, **Inventory** is debited with EUR 90 and the remaining EUR 10 to **Price Differences**.

You can change the perpetual cost method at any time as this does **not** affect existing inventory values.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Balance Sheet Valuation with FIFO

You can apply the FIFO method to value your material inventories for financial reporting purposes.

For more information, see [Inventory Valuation Based On FIFO \[page 512\]](#).

5.2.2.2.9 Valuation of Business Transactions

Overview

Business transactions generate journal entries and update one or more subledgers in financial accounting. Perpetual cost methods are applied to all transactions that can affect inventory.



Examples of business transactions include goods movements and the allocation of differences through clearing runs and debits or credits to a material.

A business transaction consists of receiving and issuing units. Each of these units is represented by at least one line item.

Business transactions are valued in two steps:

- Determination of the external value
- Determination of the value for each line item

This value is cleared against the receiving or issuing unit.

If the external value of the business transaction differs from the value of a line item, additional line items are generated. For each inventory object, it has to be decided which value should be used to update the inventory. If this value differs from the external value, the difference must be treated as a cost difference.

The perpetual cost method influences the amount and frequency of cost difference postings.

Examples

The following examples show how business transactions are valued. The examples are limited to cases where the inventory does **not** start out (or become) negative:

External Procurement

Transaction	Valuation
Goods receipt for purchase order	Quantity × Purchase Order Price
GR/IR clearing	Difference between value of goods receipt and invoice receipt

Production

Transaction	Valuation
Service confirmation	Quantity × Cost Rate
Goods issue into production	Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued Note: "current" means before the issue
Goods receipt from production	Quantity × Inventory Cost
Overhead	Valuation based on percentages in the overhead rule
WIP clearing	Difference between current production costs and goods receipt

Other

Transaction	Valuation
Edit material costs	(New Inventory Cost × Inventory Quantity) – Current Inventory Value

Transaction	Valuation
Goods issue to customer	Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued Note: "current" means before the issue
Customer return	Quantity × Inventory Cost

Negative Inventories

Negative inventories are valued as follows:

- Unlike for positive inventories, a **goods receipt** for a negative inventory is quantity-based (Current Inventory Value ÷ Current Inventory Quantity × Quantity Issued) and a **goods issue** is valued at inventory cost (Quantity × Inventory Cost).
- For materials that use the *Moving Average* perpetual cost method, the inventory cost is frozen if the inventory becomes negative. That is, with a negative inventory the inventory cost is calculated the same way as with the *Standard* cost method.

Defining Inventory Costs, Cost Rates, and Overhead Rules

You define inventory costs for materials, cost rates for services, and overhead rules in the following places:

- **Inventory costs:** *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view
- **Cost rates for services:** *Cost and Revenue* work center, *Service Cost Rates* view
- **Overhead rules:** *Cost and Revenue* work center, *Overhead Rules* view

See Also

[Valuation \[page 506\]](#)

[Valuation of Material Inventories \[page 509\]](#)

[Valuation of Work in Process \[page 510\]](#)

Negative Inventories

[Perpetual Cost Methods \[page 526\]](#)

5.2.2.2.10 Valuation of Work in Process

Overview

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

Prerequisites

You have configured account determination for work in process.

You have defined material unit costs in the *Inventory Valuation* work center.

You have defined resource cost rates, service cost rates, and overhead rules in the *Cost and Revenue* work center.

Accounting for Work in Process

Work-in-process inventories are created automatically based on production and service confirmations.

Work in process is directly reported as such in financials. All consumption is allocated directly to a *work in process* account in accordance with the cost-of-sales principle (accounting exchange on the assets side: work-in-process inventory is debited, warehouse inventory is credited, and capitalization of the internal service). Work in process is valued in the same way as the business transaction:

Production	Valuation
Service Confirmation	Quantity x Cost Rate*
Goods Issue into Production	Quantity x Inventory Cost
Goods Receipt from Production	Quantity x Inventory Cost
Overhead	Valuation of material costs and direct costs in work in process based on the percentages in the overhead rule**
WIP Clearing	Difference between current production costs and valuation of goods receipt from production

* Each service confirmation specifies a duration (and in some cases a service product quantity). The service confirmation is usually valued by multiplying the resource quantity by the resource cost rate. If no resource cost rate exists, the confirmation is valued by multiplying the quantity of the service product by the cost rate for the service product.

** For more information, see [Overhead Absorption by Production Lots \[page 568\]](#).

WIP Clearing

When the production lot is completed, its work-in-process inventory is zeroed out by the work in process (WIP) clearing run.

The system informs financials about this change to the status of the production lot. The WIP clearing run reduces the WIP inventory of completed production lots to zero, which adjusts the value of the work in process accordingly.

See Also

[Valuation of Business Transactions \[page 507\]](#)

[Work in Process \[page 639\]](#)

[Work-in-Process Clearing Runs \[page 641\]](#)

5.2.2.2.11 Inventory Cost History

Overview

If you notice unexpected or questionable inventory costs for your materials, the inventory cost history can help you determine how the costs arose. This feature provides detailed information on the changes to the inventory cost during a selected period, enabling you to understand how the current inventory cost was arrived at.

The inventory cost history is available in the *Inventory Valuation* work center in the following views:

- *Materials*
- *Materials Unit Costs*

Features

To display the inventory cost history, select a material with the cost type *Inventory Cost* and click **View Cost History**.



- In the *Materials* view, the inventory cost history is available only for materials that have an inventory cost (including an inventory cost of zero).
- In the *Material Unit Costs* view:
 - If you select a cost type other than *Inventory Cost*, the cost change history is displayed instead.
 - No cost history is available for the cost type *Planned Cost*.

Default Period

The inventory cost history initially displays the changes that were made during a period that is within the validity range of the selected cost. This default period will be either the current period, or a period that is as near as possible to the current period while still within the validity range:

- If the cost is valid on the current date, the current period is displayed.
- If the cost is no longer valid, the default period is the most recent possible past period, based on the *Valid To* date of the cost.
- If the selected cost only becomes valid in the future, the default period is the earliest possible future period, based on the *Valid From* date of the cost.

Example

Validity range of cost (From / To)		Period initially displayed if current date is 10/1/2011
1/1/2011	12/31/2011	10/2011
1/1/2011	9/30/2011	9/2011
1/1/2012	12/31/2012	1/2012

This example assumes a calendar-based fiscal year.

You can view the changes in other periods with **Previous Period** and **Next Period**, or by entering the period directly and pressing **ENTER**.

Opening Balance

The *Opening Balance* area shows the inventory quantity, inventory value, inventory cost, and cost unit as they existed when the selected period was opened.

History

The list under *History* shows the changes to the inventory cost that occurred during the period. The following information is displayed:

- **Created On**
The date when the transaction was created.
- **Source Document ID**
The source document with which the change to the inventory cost originated. You can access the source document by clicking the ID.
- **Business Transaction Type**
The type of the business transaction that changed the inventory cost, such as Goods Receipt from Supplier.
- **Journal Entry ID**
The journal entry generated by the business transaction. You can access the journal entry by clicking the ID.
- **Posting Date**
The posting date of the journal entry.
- **Capitalized Quantity**
The business transaction quantity that was capitalized to inventory. This quantity is used to calculate the Resulting Inventory Quantity.
- **Capitalized Amount**
The business transaction value that was capitalized to inventory. This amount is used to calculate the Resulting Inventory Value.
- **Resulting Inventory Quantity**
The total inventory quantity that resulted when the business transaction was posted.
- **Resulting Inventory Value**
The total inventory value that resulted when the business transaction was posted.
- **Resulting Inventory Cost**
The inventory cost that resulted when the business transaction was posted.
- **Cost Unit**
The unit on which the inventory cost is based.

The following additional fields can be added by means of screen personalization:

- **Source Document Type**
- **Journal Entry Type**
- **Quantity**
Quantity by which the inventory was changed by the business transaction. With transactions that involve an increase or decrease in value (such as clearing or price changes), this is the quantity on which the transaction is based.
- **Amount**
Amount that should have been capitalized to inventory. Due for example to insufficient stock coverage or the selected perpetual cost method, the actual amount that was capitalized could be less.
- **Unit Cost**
Cost that was calculated from the above Quantity and Amount fields.
- **Cost Method**
The perpetual cost method that was active at the time of the cost change.

- **Created By**

You can download the list of price changes to Microsoft Excel with [Export](#) [To Microsoft Excel](#).

5.2.2.3 Tasks

5.2.2.3.1 Upload Material Unit Costs Using Microsoft Excel

Overview

For greater flexibility and efficiency in maintaining unit costs for your materials, the SAP Business ByDesign system allows you to upload costs from Microsoft Excel workbooks. You can use this integration feature to transfer material costs from legacy systems or from manually maintained spreadsheets into the system automatically. For example, the results of externally calculated costs for balance sheet valuation can be uploaded with this feature, eliminating the effort of manually keying in the costs.

This functionality is available in the *Inventory Valuation* work center, *Material Unit Costs* view.

Prerequisites

Go to *My Computer* in the *Self-Services Overview* view in the *Home* work center to ensure that the following prerequisites are fulfilled:

- You have installed the latest **Add-In for Microsoft Excel**.

Click [Install Additional Software](#).
- The settings for your browser have been set correctly.

Click [Check My Computer Settings](#).

The company and business residence must be specified in the *Valuation* master data for the material. However, the organizational assignment does not need to be activated – the status *In Preparation* is sufficient.

You can access the *Material Unit Costs* view and you have authorization to change material costs.

Procedure

1. In the SAP Business ByDesign system, go to the *Inventory Valuation* work center, *Master Data* view, *Material Unit Costs* subview.
2. Click [Import Unit Costs](#) [From Microsoft Excel](#).
3. Confirm the file download prompt with *Open*.
4. A Microsoft Excel workbook opens. The [SAP Business ByDesign](#) tab is displayed in the Microsoft Excel ribbon.

i If the [SAP Business ByDesign](#) tab is not displayed, check to make sure that the SAP Business ByDesign Add-In for Microsoft Excel has been installed correctly.

5. On the [SAP Business ByDesign](#) tab, click [Logon](#).
6. In the *Log On to SAP Business ByDesign* dialog box:
 - Select a system and enter a user name and password. [Recent URLs](#) shows your last system logons. If you want the system to store your user name and password, select *Remember my user name and password*.

- When you have entered the required information, click **Log On** in the dialog box.
7. Enter your selection criteria in the workbook.
Value help is available for most columns, either with **Lookup** or in a dropdown list. You need to be logged on in order to use the Lookup function.

i You **cannot** upload costs for materials that do not have a company and business residence in their Valuation master data.

The worksheet displays the following columns:

- Company ID
- Set of Books ID
- Business Residence ID
- Material ID
- Valuation Level ID
Optional, for entry of a product specification.
- Cost Type
- Cost
The unit cost of the material.
- Currency
The currency must be the local company currency.
- Cost Unit
The quantity to which the cost unit of measure applies.
- Cost Unit of Measure
The cost unit of measure must be the valuation unit defined for the material.
- Valid From / Valid To
Enter dates that are allowed for the selected cost type.
If you want the **Valid To** date to be unlimited, enter 12/31/9999.

i For information on the allowed validity dates for the different cost types, see the **Summary of Cost Types** table in [Cost Types for Inventory Valuation \[page 523\]](#).

8. Upload the cost data into the SAP Business ByDesign system by clicking **Save Data to**.

The system performs a number of consistency checks. If **error messages** are issued, **no costs for any materials** are uploaded. Correct the errors and click **Save Data to** again.

i Once you start the upload, there is no opportunity to review or reject individual cost changes.
Therefore, make sure all costs in the workbook are correct before starting the upload.

Result

When the upload process has completed, the new unit costs are visible in the [Material Unit Costs](#) view.

You may now wish to perform these follow-on activities:

- Review the new costs with the [Material Unit Costs \[page 705\]](#) report.
- If you uploaded the cost types [Estimated Cost](#) or [Book Value](#), you can overwrite the current inventory cost with the uploaded costs. There are two methods for doing so:

- You can overwrite the current inventory cost for one or more **individually selected** materials using the [Set as Inventory Cost](#) function in the [Material Unit Costs](#) view.
For more information, see the [Material Unit Costs Quick Guide \[page 539\]](#).
- You can overwrite the current inventory costs for materials selected based on **selection criteria** in the [Update Inventory Costs](#) view.
For more information, see [Update Inventory Costs Quick Guide \[page 622\]](#).

5.2.3 Production Lots View

5.2.3.1 Production Lots Quick Guide

This view displays production lots and the overhead rules assigned to them. Overhead rules determine how overhead is applied. The system assigns overhead rules to production lots automatically based on the assignment rules that you have set up. If you want the system to use different overhead rules, you can reassign them in this view.

You can access the [Production Lots](#) view from the [Inventory Valuation](#) work center under [Master Data](#).

- To create and edit overhead rules or edit assignment rules, go to the [Overhead Rules \[page 788\]](#) view.
- To perform overhead absorption for production lots, go to the [Production Lots – Overhead Absorption \[page 629\]](#) view.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Absorption by Production Lots

After you have distributed overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the production lots. This credits the primary cost centers and debits the production lots.

The cost centers provided services required to manufacture the production lots. They were therefore credited for these services and the production lots debited accordingly. Since the services can easily be identified with individual production lots, these costs are **direct costs of the production lots**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular production lots. These costs are overhead that is allocated to the production lots based on **overhead rates**.

For more information, see [Overhead Absorption by Production Lots \[page 568\]](#).



Tasks

Reassign an Overhead Rule to a Production Lot

1. Select the production lot to which you want to reassign an overhead rule and click **Reassign Overhead Rule**.
2. Enter the new overhead rule.

Unassign an Overhead Rule from a Production Lot

Select the production lot from which you want to unassign an overhead rule and click **Unassign Overhead Rule**.

5.2.3.2 Business Background

5.2.3.2.1 Cost Center Management Accounting

Overview

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

Cost Center Management Accounting enables you to:

- Accumulate overhead on the responsible cost centers
- Distribute the overhead from support cost centers to primary cost centers based on cause-and-effect criteria
- Credit the cost centers for the services performed and debit the cost objects
- Credit the cost centers by applying overhead rates to the cost objects
- Use reports to monitor the efficiency of your cost centers

Prerequisites

Management Accounting is activated in your solution configuration. To find this option, go to the **Business Configuration** work center and choose the **Implementation Projects** view. Select your implementation project and click **Edit Project Scope**. In the **Scoping** step of the project, ensure that the **Management Accounting** business package is selected within the **Financial and Management Accounting** business area.

Cost Centers

You create organizational units and set up organizational structures in the *Organizational Management* work center, *Org Structures* view. Each organizational unit has attributes that define its legal, managerial, and reporting significance.

For the purposes of management accounting, you need to have **at least one** organizational unit with the *Cost Center* attribute. Normally, however, you define most of your departments as cost centers to be able to monitor their efficiency.

Conceptually, you can divide your cost centers into primary cost centers and support cost centers:

- **Primary cost centers**

A primary cost center belongs to one of the functional cost pools of your organization, such as materials management, production, administration, sales, or research and development.

- **Support cost centers**

Support cost centers provide services for other cost centers or serve as overhead cost collectors.

A distinction between primary cost centers and support cost centers **cannot** be defined as such in the system.

Functions in Cost Center Management Accounting

- **Accumulation of overhead**

You accumulate overhead on support cost centers or primary cost centers in the following ways:

- By assigning the overhead to cost centers when entering invoices
- By assigning the overhead to the master cost center of the employee in payroll
- By assigning the overhead to the master cost center of the asset when posting depreciation



If overhead is assigned to the wrong cost center, you either need to correct the business transaction or create an adjusting entry in the *General Ledger* work center.

- **Distribution of overhead between cost centers**

Support cost centers distribute their overhead costs to primary cost centers based on allocation bases. The distribution function credits the support cost centers and debits the primary cost centers.

Distribution can be based on either the original account (primary cost distribution) or special clearing accounts (secondary cost allocation).

For more information, see [Overhead Distribution Between Cost Centers \[page 712\]](#).

- **Allocation of service costs to cost objects**

The resources assigned to cost centers provide services for the production of cost objects. The available cost objects are:

- Sales orders
- Service orders
- Direct cost projects
- Production lots

Service allocation debits the receivers of the services and credits the cost centers providing the services. You can define the cost rates for services in the resource and service master data.

Since these costs can be traced directly to individual cost objects, they are **direct costs** of the cost object. For example, the costs incurred by a particular production lot or the costs for external or internal services incurred for a direct cost project are direct costs.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#)

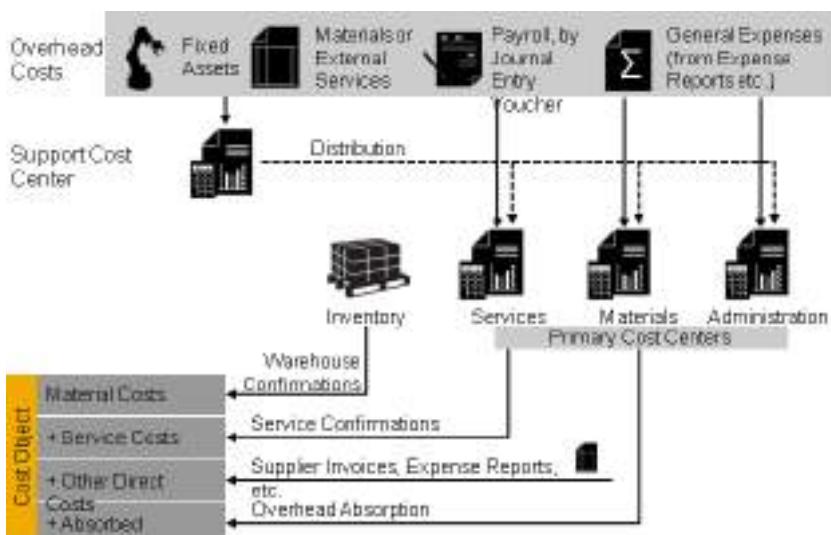
- **Absorption of overhead by cost objects**

You can define overhead rates based on the direct costs incurred by the cost objects and the overhead incurred by the cost centers. When the overhead rates are applied, the cost objects are debited with their share of the overhead and the cost centers are credited.

For more information, see [Overhead Absorption by Cost Objects \[page 718\]](#).

- **Reports**

The reports available in the **Cost and Revenue** work center enable you to analyze the efficiency of your cost centers. They also help you determine underapplied and overapplied overhead on the cost centers and take the necessary steps to correct it.



Functions in Cost Center Management Accounting



- For additional cost control of special time-dependent tasks, cost centers can employ **overhead cost projects**. Overhead cost projects are always assigned to a responsible cost center to which they directly allocate their costs. Thus they do not carry costs themselves and are therefore not cost objects. Overhead cost projects usually serve the purpose of collecting internal costs for allocation between cost centers (internal orders). Overhead cost projects can receive allocations of service costs and absorb overhead.
- **Direct cost projects** are cost objects that are interrelated. For example, a project can provide general services for other projects. To capture these relationships, direct cost projects can serve as both senders and receivers of overhead distribution.

For more information, see [Project Cost and Revenue Management \[page 724\]](#).

5.2.3.2.2 Overhead Absorption by Production Lots

Overview

After you have distributed overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the production lots. This credits the primary cost centers and debits the production lots.

The cost centers provided services required to manufacture the production lots. They were therefore credited for these services and the production lots debited accordingly. Since the services can easily be identified with individual production lots, these costs are **direct costs of the production lots**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular production lots. These costs are overhead that is allocated to the production lots based on **overhead rates**.

Prerequisites

You establish overhead rates outside of the system by choosing a suitable allocation base, such as the direct costs of the corresponding cost pool. To calculate the overhead rate per unit, you divide the total overhead costs of the cost center by the allocation base. You enter the resulting **overhead rates** into the system and combine multiple rates in **overhead rules** to simplify processing.

To enable an overhead rule to be applied to a production lot, it needs to be assigned to the production lot. The overhead rule is normally assigned to the production lot **automatically** when you create the production lot. This automatic assignment is based on **assignment rules**. You define assignment rules when you create the overhead rule.

You can define the assignment for the following dependencies:

- The company for which the production lot is created
- The business residence in which the production lot is created

In individual cases, you can also manually change the assignment of the overhead rule in the *Inventory Valuation* work center, [Production Lots \[page 565\]](#) view.

i To be able to apply overhead rates to production lots, you need to have selected the *Production* business package and the *Overhead Absorption by Production Lots* option during scoping.

Execution

To apply your overhead rules to production lots, execute an overhead absorption run in the *Inventory Valuation* work center, [Production Lots – Overhead Absorption \[page 629\]](#) view.

The following selection parameters are offered when you define an overhead absorption run:

- **Company ID**
You can restrict the run to a particular company or execute it for all companies.
- **Set of Books ID**
You can restrict the run to a particular set of books or execute it for all sets of books.
- **Business Residence ID**
You can restrict the run to a particular business residence or execute it for all business residences.
- **Production Lot**
For test purposes, you can restrict the run to a single production lot.
- **Period/Year**
Enter the accounting period and fiscal year for which you want the overhead rates to be calculated.

You also need to specify the **closing step** for the postings.

For more information, see [Closing Steps \[page 76\]](#).



- You can execute an overhead absorption run as often as you wish. If you repeat a run, the system only posts the differences against the previous runs in that period.
- It is not possible to directly cancel the posted results of an overhead absorption run. However, you can offset the effects of the run by setting the overhead rates in the overhead rule to 0%.
- To verify whether a run has been completed successfully, you can run the following checks:
 - **Log**
You find a log for a run in the corresponding subview. Each run has a status (*Information*, *Error*). To display the **details** of a log, select the relevant run and choose *Display*. If **errors** occur during a run, you need to resolve them. You can find information on the errors on the *Messages* tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
 - **Job Monitor**
If a run has **not** been completed successfully and you cannot resolve the problem, you can display the technical details relating to the run in the Job Monitor. Select the relevant run and click **View Jobs**. If a job finds errors, contact your system administrator.

See Also

[Overhead Absorption by Cost Objects \[page 718\]](#)

5.2.4 Purchasing Document Items View

5.2.4.1 Purchasing Document Items Quick Guide

The *Purchasing Document Items* view displays information on purchase order items and third-party order items. The list indicates which items are ready for final clearing and which items are still open. You can manually mark or unmark items for final clearing to override the default system behavior.



- By default, when the purchasing department has assigned the *Delivery Completed* and *Invoice Completed* statuses to a purchase order item, the system **marks** the purchasing document item for final clearing automatically.
- Marked items are identified by a *Marked Final Clearing Date*. Items with a marked final clearing date are cleared by the next GR/IR clearing run that is executed on or after this date. GR/IR clearing runs clear the clearing accounts completely even if the goods receipt and invoice receipt quantities do not match.
- You can override the default behavior by switching to manual control of the marked final clearing date and marking or unmarking items for final clearing manually.

You access this view in the *Inventory Valuation* work center under *Master Data*.

Views

You can select different views to display the items:

- *Items to be Cleared* (standard view)

Shows all purchase order and third-party order items that will be included in the next GR/IR clearing run.

- *Items to be Marked for Final Clearing*

Shows the purchase order items and third-party order items to which **all** of the following conditions apply:

- The quantity delivered does not equal the quantity invoiced.
- The item is not marked for final clearing.
- The item has had no postings for **90 days** or more.

The accountant can use this view to decide which of these items to mark for final clearing manually so that they can be cleared.

If the purchasing department has not manually completed the purchase order item in cases where the quantity delivered does not match the quantity invoiced but no further deliveries or invoices are expected, the accountant should check with the purchasing department and then mark the item for final clearing in order to clear the clearing accounts.

- *Open Purchase Order Items*

Shows the purchase order items that have not been canceled and that are still open in accounting.

An item is open in accounting in the following cases:

- Both goods receipts and invoice receipts are expected, the item has not been marked for final clearing, and either the order quantity has not been reached or the item is overdelivered and/or overinvoiced but the quantity delivered does not match the quantity invoiced.
- Either goods receipts or invoice receipts are expected and the order quantity has not been reached.

- *Open Third-Party Order Items*

Shows the third-party order items that have not been canceled and that are still open in accounting.

Third-party order items are open in accounting under the same conditions as for purchase order items (see above).

- *All Purchase Order Items*

- *All Third-Party Order Items*

Business Background

Purchasing Documents

Purchase orders, including orders shipped from third parties, are referred to as purchasing documents in Financials.

For more information, see [Purchasing Documents \[page 35\]](#).

Marked Final Clearing Date for Purchasing Document Items

Purchasing document items that are fully delivered and fully invoiced are normally marked for final clearing automatically in the *Purchasing Document Items* view of the *Inventory Valuation* work center. Marked items are cleared by the next GR/IR clearing run that is executed on or after the *Marked Final Clearing Date*. The run clears the clearing accounts completely even if the goods receipt and invoice receipt quantities do not match.

Automatic marking is the default. It is also possible to mark items manually.

For more information, see [Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#).

GR/IR Clearing

GR/IR (goods receipt/invoice receipt) clearing is a function that you execute in order to clear the **Goods in Transit** and **Unbilled Payables** accounts when both the goods received and the associated invoices have been recorded in the system. This determines any differences between the values of the goods receipts and the invoices.

Purchases of goods and services involve the following **events**:

- Receipt of the goods or services

- Receipt of the invoice
- Payment

Since the final cost is not usually known until the invoice has been received and paid, GR/IR clearing is necessary in order to value each of these events as accurately as possible.

You execute GR/IR clearing as a run in the *Inventory Accounting* work center, *GR/IR Clearing* view.

- i** For more information on how accounts are posted with cash discounts, see the following documents:
- [GR/IR Clearing Runs \[page 580\]](#)
 - [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#)
 - [GR/IR Clearing Run – Cash Discount \[page 668\]](#)

To enable each purchasing transaction to be valued at actual cost, the transactions entered at different times must be matched up and, if necessary, revalued.

The following cases are possible:

- The goods or services are received before the invoice.
- The invoice is verified and entered **before** the goods or services are received.

To correctly handle each case, the system uses clearing accounts in addition to the inventory and expense accounts:

- **Unbilled Payables:** Goods or services that have been received but not invoiced
- **Goods in Transit:** Goods or services that have been invoiced but not received

If the prerequisites below are met, the two clearing accounts are posted each time goods **or** an invoice is received, regardless of whether the counterpart event has occurred. This maintains a consistent accounting process for similar business transactions (goods receipt or invoice receipt).

Once both the goods **and** the invoice have been recorded in the system, the clearing accounts must be cleared against each other by means of a GR/IR (goods receipt/invoice receipt) clearing run.

For more information, see [GR/IR Clearing \[page 577\]](#).

GR/IR Clearing Runs

GR/IR (goods receipt/invoice receipt) clearing runs compare the amounts from receipts of goods (or services) with the associated amounts on the invoices. The run first determines the quantity that matches both a goods receipt and an invoice, and clears the **Goods in Transit** and **Unbilled Payables** accounts based on this quantity. This can result in price differences, exchange rate differences, and payment differences.

You execute GR/IR clearing runs in the *GR/IR Clearing* view. You can access this view from the *Inventory Valuation* work center under *Periodic Tasks*.

For more information, see [GR/IR Clearing Runs \[page 580\]](#).



Tasks

Mark Items for Final Clearing Manually

If an item does not have both the *Delivery Completed* status and the *Invoice Completed* status, but you are certain that no further transactions for the item are forthcoming, you can mark the item for final clearing manually as follows:

1. Go to the [Items to be Marked for Final Clearing](#) view. You can also start from other views, but the Items to be Marked for Final Clearing view provides a useful preselection.
2. Select the item and click [Mark](#).
3. Enter the marked final clearing date. The default is the current date. You cannot enter a date which is in the future.

i If postings exist with dates that are later than the final clearing date, you will receive a warning message because the GR/IR clearing run will process the item as if there were no marked final clearing date.
4. Result:
 - The item will be included in the next GR/IR clearing run executed on or after the marked final clearing date, which clears the item even if a different quantity was received than was invoiced.
 - **Manual control** of the marked final clearing date is activated. This means that the date does **not** react to changes in the delivery or invoicing status of the item.

Unmark Items for Final Clearing

1. Select a purchasing document item with a marked final clearing date.
2. Click [Unmark](#).
3. Result:
 - The marked final clearing date is deleted.
 - **Manual control** of the marked final clearing date is activated. This means you must enter the marked final clearing date manually from now on (unless you switch off manual control).
 - The next time the GR/IR clearing run is executed after the marked final clearing date is deleted, the system generates any necessary journal entries so that the clearing accounts reflect the current situation of the item without a marked final clearing date.

Switch On Manual Control of Marked Final Clearing Date

1. Select an item and click [Manual Control On](#).
2. Result:
 - The marked final clearing date is no longer set automatically when the [Delivery Completed](#) and [Invoice Completed](#) statuses are assigned to the item. You must set the date manually from now on (unless you switch off manual control).

Switch Off Manual Control of Marked Final Clearing Date

1. Select an item and click [Manual Control Off](#).
2. Result:
 - The item will be marked for final clearing automatically when it receives the [Delivery Completed](#) and [Invoice Completed](#) statuses.
 - If the [Delivery Completed](#) status or the [Invoice Completed](#) status is not set, the item is unmarked for final clearing automatically.

i You can still manually mark or unmark items for final clearing after switching to automatic control. If you do so, manual control mode is activated.

Review the History

View Changes shows the history of the selected purchase order items. This enables you to see for example when the item was marked for final clearing.

Export Data to Microsoft Excel

Export to Microsoft Excel enables you to view the data in a spreadsheet. This function is useful for example when you want to review the *Items to be Marked for Final Clearing* together with the buyer to decide which items are ready to be cleared completely because **no** further transactions are expected.

5.2.4.2 Business Background

5.2.4.2.1 Purchasing Documents

Overview

Purchase orders, including orders shipped from third parties, are referred to as **purchasing documents** in accounting. The items from purchase orders are needed in accounting processes, for example to be able to value the goods receipt with the purchase order price or to determine when the clearing accounts should be cleared completely for the item.

Purchase orders that have been released in supplier relationship management appear in accounting in the *Inventory Valuation* work center, *Purchasing Document Items* view.

See Also

[Purchasing Document Items Quick Guide \[page 570\]](#)

[Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#)

[GR/IR Clearing Runs \[page 580\]](#)

[Purchase Order Processing](#)

5.2.4.2.2 Marked Final Clearing Date for Purchasing Document Items

Overview

Purchasing document items that are fully delivered and fully invoiced are normally marked for final clearing automatically in the *Purchasing Document Items* view of the *Inventory Valuation* work center. Marked items are cleared by the next GR/IR clearing run that is executed on or after the *Marked Final Clearing Date*. The run clears the clearing accounts completely even if the goods receipt and invoice receipt quantities do not match.

Automatic marking is the default. It is also possible to mark items manually.

Standard Setting: Automatic Control of Marked Final Clearing Date

By default, the *Marked Final Clearing Date* is set or reset automatically based on the delivery and invoicing statuses of the purchase order item:

- When the purchasing department has assigned both the *Delivery Completed* and *Invoice Completed* statuses to a purchase order item, the system marks the purchasing document item for final clearing automatically by setting a date in the *Marked Final Clearing Date* field. This date is the final delivery date or the final invoice date, whichever is more recent.
Marked items are cleared by the next GR/IR clearing run that is executed **on or after** the *Marked Final Clearing Date*.
- If the purchasing department **resets** the *Delivery Completed* or *Invoice Completed* status, the purchasing document item is **unmarked** automatically (the *Marked Final Clearing Date* is deleted). The next time the GR/IR clearing run is executed, the system generates any necessary journal entries so that the clearing accounts reflect the current situation of the item without a marked final clearing date.

When this standard setting is active, the *Manual Final Clearing Control* checkbox in the *Details* area for the item is **not** selected.

If business transactions result in a change to the delivery or invoicing status, this will affect the marked final clearing date.

Manual Control of Marked Final Clearing Date

Where necessary, you can switch on manual control of the marked final clearing date for a purchasing document item with *Manual Control On*. This **prevents** the marked final clearing date from reacting to changes in the delivery or invoicing status of the item. Manual control mode is indicated by the *Manual Final Clearing Control* checkbox.

When manual control for an item is switched on, the item can only be marked or unmarked manually.

- To mark an item for final clearing manually, click *Mark*.
- To unmark an item for final clearing manually, click *Unmark*.



- You can manually mark or unmark purchasing document items at any time, even if manual control is switched off.
- If you mark or unmark an item manually, this **also** switches on manual control for that item.
- Switching on manual control for an item that already has a marked final clearing date does **not** remove the marked final clearing date. If you want to prevent the item from being cleared, you must **unmark** the item manually.

As with automatic control, if you unmark a purchasing document item manually, the next time the GR/IR clearing run is executed the system generates any necessary journal entries so that the clearing accounts reflect the current situation of the item without a marked final clearing date.

Examples

You may wish to manually mark or unmark items in cases such as the following:



Example 1

- Ordered quantity: 5
- Delivered quantity: 7
- Invoiced quantity: 5

Since both the delivered quantity and the invoiced quantity equal or exceed the ordered quantity, the purchasing department assigns the *Delivery Completed* and *Invoice Completed* statuses to the purchase order item. Based on these statuses, the system marks the purchasing document item for final clearing and treats the 2 extra pieces as free of charge.

If you want to prevent this, for example because you know that the supplier will send an additional invoice for the extra pieces later, you can **unmark** the item to prevent the system from clearing it.

You would then need to manually mark the item later when the additional invoice arrives.



Example 2

- Ordered quantity: 5
- Delivered quantity: 4
- Invoiced quantity: 5

The full ordered quantity has been invoiced, so the purchasing department has assigned the *Invoice Completed* status to the purchase order item. But since only 4 pieces have been delivered, the purchasing department has not assigned the *Delivery Completed* status. Consequently, the system has not marked the item for final clearing.

If you are nevertheless certain that **no** further deliveries are expected, you can **mark** the item for final clearing manually.

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Summary

Marked Final Clearing Date Behavior

	Manual control switched OFF:	Manual control switched ON:
How items are marked for final clearing	Items are marked automatically if both <i>Delivery Completed</i> and <i>Invoice Completed</i> statuses are set.	You must mark the item manually
How items are unmarked for final clearing	Items are unmarked automatically if either <i>Delivery Completed</i> or <i>Invoice Completed</i> status is reset.	You must unmark the item manually
Effect of resetting <i>Delivery Completed</i> or <i>Invoice Completed</i> status of a purchase order item	The item is unmarked automatically.	No effect
Effect of business transactions on marked final clearing date	The marked final clearing date is affected only if business transaction results in change to <i>Delivery Completed</i> or <i>Invoice Completed</i> status.	No effect

See Also

[Purchasing Document Items Quick Guide \[page 570\]](#)

[GR/IR Clearing \[page 577\]](#)

5.2.4.2.3 GR/IR Clearing

Overview

GR/IR (goods receipt/invoice receipt) clearing is a function that you execute in order to clear the **Goods in Transit** and **Unbilled Payables** accounts when both the goods received and the associated invoices have been recorded in the system. This determines any differences between the values of the goods receipts and the invoices.

Purchases of goods and services involve the following **events**:

- Receipt of the goods or services
- Receipt of the invoice
- Payment

Since the final cost is not usually known until the invoice has been received and paid, GR/IR clearing is necessary in order to value each of these events as accurately as possible.

You execute GR/IR clearing as a run in the *Inventory Accounting* work center, *GR/IR Clearing* view.

- i** For more information on how accounts are posted with cash discounts, see the following documents:
- [GR/IR Clearing Runs \[page 580\]](#)
 - [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#)
 - [GR/IR Clearing Run – Cash Discount \[page 668\]](#)

To enable each purchasing transaction to be valued at actual cost, the transactions entered at different times must be matched up and, if necessary, revalued.

The following cases are possible:

- The goods or services are received before the invoice.
- The invoice is verified and entered **before** the goods or services are received.

To correctly handle each case, the system uses clearing accounts in addition to the inventory and expense accounts:

- **Unbilled Payables:** Goods or services that have been received but not invoiced
- **Goods in Transit:** Goods or services that have been invoiced but not received

If the prerequisites below are met, the two clearing accounts are posted each time goods **or** an invoice is received, regardless of whether the counterpart event has occurred. This maintains a consistent accounting process for similar business transactions (goods receipt or invoice receipt).

Once both the goods **and** the invoice have been recorded in the system, the clearing accounts must be cleared against each other by means of a GR/IR (goods receipt/invoice receipt) clearing run.

Prerequisites

- You have entered purchase orders in *Supplier Relationship Management (SRM)* during the procurement process.
- You have entered third-party purchase orders in *Supply Chain Management*.

- You have entered all transactions (receipt of goods/services and invoices) that result in postings on the GR/IR clearing accounts with reference to a purchase order item. This enables the transactions to be matched up.
- The goods receipt is valued with a nonzero value.
- The following checkboxes are selected in each purchase order item:
 - *Goods and Services Receipt Expected*
 - *Invoice Expected*
 - *Evaluated Receipt Settlement*

Account Movements

The following account movements (disregarding tax postings) take place when you enter the receipt of the goods or the supplier invoice:

- **Goods Receipt**

The inventory or expense account is debited with the provisional value of the delivery (purchase order price \times quantity delivered). With material inventories, the valuation can differ. Accounts from the following groups can be used, depending on the transaction:

- Material Stock
- Fixed Asset Inventory
- Material Consumption
- Expenses for External Services
- Deferred Costs

The GR/IR clearing account **Unbilled Payables** is credited with this value.

When purchases are for immediate storage in stock, you can value the material with two different cost methods: **Standard** or **Moving Average**. With the **Standard** cost method, the difference between the inventory value and the purchase order value is posted to the valuation differences account.

- **Invoice Receipt**

The supplier account is credited with the value of the invoice.

The GR/IR clearing account **Goods in Transit** is debited with the value of the invoice.

The clearing run can be started once both the receipt of the goods for a purchase order item and the receipt of the invoice have been confirmed in the system. You can set up a clearing run depending on your own requirements and also set its frequency as you require. The run first compares quantities to determine the quantity for which both a goods receipt and an invoice have been confirmed. Based on this quantity, the system determines the values to be cleared.

The clearing run:

- Values the common goods receipt/invoice receipt quantity with the invoice value per unit of measure and clears the **Goods in Transit** account with the resulting amount
- Values the common goods receipt/invoice receipt quantity with the value per unit from the goods or services receipt (purchase order price) and clears the **Unbilled Payables** account with the resulting amount
- Allocates price differences caused by valuation differences to the original account of the goods or services receipt (exception: standard price)
- Posts exchange rate differences to a separate exchange rate difference account and **not** to the original account used for the goods or services receipt
- Allocates any differences that arise when materials are purchased for immediate storage in stock to the **Price Differences** account instead of the material stock account

The following balance sheet accounts are required when stock materials are purchased:

Assets:

- o **Inventories**
- o **Goods in Transit**

Liabilities:

- o **Trade Payables**
- o **Unbilled Payables**



These accounts are included in the standard charts of accounts.

Posting Example

Goods Receipt

Your supplier delivers **10 pieces** of an item for a total value of **EUR 500** (*Standard* cost method).

The system posts this goods receipt to the relevant asset account for materials. The offsetting account is **Unbilled Payables**.

Invoice Receipt

The supplier sends an invoice for **10 pieces** with a total value of **EUR 550**.

The system posts this invoice to the **Payables** account. The offsetting posting is to **Goods in Transit**.

To value the goods receipt with the actual procurement costs, and therefore account for any value differences between the goods receipt and the invoice, you start the clearing run.

The clearing run performs the following calculations and postings:

1. Calculates the average price per piece based on the goods receipt and the invoice
2. Determines the quantity that applies to both the goods receipt and the invoice
3. Multiplies this quantity by the previously calculated average price
4. Debits or credits the clearing accounts with these values
5. Compares the valued goods receipt with the valued invoice

Since you selected the *Standard* cost method for the material, the difference is posted to a separate price differences account.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 550 (10 ea.)
3. GR/IR clearing:
Debit **Unbilled Payables** EUR 500 (10 ea.) + **Price Differences** EUR 50 (10 ea.), credit **Goods in Transit** EUR 550 (10 ea.)

- i** The documentation on the GR/IR clearing run provides the following additional examples:
- [GR/IR Clearing Run – Standard Case \(Without Differences\) \[page 661\]](#)
 - [GR/IR Clearing Run – Standard Case \(with Price Differences\) \[page 662\]](#)
 - [GR/IR Clearing Run – Subsequent Credit \[page 664\]](#)
 - [GR/IR Clearing Run – Partial Invoice and Completion of Purchase Order Item \[page 665\]](#)
 - [GR/IR Clearing Run – Moving Average Cost Method \[page 663\]](#)
 - [GR/IR Clearing Run – Invoice Receipt Before Goods Receipt \[page 666\]](#)
 - [GR/IR Clearing Run – Credit Memo \[page 667\]](#)
 - [GR/IR Clearing Run – Cash Discount \[page 668\]](#)
 - [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#)

See Also

- [Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#)
[GR/IR Clearing Runs \[page 580\]](#)

5.2.4.2.4 GR/IR Clearing Runs

Overview

GR/IR (goods receipt/invoice receipt) clearing runs compare the amounts from receipts of goods (or services) with the associated amounts on the invoices. The run first determines the quantity that matches both a goods receipt and an invoice, and clears the **Goods in Transit** and **Unbilled Payables** accounts based on this quantity. This can result in price differences, exchange rate differences, and payment differences.

You execute GR/IR clearing runs in the *Inventory Valuation* work center, *GR/IR Clearing* view.

Prerequisites

- You are using *Supplier Relationship Management (SRM)* for purchase orders.
- Both a goods or services receipt and an invoice exists for a purchase order item.
- The purchase order item to be cleared is marked for final clearing in the *Inventory Valuation* work center, *Purchasing Document Items* view.

i The item is unmarked automatically when an associated primary posting (that is, any **non**-clearing posting) is made.

- You are using *Supply Chain Management (SCM)* for third-party order processing.

Features

Normally, goods are received before the corresponding invoice. In this case, goods receipts are matched up with the invoices based on the purchasing document item and goods receipt item. The system takes the following factors into account:

- Purchasing document (such as a purchase order)
- Purchasing document item
- Goods receipt (service and delivery)
- Item of the goods receipt
- Goods issue for third-party order processing
- Item of the goods issue

If an invoice has been received but **not** the goods (see the posting examples below), the system waits until the goods have been received, then matches the invoice to the goods receipt.

The GR/IR clearing run then determines the values to be used for the associated goods/services receipts and invoices:

- The common goods receipt/invoice receipt quantity is valued with the invoice value per piece and the **Goods in Transit** account is cleared with the resulting amount.
- The common goods receipt/invoice receipt quantity is valued with the value per piece from the goods or services receipt and the **Unbilled Payables** account is cleared with the resulting amount.
- **Price differences**, which can arise for example if the invoice price differs from the order price, are posted as follows:
 - Same account as with receipt of goods or services:
 - With cost assignment to cost center or project: to **Material/Service Expenses**
 - With cost assignment to fixed assets: to **Fixed Assets**
 - With sales order items: to the account that caused the costs (**Deferred Costs / Material/Service Expenses**)
 - With service order items: to **Material/Service Expenses**
 - Material procurement with moving average cost method and stock coverage: same account as with goods receipt
 - Price difference account:
 - Material procurement with standard cost method
 - Material procurement with moving average cost method and no stock coverage:
- **Exchange rate differences** arise when a purchasing document (such as a purchase order) is denominated in a different currency than for example the local currency, and the exchange rate changes between the point of the goods receipt and the point of the invoice. Exchange rate differences are calculated by the GR/IR clearing run and posted to an exchange rate differences account.
For more information, see [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#).
- **Payment differences** caused by cash discounts are posted as follows:
 - Same account as with receipt of goods or services:
 - With cost assignment to cost center or project: to **Material/Service Expenses**
 - With cost assignment to fixed assets: to **Fixed Assets**
 - With sales order items: to the account that caused the costs (**Deferred Costs / Material/Service Expenses**)
 - With service order items: to **Material/Service Expenses**
 - Material procurement with moving average cost method and stock coverage:
 - Cash discount in the income statement:
 - Material procurement with standard cost method
 - Material procurement with moving average cost method and no stock coverage (apportioned based on the quantity posted in the inventory)

Frequency of GR/IR Clearing Runs

The more frequently you execute GR/IR clearing runs, the more accurate the calculations involving the moving average cost or fixed assets will be. Depending on the level of accuracy you desire, you can execute clearing runs quarterly, at the end of each period, or as often as daily.

Starting a GR/IR Clearing Run

For information about starting a GR/IR clearing run, see [GR/IR Clearing Quick Guide \[page 646\]](#).

Accounting Period

The results of the clearing run depend on the period for which it is executed:

- If you specify the **current period** for the run, the system uses the current date as the run date. This date is also the posting date for the run. The run processes all data up to and including the selected date.
 - If you start the run for a **prior period**, the run date is automatically the last day of that period. This date is also the posting date for the run. The run processes all data up to and including the run date.
- i** Make sure that **no** GR/IR clearing run was performed between the past period up to and including the current period for the same selection criteria, since this can result in duplicate postings. In that case you would need to repeat all GR/IR clearing runs for all periods from the past period up to and including the current period.
- You **cannot** start a clearing run for a **future period**.

Clearing Status

For performance reasons, the GR/IR clearing run only processes objects that have the status To Be Cleared.

The system sets the Cleared status in the following cases:

- **No** future postings for the object exist at the point when the clearing run is executed as an update run.
- The **Marked Final Clearing Date** for the object is **not** in the future at the point when the clearing run is executed as an update run.

The status remains (or is set to) To Be Cleared in the following cases:

- For any business transaction
- Future postings for the object exist at the point when the clearing run is executed as an update run.
- The **Marked Final Clearing Date** is in the future at the point when the clearing run is executed as an update run.
- When the object is marked or unmarked for final clearing.

The clearing status of items can be seen in the *Inventory Valuation* work center, *Purchasing Document Items* view by selecting the Show view *Items to be Cleared*. This shows all purchasing document items that have the status To Be Cleared.

Adjustment Runs

Adjustment runs process **all** objects, regardless of the clearing status of the objects.

You start an adjustment run for example when you want to execute GR/IR clearing runs for the past although you executed a clearing run for the current period as an update run (and the objects therefore have the status Cleared). For instance, if price differences were posted incorrectly in the current period, you can execute an adjustment run for the prior period.

For information about starting an adjustment run, see [GR/IR Clearing Quick Guide \[page 646\]](#).

Log for GR/IR Clearing

The log contains different tabs for objects that were processed successfully and those that were processed with errors. In the normal case where goods are received before the invoice, these tabs show the purchasing document item and delivery item, but **not** the invoice item.

In rare cases where the invoice is received before the goods, the system initially shows the purchasing document item and the invoice item.

You can analyze the run in detail on the [Processed Successfully](#) tab under *Only Posting Information* or, for even more detail, under *Advanced Information*.

The *GR/IR Clearing Set* column indicates the set of line items associated with the purchasing document item which were treated as a unit and cleared together. A set may consist for example of a supplier goods receipt and a supplier invoice. A given purchasing document item can have more than one GR/IR clearing set (for example, one set for each supplier goods receipt). The *GR/IR Clearing Set Type* indicates the type of transaction on which a clearing set is based, such as a supplier goods receipt or a supplier invoice.



If you discover that **no** invoice was used in the clearing process for an object, you can compare the posting date of the expected invoice with the clearing period (see Accounting Period above).

Journal Entry

When the GR/IR clearing run is completed, the system creates a journal entry in the general ledger of the type *Goods Receipt/Invoice Receipt Clearing*.

GR/IR Clearing Scenarios

Posting examples are provided below for the following GR/IR clearing scenarios:

- [Standard Case \(No Differences\) \[page 662\]](#)
- [Price Difference with Standard Cost Method \[page 662\]](#)
- [Price Difference and Partial Invoice with Moving Average Cost Method \[page 663\]](#)
- [Expense for External Services with Credit Memo \[page 667\]](#)
- [Price Difference Due to Cash Discount and Purchase of Material for Consumption \[page 668\]](#)
- [Price Difference Due to Subsequent Credit and Asset Acquisition \[page 664\]](#)
- [Partial Invoice and Completion of Purchase Order Item \[page 665\]](#)
- [Invoice Receipt Before Goods Receipt \[page 666\]](#)

See Also

[Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#)

[GR/IR Clearing \[page 577\]](#)

5.3 Material Cost Estimates View

5.3.1 Material Cost Estimates Quick Guide

In the *Material Cost Estimates* view, you create cost estimates for your manufactured materials. You specify the materials to be costed by entering their IDs or by selecting them in the list of cost estimates. You can compare the cost estimates against the current inventory cost and the current estimated cost of the materials, and transfer the cost estimate results to the material masters as the new estimated cost. You can also cost individual product specifications for a material or all product specifications for that material.

You can access this view in the *Inventory Valuation* work center.

i It is also possible to create material cost estimates in runs using selection criteria. For more information, see [Material Cost Estimate Rollup Quick Guide \[page 595\]](#).

Business Background

Material Cost Estimates

The material cost estimates function enables you to cost out your finished and semifinished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multilevel release are supported.

For more information, see [Material Cost Estimates \[page 587\]](#).

Materials

Materials are tangible products that can be produced, bought, and sold. You create the master data for materials in the *Materials* view of the *Product Data* work center. Valuation details are needed if the material is part of your inventory. All materials you create in this view are immediately visible in the *Inventory Valuation* work center.

For more information, see [Materials \[page 33\]](#).

Valuation

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.

For more information, see [Valuation \[page 506\]](#).



Tasks

Create a Cost Estimate – Manual Entry of Material

To create a cost estimate for a **single material** by entering the material ID **manually**:

1. Click **New** > *Cost Estimate*.
2. On the *New Cost Estimate* screen, enter the following data:
 - **Material ID**
You can only enter a single material ID.
 - **Valid From**
If you release the cost estimate, this date is written to the Valid From date field of the estimated cost in the material master data.
 - **Explosion Date**
The system selects the released execution production model that is valid on the date you enter here.
 - **Business Residence**
 - **Set of Books**
Optional. If you don't enter a set of books, the system costs the material in all sets of books used by the company.



- If you select a material whose valuation level type is **product specification**, the system will cost **all** product specifications for the material.
- If you want to cost only a **specific** product specification, add the *Product Specification ID* field by means of screen personalization, and then enter the product specification ID in this field.

3. Click one of the following buttons to create the cost estimate:

- **Estimate** saves the costing results immediately.
- **Simulate** allows you to preview the results before saving.

Create Cost Estimates – Selection of Materials in List

To create cost estimates for **one or more materials** by selecting the materials in the list of material cost estimates:

1. Select the materials and click **New** > *Cost Estimate with Reference*.

All materials you select must be in the same company and business residence.
2. On the *New Cost Estimate* screen, the materials you selected are listed under **Selected Materials**.

Enter the following data:

- *Valid From*
If you release the cost estimate, this date is written to the Valid From date field of the estimated cost in the material master data.
- *Explosion Date*
The system selects the released execution production models that are valid on the date you enter here.
- *Set of Books*
Optional. If you don't enter a set of books, the system costs the materials in all sets of books used by the company.

i The system will cost the selected materials based on their **valuation level type**, which is visible in the list of material cost estimates in the Details area. If you selected a mixture of materials with different valuation level types, you can use the options in the *Valuation Level Type* field (you must add this field by means of screen personalization) to filter the items to be costed:

- *All* costs all selected materials.
- *Business Residence* costs **only** materials with the valuation level type *Business Residence*. If the materials you originally selected included those with the valuation level type *Product Specification*, these are **removed** from the selection.
- *Product Specification* costs **only** materials with the valuation level type *Product Specification*. If the materials you originally selected included those with the valuation level type *Business Residence*, these are **removed** from the selection.

3. Click one of the following buttons to create the cost estimates:
 - **Estimate** saves the costing results immediately.
 - **Simulate** allows you to preview the results before saving.

Recalculate Cost Estimates

You can recalculate cost estimates after correcting errors, for example.

i Released cost estimates **cannot** be recalculated.

1. Select one or more materials in the list of cost estimates.
2. Click one of the following buttons:
 - **Explode and Valuate Structure** reselects and explodes the production models and recalculates the costs.
 - **Valuate Structure** recalculates the costs only, without reselecting or exploding the production models.

Compare Cost Estimate with Inventory Cost and Estimated Cost

To compare a cost estimate result with the material's current inventory cost and estimated cost, apply the *Compare Costs* filter in the list of cost estimates. This adds the *Inventory Cost* and *Estimated Cost* columns to the list.

Release Cost Estimates and Update Material Master

1. Select one or more cost estimates in the list.
2. Click **Release** and then one of the following options:
 - *Single-Level* releases only the cost estimates of the finished materials that you selected in the list of cost estimates.
 - *Multilevel* releases the cost estimates of the finished materials that you selected in the list of cost estimates plus the cost estimates of all semifinished materials in the structure.

You can also release a cost estimate from within the cost estimate itself:

1. Select a cost estimate in the list and click **Edit**.
2. Click **Release**.

 From within a cost estimate, the release function is multilevel only.

Result:

- The status of the cost estimates is set to Released. With multilevel release, the cost estimates of all semifinished materials in the structure also receive this status.
- The *Estimated Cost* in the material masters is updated with the cost estimate result and with the Valid From date of the cost estimate. With multilevel release, this update is also applied to all semifinished materials in the structure

Delete Cost Estimates

Select one or more cost estimates and click **Delete**.

 Released cost estimates **cannot** be deleted.

5.3.2 Business Background

5.3.2.1 Material Cost Estimates

Overview

The material cost estimates function enables you to cost out your finished and semifinished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multilevel release are supported.

This function is available in the *Material Cost Estimates* view of the *Inventory Valuation* work center.

i This function creates cost estimates for materials which you select or enter **individually**. In the *Material Cost Estimate Rollup* view you can create cost estimates for materials in runs, which allow you to use selection criteria and are therefore more suitable for costing large numbers of materials. For more information, see [Material Cost Estimate Runs \[page 603\]](#).

Prerequisites

Production models and the valuation of warehouse inventory are selected in your solution configuration. To find these elements, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). In the *Scoping* step of the project, ensure that:

- The *Production Models* business package is selected within the *Supply Chain Setup Management* business area
- The *Valuation of Warehouse Inventory* business topic is selected within the *Financial and Management Accounting* business area

The material cost estimate function is activated automatically when you select these elements. You can, however, deactivate it if desired.

If you want to create cost estimates for individual **product specifications**, valuation at product specification level must be activated in your solution configuration. In the *Scoping* step of your implementation project, ensure that *Valuation at the Level of Material, Business Residence and Product Specification* business option is selected within the *Valuation of Warehouse Inventory* business topic.

Features

The *Material Cost Estimates* view displays a list of materials that have a released execution model and that have the valuation status **Active** in their master data. You can apply the *Show* filter to restrict the list as follows:

- Current Cost Estimates
Shows only materials with cost estimates whose validity start date (Valid From) is no later than the current date.
- Upcoming Cost Estimates
Shows only materials with cost estimates whose validity start date (Valid From) is in the future.
- Manufactured Materials without Estimate
Shows only materials that do not have a cost estimate.
- Compare Costs
Allows you to compare the cost estimate result with the current inventory cost and estimated cost from the material's master data.
- All Cost Estimates
Shows all materials that have a cost estimate.

Creation of Cost Estimates

You can create cost estimates in different ways:

- [Cost Estimate](#) enables you to create a cost estimate for a **single material** by entering the material ID **manually**. You can also use the [New Cost Estimate](#) common task for this purpose.
For more information, see [Material Cost Estimates Quick Guide \[page 584\]](#).
- [Cost Estimate with Reference](#) enables you to create cost estimates for **one or more** materials by **selecting** the materials from the list of cost estimates.
For more information, see [Material Cost Estimates Quick Guide \[page 584\]](#).

- You can also create cost estimates using selection criteria in a **run**.
For more information, see [Material Cost Estimate Runs \[page 603\]](#).

You have two options for executing the cost estimate:

- **Estimate** saves the results immediately.
- **Simulate** allows you to preview the results before saving.

Cost estimates are based on the production segment of a released execution model. To calculate the costs, the system proceeds as follows:

- The system selects a released execution model that is valid on the *Explosion Date* you specify. If more than one model is valid on that date, the system selects one of the models based on the costing priority defined in logistics.
- Bills of material are exploded down to the lower levels.
- Bills of operations are read.
- Components and services are valued. (For more information on valuation, see below under Valuation Strategies).
- Overhead is calculated and applied.
- Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the structure.

Costing Results

When costing is completed, the results are initially displayed showing the general data at the top, followed by itemizations for material, service, and overhead items. A log is also included listing any error, warning, or information messages that were issued. Errors prevent full calculation of costs and must be corrected before the product can be completely costed.

The total amount of the cost estimate is shown under *Costing Result*, together with the costing quantity.

The itemizations contain the following information:

- Material items
The input materials are displayed together with the cost origin account, costing result, valuation quantity, cost per input quantity, and valuation method.
- Service items
For service items, the system displays the resource that performed the service, the cost estimate result, the valuation quantity, and the valuation method.
- Overhead items
Overhead items are displayed with the cost center, cost account origin, overhead amount, and overhead rate.

i Overhead is applied to the direct material costs automatically based on assignment rules. The assignment rules are the same as those you define for production lots. You define assignment rules in the *Cost and Revenue* work center in the *Overhead Rules* view.

Any messages relating to the material that were issued during processing are listed below the itemizations.

If other cost estimates exist for the same material and *Valid To* date but for other sets of books, the sets of books and status of these cost estimates are listed under the *Related Cost Estimates* header. If no other cost estimates exist, this header is not displayed.

To see the full structure of the costed material, click **View All**. You can choose to display the complete structure including service and overhead items, or only the material items.

Status

Cost estimates can have the following statuses:

- In Preparation
The cost estimate is not complete because one or more items had exceptions or errors during cost calculation.
- Calculated Successfully
The finished material and all input items were costed without errors.
- Released
The cost estimate result was transferred to the cost type *Estimated Cost* in the material's master data.



Released cost estimates can neither be recalculated nor deleted.

Quantity Rounding

By default, if units which do not normally have decimal places (such as Each) are calculated as fractional quantities in a material cost estimate, the quantities are rounded up to whole numbers in order to account for scrap.



Suppose you are manufacturing tables with 4 legs. The planned scrap rate for the legs is 1%. For a production lot of 10 tables, without quantity rounding the system would calculate a requirement of 40.4 legs. With quantity rounding this would be rounded to 41, since you would need at least one additional leg in case of scrap.

You can optionally deactivate quantity rounding for material cost estimates in business configuration. If you do so, these units are costed with decimal places.

If you wish to deactivate quantity rounding in material cost estimates, go to the *Business Configuration* work center and open the activity list for your project. In the *Financial and Management Accounting* group, open the *Material Cost Estimates* activity and deselect quantity rounding for the cost type *Estimated Cost*.

Valuation Priority

The *Material Cost Estimates* function enables you to cost out your finished and semi-finished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semi-finished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multi-level releases are supported.

The valuation for a Material Cost Estimate for Material Items happens as follows:

Cost Estimate as a part of the rollup tries to find the cost based on a prioritization of rules. When it finds the cost as per the priority, processing stops and the determined cost is further taken as the valued cost for the material.

1. **First priority:** The material is checked if a Planned Cost exists for the Company and Business residence combination. The planned cost for the material can be maintained directly in the Material Object Work List. This can be maintained for a specific date validity period too. When the Material cost estimate is triggered and if this material is a part of the hierarchy (either as Semi-finished goods / Finished Goods / Raw materials) then this is considered as the cost of the material and used further.
2. **Second priority:** When the first priority determination fails, that is, no planned costs exists or planned costs is not valid when the material cost estimate is done then this will check whether this material has any contract available against which this material has been bought. When this is available then this cost will be considered as a material cost for this Material Cost Estimate calculation and used further.
3. **Third Priority:** When the second priority determination also fails, that is, neither any contract nor planned cost exists for the Material Cost Estimate calculation then as a last option the Inventory Cost of the Material

is fetched with the granularity of the Company, Business residence and Set of Books. When this is available, it is considered as the cost of material for this *Material Cost Estimate* calculation.

Based on the priority of the material valuation, the Material Cost Estimate is updated.

Valuation Strategies

Since there are multiple possible sources of costs and prices for the individual items in a cost estimate, the system applies a valuation strategy during costing that defines the priority in which the costs or prices are selected. There is a valuation strategy for materials and another strategy for resources and services.

The selected cost or price is identified in the cost estimate as the *Valuation Method*.

Valuation Strategy for Raw Materials and Purchased Materials

Priority	Source
1	Planned cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
2	Planned cost from material's master data at business residence level.
3	Price from fixed source of supply
4	Price from contract
5	Price from price list
6	Inventory cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
7	Inventory cost from material's master data at business residence level

Valuation Strategy for Resources and Services

Priority	Source
1	Resource cost rate
2	Service cost rate

Valuation strategies are predefined and cannot be changed.

i If you want to deactivate an existing **planned cost**, for example because it has an unrestricted *Valid To* date, it is possible to delete the planned cost in the *Material Unit Costs* view. For more information, see [Material Unit Costs Quick Guide \[page 539\]](#).

Note that setting the planned cost to zero does **not** deactivate it from selection in the valuation strategy.

Recalculation of Cost Estimates

You can recalculate a cost estimate, for example after correcting errors. There are two options for recalculating a cost estimate:

- Explode and Valuate Structure] reselects and explodes the production models and recalculates the costs. The reselection is based on the costing priority defined in logistics. The planned material consumption and the planned services are valued and overhead is applied. The total estimated cost is determined by rolling up the cost of each substructure to the next-highest material and finally to the material for which the action was performed.

- **Valuate Structure** recalculates the costs only, without reselecting or exploding the production models. The costs for material items, service items, and overhead items are determined along the existing cost structure, including all substructures.

i You **cannot** recalculate **released** cost estimates. If you want to recalculate a released cost estimate, create a new cost estimate with a *Valid From* date that is **at least one day later** than that of the released cost estimate.

These functions are available on the overview list of cost estimates as well as within a cost estimate.

Deletion of Cost Estimates

You can only delete cost estimates if they have **not** been released.

Releasing Cost Estimates and Updating the Master Data

You have the option of transferring the cost estimate result to the material's master data as the new value for the cost type *Estimated Cost*. You do this by releasing the cost estimate.

Cost estimates can only be released if they have the status *Calculated Successfully*.

- In the list of cost estimates, you release cost estimates with **Release**. You can release multiple cost estimates simultaneously.

There are two options for releasing cost estimates:

- **Single-Level**

Single-level release updates only the master data of the materials that you selected in the list of cost estimates. This sets the status of the cost estimates to *Released*.

- **Multilevel**

Multilevel release updates the master data of the materials that you selected in the list of cost estimates as well as the master data of all semifinished materials they contain. This sets the status of all involved cost estimates to *Released*.



The *Compare Costs* filter allows you to easily compare the current estimated cost in the master data with the cost estimate result before deciding whether to release the cost estimate.

- Within a cost estimate, you release the cost estimate with **Release**. This release is multilevel only.
- You can also release cost estimates in a **run** in the *Material Cost Estimate Release* view. Release runs are always multilevel. For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

When you release a cost estimate, its *Valid From* date is written to the *Valid From* date of the *Estimated Cost* field in the material's master data.



Released cost estimates **cannot** be recalculated.

If you want to recalculate a released cost estimate, create a new cost estimate with a *Valid From* date that is **at least one day later** than that of the released cost estimate.

Download to Microsoft Excel

You can download the list of cost estimates to Microsoft Excel by clicking **Export** [To Microsoft Excel](#).

See Also

[Material Cost Estimate Runs \[page 603\]](#)

5.3.2.2 Materials

Overview

Materials are tangible products that can be produced, bought, and sold. You create the master data for materials in the *Materials* view of the *Product Data* work center. Valuation details are needed if the material is part of your inventory. All materials you create in this view are immediately visible in the *Inventory Valuation* work center.

Features

The valuation data in the material master is of central importance in the valuation of inventories and goods movements. Tasks are generated in different work centers if any valuation-relevant data is missing.

- If a material movement fails because the company/business residence assignment for the material is missing, a task is sent to the *Inventory Valuation* work center requesting that the organizational assignment for that material be maintained. On the *Valuation* tab of the material's master data record, you specify the company and business residence combinations where this material is to be used in accounting, and maintain the status of these organizational assignments.
- If a goods movement fails because the valuation data of a material is incomplete, a task is sent to the *General Ledger* work center. This task is also solved in the *Valuation* view of the material.

→ If you wish to maintain costs for more than one material, consider using the *Edit Unit Costs* activity under *Common Tasks*.

Cost Types

Cost types enable you to assign different costs to a material for different purposes. The only cost type that actually affects the valuation of material inventories and movements in the system is *inventory cost*.

In addition to inventory cost, the other cost types available are *estimated cost*, *planned cost*, *book value*, and *periodic FIFO cost*. These cost types do **not** affect the valuation of material inventories or movements.

For more information on cost types, see *Cost Types for Inventory Valuation* [page 523].

Journal Entries

When the inventory cost is updated for a material that is in stock, a revaluation journal entry is generated in the general ledger. You can view this journal entry by searching for the relevant cost change document in the *General Ledger* work center, *Journal Entries* view. The journal entry amount is calculated by multiplying the difference between the old cost and the new cost by the quantity in stock.

! A **cost change document** is always generated for any cost change if the organizational assignment has the status Active. Even if the new cost is the same as the old cost (for example, a cost estimate calculated the same cost as before), a cost change document will be generated because the source document reference is new. However, a **journal entry** is only generated if the inventory cost is changed and the material is in stock.

Account Determination Group

The material's valuation master data includes the account determination group, such as raw materials, semifinished products, or finished products.

Perpetual Cost Method

In the material's valuation master data, you also specify the perpetual cost method (Standard or Moving Average). For more information, see [Perpetual Cost Methods \[page 526\]](#).

Inventory Cost History

A history of the changes to a material's inventory cost is available in the *Inventory Valuation* work center, *Materials* view and *Material Unit Costs* view.

For more information, see [Inventory Cost History \[page 537\]](#).

Material Reports

You can use the [Material Unit Costs \[page 705\]](#) report to gain information about costs and cost comparisons during a defined period.

The [Material Inventories – Balance Summary \[page 693\]](#) report provides information about inventory quantities and values.

See Also

[Valuation \[page 506\]](#)

5.3.2.3 Valuation

Overview

The value of material inventories, WIP inventories, and payables can be determined for a given point in time in order to meet the requirements of IFRS and U.S. GAAP as well as German Commercial Code and German income tax law.

The system supports the following valuations:

- Valuation of business transactions
- Valuation of material inventories
- Valuation of work in process (WIP)
- Valuation of goods receipts/invoice receipts (GR/IR)

Within standard business processes, material inventories and goods movements are valued with the cost type *Inventory Cost*.



You can access the valuation master data for your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Prerequisites

You have entered and activated the following valuation master data for your materials for each company and business residence:

- Cost
- Cost unit (default: base UoM)

- Account determination group
- Perpetual cost method

Valuation Levels

By default, material valuation master data is maintained at the business residence level. You can optionally increase the granularity of material valuation to a finer level.

For more information, see [Valuation Levels \[page 530\]](#).

See Also

- [Valuation of Business Transactions \[page 507\]](#)
- [Valuation of Material Inventories \[page 509\]](#)
- [Valuation of Work in Process \[page 510\]](#)
- [Cost Types for Inventory Valuation \[page 523\]](#)
- [Perpetual Cost Methods \[page 526\]](#)

5.4 Periodic Tasks View

5.4.1 Material Cost Estimate Rollup View

5.4.1.1 Material Cost Estimate Rollup Quick Guide

In the *Material Cost Estimate Rollup* view, you create material cost estimate runs that cost materials in a company based on selection criteria. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they are assigned.

You access this view in the *Inventory Valuation* work center.

Business Background

Material Cost Estimates

The material cost estimates function enables you to cost out your finished and semifinished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multilevel release are supported.

For more information, see [Material Cost Estimates \[page 587\]](#).

Material Cost Estimate Runs

Material cost estimate runs enable you to create material cost estimates using selection criteria. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they are assigned.

For each material selected by the run, the costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure.

For more information, see [Material Cost Estimate Runs \[page 603\]](#).



Tasks

Start Material Cost Estimate Run

1. Click **New** [Material Cost Estimate Run](#).
2. Enter the required parameters and selection criteria:
 - Under *General Data*, enter the company ID and the *Valid From* date.
When the run is executed, the cost estimates become valid on the *Valid From* date.

i If you release the cost estimates, the validity of the cost type *Estimated Cost* in the materials' master data will be set to the *Valid From* date.
For information about releasing cost estimates, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

A set of books is optional. If you don't enter a set of books, the run will cost the materials in all sets of books defined for the company.

- Under *Control Parameters*, enter an *Explosion Date*. The default is the current date. The *Quantity Structure Explosion* checkbox is selected by default. When creating a new run, leave this checkbox selected. It only makes sense to deselect the checkbox if you are repeating a run. For more information, refer to the task *Edit Run and Repeat Execution*.
- Enter the selection criteria on the *Material*, *Product Category*, and/or *Business Residence* tabs.

i Only materials in the same company can be selected.

3. You can now save or schedule the run.

Result

The system selects and explodes the production models based on the explosion date. If you deselected the *Quantity Structure Explosion* checkbox, the costs are calculated based on the existing structure without reselecting the production models.

Set Status

Select a run and click **Actions** and then one of the following options:

- [Set to Active](#)
This status allows the run to be executed.
Runs with this status **cannot** be deleted.



- You can also set this status when you are editing a run.
- Runs with the status *Obsolete* cannot be changed directly to *Active*. You must first set the status to *In Revision*.

- **Set to Obsolete**
Runs with this status can be deleted.
- **Undo Obsolete**
Sets the status to *In Revision*.
Runs with this status **cannot** be deleted.

View Run Results

On the **Execution Details** tab, select an execution and click **View**, or click the execution ID.

View Itemizations

1. On the **Execution Details** tab, select an execution and click **View**, or click the execution ID.
2. On the **Processed Successfully**, **Processed with Errors**, or **Not Processed** tabs, click the amount of the cost estimate result.

Edit Run and Repeat Execution

1. Select a run and click **Edit**.
2. Make the necessary changes to the selection criteria.
If the status of the run is *Active*, *Obsolete*, or *In Revision*, you can only edit the description, the quantity structure explosion checkbox, and the explosion date. To edit the selection criteria, change the status to *In Preparation*.



If you are repeating the execution of a run after correcting problems with missing costs but without altering the quantity structure, it is recommended that you **deselect** the *Quantity Structure Explosion* checkbox so that the costs are recalculated based on the existing structure without reselecting the production models. This reduces the runtime.

3. Set the run to *Active* and schedule it.

Follow-On Activities

After costing your materials in a material cost estimate run, you can transfer the cost estimate results to the master data of the materials as the new value for the cost type *Estimated Cost*. You do this by releasing the cost estimates.

For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

5.4.1.2 Business Background

5.4.1.2.1 Material Cost Estimates

Overview

The material cost estimates function enables you to cost out your finished and semifinished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multilevel release are supported.

This function is available in the *Material Cost Estimates* view of the *Inventory Valuation* work center.

- i** This function creates cost estimates for materials which you select or enter **individually**. In the *Material Cost Estimate Rollup* view you can create cost estimates for materials in runs, which allow you to use selection criteria and are therefore more suitable for costing large numbers of materials. For more information, see [Material Cost Estimate Runs \[page 603\]](#).

Prerequisites

Production models and the valuation of warehouse inventory are selected in your solution configuration. To find these elements, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). In the *Scoping* step of the project, ensure that:

- The *Production Models* business package is selected within the *Supply Chain Setup Management* business area
- The *Valuation of Warehouse Inventory* business topic is selected within the *Financial and Management Accounting* business area

The material cost estimate function is activated automatically when you select these elements. You can, however, deactivate it if desired.

If you want to create cost estimates for individual **product specifications**, valuation at product specification level must be activated in your solution configuration. In the *Scoping* step of your implementation project, ensure that *Valuation at the Level of Material, Business Residence and Product Specification* business option is selected within the *Valuation of Warehouse Inventory* business topic.

Features

The *Material Cost Estimates* view displays a list of materials that have a released execution model and that have the valuation status *Active* in their master data. You can apply the *Show* filter to restrict the list as follows:

- Current Cost Estimates

Shows only materials with cost estimates whose validity start date (Valid From) is no later than the current date.

- Upcoming Cost Estimates

Shows only materials with cost estimates whose validity start date (Valid From) is in the future.

- Manufactured Materials without Estimate

Shows only materials that do not have a cost estimate.

- Compare Costs

Allows you to compare the cost estimate result with the current inventory cost and estimated cost from the material's master data.

- All Cost Estimates

Shows all materials that have a cost estimate.

Creation of Cost Estimates

You can create cost estimates in different ways:

- New** [Cost Estimate](#) enables you to create a cost estimate for a **single material** by entering the material ID **manually**. You can also use the [New Cost Estimate](#) common task for this purpose.
For more information, see [Material Cost Estimates Quick Guide \[page 584\]](#).
- New** [Cost Estimate with Reference](#) enables you to create cost estimates for **one or more** materials by **selecting** the materials from the list of cost estimates.
For more information, see [Material Cost Estimates Quick Guide \[page 584\]](#).
- You can also create cost estimates using selection criteria in a **run**.
For more information, see [Material Cost Estimate Runs \[page 603\]](#).

You have two options for executing the cost estimate:

- Estimate** saves the results immediately.
- Simulate** allows you to preview the results before saving.

Cost estimates are based on the production segment of a released execution model. To calculate the costs, the system proceeds as follows:

- The system selects a released execution model that is valid on the [Explosion Date](#) you specify. If more than one model is valid on that date, the system selects one of the models based on the costing priority defined in logistics.
- Bills of material are exploded down to the lower levels.
- Bills of operations are read.
- Components and services are valued. (For more information on valuation, see below under Valuation Strategies).
- Overhead is calculated and applied.
- Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the structure.

Costing Results

When costing is completed, the results are initially displayed showing the general data at the top, followed by itemizations for material, service, and overhead items. A log is also included listing any error, warning, or information messages that were issued. Errors prevent full calculation of costs and must be corrected before the product can be completely costed.

The total amount of the cost estimate is shown under [Costing Result](#), together with the costing quantity.

The itemizations contain the following information:

- Material items
The input materials are displayed together with the cost origin account, costing result, valuation quantity, cost per input quantity, and valuation method.
- Service items
For service items, the system displays the resource that performed the service, the cost estimate result, the valuation quantity, and the valuation method.
- Overhead items
Overhead items are displayed with the cost center, cost account origin, overhead amount, and overhead rate.

 Overhead is applied to the direct material costs automatically based on assignment rules. The assignment rules are the same as those you define for production lots. You define assignment rules in the *Cost and Revenue* work center in the *Overhead Rules* view.

Any messages relating to the material that were issued during processing are listed below the itemizations.

If other cost estimates exist for the same material and *Valid To* date but for other sets of books, the sets of books and status of these cost estimates are listed under the *Related Cost Estimates* header. If no other cost estimates exist, this header is not displayed.

To see the full structure of the costed material, click [View All](#). You can choose to display the complete structure including service and overhead items, or only the material items.

Status

Cost estimates can have the following statuses:

- In Preparation
The cost estimate is not complete because one or more items had exceptions or errors during cost calculation.
- Calculated Successfully
The finished material and all input items were costed without errors.
- Released
The cost estimate result was transferred to the cost type *Estimated Cost* in the material's master data.

 Released cost estimates can neither be recalculated nor deleted.

Quantity Rounding

By default, if units which do not normally have decimal places (such as Each) are calculated as fractional quantities in a material cost estimate, the quantities are rounded up to whole numbers in order to account for scrap.



Suppose you are manufacturing tables with 4 legs. The planned scrap rate for the legs is 1%. For a production lot of 10 tables, without quantity rounding the system would calculate a requirement of 40.4 legs. With quantity rounding this would be rounded to 41, since you would need at least one additional leg in case of scrap.

You can optionally deactivate quantity rounding for material cost estimates in business configuration. If you do so, these units are costed with decimal places.

If you wish to deactivate quantity rounding in material cost estimates, go to the *Business Configuration* work center and open the activity list for your project. In the *Financial and Management Accounting* group, open the *Material Cost Estimates* activity and deselect quantity rounding for the cost type *Estimated Cost*.

Valuation Priority

The *Material Cost Estimates* function enables you to cost out your finished and semi-finished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows

for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semi-finished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multi-level releases are supported.

The valuation for a Material Cost Estimate for Material Items happens as follows:

Cost Estimate as a part of the rollup tries to find the cost based on a prioritization of rules. When it finds the cost as per the priority, processing stops and the determined cost is further taken as the valued cost for the material.

1. **First priority:** The material is checked if a Planned Cost exists for the Company and Business residence combination. The planned cost for the material can be maintained directly in the Material Object Work List. This can be maintained for a specific date validity period too. When the Material cost estimate is triggered and if this material is a part of the hierarchy (either as Semi-finished goods / Finished Goods / Raw materials) then this is considered as the cost of the material and used further.
2. **Second priority:** When the first priority determination fails, that is, no planned costs exists or planned costs is not valid when the material cost estimate is done then this will check whether this material has any contract available against which this material has been bought. When this is available then this cost will be considered as a material cost for this Material Cost Estimate calculation and used further.
3. **Third Priority:** When the second priority determination also fails, that is, neither any contract nor planned cost exists for the Material Cost Estimate calculation then as a last option the Inventory Cost of the Material is fetched with the granularity of the Company, Business residence and Set of Books. When this is available, it is considered as the cost of material for this *Material Cost Estimate* calculation.

Based on the priority of the material valuation, the Material Cost Estimate is updated.

Valuation Strategies

Since there are multiple possible sources of costs and prices for the individual items in a cost estimate, the system applies a valuation strategy during costing that defines the priority in which the costs or prices are selected. There is a valuation strategy for materials and another strategy for resources and services.

The selected cost or price is identified in the cost estimate as the *Valuation Method*.

Valuation Strategy for Raw Materials and Purchased Materials

Priority	Source
1	Planned cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
2	Planned cost from material's master data at business residence level.
3	Price from fixed source of supply
4	Price from contract
5	Price from price list
6	Inventory cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
7	Inventory cost from material's master data at business residence level

Valuation Strategy for Resources and Services

Priority	Source
1	Resource cost rate
2	Service cost rate

Valuation strategies are predefined and cannot be changed.

- i** If you want to deactivate an existing **planned cost**, for example because it has an unrestricted *Valid To* date, it is possible to delete the planned cost in the *Material Unit Costs* view. For more information, see [Material Unit Costs Quick Guide \[page 539\]](#).

Note that setting the planned cost to zero does **not** deactivate it from selection in the valuation strategy.

Recalculation of Cost Estimates

You can recalculate a cost estimate, for example after correcting errors. There are two options for recalculating a cost estimate:

- **Explode and Valuate Structure** reselects and explodes the production models and recalculates the costs. The reselection is based on the costing priority defined in logistics. The planned material consumption and the planned services are valued and overhead is applied. The total estimated cost is determined by rolling up the cost of each substructure to the next-highest material and finally to the material for which the action was performed.
- **Valuate Structure** recalculates the costs only, without reselecting or exploding the production models. The costs for material items, service items, and overhead items are determined along the existing cost structure, including all substructures.

- i** You **cannot** recalculate **released** cost estimates. If you want to recalculate a released cost estimate, create a new cost estimate with a *Valid From* date that is **at least one day later** than that of the released cost estimate.

These functions are available on the overview list of cost estimates as well as within a cost estimate.

Deletion of Cost Estimates

You can only delete cost estimates if they have **not** been released.

Releasing Cost Estimates and Updating the Master Data

You have the option of transferring the cost estimate result to the material's master data as the new value for the cost type *Estimated Cost*. You do this by releasing the cost estimate.

Cost estimates can only be released if they have the status *Calculated Successfully*.

- In the list of cost estimates, you release cost estimates with **Release**. You can release multiple cost estimates simultaneously.

There are two options for releasing cost estimates:

- **Single-Level**

Single-level release updates only the master data of the materials that you selected in the list of cost estimates. This sets the status of the cost estimates to *Released*.

- **Multilevel**

Multilevel release updates the master data of the materials that you selected in the list of cost estimates as well as the master data of all semifinished materials they contain. This sets the status of all involved cost estimates to *Released*.



The *Compare Costs* filter allows you to easily compare the current estimated cost in the master data with the cost estimate result before deciding whether to release the cost estimate.

- Within a cost estimate, you release the cost estimate with [Release](#). This release is multilevel only.
- You can also release cost estimates in a **run** in the *Material Cost Estimate Release* view. Release runs are always multilevel. For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

When you release a cost estimate, its *Valid From* date is written to the *Valid From* date of the *Estimated Cost* field in the material's master data.



Released cost estimates **cannot** be recalculated.

If you want to recalculate a released cost estimate, create a new cost estimate with a *Valid From* date that is **at least one day later** than that of the released cost estimate.

Download to Microsoft Excel

You can download the list of cost estimates to Microsoft Excel by clicking [Export](#) [To Microsoft Excel](#).

See Also

[Material Cost Estimate Runs \[page 603\]](#)

5.4.1.2.2 Material Cost Estimate Runs

Overview

Material cost estimate runs enable you to create material cost estimates using selection criteria. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they are assigned.

For each material selected by the run, the costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure.

This functionality is available in the *Inventory Valuation* work center, *Material Cost Estimate Rollup* view.

Prerequisites

Production models and the valuation of warehouse inventory are selected in your solution configuration. To find these elements, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). In the *Scoping* step of the project, ensure that:

- The *Production Models* business package is selected within the *Supply Chain Setup Management* business area
- The *Valuation of Warehouse Inventory* business topic is selected within the *Financial and Management Accounting* business area.

The material cost estimate rollup function is activated automatically when you select these elements. You can, however, deactivate it if desired.

If you want to include individual product specifications in costing, valuation at product specification level must be activated in your solution configuration. In the *Scoping* step of your implementation project, ensure that *Valuation at the Level of Material, Business Residence and Product Specification* business option is selected within the *Valuation of Warehouse Inventory* business topic.

Features

The material cost estimate rollup function creates cost estimates for selected materials in a company. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they belong.

Each material that is selected based on your criteria is costed in the same way as in a [material cost estimate \[page 587\]](#).

Material Cost Estimate Runs

You create a material cost estimate run by clicking  [Material Cost Estimate Run](#).

The run requires the following entries:

- *Valid From*

The costs calculated in the run become valid on the date you specify as the *Valid From* date. If you release the cost estimates, this date is written to the *Valid From* date field of the cost type *Estimated Cost* in the master data of the materials.



For information about releasing cost estimates, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

- *Quantity Structure Explosion*

When this checkbox is selected, the system selects and explodes the production segments of the released execution production models based on the explosion date. If you deselect this checkbox, the costs are calculated based on the existing structure without reselecting the production models. This checkbox is selected by default when you create a new run.

- *Explosion Date*

The system selects the released execution production models that are valid on the explosion date you specify. The default is the current date.

If more than one production model for a material is valid on the same date, the system selects one of the models based on the costing priority defined in logistics.

- *Material / Product Category / Business Residence*

On these tabs you define how the materials are selected for the run. You can define the selection based on the material IDs, the product categories, and/or the business residences to which the materials belong.



Only materials in the same company can be selected.

Status

Material cost estimate runs can have the following statuses:

- *In Preparation*

This status is assigned automatically when you create a new run.

Runs with this status can be deleted.

Runs with this status **cannot** be executed.

- *Active*

Assign this status when you are ready to execute the run.

You can set this status either in the list of runs with [Actions](#) [Set to Active](#), or when editing the run with [Set to Active](#).

When a run has this status, only the description, the quantity structure explosion checkbox, and the explosion date can be edited.

Runs with this status **cannot** be deleted.

i Runs with the status [Obsolete](#) cannot be changed directly to [Active](#). You must first set the status to [In Revision](#).

- **Obsolete**

Set this status if the run is no longer needed.

You set this status in the list of runs with [Actions](#) [Set to Obsolete](#).

When a run has this status, only the description, the quantity structure explosion checkbox, and the explosion date can be edited.

Runs with this status can be deleted.

- **In Revision**

Set this status if the run currently has the status [Obsolete](#) and you want to reactivate it.

You set this status in the list of runs with [Actions](#) [Undo Obsolete](#).

When a run has this status, only the description, the quantity structure explosion checkbox, and the explosion date can be edited.

Runs with this status **cannot** be deleted.

Execution

You execute a run with [Schedule](#) in the list of runs or when editing the run.

i Runs can only be executed if they have the status [Active](#).

Each material cost estimate in the run is based on the production segment of a released execution model. To calculate the costs for each material, the system proceeds as follows:

- The system selects the released execution models that are valid on the Explosion Date you enter. The default is the current date. If more than one model for a material is valid on the same date, the system selects one of the models based on the **costing priority** defined in logistics.
- Bills of material are exploded down to the lower levels.
- Bills of operation are read.
- Components and services are valued. (For more information on valuation, see below under Valuation Strategies.)
- Overhead is calculated and applied.
- Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the structure.

→ If you repeat the execution of a run after correcting problems with missing cost information but without altering the quantity structure, it is recommended that you deselect the [Quantity Structure Explosion](#) checkbox so that only the costs are redetermined. This reduces the runtime.

Valuation Strategies

Since there are multiple possible sources of costs and prices for the individual items in a cost estimate, the system applies a valuation strategy during costing that defines the priority in which the costs or prices are selected. There is a valuation strategy for materials and another strategy for resources and services.

The selected cost or price is identified in the cost estimate as the [Valuation Method](#).

Valuation Strategy for Raw Materials and Purchased Materials

Priority	Source
1	Planned cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
2	Planned cost from material's master data at business residence level.
3	Price from fixed source of supply
4	Price from contract
5	Price from price list
6	Inventory cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
7	Inventory cost from material's master data at business residence level

Valuation Strategy for Resources and Services

Priority	Source
1	Resource cost rate
2	Service cost rate

Valuation strategies are predefined and cannot be changed.

i If you want to deactivate an existing **planned cost**, for example because it has an unrestricted *Valid To* date, it is possible to delete the planned cost in the *Material Unit Costs* view. For more information, see [Material Unit Costs Quick Guide \[page 539\]](#).

Note that setting the planned cost to zero does **not** deactivate it from selection in the valuation strategy.

Costing Results Log

When the run is finished, the results are displayed at the bottom of the *Material Cost Estimate Rollup* view.

The **Execution Details** tab displays a comprehensive log of the results, such as the objects selected and any messages that were issued during processing. A separate execution log is generated for each set of books. Select the execution you want to see and click **View**, or simply click the execution number.

You can now see the following information on the run in the following tabs:

- **General**
Shows basic information on the run, including the number of materials processed and the number of messages issued.
- **Data Selection**
Shows the materials, product categories, and/or business residences that were defined as selection criteria.
- **Messages**
Lists all information, warning, and error messages that were issued during processing for all materials. The information messages also indicate whether quantity structure explosion was active.
- **Processed Successfully**
Lists the materials that were successfully costed, along with the cost estimate result and the cost estimate unit.

- Processed with Errors
Lists the materials that could not be successfully costed due to errors.
- Not Processed
Lists the materials that were not costed because they already have a cost that was calculated in a **released** cost estimate.

i The costing process is always multilevel. That is, the system costs (or attempts to cost) all materials at all levels of the structure. Some of these materials may already have a released cost estimate. Since released cost estimates cannot be recalculated, such materials will be listed on the **Not Processed** tab.

If the run included **product specifications**, you can see the product specifications in the results log by using screen personalization to add the *Valuation Level ID* field.

Itemizations

To view the itemization for a material, click the calculated amount for the material in the log.

The itemizations include the following information:

- Related cost estimates
If other cost estimates exist for the same material and *Valid To* date but for other sets of books, the sets of books and status of these cost estimates are listed under the *Related Cost Estimates* header. If no other cost estimates exist, this header is not displayed.
- Material items
The input materials are displayed together with the cost origin account, costing result, valuation quantity, cost per input quantity, and valuation method.
- Service items
For service items, the system displays the resource that performed the service, the cost estimate result, the valuation quantity, and the valuation method.
- Overhead items
Overhead items are displayed with the cost center, cost account origin, overhead amount, and overhead rate. The overhead rule applied is indicated under *Parameters*.

i Overhead is applied to the direct material costs automatically based on assignment rules. The assignment rules are the same as those you define for production lots. You define assignment rules in the *Cost and Revenue* work center, *Overhead Rules* view.
The system selects an overhead rule automatically based on these assignment rules.

- Messages
If messages relating to the material were issued during processing, they are listed below the itemizations.

To see the full structure of the costed material, click **View All**. You can choose to display the complete structure including service and overhead items, or only the material items.

Editing Runs

Full editing of all data and parameters is only possible if the run has the status *In Preparation*.

If the status is *Active*, *Obsolete*, or *In Revision*, you can only edit the description, the quantity structure explosion checkbox, and the explosion date.

i If you want to change the selection criteria of a run that does not have the status *In Preparation*, copy the run or create a new run.

Copying Runs

If you copy a run, the system automatically assigns a new run ID to the copy, and changes the status to *In Preparation* so that all data and selection criteria can be edited.

Deletion of Runs

Material cost estimate runs can only be deleted if they have the status *In Preparation* or *Obsolete*.

Releasing Cost Estimates and Updating the Master Data

After costing your materials in a material cost estimate run, you have the option of transferring the costing results to the master data of the materials as the new value for the cost type *Estimated Cost*. You do this by releasing the cost estimates.

For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

See Also

[Material Cost Estimates \[page 587\]](#)

[Material Cost Estimate Rollup Quick Guide \[page 595\]](#)

5.4.2 Material Cost Estimate Release View

5.4.2.1 Material Cost Estimate Release Quick Guide

In the *Material Cost Estimate Release* view, you create material cost estimate release runs that release the cost estimates for materials selected based on selection criteria. A release run overwrites the estimated cost in the materials' master data with the cost calculated in the respective cost estimate.

i Release runs are always **multilevel**. That is, they release the cost estimates of the selected materials **and** the cost estimates of all semifinished materials in their structures.

You typically use this function after costing materials in a material cost estimate run.

You can access this view from the *Inventory Valuation* work center under *Periodic Tasks*.

Business Background

Material Cost Estimates

The material cost estimates function enables you to cost out your finished and semifinished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multilevel release are supported.

For more information, see [Material Cost Estimates \[page 587\]](#).

Material Cost Estimate Runs

Material cost estimate runs enable you to create material cost estimates using selection criteria. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they are assigned.

For each material selected by the run, the costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure.

For more information, see [Material Cost Estimate Runs \[page 603\]](#).

Material Cost Estimate Release Runs

Material cost estimate release runs release cost estimates for materials based on selection criteria. This overwrites the estimated cost in the material valuation master data with the cost calculated in the respective cost estimate.

You typically execute material cost estimate release runs after costing the materials in a **material cost estimate run**.

For more information, see [Material Cost Estimate Release Runs \[page 610\]](#).



Tasks

Start Material Cost Estimate Release Run

1. Click **New** ▾ **Material Cost Estimate Release Run**.
2. Enter the required parameters and selection criteria:
 - Under *General Data*, enter the company ID and the *Valid From* date.



The *Valid From* date has two effects:

- Since a material can have more than one cost estimate that is valid on a given date, the system selects only the cost estimate whose validity **begins** on the date you enter.
- This date also becomes the new Valid From date of the estimated cost in the materials' master data when the cost estimates are released.

A set of books is optional. If you don't enter a set of books, the run will process the materials in all sets of books defined for the company.

- Enter the selection criteria on the *Material*, *Product Category*, and/or *Business Residence* tabs.



Only materials in the same company can be selected.

3. You can now save or schedule the run.

Result

- The cost type *Estimated Cost* in the master data of the selected finished materials **and** in the master data of all semifinished materials is overwritten with the costing results.

- The *Valid From* date that you specified in the selection criteria becomes the *Valid From* date of the cost type *Estimated Cost* in the materials' master data.

Set Status

Select a run and click **Actions** and then one of the following options:

- Set to Active**

This status allows the run to be executed.
Runs with this status **cannot** be deleted.

i If the status of the run is currently *Obsolete*, you cannot change it directly to *Active*. You must first set the status to *In Revision*.

- Set to Obsolete**

Runs with this status can be deleted.

- Undo Obsolete**

Sets the status to *In Revision*.

Runs with this status **cannot** be deleted.

View Run Results

On the **Execution Details** tab, select an execution and click **View**, or click the execution ID.

Follow-On Activities

After releasing cost estimates in a release run, you can overwrite the current inventory costs with the released estimated costs in a run. You do this in the *Update Inventory Costs* view.

For more information, see [Update Inventory Costs Quick Guide \[page 622\]](#).

5.4.2.2 Business Background

5.4.2.2.1 Material Cost Estimate Release Runs

Overview

Material cost estimate release runs release cost estimates for materials based on selection criteria. This overwrites the estimated cost in the material valuation master data with the cost calculated in the respective cost estimate.

You typically execute material cost estimate release runs after costing the materials in a **material cost estimate run**.

As a follow-on step after the executing a material cost estimate release run, you can then update the inventory costs for the materials in an **update inventory costs run**.

Features

Material cost estimate release runs produce the following results:

- The status of the cost estimates of the materials selected in the run, as well as the cost estimates of all semifinished materials in their structures, is set to *Released*.

- The cost type *Estimated Cost* in the material valuation master data is updated with the cost estimate result and with the *Valid From* date of the respective cost estimate.

i Material cost estimate release runs are **always multilevel**. That is, they release the cost estimates of the selected materials **and** the cost estimates of all semifinished materials in their structures.

You execute material cost estimate release runs in the *Inventory Valuation* work center, *Material Cost Estimate Release* view.

For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

See Also

[Material Cost Estimates \[page 587\]](#)

[Material Cost Estimate Runs \[page 603\]](#)

[Update Inventory Costs Runs \[page 625\]](#)

5.4.2.2.2 Material Cost Estimate Runs

Overview

Material cost estimate runs enable you to create material cost estimates using selection criteria. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they are assigned.

For each material selected by the run, the costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure.

This functionality is available in the *Inventory Valuation* work center, *Material Cost Estimate Rollup* view.

Prerequisites

Production models and the valuation of warehouse inventory are selected in your solution configuration. To find these elements, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). In the *Scoping* step of the project, ensure that:

- The *Production Models* business package is selected within the *Supply Chain Setup Management* business area
- The *Valuation of Warehouse Inventory* business topic is selected within the *Financial and Management Accounting* business area.

The material cost estimate rollup function is activated automatically when you select these elements. You can, however, deactivate it if desired.

If you want to include individual product specifications in costing, valuation at product specification level must be activated in your solution configuration. In the *Scoping* step of your implementation project, ensure that *Valuation at the Level of Material, Business Residence and Product Specification* business option is selected within the *Valuation of Warehouse Inventory* business topic.

Features

The material cost estimate rollup function creates cost estimates for selected materials in a company. You can specify the materials to be costed based on their IDs, their product categories, and/or the business residences to which they belong.

Each material that is selected based on your criteria is costed in the same way as in a [material cost estimate \[page 587\]](#).

Material Cost Estimate Runs

You create a material cost estimate run by clicking  [Material Cost Estimate Run](#).

The run requires the following entries:

- [Valid From](#)

The costs calculated in the run become valid on the date you specify as the [Valid From](#) date. If you release the cost estimates, this date is written to the [Valid From](#) date field of the cost type [Estimated Cost](#) in the master data of the materials.



For information about releasing cost estimates, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

- [Quantity Structure Explosion](#)

When this checkbox is selected, the system selects and explodes the production segments of the released execution production models based on the explosion date. If you deselect this checkbox, the costs are calculated based on the existing structure without reselecting the production models. This checkbox is selected by default when you create a new run.

- [Explosion Date](#)

The system selects the released execution production models that are valid on the explosion date you specify. The default is the current date.

If more than one production model for a material is valid on the same date, the system selects one of the models based on the costing priority defined in logistics.

- [Material / Product Category / Business Residence](#)

On these tabs you define how the materials are selected for the run. You can define the selection based on the material IDs, the product categories, and/or the business residences to which the materials belong.



Only materials in the same company can be selected.

Status

Material cost estimate runs can have the following statuses:

- [In Preparation](#)

This status is assigned automatically when you create a new run.

Runs with this status can be deleted.

Runs with this status **cannot** be executed.

- [Active](#)

Assign this status when you are ready to execute the run.

You can set this status either in the list of runs with  [Set to Active](#), or when editing the run with [Set to Active](#).

When a run has this status, only the description, the quantity structure explosion checkbox, and the explosion date can be edited.

Runs with this status **cannot** be deleted.

i Runs with the status *Obsolete* cannot be changed directly to *Active*. You must first set the status to *In Revision*.

- ***Obsolete***

Set this status if the run is no longer needed.

You set this status in the list of runs with **Actions** ▾ **Set to Obsolete**.

When a run has this status, only the description, the quantity structure explosion checkbox, and the explosion date can be edited.

Runs with this status can be deleted.

- ***In Revision***

Set this status if the run currently has the status *Obsolete* and you want to reactivate it.

You set this status in the list of runs with **Actions** ▾ **Undo Obsolete**.

When a run has this status, only the description, the quantity structure explosion checkbox, and the explosion date can be edited.

Runs with this status **cannot** be deleted.

Execution

You execute a run with **Schedule** in the list of runs or when editing the run.

i Runs can only be executed if they have the status *Active*.

Each material cost estimate in the run is based on the production segment of a released execution model. To calculate the costs for each material, the system proceeds as follows:

- The system selects the released execution models that are valid on the Explosion Date you enter. The default is the current date. If more than one model for a material is valid on the same date, the system selects one of the models based on the **costing priority** defined in logistics.
- Bills of material are exploded down to the lower levels.
- Bills of operation are read.
- Components and services are valued. (For more information on valuation, see below under Valuation Strategies.)
- Overhead is calculated and applied.
- Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the structure.

→ If you repeat the execution of a run after correcting problems with missing cost information but without altering the quantity structure, it is recommended that you deselect the **Quantity Structure Explosion** checkbox so that only the costs are redetermined. This reduces the runtime.

Valuation Strategies

Since there are multiple possible sources of costs and prices for the individual items in a cost estimate, the system applies a valuation strategy during costing that defines the priority in which the costs or prices are selected. There is a valuation strategy for materials and another strategy for resources and services.

The selected cost or price is identified in the cost estimate as the **Valuation Method**.

Valuation Strategy for Raw Materials and Purchased Materials

Priority	Source
1	Planned cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
2	Planned cost from material's master data at business residence level.
3	Price from fixed source of supply
4	Price from contract
5	Price from price list
6	Inventory cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
7	Inventory cost from material's master data at business residence level

Valuation Strategy for Resources and Services

Priority	Source
1	Resource cost rate
2	Service cost rate

Valuation strategies are predefined and cannot be changed.

i If you want to deactivate an existing **planned cost**, for example because it has an unrestricted *Valid To* date, it is possible to delete the planned cost in the *Material Unit Costs* view. For more information, see [Material Unit Costs Quick Guide \[page 539\]](#).

Note that setting the planned cost to zero does **not** deactivate it from selection in the valuation strategy.

Costing Results Log

When the run is finished, the results are displayed at the bottom of the *Material Cost Estimate Rollup* view.

The **Execution Details** tab displays a comprehensive log of the results, such as the objects selected and any messages that were issued during processing. A separate execution log is generated for each set of books. Select the execution you want to see and click **View**, or simply click the execution number.

You can now see the following information on the run in the following tabs:

- **General**
Shows basic information on the run, including the number of materials processed and the number of messages issued.
- **Data Selection**
Shows the materials, product categories, and/or business residences that were defined as selection criteria.
- **Messages**
Lists all information, warning, and error messages that were issued during processing for all materials. The information messages also indicate whether quantity structure explosion was active.
- **Processed Successfully**
Lists the materials that were successfully costed, along with the cost estimate result and the cost estimate unit.

- **Processed with Errors**
Lists the materials that could not be successfully costed due to errors.
- **Not Processed**
Lists the materials that were not costed because they already have a cost that was calculated in a **released** cost estimate.

i The costing process is always multilevel. That is, the system costs (or attempts to cost) all materials at all levels of the structure. Some of these materials may already have a released cost estimate. Since released cost estimates cannot be recalculated, such materials will be listed on the **Not Processed** tab.

If the run included **product specifications**, you can see the product specifications in the results log by using screen personalization to add the [Valuation Level ID](#) field.

Itemizations

To view the itemization for a material, click the calculated amount for the material in the log.

The itemizations include the following information:

- Related cost estimates
If other cost estimates exist for the same material and [Valid To](#) date but for other sets of books, the sets of books and status of these cost estimates are listed under the [Related Cost Estimates](#) header. If no other cost estimates exist, this header is not displayed.
- Material items
The input materials are displayed together with the cost origin account, costing result, valuation quantity, cost per input quantity, and valuation method.
- Service items
For service items, the system displays the resource that performed the service, the cost estimate result, the valuation quantity, and the valuation method.
- Overhead items
Overhead items are displayed with the cost center, cost account origin, overhead amount, and overhead rate. The overhead rule applied is indicated under [Parameters](#).

i Overhead is applied to the direct material costs automatically based on assignment rules. The assignment rules are the same as those you define for production lots. You define assignment rules in the [Cost and Revenue](#) work center, [Overhead Rules](#) view.
The system selects an overhead rule automatically based on these assignment rules.

- Messages
If messages relating to the material were issued during processing, they are listed below the itemizations.

To see the full structure of the costed material, click [View All](#). You can choose to display the complete structure including service and overhead items, or only the material items.

Editing Runs

Full editing of all data and parameters is only possible if the run has the status [In Preparation](#).

If the status is [Active](#), [Obsolete](#), or [In Revision](#), you can only edit the description, the quantity structure explosion checkbox, and the explosion date.

i If you want to change the selection criteria of a run that does not have the status [In Preparation](#), copy the run or create a new run.

Copying Runs

If you copy a run, the system automatically assigns a new run ID to the copy, and changes the status to *In Preparation* so that all data and selection criteria can be edited.

Deletion of Runs

Material cost estimate runs can only be deleted if they have the status *In Preparation* or *Obsolete*.

Releasing Cost Estimates and Updating the Master Data

After costing your materials in a material cost estimate run, you have the option of transferring the costing results to the master data of the materials as the new value for the cost type *Estimated Cost*. You do this by releasing the cost estimates.

For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

See Also

[Material Cost Estimates \[page 587\]](#)

[Material Cost Estimate Rollup Quick Guide \[page 595\]](#)

5.4.2.2.3 Material Cost Estimates

Overview

The material cost estimates function enables you to cost out your finished and semifinished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multilevel release are supported.

This function is available in the *Material Cost Estimates* view of the *Inventory Valuation* work center.

- i** This function creates cost estimates for materials which you select or enter **individually**. In the [Material Cost Estimate Rollup](#) view you can create cost estimates for materials in runs, which allow you to use selection criteria and are therefore more suitable for costing large numbers of materials. For more information, see [Material Cost Estimate Runs \[page 603\]](#).

Prerequisites

Production models and the valuation of warehouse inventory are selected in your solution configuration. To find these elements, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). In the *Scoping* step of the project, ensure that:

- The *Production Models* business package is selected within the *Supply Chain Setup Management* business area

- The *Valuation of Warehouse Inventory* business topic is selected within the *Financial and Management Accounting* business area

The material cost estimate function is activated automatically when you select these elements. You can, however, deactivate it if desired.

If you want to create cost estimates for individual **product specifications**, valuation at product specification level must be activated in your solution configuration. In the *Scoping* step of your implementation project, ensure that *Valuation at the Level of Material, Business Residence and Product Specification* business option is selected within the *Valuation of Warehouse Inventory* business topic.

Features

The *Material Cost Estimates* view displays a list of materials that have a released execution model and that have the valuation status *Active* in their master data. You can apply the *Show* filter to restrict the list as follows:

- Current Cost Estimates**
Shows only materials with cost estimates whose validity start date (Valid From) is no later than the current date.
- Upcoming Cost Estimates**
Shows only materials with cost estimates whose validity start date (Valid From) is in the future.
- Manufactured Materials without Estimate**
Shows only materials that do not have a cost estimate.
- Compare Costs**
Allows you to compare the cost estimate result with the current inventory cost and estimated cost from the material's master data.
- All Cost Estimates**
Shows all materials that have a cost estimate.

Creation of Cost Estimates

You can create cost estimates in different ways:

- New  Cost Estimate** enables you to create a cost estimate for a **single material** by entering the material ID **manually**. You can also use the *New Cost Estimate* common task for this purpose.
For more information, see [Material Cost Estimates Quick Guide \[page 584\]](#).
- New  Cost Estimate with Reference** enables you to create cost estimates for **one or more** materials by **selecting** the materials from the list of cost estimates.
For more information, see [Material Cost Estimates Quick Guide \[page 584\]](#).
- You can also create cost estimates using selection criteria in a **run**.
For more information, see [Material Cost Estimate Runs \[page 603\]](#).

You have two options for executing the cost estimate:

- Estimate** saves the results immediately.
- Simulate** allows you to preview the results before saving.

Cost estimates are based on the production segment of a released execution model. To calculate the costs, the system proceeds as follows:

- The system selects a released execution model that is valid on the *Explosion Date* you specify. If more than one model is valid on that date, the system selects one of the models based on the costing priority defined in logistics.
- Bills of material are exploded down to the lower levels.

- Bills of operations are read.
- Components and services are valued. (For more information on valuation, see below under Valuation Strategies).
- Overhead is calculated and applied.
- Costs are rolled up from the input components, services, and overhead items to the semifinished materials, and from there to the highest-level material in the structure.

Costing Results

When costing is completed, the results are initially displayed showing the general data at the top, followed by itemizations for material, service, and overhead items. A log is also included listing any error, warning, or information messages that were issued. Errors prevent full calculation of costs and must be corrected before the product can be completely costed.

The total amount of the cost estimate is shown under *Costing Result*, together with the costing quantity.

The itemizations contain the following information:

- Material items
The input materials are displayed together with the cost origin account, costing result, valuation quantity, cost per input quantity, and valuation method.
- Service items
For service items, the system displays the resource that performed the service, the cost estimate result, the valuation quantity, and the valuation method.
- Overhead items
Overhead items are displayed with the cost center, cost account origin, overhead amount, and overhead rate.

i Overhead is applied to the direct material costs automatically based on assignment rules. The assignment rules are the same as those you define for production lots. You define assignment rules in the *Cost and Revenue* work center in the *Overhead Rules* view.

Any messages relating to the material that were issued during processing are listed below the itemizations.

If other cost estimates exist for the same material and *Valid To* date but for other sets of books, the sets of books and status of these cost estimates are listed under the *Related Cost Estimates* header. If no other cost estimates exist, this header is not displayed.

To see the full structure of the costed material, click [View All](#). You can choose to display the complete structure including service and overhead items, or only the material items.

Status

Cost estimates can have the following statuses:

- In Preparation
The cost estimate is not complete because one or more items had exceptions or errors during cost calculation.
- Calculated Successfully
The finished material and all input items were costed without errors.
- Released
The cost estimate result was transferred to the cost type *Estimated Cost* in the material's master data.

i Released cost estimates can neither be recalculated nor deleted.

Quantity Rounding

By default, if units which do not normally have decimal places (such as Each) are calculated as fractional quantities in a material cost estimate, the quantities are rounded up to whole numbers in order to account for scrap.



Suppose you are manufacturing tables with 4 legs. The planned scrap rate for the legs is 1%. For a production lot of 10 tables, without quantity rounding the system would calculate a requirement of 40.4 legs. With quantity rounding this would be rounded to 41, since you would need at least one additional leg in case of scrap.

You can optionally deactivate quantity rounding for material cost estimates in business configuration. If you do so, these units are costed with decimal places.

If you wish to deactivate quantity rounding in material cost estimates, go to the *Business Configuration* work center and open the activity list for your project. In the *Financial and Management Accounting* group, open the *Material Cost Estimates* activity and deselect quantity rounding for the cost type *Estimated Cost*.

Valuation Priority

The *Material Cost Estimates* function enables you to cost out your finished and semi-finished materials and update the material master data with the calculated costs. You cost materials for specific business residences, which allows for different costs at different locations for identical products and enables you to analyze differences between products and manufacturing locations. You can also cost individual product specifications for a material or all product specifications for that material.

Costs are rolled up from the input components, services, and overhead items to the semi-finished materials, and from there to the highest-level material in the costing structure. The material master data can be updated with the calculated costs by releasing the cost estimate. Both single-level and multi-level releases are supported.

The valuation for a Material Cost Estimate for Material Items happens as follows:

Cost Estimate as a part of the rollup tries to find the cost based on a prioritization of rules. When it finds the cost as per the priority, processing stops and the determined cost is further taken as the valued cost for the material.

1. **First priority:** The material is checked if a Planned Cost exists for the Company and Business residence combination. The planned cost for the material can be maintained directly in the Material Object Work List. This can be maintained for a specific date validity period too. When the Material cost estimate is triggered and if this material is a part of the hierarchy (either as Semi-finished goods / Finished Goods / Raw materials) then this is considered as the cost of the material and used further.
2. **Second priority:** When the first priority determination fails, that is, no planned costs exists or planned costs is not valid when the material cost estimate is done then this will check whether this material has any contract available against which this material has been bought. When this is available then this cost will be considered as a material cost for this Material Cost Estimate calculation and used further.
3. **Third Priority:** When the second priority determination also fails, that is, neither any contract nor planned cost exists for the Material Cost Estimate calculation then as a last option the Inventory Cost of the Material is fetched with the granularity of the Company, Business residence and Set of Books. When this is available, it is considered as the cost of material for this *Material Cost Estimate* calculation.

Based on the priority of the material valuation, the Material Cost Estimate is updated.

Valuation Strategies

Since there are multiple possible sources of costs and prices for the individual items in a cost estimate, the system applies a valuation strategy during costing that defines the priority in which the costs or prices are selected. There is a valuation strategy for materials and another strategy for resources and services.

The selected cost or price is identified in the cost estimate as the *Valuation Method*.

Valuation Strategy for Raw Materials and Purchased Materials

Priority	Source
1	Planned cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
2	Planned cost from material's master data at business residence level.
3	Price from fixed source of supply
4	Price from contract
5	Price from price list
6	Inventory cost from material's master data at business residence and product specification level. i This priority is only applied if the valuation level of the material is business residence and product specification.
7	Inventory cost from material's master data at business residence level

Valuation Strategy for Resources and Services

Priority	Source
1	Resource cost rate
2	Service cost rate

Valuation strategies are predefined and cannot be changed.

i If you want to deactivate an existing **planned cost**, for example because it has an unrestricted *Valid To* date, it is possible to delete the planned cost in the *Material Unit Costs* view. For more information, see [Material Unit Costs Quick Guide \[page 539\]](#).

Note that setting the planned cost to zero does **not** deactivate it from selection in the valuation strategy.

Recalculation of Cost Estimates

You can recalculate a cost estimate, for example after correcting errors. There are two options for recalculating a cost estimate:

- **Explode and Valuate Structure** reselects and explodes the production models and recalculates the costs. The reselection is based on the costing priority defined in logistics. The planned material consumption and the planned services are valued and overhead is applied. The total estimated cost is determined by rolling up the cost of each substructure to the next-highest material and finally to the material for which the action was performed.
- **Valuate Structure** recalculates the costs only, without reselecting or exploding the production models. The costs for material items, service items, and overhead items are determined along the existing cost structure, including all substructures.

i You **cannot** recalculate **released** cost estimates. If you want to recalculate a released cost estimate, create a new cost estimate with a *Valid From* date that is **at least one day later** than that of the released cost estimate.

These functions are available on the overview list of cost estimates as well as within a cost estimate.

Deletion of Cost Estimates

You can only delete cost estimates if they have **not** been released.

Releasing Cost Estimates and Updating the Master Data

You have the option of transferring the cost estimate result to the material's master data as the new value for the cost type *Estimated Cost*. You do this by releasing the cost estimate.

Cost estimates can only be released if they have the status *Calculated Successfully*.

- In the list of cost estimates, you release cost estimates with **Release**. You can release multiple cost estimates simultaneously.

There are two options for releasing cost estimates:

- **Single-Level**

Single-level release updates only the master data of the materials that you selected in the list of cost estimates. This sets the status of the cost estimates to *Released*.

- **Multilevel**

Multilevel release updates the master data of the materials that you selected in the list of cost estimates as well as the master data of all semifinished materials they contain. This sets the status of all involved cost estimates to *Released*.



The *Compare Costs* filter allows you to easily compare the current estimated cost in the master data with the cost estimate result before deciding whether to release the cost estimate.

- Within a cost estimate, you release the cost estimate with **Release**. This release is multilevel only.
- You can also release cost estimates in a **run** in the *Material Cost Estimate Release* view. Release runs are always multilevel. For more information, see [Material Cost Estimate Release Quick Guide \[page 608\]](#).

When you release a cost estimate, its *Valid From* date is written to the *Valid From* date of the *Estimated Cost* field in the material's master data.



Released cost estimates **cannot** be recalculated.

If you want to recalculate a released cost estimate, create a new cost estimate with a *Valid From* date that is **at least one day later** than that of the released cost estimate.

Download to Microsoft Excel

You can download the list of cost estimates to Microsoft Excel by clicking **Export** **To Microsoft Excel**.

See Also

[Material Cost Estimate Runs \[page 603\]](#)

5.4.3 Update Inventory Costs View

5.4.3.1 Update Inventory Costs Quick Guide

In the *Update Inventory Costs* view, you create runs that overwrite the inventory cost with the cost type *Estimated Cost*, *Book Value*, or *Periodic FIFO Cost* for the selected materials. You can specify the materials to be selected based on their IDs, their product categories, and/or the business residences to which they are assigned.

You typically use this function **after** you have:

- **Released** cost estimates in a material cost estimate release run
- **Uploaded** estimated costs, book values, or FIFO costs from a Microsoft Excel workbook
- Executed a **FIFO cost determination** run

i In contrast to material cost estimate runs and material cost estimate release runs, update inventory costs runs are **not** multilevel. That is, the current inventory cost is overwritten by the unit cost of the selected source cost type **only** for the materials explicitly selected for the run, and **not** for the semifinished materials in their structures.

Even if the estimated cost was calculated in a material cost estimate, the inventory cost will be overwritten by the estimated cost only for the materials that you explicitly select.

You access this view in the *Inventory Valuation* work center.

Business Background

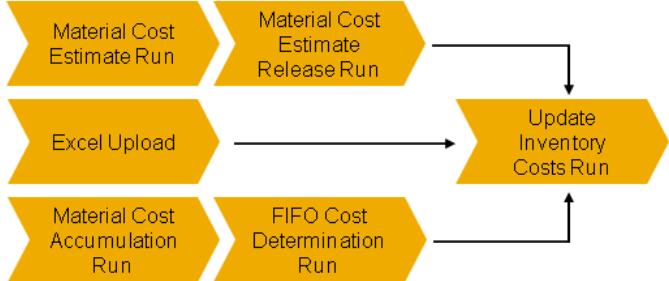
Update Inventory Costs Runs

Update inventory costs runs overwrite the inventory cost with the cost type *Estimated Cost*, *Book Value*, or *Periodic FIFO Cost* for the selected materials. You can specify the materials to be selected based on their IDs, their product categories, and/or the business residences to which they are assigned.

You typically execute an update inventory costs run after any of the following activities:

- After **releasing cost estimates** in a material cost estimate release run
- After **uploading costs** from a Microsoft Excel workbook
- After executing a **FIFO cost determination** run

The different possible processes are indicated in the following figure:



Update Inventory Costs Processes

For more information, see [Update Inventory Costs Runs \[page 625\]](#).

Cost Types for Inventory Valuation

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.
- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).



Tasks

Start Update Inventory Costs Run

1. Click **New**, then [Update Inventory Costs Run](#).
2. Enter the required parameters and data selection criteria:

- If you want to simulate the run without actually updating any inventory costs, select the *Test Run* checkbox.
If you deselect *Test Run*, the run will be executed as an update run.
- Enter the *Company ID*, *Source Cost Type*, and *Valid On* date.
 - *Source Cost Type* is the cost type that overwrites the current inventory cost when you execute the run. You can select *Estimated Cost*, *Book Value*, or *Periodic FIFO Cost*.
 - *Valid On* is the date on which the source cost type must be valid. This date also defines the **period** for which the updated inventory cost will become valid.



If you enter January 15 as the *Valid On* date, the system will select the cost of the specified source cost type that is valid on that date. The *Valid From* date of the inventory cost, however, will be set to January 1 when the run is executed.

A set of books is optional. If you don't enter a set of books, the run will process the materials in all sets of books defined for the company.

- Enter the selection criteria on the **Material**, **Product Category**, and/or **Business Residence** tabs.



Only materials in the same company can be selected.

3. You can now start or schedule the run.

Result

- The unit cost for the cost type *Inventory Cost* in the master data of the materials selected in the run is overwritten with the unit cost of the source cost type.

i The inventory cost is overwritten **only** for the materials you explicitly selected for the run, and **not** for the semifinished materials in their structures.
- The *Valid From* date of the inventory cost is set to the first day of the period corresponding to the *Valid On* date you entered in the selection criteria.



If the inventory cost for a material had already been updated previously (either in an update inventory costs run or manually with the *Set as Inventory Cost* function in the *Material Unit Costs* view), the cost is **not** updated again.

View Run Results

Select a run and click **View**, or click directly on *Log Result* in the *Details* area.

- **Postings** shows the journal entries and the accounts that were posted by the run.
- **Processed Successfully** lists the materials whose inventory cost was overwritten by the unit cost of the selected source cost type, along with associated accounting information. You can view the source document with **Related Source Document**.
- **Not Processed** lists the materials where it was not possible to update the inventory cost, for example because the selected source cost type was not valid on the *Valid On* date.

5.4.3.2 Business Background

5.4.3.2.1 Update Inventory Costs Runs

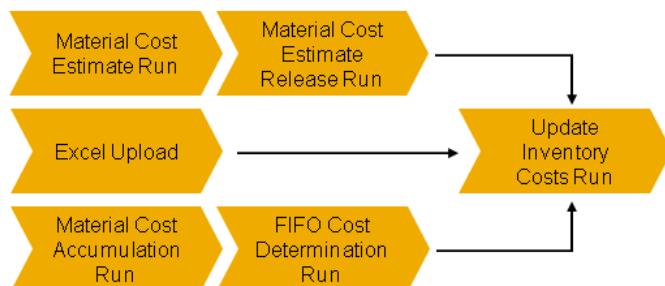
Overview

Update inventory costs runs overwrite the inventory cost with the cost type *Estimated Cost*, *Book Value*, or *Periodic FIFO Cost* for the selected materials. You can specify the materials to be selected based on their IDs, their product categories, and/or the business residences to which they are assigned.

You typically execute an update inventory costs run after any of the following activities:

- After **releasing cost estimates** in a material cost estimate release run
- After **uploading costs** from a Microsoft Excel workbook
- After executing a **FIFO cost determination run**

The different possible processes are indicated in the following figure:



Update Inventory Costs Processes

Prerequisites

You have maintained the cost types *Estimated Cost*, *Book Value*, or *Periodic FIFO Cost* for the materials whose inventory costs you want to update.

Features

Update inventory costs runs produce the following results:

- The unit cost for the cost type *Inventory Cost* in the material valuation master data of the materials selected in the run is overwritten with the unit cost of the source cost type you specify.
i The inventory cost is overwritten **only** for the materials you explicitly selected for the run, and **not** for the semifinished materials in their structures.
- The *Valid From* date of the inventory cost is set to the first day of the period corresponding to the *Valid On* date that you enter in the selection criteria for the run.

If the inventory cost for a material had already been updated previously (either in an update inventory costs run or manually with the **Set as Inventory Cost** function in the *Material Unit Costs* view), the cost is **not** updated again.

i In contrast to material cost estimate runs and material cost estimate release runs, update inventory costs runs are **not** multilevel. That is, the current inventory cost is overwritten by the source cost type **only for the materials you explicitly select**, and **not** for the semifinished materials in their structures.

You execute update inventory costs runs in the *Inventory Valuation* work center, *Update Inventory Costs* view. For more information, see [Update Inventory Costs Quick Guide \[page 622\]](#).

See Also

[Material Cost Estimate Runs \[page 603\]](#)

[Material Cost Estimate Release Runs \[page 610\]](#)

[Upload Material Unit Costs Using Microsoft Excel \[page 563\]](#)

[Inventory Valuation Based On FIFO \[page 512\]](#)

5.4.3.2.2 Cost Types for Inventory Valuation

Overview

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.
- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

You maintain the costs for all cost types in the material valuation master data. You can access this data for example from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Inventory Cost

Inventory cost values the inventory of a material for a given period, and also values movements of the material. The total inventory value for the material is calculated as Inventory Quantity x Inventory Cost.

Inventory cost can be changed as often as necessary during the period. Valuation is based on the current inventory cost or the inventory cost that was last valid for the period:

- In the **current** period, inventories and movements are always valued at the **current** inventory cost.
- In **past** periods, inventories and movements are valued at the inventory cost that was **last valid in the period**.

You cannot maintain inventory costs for future periods.

i Inventory cost is always valid for **entire periods**. Thus if you change the inventory cost in the middle of the period, the new cost will apply from the beginning of the period.

Inventory cost can be changed manually or automatically:

- If you change the inventory cost manually, note the following restrictions:
 - For past periods, you can only change the inventory cost if the period is still open.
 - You can only enter a *Valid From* date that is the start of a period.
 - You can only enter a *Valid To* date that is the end of a period.
 - For the **current** inventory cost, the *Valid To* date must be set to 12/31/9999.
- If the material uses the *Moving Average* cost method, the inventory cost can change automatically as a result of business transactions. For more information, see [Moving Average Cost Method \[page 528\]](#).

You can overwrite the inventory cost with the estimated cost, book value, or periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the *Set as Inventory Cost* task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

i Inventory cost can only be changed if the entire cost change time period is open, regardless of whether there is any inventory or not.

Estimated Cost

Estimated cost can be calculated in material cost estimates or maintained manually. This cost type does not affect the valuation of material inventories or movements.

The validity dates for the estimated cost can be set to any interval that is **not in past periods**.

You can overwrite the estimated cost with the results of material cost estimates. Refer to the information about releasing cost estimates in [Material Cost Estimates Quick Guide \[page 584\]](#).

You can overwrite the inventory cost with the estimated cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the *Set as Inventory Cost* task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Planned Cost

Planned cost is provided to allow you to plan internally for anticipated future costs. This cost type does not affect the valuation of material inventories or movements. There are no restrictions on the validity dates.

Book Value

Book value may be calculated outside of the system by applying a cost flow assumption such as LIFO. This cost type does not affect the valuation of material inventories or movements.



Book value is always valid for entire periods. It is not possible to change this restriction.

When you edit the book value, you can only enter a *Valid From* date that is the start of a period, and you can only enter a *Valid To* date that is the end of a period. Book value can be maintained for both past and future periods.

You can overwrite the inventory cost with the book value, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Periodic FIFO Cost

Periodic FIFO cost is intended for balance sheet valuation using the First In, First Out method. This cost type can be calculated in a FIFO cost determination run or maintained manually.

To value material inventories in the balance sheet with the periodic FIFO cost, you must overwrite the inventory cost with the periodic FIFO cost.



In order to use periodic FIFO cost, you need to have activated the FIFO cost method in business configuration.

For more information, see [Balance Sheet Valuation Based On FIFO \[page 512\]](#).

Periodic FIFO cost is valid from the first to last day of the period for which the FIFO cost determination run is executed. It **cannot** be maintained for future periods.

You can overwrite the inventory cost with the periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Summary of Cost Types

The differences between the cost types are summarized below.

	Inventory Cost	Estimated Cost	Planned Cost	Book Value	Periodic FIFO Cost
Values inventories and movements	Yes	No	No	No	No
Can overwrite Inventory Cost	–	Yes	No	Yes	Yes
Can be maintained for past periods	Yes, if period open	No	Yes	Yes	Yes
Can be maintained for future periods	No	Yes	Yes	Yes	No
Allowed validity	<p><i>Valid From:</i> First day of period <i>Valid To:</i></p> <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period 	<p><i>Valid From:</i> Any date that is not in past periods <i>Valid To:</i> Any date</p>	<p><i>Valid From:</i> Any date <i>Valid To:</i> Any date</p>	<p><i>Valid From:</i> First day of period <i>Valid To:</i> Last day of period</p>	<p><i>Valid From:</i> First day of period <i>Valid To:</i></p> <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period

5.4.4 Production Lots – Overhead Absorption View

5.4.4.1 Production Lots – Overhead Absorption Quick Guide

In this view you execute overhead absorption runs for production lots. These runs allocate overhead costs to production lots based on the **overhead rules** which you have assigned to the production lots.

You access the *Production Lots – Overhead Absorption* view in the *Inventory Valuation* work center.



- You create and edit overhead rules in the *Cost and Revenue* work center, **Overhead Rules** [page 788] view.
- You assign overhead rules to production lots in the *Inventory Valuation* work center, **Production Lots** [page 565] view.



If no overhead rule is assigned to a production lot, the production lot will **not** be processed by the run.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Absorption by Production Lots

After you have distributed overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the production lots. This credits the primary cost centers and debits the production lots.

The cost centers provided services required to manufacture the production lots. They were therefore credited for these services and the production lots debited accordingly. Since the services can easily be identified with individual production lots, these costs are **direct costs of the production lots**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular production lots. These costs are overhead that is allocated to the production lots based on **overhead rates**.

For more information, see [Overhead Absorption by Production Lots \[page 568\]](#).

Valuation Runs

Overhead absorption for production lots is performed by overhead absorption runs, which are one of the valuation runs in accounting.

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs \[page 234\]](#).



Tasks

Start Overhead Absorption Run

1. Click **New** [Absorption Run for Production Lots](#).
2. Enter the following information:
 - If you want to perform a simulation of the run, select [Test Run](#).
 - Enter the [Company](#).
 - Select the [Closing Step](#) that you want the system to use for the postings.
 - Select the [Period/Year](#) for which you want to execute the run.
 - Enter optional information as desired.
3. You can either schedule the run as a background job or start it immediately as a foreground job.
 - If you want to schedule the run as a **background job**, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately.
You can continue with your work while the system executes the background job.
 - If you want to start the run immediately as a **foreground job**, click **Start Now**.

You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click [View](#) to see the logs. Alternatively, you can click [Log Result](#) in the *Details* area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to *Finished* when the run has completed.

i If a production lot was not processed by the run, the reason could be that no overhead rule is assigned to it, or the overhead rule itself is incorrectly defined.

- First make sure an overhead rule is assigned to the production lot. You can check this in the *Production Lots* view of the *Inventory Valuation* work center.
- If an overhead rule is already assigned to the production lot, then the problem lies with the overhead rule itself. Check the overhead rule in the *Overhead Rules* view of the *Cost and Revenue* work center and make sure it is correctly defined.

5.4.4.2 Business Background

5.4.4.2.1 Cost Center Management Accounting

Overview

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

Cost Center Management Accounting enables you to:

- Accumulate overhead on the responsible cost centers
- Distribute the overhead from support cost centers to primary cost centers based on cause-and-effect criteria
- Credit the cost centers for the services performed and debit the cost objects
- Credit the cost centers by applying overhead rates to the cost objects
- Use reports to monitor the efficiency of your cost centers

Prerequisites

Management Accounting is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. In the *Scoping* step of the project, ensure that the *Management Accounting* business package is selected within the *Financial and Management Accounting* business area.

Cost Centers

You create organizational units and set up organizational structures in the *Organizational Management* work center, *Org Structures* view. Each organizational unit has attributes that define its legal, managerial, and reporting significance.

For the purposes of management accounting, you need to have **at least one** organizational unit with the *Cost Center* attribute. Normally, however, you define most of your departments as cost centers to be able to monitor their efficiency.

Conceptually, you can divide your cost centers into primary cost centers and support cost centers:

- **Primary cost centers**
A primary cost center belongs to one of the functional cost pools of your organization, such as materials management, production, administration, sales, or research and development.
- **Support cost centers**
Support cost centers provide services for other cost centers or serve as overhead cost collectors.

A distinction between primary cost centers and support cost centers **cannot** be defined as such in the system.

Functions in Cost Center Management Accounting

- **Accumulation of overhead**

You accumulate overhead on support cost centers or primary cost centers in the following ways:

- By assigning the overhead to cost centers when entering invoices
- By assigning the overhead to the master cost center of the employee in payroll
- By assigning the overhead to the master cost center of the asset when posting depreciation



If overhead is assigned to the wrong cost center, you either need to correct the business transaction or create an adjusting entry in the *General Ledger* work center.

- **Distribution of overhead between cost centers**

Support cost centers distribute their overhead costs to primary cost centers based on allocation bases. The distribution function credits the support cost centers and debits the primary cost centers.

Distribution can be based on either the original account (primary cost distribution) or special clearing accounts (secondary cost allocation).

For more information, see [Overhead Distribution Between Cost Centers \[page 712\]](#).

- **Allocation of service costs to cost objects**

The resources assigned to cost centers provide services for the production of cost objects. The available cost objects are:

- Sales orders
- Service orders

- Direct cost projects
- Production lots

Service allocation debits the receivers of the services and credits the cost centers providing the services. You can define the cost rates for services in the resource and service master data.

Since these costs can be traced directly to individual cost objects, they are **direct costs** of the cost object. For example, the costs incurred by a particular production lot or the costs for external or internal services incurred for a direct cost project are direct costs.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#)

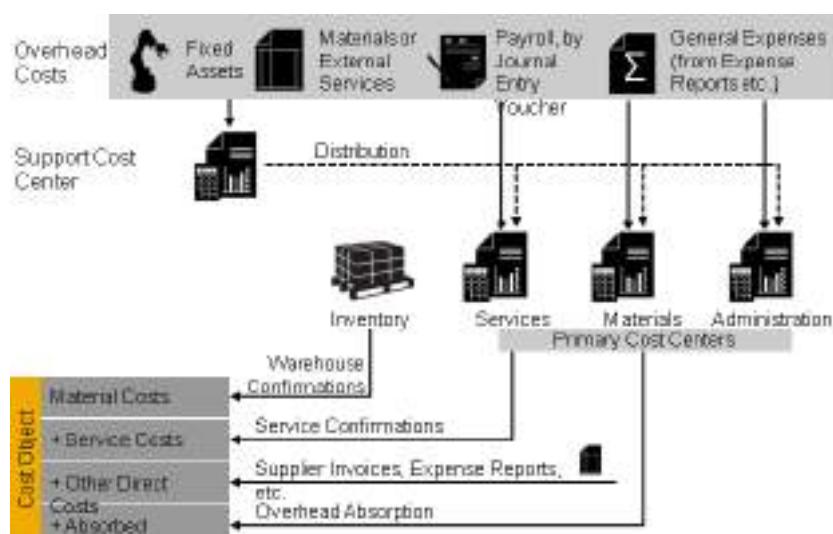
- **Absorption of overhead by cost objects**

You can define overhead rates based on the direct costs incurred by the cost objects and the overhead incurred by the cost centers. When the overhead rates are applied, the cost objects are debited with their share of the overhead and the cost centers are credited.

For more information, see [Overhead Absorption by Cost Objects \[page 718\]](#).

- **Reports**

The reports available in the **Cost and Revenue** work center enable you to analyze the efficiency of your cost centers. They also help you determine underapplied and overapplied overhead on the cost centers and take the necessary steps to correct it.



Functions in Cost Center Management Accounting



- For additional cost control of special time-dependent tasks, cost centers can employ **overhead cost projects**. Overhead cost projects are always assigned to a responsible cost center to which they directly allocate their costs. Thus they do not carry costs themselves and are therefore not cost objects. Overhead cost projects usually serve the purpose of collecting internal costs for allocation between cost centers (internal orders). Overhead cost projects can receive allocations of service costs and absorb overhead.
- **Direct cost projects** are cost objects that are interrelated. For example, a project can provide general services for other projects. To capture these relationships, direct cost projects can serve as both senders and receivers of overhead distribution.

For more information, see [Project Cost and Revenue Management \[page 724\]](#).

5.4.4.2.2 Overhead Absorption by Production Lots

Overview

After you have distributed overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the production lots. This credits the primary cost centers and debits the production lots.

The cost centers provided services required to manufacture the production lots. They were therefore credited for these services and the production lots debited accordingly. Since the services can easily be identified with individual production lots, these costs are **direct costs of the production lots**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular production lots. These costs are overhead that is allocated to the production lots based on **overhead rates**.

Prerequisites

You establish overhead rates outside of the system by choosing a suitable allocation base, such as the direct costs of the corresponding cost pool. To calculate the overhead rate per unit, you divide the total overhead costs of the cost center by the allocation base. You enter the resulting **overhead rates** into the system and combine multiple rates in **overhead rules** to simplify processing.

To enable an overhead rule to be applied to a production lot, it needs to be assigned to the production lot. The overhead rule is normally assigned to the production lot **automatically** when you create the production lot. This automatic assignment is based on **assignment rules**. You define assignment rules when you create the overhead rule.

You can define the assignment for the following dependencies:

- The company for which the production lot is created
- The business residence in which the production lot is created

In individual cases, you can also manually change the assignment of the overhead rule in the *Inventory Valuation* work center, [Production Lots \[page 565\]](#) view.

i To be able to apply overhead rates to production lots, you need to have selected the *Production* business package and the *Overhead Absorption by Production Lots* option during scoping.

Execution

To apply your overhead rules to production lots, execute an overhead absorption run in the *Inventory Valuation* work center, [Production Lots – Overhead Absorption \[page 629\]](#) view.

The following selection parameters are offered when you define an overhead absorption run:

- **Company ID**
You can restrict the run to a particular company or execute it for all companies.
- **Set of Books ID**
You can restrict the run to a particular set of books or execute it for all sets of books.
- **Business Residence ID**
You can restrict the run to a particular business residence or execute it for all business residences.

- **Production Lot**

For test purposes, you can restrict the run to a single production lot.

- **Period/Year**

Enter the accounting period and fiscal year for which you want the overhead rates to be calculated.

You also need to specify the *closing step* for the postings.

For more information, see [Closing Steps \[page 76\]](#).



- You can execute an overhead absorption run as often as you wish. If you repeat a run, the system only posts the differences against the previous runs in that period.
- It is not possible to directly cancel the posted results of an overhead absorption run. However, you can offset the effects of the run by setting the overhead rates in the overhead rule to 0%.
- To verify whether a run has been completed successfully, you can run the following checks:
 - **Log**
You find a log for a run in the corresponding subview. Each run has a status (*Information*, *Error*). To display the **details** of a log, select the relevant run and choose *Display*.
If **errors** occur during a run, you need to resolve them. You can find information on the errors on the **Messages** tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
 - **Job Monitor**
If a run has **not** been completed successfully and you cannot resolve the problem, you can display the technical details relating to the run in the Job Monitor. Select the relevant run and click **View Jobs**. If a job finds errors, contact your system administrator.

See Also

[Overhead Absorption by Cost Objects \[page 718\]](#)

5.4.4.2.3 Valuation Runs

Overview

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

Valuation runs include:

- Balance carryforward runs
- Foreign currency remeasurement runs for payables or receivables
- Reclassification runs for payables or receivables
- Depreciation runs
- Overhead absorption runs for production lots, service orders, direct cost projects, or overhead cost projects
- Work-in-process clearing runs
- GR/IR (goods receipt/invoice receipt) clearing runs
- Revenue recognition runs
- Distribution runs

Valuation runs are available only in accounting applications. Runs in other applications are called mass data runs, which perform automatic mass processing on operational data. Examples of mass data runs include invoice runs, confirmation update runs, dunning runs, and payment runs.

Valuation Runs versus Mass Data Runs

Valuation runs differ from mass data runs in a number of ways:

- Scheduling
 - Operational applications perform mass data runs relatively frequently, often at regularly scheduled intervals. It is therefore possible to perform a mass data run **repeatedly** with identical selection parameters, or to schedule it as a periodic run. A record of each mass data run is stored in an application log to enable you to trace the results of the run.
 - You perform valuation runs only during period-end closing. It is very important to carry out the different tasks of the period-end closing process in the correct sequence and align them to each other. It would be of little use to schedule a valuation run as a periodic task, so the system does not provide this option. Instead, you use the [Closing Cockpit \[page 286\]](#) to carry out the closing process. You can only perform a valuation run **once**. If you want to repeat a valuation run with the same parameters, you create a new valuation run based on the previous one. The parameters of the previous valuation run are copied into the new run, where you can modify them if necessary before starting the run.
- Results
 - Mass data runs do not generate any postings. Instead, they generate documents or lists which you then process manually. Only this manual processing can generate postings. For example, the payments generated by a payment run first have to be approved before the system posts them.
 - You can create valuation runs as test runs to simulate their effects. Test runs do not generate any postings or change any data. They are simply a means for you to see what the effects of the run would be. Once you are satisfied with the simulated results, you execute the run again as an update run.
- Posting Logic
 - When you execute a mass data run, source documents are generated automatically. When they are released, these source documents can be processed in accounting just like manually created source documents.
 - When you execute a valuation run, journal entries are generated automatically. You can specify a set of books when you create the valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.



Do **not** execute a valuation run for more than one set of books if the fiscal years for the sets of books are offset against each other. If the fiscal years are offset, the valuation run would generate postings in different calendar months because the period numbers would not refer to the same months in the different fiscal years.

5.4.5 WIP Clearing View

5.4.5.1 WIP Clearing Quick Guide

In the [WIP Clearing](#) view, you create WIP clearing runs that clear the work in process accounts for finished production lots.

You access this view in the [Inventory Valuation](#) work center.

Business Background

Work in Process

Work-in-process inventory consists of partly finished goods that are still being worked on in production or assembly. Changes to work in process in the production system directly affect the following accounts:

- Work in Process (balance sheet)
- Raw Materials (balance sheet)
- Finished Goods (balance sheet)
- Semifinished Goods (balance sheet)
- Price Differences (income statement)
- Internal Service Confirmation (income statement)
- Overhead Accounts

For more information, see [Work in Process \[page 639\]](#).

Valuation of Work in Process

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

For more information, see [Valuation of Work in Process \[page 510\]](#).

Work-in-Process Clearing Runs

A work in process (WIP) clearing run is a periodic task that is usually performed at regularly scheduled times or during period closing to correct and clear the work-in-process account. It selects all production lots that have the corresponding status and reduces the associated work-in-process inventory to zero. By taking into account all changes to work in process during the period, WIP clearing ensures that the value of the work in process is correctly reported at the end of the period.

For more information, see [Work-in-Process Clearing Runs \[page 641\]](#).

Valuation Runs

Valuation runs are available only in accounting applications. Runs in other applications are called mass data runs, which perform automatic mass processing on operational data.

Valuation runs differ from mass data runs in a number of ways:

- **Scheduling:**

Operational applications perform mass data runs relatively frequently, often at regularly scheduled intervals. It is therefore possible to perform a mass data run repeatedly with identical selection parameters, or to schedule it as a periodic run. A record of each mass data run is stored in an application log to enable you to trace the results of the run. You perform valuation runs only during period-end closing. It is very important to carry out the different tasks of the period-end closing process in the correct sequence and align them to each other. It would be of little use to schedule a valuation run as a periodic task, so the system does not provide this option. Instead, you use the Closing Cockpit to carry out the closing steps. You can only perform a

valuation run once. If you want to repeat a valuation run with the same parameters, you create a new valuation run based on the previous one. The parameters of the previous valuation run are copied into the new run, where you can modify them if necessary before starting the run.

- **Results:**

Mass data runs do not generate any postings. Instead, they generate documents or lists which you then process manually. Only this manual processing can generate postings. For example, the payments generated by a payment run first have to be approved before the system posts them. You can create valuation runs as test runs to simulate their effects. Test runs do not generate any postings or change any data. They are simply a means for you to see what the effects of the run would be. Once you are satisfied with the simulated results, you execute the run again as an update run.

- **Posting Logic:**

When you execute a mass data run, source documents are generated automatically. When they are released, these source documents can be processed in accounting just like manually created source documents. When you execute a valuation run, journal entries are generated automatically. You can specify a set of books when you create the valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.

For more information, see [Valuation Runs \[page 234\]](#).



Tasks

Start WIP Clearing Run

1. Click **New** **WIP Clearing Run**.
 - If you want to simulate the results of the run, select *Test Run*. If you deselect *Test Run*, the run will be executed as an update run.
 - If you do **not** explicitly restrict the selection, the system will select all completed production lots.
 - Select the closing step and period for the run.

i Ensure that the period is open for the selected closing step.

2. You can now start or schedule the run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to *Finished* when the run has completed.

The **Postings** tab in the log provides information on the journal entries generated by the run (or, in case of a test run, the simulated journal entries).

You can analyze the run in detail on the **Processed Successfully** tab under *Only Posting Information* or, in even more detail, under *Advanced Information*.

The **Processed with Errors** tab shows the objects for which errors were generated. You must resolve these errors and repeat the run.

If technical errors occurred, you can see them in the Job Monitor by going back to the main view and clicking **View Jobs**. If you cannot resolve these errors, contact your system administrator.



This run may take several minutes to execute, which can cause the screen to time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click [View](#) to see the logs. Alternatively, you can click [Log Result](#) in the *Details* area of a finished run.

5.4.5.2 Business Background

5.4.5.2.1 Work in Process

Overview

Work in process (WIP) consists of partly completed items in various stages of the production process. Changes to work in process in the production system directly affect the following accounts:

- [Work in Process](#) (balance sheet)
- [Raw Materials](#) (balance sheet)
- [Finished Goods](#) (balance sheet)
- [Semifinished Goods](#) (balance sheet)
- [Price Differences](#) (income statement)
- [Internal Service Confirmation](#) (income statement)
- [Overhead Accounts](#)

Prerequisites for WIP Clearing in Logistics

Logistics handles production and production control, and tracks quantities.

1. For each independent demand, a production lot is generated from the production order and identified by an ID. The system tracks the work performed and the completion of individual subtasks on the basis of the production lot.
2. Logistics informs financials about the accounting-relevant data of the production lot. When production confirmations are entered for the production lot, the system informs financials and generates the necessary postings.
3. When the production worker has confirmed all subtasks, the system sets the logistical status to *Finished*.

Production Process in Financials

Financials values the logistical data.

1. The production lot is identified by a production lot ID. The production lot contains the following data that is relevant to financials:
 - Production lot ID
 - Overhead rule
 - Completion date from production
2. Each production confirmation sends a message from logistics to financials and results in a posting to work in process with reference to the production lot. The confirmation mainly contains information about the actual quantities consumed.

3. The actual quantities are valued with the material unit costs defined in the *Inventory Valuation* work center, and the resource cost rates defined in the *Cost and Revenue* work center. Based on the production confirmations, only direct costs are accumulated on the work-in-process account with reference to the production lot.
4. The current status of any production lot is always known to financials. When the logistical status is set to Finished, the system informs financials about the completion date of the production lot.



A production lot only receives the *Finished* status when the production worker has confirmed all subtasks.

5. The receipt of goods into the warehouse increases the inventory on the Finished Goods account. The value of the receipt is based on the cost of goods manufactured defined in the *Inventory Valuation* work center. This cost of goods manufactured has to be calculated and entered manually in the *Inventory Valuation* work center.
6. All confirmations from production, whether goods issues, goods receipts, or internal activity confirmations, affect the same work-in-process account with reference to the production lot.



You can edit the externally calculated costs of finished products manufactured in-house in the *Inventory Valuation* work center.

Account Determination

Target accounts are defined and set up using account determination in *Business Configuration* under *Fine-Tuning*. When financials has been informed of the relevant data, the system derives an account determination group for the production lot. This account determination group is then used in account determination for work in process and the work-in-process account.

See Also

[Work-in-Process Clearing Runs \[page 641\]](#)

5.4.5.2.2 Valuation of Work in Process

Overview

Work in process (WIP) arises in all manufacturing environments. Tracking the exact value of the work in process is necessary in order to report it correctly in the balance sheet. Companies handle work in process differently depending on the throughput times of their production processes:

- Only rarely are companies able to reduce their work-in-process inventory to zero at the end of the period, since this requires that they complete all production orders and enter all goods movements by period close.
- When throughput times are long or when the levels of work in process fluctuate, companies require detailed, up-to-date information on their work-in-process inventories.

Prerequisites

You have configured account determination for work in process.

You have defined material unit costs in the *Inventory Valuation* work center.

You have defined resource cost rates, service cost rates, and overhead rules in the *Cost and Revenue* work center.

Accounting for Work in Process

Work-in-process inventories are created automatically based on production and service confirmations.

Work in process is directly reported as such in financials. All consumption is allocated directly to a *work in process* account in accordance with the cost-of-sales principle (accounting exchange on the assets side: work-in-process inventory is debited, warehouse inventory is credited, and capitalization of the internal service). Work in process is valued in the same way as the business transaction:

Production	Valuation
Service Confirmation	Quantity x Cost Rate*
Goods Issue into Production	Quantity x Inventory Cost
Goods Receipt from Production	Quantity x Inventory Cost
Overhead	Valuation of material costs and direct costs in work in process based on the percentages in the overhead rule**
WIP Clearing	Difference between current production costs and valuation of goods receipt from production

* Each service confirmation specifies a duration (and in some cases a service product quantity). The service confirmation is usually valued by multiplying the resource quantity by the resource cost rate. If no resource cost rate exists, the confirmation is valued by multiplying the quantity of the service product by the cost rate for the service product.

** For more information, see [Overhead Absorption by Production Lots \[page 568\]](#).

WIP Clearing

When the production lot is completed, its work-in-process inventory is zeroed out by the work in process (WIP) clearing run.

The system informs financials about this change to the status of the production lot. The WIP clearing run reduces the WIP inventory of completed production lots to zero, which adjusts the value of the work in process accordingly.

See Also

[Valuation of Business Transactions \[page 507\]](#)

[Work in Process \[page 639\]](#)

[Work-in-Process Clearing Runs \[page 641\]](#)

5.4.5.2.3 Work-in-Process Clearing Runs

Overview

Work-in-process (WIP) clearing runs are periodic tasks that are usually performed at regularly scheduled times or during period closing to correct and clear the work in process account. A run selects all production lots that have the corresponding status and reduces the associated work-in-process inventory to zero.

By taking account of all changes to work in process during the period, WIP clearing runs ensure that the value of the work in process is correctly reported at the end of the period.

You create WIP clearing runs in the [Inventory Valuation](#) work center, [WIP Clearing](#) view.

Prerequisites

The following configuration settings are required:

- The [Production](#) and [Work in Process](#) components are set up.
- Target accounts are set up based on account determination in [Business Configuration](#).

The following tasks are required:

- In the [Planning and Production Master Data](#) work center, you have defined production models (with resources, materials, and so on).
- You have completed all necessary business tasks manually. A list of these business tasks is provided in the [General Ledger](#) work center, [Work](#) view.
- If you want to allocate overhead to production lots, you need to have performed an overhead absorption run in the [Inventory Valuation](#) work center, [Production Lots – Overhead Absorption](#) view.

Postings with Price Differences

WIP clearing runs determine any remaining work in process balances for production lots that have the logistical status **Finished**. If any differences occurred for the production lots, the system applies the perpetual cost method ([Standard](#) or [Moving Average](#)) and zeroes out the balances. The resulting postings depend on the cost method.

Standard Cost Method

For materials with the [Standard](#) perpetual cost method, differences are posted to **Price Differences**. By default, this account is assigned to the **Cost of Sales** item in the income statement. This ensures that the amount affects reported earnings.

Posting: Debit **Work in Process**, credit **Price Differences**

Moving Average Cost Method

For materials with the [Moving Average](#) perpetual cost method, differences are allocated to inventory in proportion to the inventory quantity at the time of the clearing run and the total goods received quantity of the order. This allocation can affect the moving average cost and thus the inventory value.

Posting: Debit **Work in Process**, credit **Material Inventory**

If stock coverage is sufficient, the material inventory is adjusted. Otherwise the quantity exceeding the stock coverage quantity affects the income statement based on the following posting:

Debit **Work in Process**, credit **Price Differences**

i Once the system has cleared the balance on the work in process account and made the associated postings, you should check the valuation of the finished and unfinished goods inventories and the services in the [Inventory Valuation](#) work center.

Journal Entries

WIP clearing runs generate journal entries in the general ledger.

WIP Clearing Log

A detailed log is available that shows all postings generated by the run. Jobs that completed successfully have a green status. Jobs that did not complete successfully have a red status, in which case you must resolve the errors and then repeat the run. Technical errors can be viewed in the Job Monitor by clicking [View Jobs](#). If you cannot resolve these errors, contact your system administrator.

Example: WIP Clearing with Standard Cost Method

Period 1

A semifinished product requires EUR 100 of raw materials and EUR 40 of direct labor. These amounts are assigned to a production lot. Production is not yet complete at the end of period 1. The **Internal Service Confirmation** account contains the **Production Cost Center** attribute.

Postings:

1. Material withdrawal from inventory (a pure accounting exchange on the assets side that does not affect the income statement):
Debit **Work in Process** 100, Credit **Inventory** 100
2. Posting of direct costs of production from production confirmation:
Debit **Work in Process** 40, Credit **Internal Service Confirmation** 40
3. Posting of overhead rates (such as for electricity):
Debit **Work in Process** 15, Credit **Internal Service Confirmation** 15

Period 2

In period 2, an additional 4 hours (EUR 20) of direct labor are required to complete production. Overhead of EUR 5 is also allocated for this period.

If the value of the work in process does **not** equal the value of the finished product, the postings are as follows:

1. Posting of direct costs of production from production confirmation:
Debit **Work in Process** 20, Credit **Internal Service Confirmation** 20
2. Posting of overhead rates (such as for electricity):
Debit **Work in Process** 5, Credit **Internal Service Confirmation** 5
3. When the finished product is received into the warehouse, the following posting is generated automatically:
Debit **Finished Goods** 170, Credit **Work in Process** 170
Valuation is based on the standard cost for the product as defined in the material's valuation master data.
4. WIP clearing for the difference of 10 is posted to **Work in Process** and **Price Differences**.

If the value of the work in process **equals** the value of the finished product, the postings are as follows:

1. Posting of direct costs of production from production confirmation:
Debit **Work in Process** 20, Credit **Internal Service Confirmation** 20
2. Posting of overhead rates (such as for electricity):
Debit **Work in Process** 5, Credit **Internal Service Confirmation** 5
3. When the finished product is received into the warehouse, the following posting is generated automatically:
Debit **Finished Goods** 180, Credit **Work in Process** 180
Valuation is based on the standard cost for the product as defined in the material's valuation master data.
In this case WIP clearing does not result in a value difference because the work in process has the same value as the finished product. There are **no** further postings.

WIP Clearing with Product Specifications

If the valuation level of the main output of the production lot is *Product Specification*, the WIP clearing run clears the production costs as follows:

- The production costs are distributed to the product specification segments of the planned output material based on the **actual output quantities**. Receipts into finished goods inventory are deducted from these costs, and any differences are posted in accordance with the perpetual cost method.
- If a goods receipt is confirmed with a **different** product specification than that of the main output, that segment will be treated as a **separate receiver** in the WIP clearing run.

Example

This example illustrates how WIP clearing runs clear the production costs of materials with product specifications involving planned and unplanned receipts into finished goods inventory.

Main output of production lot: Material 5050 / Product Specification A, quantity 30

Production costs: EUR 600

1. Goods receipt (planned) for Material 5050 / Product Specification A, quantity 20:
Posting: Debit **Finished Goods** 400, credit **Work in Process** 400
The system calculates the costs in proportion to the output: $\text{EUR } 600 \times 20 \text{ (goods receipt)} \div 30 \text{ (total output quantity of production lot)} = \text{EUR } 400$.
The goods receipt was for the same amount, therefore no difference remains to be allocated.
2. Goods receipt (unplanned) for Material 5050 / Product Specification B, quantity 10:
Posting: Debit **Finished Goods** 180, credit **Work in Process** 180
The system calculates the costs in proportion to the output: $\text{EUR } 600 \times 10 \text{ (goods receipt)} \div 30 \text{ (total output quantity of production lot)} = \text{EUR } 200$.
The value of the goods receipt was EUR 180, which results in a difference of EUR 20 against the calculated costs. This difference is posted in accordance with the perpetual cost method.

See Also

[Work in Process \[page 639\]](#)

[Journal Entries \[page 195\]](#)

5.4.5.2.4 Valuation Runs

Overview

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

Valuation runs include:

- Balance carryforward runs
- Foreign currency remeasurement runs for payables or receivables
- Reclassification runs for payables or receivables
- Depreciation runs
- Overhead absorption runs for production lots, service orders, direct cost projects, or overhead cost projects

- Work-in-process clearing runs
- GR/IR (goods receipt/invoice receipt) clearing runs
- Revenue recognition runs
- Distribution runs

Valuation runs are available only in accounting applications. Runs in other applications are called mass data runs, which perform automatic mass processing on operational data. Examples of mass data runs include invoice runs, confirmation update runs, dunning runs, and payment runs.

Valuation Runs versus Mass Data Runs

Valuation runs differ from mass data runs in a number of ways:

- Scheduling
 - Operational applications perform mass data runs relatively frequently, often at regularly scheduled intervals. It is therefore possible to perform a mass data run **repeatedly** with identical selection parameters, or to schedule it as a periodic run. A record of each mass data run is stored in an application log to enable you to trace the results of the run.
 - You perform valuation runs only during period-end closing. It is very important to carry out the different tasks of the period-end closing process in the correct sequence and align them to each other. It would be of little use to schedule a valuation run as a periodic task, so the system does not provide this option. Instead, you use the [Closing Cockpit \[page 286\]](#) to carry out the closing process. You can only perform a valuation run **once**. If you want to repeat a valuation run with the same parameters, you create a new valuation run based on the previous one. The parameters of the previous valuation run are copied into the new run, where you can modify them if necessary before starting the run.
- Results
 - Mass data runs do not generate any postings. Instead, they generate documents or lists which you then process manually. Only this manual processing can generate postings. For example, the payments generated by a payment run first have to be approved before the system posts them.
 - You can create valuation runs as test runs to simulate their effects. Test runs do not generate any postings or change any data. They are simply a means for you to see what the effects of the run would be. Once you are satisfied with the simulated results, you execute the run again as an update run.
- Posting Logic
 - When you execute a mass data run, source documents are generated automatically. When they are released, these source documents can be processed in accounting just like manually created source documents.
 - When you execute a valuation run, journal entries are generated automatically. You can specify a set of books when you create the valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.



Do not execute a valuation run for more than one set of books if the fiscal years for the sets of books are offset against each other. If the fiscal years are offset, the valuation run would generate postings in different calendar months because the period numbers would not refer to the same months in the different fiscal years.

5.4.6 GR/IR Clearing View

5.4.6.1 GR/IR Clearing Quick Guide

GR/IR (goods receipt/invoice receipt) clearing runs compare the amounts from receipts of goods or services (based on the common quantity) with the associated amounts on the invoices. The run first determines the quantity that matches both a goods or services receipt and an invoice, and clears the *Goods in Transit* and *Unbilled Payables* accounts based on this quantity. This can result in price differences, exchange rate differences, and payment differences.

You execute GR/IR clearing runs in the *GR/IR Clearing* view. You can access this view from the *Inventory Valuation* work center under *Periodic Tasks*.

Business Background

Marked Final Clearing Date for Purchasing Document Items

Purchasing document items that are fully delivered and fully invoiced are normally marked for final clearing automatically in the *Purchasing Document Items* view of the *Inventory Valuation* work center. Marked items are cleared by the next GR/IR clearing run that is executed on or after the *Marked Final Clearing Date*. The run clears the clearing accounts completely even if the goods receipt and invoice receipt quantities do not match.

Automatic marking is the default. It is also possible to mark items manually.

For more information, see [Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#).

GR/IR Clearing

GR/IR (goods receipt/invoice receipt) clearing is a function that you execute in order to clear the *Goods in Transit* and *Unbilled Payables* accounts when both the goods received and the associated invoices have been recorded in the system. This determines any differences between the values of the goods receipts and the invoices.

Purchases of goods and services involve the following **events**:

- Receipt of the goods or services
- Receipt of the invoice
- Payment

Since the final cost is not usually known until the invoice has been received and paid, GR/IR clearing is necessary in order to value each of these events as accurately as possible.

You execute GR/IR clearing as a run in the *Inventory Accounting* work center, *GR/IR Clearing* view.



For more information on how accounts are posted with cash discounts, see the following documents:

- [GR/IR Clearing Runs \[page 580\]](#)
- [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#)
- [GR/IR Clearing Run – Cash Discount \[page 668\]](#)

To enable each purchasing transaction to be valued at actual cost, the transactions entered at different times must be matched up and, if necessary, revalued.

The following cases are possible:

- The goods or services are received before the invoice.
- The invoice is verified and entered **before** the goods or services are received.

To correctly handle each case, the system uses clearing accounts in addition to the inventory and expense accounts:

- **Unbilled Payables:** Goods or services that have been received but not invoiced
- **Goods in Transit:** Goods or services that have been invoiced but not received

If the prerequisites below are met, the two clearing accounts are posted each time goods **or** an invoice is received, regardless of whether the counterpart event has occurred. This maintains a consistent accounting process for similar business transactions (goods receipt or invoice receipt).

Once both the goods **and** the invoice have been recorded in the system, the clearing accounts must be cleared against each other by means of a GR/IR (goods receipt/invoice receipt) clearing run.

For more information, see [GR/IR Clearing \[page 577\]](#).

GR/IR Clearing Runs

GR/IR (goods receipt/invoice receipt) clearing runs compare the amounts from receipts of goods (or services) with the associated amounts on the invoices. The run first determines the quantity that matches both a goods receipt and an invoice, and clears the **Goods in Transit** and **Unbilled Payables** accounts based on this quantity. This can result in price differences, exchange rate differences, and payment differences.

You execute GR/IR clearing runs in the [GR/IR Clearing](#) view. You can access this view from the *Inventory Valuation* work center under *Periodic Tasks*.

For more information, see [GR/IR Clearing Runs \[page 580\]](#).

GR/IR Clearing Run – Standard Case (Without Differences)

The standard value of a material is its purchase order value. This means that the goods receipt does **not** result in valuation differences.

For more information, see [GR/IR Clearing Run – Standard Case \(Without Differences\) \[page 661\]](#).

GR/IR Clearing Run – Price Differences with Standard Cost Method

A material with the standard cost method is purchased for storage in stock. The invoiced price is higher than the order price. This results in differences between the valued goods receipt and the invoice.

For more information, see [GR/IR Clearing Run – Price Differences with Standard Cost Method \[page 662\]](#).

GR/IR Clearing Run – Price Differences with Moving Average Cost Method

A material with the moving average cost method is purchased for storage in stock. The supplier sends an invoice for only part of the delivery. The invoiced price is higher than the order price. This results in differences between the valued goods receipt and the invoice.

For more information, see [GR/IR Clearing Run – Price Differences with Moving Average Cost Method \[page 663\]](#).

GR/IR Clearing Run – Subsequent Credit

You order and receive items from your supplier, along with an invoice. If the value of the items is lower than originally stated (such as because the supplier applied a discount), this results in a subsequent credit to the Trade Payables account. This credit posting involves value only. Unlike a credit memo, it does not affect quantities.

For more information, see [GR/IR Clearing Run – Subsequent Credit \[page 664\]](#).

GR/IR Clearing Run – Partial Invoice and Completion of Purchase Order Item

If not all of the goods/services receipts have been matched to the invoices at the point when you start the goods receipt and invoice receipt (GR/IR) clearing run, only those that have been matched are cleared. However, if you

have marked a purchase order item for *Final Clearing*, the system clears the GR/IR accounts for that item regardless of the quantity.

For more information, see [GR/IR Clearing Run – Partial Invoice and Completion of Purchase Order Item \[page 665\]](#).

GR/IR Clearing Run – Invoice Receipt Before Goods Receipt

A material with the moving average cost method is received after the invoice. After invoice verification automatically assigns the goods receipt to the invoices, the invoice is reposted in FIN Accounting. This posts the correct goods receipt assignment in the *Goods in Transit* account.

For more information, see [GR/IR Clearing Run – Invoice Receipt Before Goods Receipt \[page 666\]](#).

GR/IR Clearing Run – Credit Memo

A supplier may send you a credit memo because of an error on an invoice. The system treats the credit memo as a quantity and value credit. If you want the system to apply only the value of the credit memo and not the quantity, use the *Subsequent Credit* function.

For more information, see [GR/IR Clearing Run – Credit Memo \[page 667\]](#).

GR/IR Clearing Run – Cash Discount

When a cash discount is applied to a payment, the discount is posted to the *Goods in Transit* account (provided that the invoice item indicates the associated purchase order item and the goods have been received or are expected). The goods receipt and invoice receipt (GR/IR) clearing run treats the discount as a reduction of the invoice value.

If legally required, the GR/IR clearing run transfers part or all of the amount from the *Goods in Transit* account to *Cash Discount Received/Expense*.

For more information, see [GR/IR Clearing Run – Cash Discount \[page 668\]](#).

Price Differences, Exchange Rate Differences, and Cash Discounts

Price differences arise for example if the invoice price does not match the order price, resulting in a different value for the goods receipt.

Even if the invoice has the same value as the order, price differences can still occur because invoices are recorded as a value per quantity whereas goods receipts are recorded as price times quantity.

Cross-border transactions involve foreign currencies and fluctuating exchange rates, the effects of which are expressed as **exchange rate differences**. Since the system always uses the current exchange rate, the rate it applies may vary between the ordering point and the receipt of the goods.

A **cash discount** is a percentage reduction applied to the invoice if you pay within a prescribed time limit or if you pay by cash.

For more information and a posting example, see [GR/IR Clearing Run - Cash Discount \[page 668\]](#).

For more information, see [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#).

Valuation Runs

Valuation runs are available only in accounting applications. Runs in other applications are called mass data runs, which perform automatic mass processing on operational data.

Valuation runs differ from mass data runs in a number of ways:

- **Scheduling:**

Operational applications perform mass data runs relatively frequently, often at regularly scheduled intervals.

It is therefore possible to perform a mass data run repeatedly with identical selection parameters, or to schedule it as a periodic run. A record of each mass data run is stored in an application log to enable you to

trace the results of the run. You perform valuation runs only during period-end closing. It is very important to carry out the different tasks of the period-end closing process in the correct sequence and align them to each other. It would be of little use to schedule a valuation run as a periodic task, so the system does not provide this option. Instead, you use the Closing Cockpit to carry out the closing steps. You can only perform a valuation run once. If you want to repeat a valuation run with the same parameters, you create a new valuation run based on the previous one. The parameters of the previous valuation run are copied into the new run, where you can modify them if necessary before starting the run.

- **Results:**

Mass data runs do not generate any postings. Instead, they generate documents or lists which you then process manually. Only this manual processing can generate postings. For example, the payments generated by a payment run first have to be approved before the system posts them. You can create valuation runs as test runs to simulate their effects. Test runs do not generate any postings or change any data. They are simply a means for you to see what the effects of the run would be. Once you are satisfied with the simulated results, you execute the run again as an update run.

- **Posting Logic:**

When you execute a mass data run, source documents are generated automatically. When they are released, these source documents can be processed in accounting just like manually created source documents. When you execute a valuation run, journal entries are generated automatically. You can specify a set of books when you create the valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.

For more information, see [Valuation Runs \[page 234\]](#).



Tasks

Start GR/IR Clearing Run

1. To perform a new GR/IR Clearing run, click **New** and then [GR/IR Clearing Run](#).
2. You have the following options for performing GR/IR Clearing run:
 - **GR/IR Clearing with Reference**
To reuse the data from a previous GR/IR Clearing, select the run that you want to use and click **Copy**. The system copies the data directly to the input screen on the new GR/IR Clearing. You can then adjust the data copied from the previously-executed GR/IR Clearing.
 - **Test Run**
To perform the GR/IR Clearing as a test run, select [Test Run](#). The system previews the results of the test run but does not make any postings. The postings are only simulated.
3. Enter the company, period, and closing step. Ensure that the period is open for the selected closing step.



You can only delete GR/IR Clearing that you either scheduled or performed as a test run. To delete a test run, select the run that you want to delete and click **Delete**.

- If you specify the **current period** for the run, the system uses the current date as the run date. This date is also the posting date for the run. The run processes all data up to and including the specified date.
- If you start the run for a **prior period**, the run date is automatically the last day of that period. This date is also the posting date for the run. The run processes all data up to and including the run date.

Make sure that **no** GR/IR clearing run was performed between the past period up to and including the current period for the same selection criteria, since this can result in duplicate postings. In that case you would need to repeat all GR/IR clearing runs for all periods from the past period up to and including the current period.

i You **cannot** start a clearing run for a **future period**.

4. Scheduling

You can perform GR/IR Clearing immediately or schedule it to occur later:

- To perform GR/IR Clearing **immediately**, click **Start Immediately**.
- i** You have to wait until the foreground job finishes before you can continue with your work. This may take several minutes depending upon the data volume, which can cause the screen to time out. In such a case, you can go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to view the logs. Alternatively, you can click **Log Result** in the **Details** section of a finished run.
- To schedule GR/IR Clearing for a **subsequent point in time**, click **Schedule** and indicate when you want the system to perform reclassification. If you leave the **Date** and **Time** fields empty, the run starts immediately.
- i** You can continue with your work while the system executes the run as a background job.

You can view scheduled GR/IR Clearings and their respective times in **View Jobs**.

i This run may take several minutes to be executed, which can cause the screen to time out. In such a case, you can go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to view the logs. Alternatively, you can click **Log Result** in the **Details** section of a finished run.

Start Adjustment Run

1. Click **New** and then **GR/IR Clearing Run**.
2. Select the **Override Clearing Status** checkbox.
3. Enter the remaining information as for a normal GR/IR clearing run.

An adjustment run processes **all objects**, regardless of their clearing status. You execute an adjustment run for example when you want to execute GR/IR clearing runs for the past although you executed a clearing run for the current period as an update run.

Display and Check Log

1. **Display Log**

If you performed GR/IR Clearing **immediately**, the system issues a status message. To display details, click **Display Log** in the status message.

When you have scheduled GR/IR Clearing, you can display the list of logs once the run has been performed. To do this, choose the relevant run and click **View**.

If there is more than one log for the run, select one of the logs and click **View**. There is a separate log for each company and set of books.

2. Check the Log

The log contains the following information:

- **General**
Shows the result of the reclassification, the execution date, any messages that were issued, and the extent of profit or loss from the valuation.
- **Data Selection**
Shows the information that you entered at the start of the reclassification.
- **Messages**
Shows a list of all messages that were issued (such as warning messages).
- **Postings**
Shows all the account movements and journal entries that the system created.
- **Processed Successfully**
Shows the related details like clearing type, clearing goods receipts, clearing invoice receipts, purchase price difference and payment difference. You can get more detailed information in **Advanced Information**.
- **Processed with Errors**
Shows the purchase document items that were subject to errors during processing.

To verify whether a run has been completed successfully, you can run the following checks:

- **Log**
You find a log for a run in the corresponding subview. Each run has a status (*Information, Error*). To display the details of a log, select the relevant run and click **Display**.
If errors occur during a run, you need to resolve them. You can find information on the errors under **Messages**. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
- **Job Monitor**
If a run has not been completed successfully and you cannot find and resolve the cause, you can display the technical details relating to your run in the Job Monitor. Select the relevant run and click **View Jobs**. If a job finds errors, contact your system administrator.

5.4.6.2 Business Background

5.4.6.2.1 Marked Final Clearing Date for Purchasing Document Items

Overview

Purchasing document items that are fully delivered and fully invoiced are normally marked for final clearing automatically in the *Purchasing Document Items* view of the *Inventory Valuation* work center. Marked items are cleared by the next GR/IR clearing run that is executed on or after the *Marked Final Clearing Date*. The run clears the clearing accounts completely even if the goods receipt and invoice receipt quantities do not match.

Automatic marking is the default. It is also possible to mark items manually.

Standard Setting: Automatic Control of Marked Final Clearing Date

By default, the *Marked Final Clearing Date* is set or reset automatically based on the delivery and invoicing statuses of the purchase order item:

- When the purchasing department has assigned both the *Delivery Completed* and *Invoice Completed* statuses to a purchase order item, the system marks the purchasing document item for final clearing automatically by setting a date in the *Marked Final Clearing Date* field. This date is the final delivery date or the final invoice date, whichever is more recent.
Marked items are cleared by the next GR/IR clearing run that is executed **on or after** the *Marked Final Clearing Date*.
- If the purchasing department **resets** the *Delivery Completed* or *Invoice Completed* status, the purchasing document item is **unmarked** automatically (the *Marked Final Clearing Date* is deleted). The next time the GR/IR clearing run is executed, the system generates any necessary journal entries so that the clearing accounts reflect the current situation of the item without a marked final clearing date.

When this standard setting is active, the *Manual Final Clearing Control* checkbox in the *Details* area for the item is **not** selected.

If business transactions result in a change to the delivery or invoicing status, this will affect the marked final clearing date.

Manual Control of Marked Final Clearing Date

Where necessary, you can switch on manual control of the marked final clearing date for a purchasing document item with *Manual Control On*. This **prevents** the marked final clearing date from reacting to changes in the delivery or invoicing status of the item. Manual control mode is indicated by the *Manual Final Clearing Control* checkbox.

When manual control for an item is switched on, the item can only be marked or unmarked manually.

- To mark an item for final clearing manually, click *Mark*.
- To unmark an item for final clearing manually, click *Unmark*.



- You can manually mark or unmark purchasing document items at any time, even if manual control is switched off.
- If you mark or unmark an item manually, this **also** switches on manual control for that item.
- Switching on manual control for an item that already has a marked final clearing date does **not** remove the marked final clearing date. If you want to prevent the item from being cleared, you must **unmark** the item manually.

As with automatic control, if you unmark a purchasing document item manually, the next time the GR/IR clearing run is executed the system generates any necessary journal entries so that the clearing accounts reflect the current situation of the item without a marked final clearing date.

Examples

You may wish to manually mark or unmark items in cases such as the following:



Example 1

- Ordered quantity: **5**
- Delivered quantity: **7**
- Invoiced quantity: **5**

Since both the delivered quantity and the invoiced quantity equal or exceed the ordered quantity, the purchasing department assigns the *Delivery Completed* and *Invoice Completed* statuses to the purchase order item. Based on these statuses, the system marks the purchasing document item for final clearing and treats the 2 extra pieces as free of charge.

If you want to prevent this, for example because you know that the supplier will send an additional invoice for the extra pieces later, you can **unmark** the item to prevent the system from clearing it.

You would then need to manually mark the item later when the additional invoice arrives.



Example 2

- Ordered quantity: **5**
- Delivered quantity: **4**
- Invoiced quantity: **5**

The full ordered quantity has been invoiced, so the purchasing department has assigned the *Invoice Completed* status to the purchase order item. But since only 4 pieces have been delivered, the purchasing department has not assigned the *Delivery Completed* status. Consequently, the system has not marked the item for final clearing.

If you are nevertheless certain that **no** further deliveries are expected, you can **mark** the item for final clearing manually.

Summary

Marked Final Clearing Date Behavior

	Manual control switched OFF:	Manual control switched ON:
How items are marked for final clearing	Items are marked automatically if both <i>Delivery Completed</i> and <i>Invoice Completed</i> statuses are set.	You must mark the item manually
How items are unmarked for final clearing	Items are unmarked automatically if either <i>Delivery Completed</i> or <i>Invoice Completed</i> status is reset.	You must unmark the item manually
Effect of resetting <i>Delivery Completed</i> or <i>Invoice Completed</i> status of a purchase order item	The item is unmarked automatically.	No effect
Effect of business transactions on marked final clearing date	The marked final clearing date is affected only if business transaction results in change to <i>Delivery Completed</i> or <i>Invoice Completed</i> status.	No effect

See Also

[Purchasing Document Items Quick Guide \[page 570\]](#)

[GR/IR Clearing \[page 577\]](#)

[GR/IR Clearing Runs \[page 580\]](#)

5.4.6.2.2 GR/IR Clearing

Overview

GR/IR (goods receipt/invoice receipt) clearing is a function that you execute in order to clear the **Goods in Transit** and **Unbilled Payables** accounts when both the goods received and the associated invoices have been recorded in the system. This determines any differences between the values of the goods receipts and the invoices.

Purchases of goods and services involve the following **events**:

- Receipt of the goods or services
- Receipt of the invoice
- Payment

Since the final cost is not usually known until the invoice has been received and paid, GR/IR clearing is necessary in order to value each of these events as accurately as possible.

You execute GR/IR clearing as a run in the *Inventory Accounting* work center, *GR/IR Clearing* view.

- i** For more information on how accounts are posted with cash discounts, see the following documents:
- [GR/IR Clearing Runs \[page 580\]](#)
 - [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#)
 - [GR/IR Clearing Run – Cash Discount \[page 668\]](#)

To enable each purchasing transaction to be valued at actual cost, the transactions entered at different times must be matched up and, if necessary, revalued.

The following cases are possible:

- The goods or services are received before the invoice.
- The invoice is verified and entered **before** the goods or services are received.

To correctly handle each case, the system uses clearing accounts in addition to the inventory and expense accounts:

- **Unbilled Payables:** Goods or services that have been received but not invoiced
- **Goods in Transit:** Goods or services that have been invoiced but not received

If the prerequisites below are met, the two clearing accounts are posted each time goods **or** an invoice is received, regardless of whether the counterpart event has occurred. This maintains a consistent accounting process for similar business transactions (goods receipt or invoice receipt).

Once both the goods **and** the invoice have been recorded in the system, the clearing accounts must be cleared against each other by means of a GR/IR (goods receipt/invoice receipt) clearing run.

Prerequisites

- You have entered purchase orders in *Supplier Relationship Management (SRM)* during the procurement process.
- You have entered third-party purchase orders in *Supply Chain Management*.
- You have entered all transactions (receipt of goods/services and invoices) that result in postings on the GR/IR clearing accounts with reference to a purchase order item. This enables the transactions to be matched up.
- The goods receipt is valued with a nonzero value.
- The following checkboxes are selected in each purchase order item:
 - *Goods and Services Receipt Expected*
 - *Invoice Expected*
 - *Evaluated Receipt Settlement*

Account Movements

The following account movements (disregarding tax postings) take place when you enter the receipt of the goods or the supplier invoice:

- **Goods Receipt**

The inventory or expense account is debited with the provisional value of the delivery (purchase order price \times quantity delivered). With material inventories, the valuation can differ. Accounts from the following groups can be used, depending on the transaction:

- Material Stock
- Fixed Asset Inventory
- Material Consumption
- Expenses for External Services
- Deferred Costs

The GR/IR clearing account **Unbilled Payables** is credited with this value.

When purchases are for immediate storage in stock, you can value the material with two different cost methods: *Standard* or *Moving Average*. With the *Standard* cost method, the difference between the inventory value and the purchase order value is posted to the valuation differences account.

- **Invoice Receipt**

The supplier account is credited with the value of the invoice.

The GR/IR clearing account **Goods in Transit** is debited with the value of the invoice.

The clearing run can be started once both the receipt of the goods for a purchase order item and the receipt of the invoice have been confirmed in the system. You can set up a clearing run depending on your own requirements and also set its frequency as you require. The run first compares quantities to determine the quantity for which both a goods receipt and an invoice have been confirmed. Based on this quantity, the system determines the values to be cleared.

The clearing run:

- Values the common goods receipt/invoice receipt quantity with the invoice value per unit of measure and clears the **Goods in Transit** account with the resulting amount
- Values the common goods receipt/invoice receipt quantity with the value per unit from the goods or services receipt (purchase order price) and clears the **Unbilled Payables** account with the resulting amount
- Allocates price differences caused by valuation differences to the original account of the goods or services receipt (exception: standard price)
- Posts exchange rate differences to a separate exchange rate difference account and **not** to the original account used for the goods or services receipt
- Allocates any differences that arise when materials are purchased for immediate storage in stock to the **Price Differences** account instead of the material stock account

The following balance sheet accounts are required when stock materials are purchased:

Assets:

- **Inventories**
- **Goods in Transit**

Liabilities:

- **Trade Payables**
- **Unbilled Payables**



These accounts are included in the standard charts of accounts.

Posting Example

Goods Receipt

Your supplier delivers **10 pieces** of an item for a total value of **EUR 500** (*Standard* cost method).

The system posts this goods receipt to the relevant asset account for materials. The offsetting account is **Unbilled Payables**.

Invoice Receipt

The supplier sends an invoice for **10 pieces** with a total value of **EUR 550**.

The system posts this invoice to the **Payables** account. The offsetting posting is to **Goods in Transit**.

To value the goods receipt with the actual procurement costs, and therefore account for any value differences between the goods receipt and the invoice, you start the clearing run.

The clearing run performs the following calculations and postings:

1. Calculates the average price per piece based on the goods receipt and the invoice
2. Determines the quantity that applies to both the goods receipt and the invoice
3. Multiplies this quantity by the previously calculated average price
4. Debits or credits the clearing accounts with these values
5. Compares the valued goods receipt with the valued invoice

Since you selected the **Standard** cost method for the material, the difference is posted to a separate price differences account.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 550 (10 ea.)
3. GR/IR clearing:
Debit **Unbilled Payables** EUR 500 (10 ea.) + **Price Differences** EUR 50 (10 ea.), credit **Goods in Transit** EUR 550 (10 ea.)



The documentation on the GR/IR clearing run provides the following additional examples:

- [GR/IR Clearing Run – Standard Case \(Without Differences\) \[page 661\]](#)
- [GR/IR Clearing Run – Standard Case \(with Price Differences\) \[page 662\]](#)
- [GR/IR Clearing Run – Subsequent Credit \[page 664\]](#)
- [GR/IR Clearing Run – Partial Invoice and Completion of Purchase Order Item \[page 665\]](#)
- [GR/IR Clearing Run – Moving Average Cost Method \[page 663\]](#)
- [GR/IR Clearing Run – Invoice Receipt Before Goods Receipt \[page 666\]](#)
- [GR/IR Clearing Run – Credit Memo \[page 667\]](#)
- [GR/IR Clearing Run – Cash Discount \[page 668\]](#)
- [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#)

See Also

[Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#)

[GR/IR Clearing Runs \[page 580\]](#)

5.4.6.2.3 GR/IR Clearing Runs

Overview

GR/IR (goods receipt/invoice receipt) clearing runs compare the amounts from receipts of goods (or services) with the associated amounts on the invoices. The run first determines the quantity that matches both a goods receipt and an invoice, and clears the **Goods in Transit** and **Unbilled Payables** accounts based on this quantity. This can result in price differences, exchange rate differences, and payment differences.

You execute GR/IR clearing runs in the *Inventory Valuation* work center, *GR/IR Clearing* view.

Prerequisites

- You are using *Supplier Relationship Management (SRM)* for purchase orders.
- Both a goods or services receipt and an invoice exists for a purchase order item.
- The purchase order item to be cleared is marked for final clearing in the *Inventory Valuation* work center, *Purchasing Document Items* view.



The item is unmarked automatically when an associated primary posting (that is, any **non-clearing** posting) is made.

- You are using *Supply Chain Management (SCM)* for third-party order processing.

Features

Normally, goods are received before the corresponding invoice. In this case, goods receipts are matched up with the invoices based on the purchasing document item and goods receipt item. The system takes the following factors into account:

- Purchasing document (such as a purchase order)
- Purchasing document item
- Goods receipt (service and delivery)
- Item of the goods receipt
- Goods issue for third-party order processing
- Item of the goods issue

If an invoice has been received but **not** the goods (see the posting examples below), the system waits until the goods have been received, then matches the invoice to the goods receipt.

The GR/IR clearing run then determines the values to be used for the associated goods/services receipts and invoices:

- The common goods receipt/invoice receipt quantity is valued with the invoice value per piece and the **Goods in Transit** account is cleared with the resulting amount.
- The common goods receipt/invoice receipt quantity is valued with the value per piece from the goods or services receipt and the **Unbilled Payables** account is cleared with the resulting amount.
- **Price differences**, which can arise for example if the invoice price differs from the order price, are posted as follows:
 - Same account as with receipt of goods or services:
 - With cost assignment to cost center or project: to **Material/Service Expenses**
 - With cost assignment to fixed assets: to **Fixed Assets**
 - With sales order items: to the account that caused the costs (**Deferred Costs / Material/Service Expenses**)
 - With service order items: to **Material/Service Expenses**
 - Material procurement with moving average cost method and stock coverage: same account as with goods receipt
 - Price difference account:
 - Material procurement with standard cost method

- Material procurement with moving average cost method and no stock coverage:
- **Exchange rate differences** arise when a purchasing document (such as a purchase order) is denominated in a different currency than for example the local currency, and the exchange rate changes between the point of the goods receipt and the point of the invoice. Exchange rate differences are calculated by the GR/IR clearing run and posted to an exchange rate differences account.
For more information, see [Price Differences, Exchange Rate Differences, and Cash Discounts \[page 669\]](#).
- **Payment differences** caused by cash discounts are posted as follows:
 - Same account as with receipt of goods or services:
 - With cost assignment to cost center or project: to **Material/Service Expenses**
 - With cost assignment to fixed assets: to **Fixed Assets**
 - With sales order items: to the account that caused the costs (**Deferred Costs / Material/Service Expenses**)
 - With service order items: to **Material/Service Expenses**
 - Material procurement with moving average cost method and stock coverage:
 - Cash discount in the income statement:
 - Material procurement with standard cost method
 - Material procurement with moving average cost method and no stock coverage (apportioned based on the quantity posted in the inventory)

Frequency of GR/IR Clearing Runs

The more frequently you execute GR/IR clearing runs, the more accurate the calculations involving the moving average cost or fixed assets will be. Depending on the level of accuracy you desire, you can execute clearing runs quarterly, at the end of each period, or as often as daily.

Starting a GR/IR Clearing Run

For information about starting a GR/IR clearing run, see [GR/IR Clearing Quick Guide \[page 646\]](#).

Accounting Period

The results of the clearing run depend on the period for which it is executed:

- If you specify the **current period** for the run, the system uses the current date as the run date. This date is also the posting date for the run. The run processes all data up to and including the selected date.
- If you start the run for a **prior period**, the run date is automatically the last day of that period. This date is also the posting date for the run. The run processes all data up to and including the run date.

i Make sure that **no** GR/IR clearing run was performed between the past period up to and including the current period for the same selection criteria, since this can result in duplicate postings. In that case you would need to repeat all GR/IR clearing runs for all periods from the past period up to and including the current period.

- You **cannot** start a clearing run for a **future period**.

Clearing Status

For performance reasons, the GR/IR clearing run only processes objects that have the status To Be Cleared.

The system sets the Cleared status in the following cases:

- No future postings for the object exist at the point when the clearing run is executed as an update run.
- The *Marked Final Clearing Date* for the object is **not** in the future at the point when the clearing run is executed as an update run.

The status remains (or is set to) To Be Cleared in the following cases:

- For any business transaction
- Future postings for the object exist at the point when the clearing run is executed as an update run.
- The *Marked Final Clearing Date* is in the future at the point when the clearing run is executed as an update run.
- When the object is marked or unmarked for final clearing.

The clearing status of items can be seen in the *Inventory Valuation* work center, *Purchasing Document Items* view by selecting the Show view *Items to be Cleared*. This shows all purchasing document items that have the status To Be Cleared.

Adjustment Runs

Adjustment runs process **all** objects, regardless of the clearing status of the objects.

You start an adjustment run for example when you want to execute GR/IR clearing runs for the past although you executed a clearing run for the current period as an update run (and the objects therefore have the status Cleared). For instance, if price differences were posted incorrectly in the current period, you can execute an adjustment run for the prior period.

For information about starting an adjustment run, see [GR/IR Clearing Quick Guide \[page 646\]](#).

Log for GR/IR Clearing

The log contains different tabs for objects that were processed successfully and those that were processed with errors. In the normal case where goods are received before the invoice, these tabs show the purchasing document item and delivery item, but **not** the invoice item.

In rare cases where the invoice is received before the goods, the system initially shows the purchasing document item and the invoice item.

You can analyze the run in detail on the **Processed Successfully** tab under *Only Posting Information* or, for even more detail, under *Advanced Information*.

The *GR/IR Clearing Set* column indicates the set of line items associated with the purchasing document item which were treated as a unit and cleared together. A set may consist for example of a supplier goods receipt and a supplier invoice. A given purchasing document item can have more than one GR/IR clearing set (for example, one set for each supplier goods receipt). The *GR/IR Clearing Set Type* indicates the type of transaction on which a clearing set is based, such as a supplier goods receipt or a supplier invoice.



If you discover that **no** invoice was used in the clearing process for an object, you can compare the posting date of the expected invoice with the clearing period (see Accounting Period above).

Journal Entry

When the GR/IR clearing run is completed, the system creates a journal entry in the general ledger of the type *Goods Receipt/Invoice Receipt Clearing*.

GR/IR Clearing Scenarios

Posting examples are provided below for the following GR/IR clearing scenarios:

- [Standard Case \(No Differences\) \[page 662\]](#)
- [Price Difference with Standard Cost Method \[page 662\]](#)
- [Price Difference and Partial Invoice with Moving Average Cost Method \[page 663\]](#)
- [Expense for External Services with Credit Memo \[page 667\]](#)
- [Price Difference Due to Cash Discount and Purchase of Material for Consumption \[page 668\]](#)
- [Price Difference Due to Subsequent Credit and Asset Acquisition \[page 664\]](#)
- [Partial Invoice and Completion of Purchase Order Item \[page 665\]](#)
- [Invoice Receipt Before Goods Receipt \[page 666\]](#)

See Also

[Marked Final Clearing Date for Purchasing Document Items \[page 574\]](#)

[GR/IR Clearing \[page 577\]](#)

5.4.6.2.4 GR/IR Clearing Run – Standard Case (Without Differences)

Overview

The standard value of a material is its purchase order value. This means that the goods receipt does **not** result in valuation differences.

- **Purchase order:**
Your supplier delivers 10 pieces with a total value of EUR 500 (EUR 50 ea.). The system posts this goods receipt to the associated asset account for materials (**Inventories**). The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier sends you an invoice for 10 pieces with a total value of EUR 500. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **GR/IR clearing run:**
Since the order is completely delivered and invoiced, the clearing run completely clears **Unbilled Payables** and **Goods in Transit**.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 500 (10 ea.)
3. GR/IR clearing:
Debit **Unbilled Payables** EUR 500 (10 ea.), credit **Goods in Transit** EUR 500 (10 ea.)

5.4.6.2.5 GR/IR Clearing Run – Price Differences with Standard Cost Method

Overview

If a material with the Standard perpetual cost method is purchased for storage in stock, and the invoiced price differs from the order price, the GR/IR clearing run posts the difference to the price differences account.

Example

A material with the Standard perpetual cost method is purchased for storage in stock. The invoiced price is higher than the order price. This results in differences between the valued goods receipt and the invoice.

- **Purchase order:**
10 pieces for a total value of EUR 500 (EUR 50 ea.)
- **Goods receipt:**
Your supplier delivers 10 pieces with a total value of EUR 500 (EUR 50 ea.). The system posts this goods receipt to the associated asset account for materials (**Inventories**) based on the valuation level set for the material in its master data. The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier sends you an invoice for 10 pieces with a total value of EUR 550. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **GR/IR clearing run:**
Since the order is completely delivered and invoiced, the clearing run completely clears **Unbilled Payables** and **Goods in Transit**. The difference of EUR 50 between the goods receipt and the invoice is charged to the **Price Differences** account. The price difference of EUR 50 is normally posted to the account used for the goods receipt. If the standard cost method is assigned to the material, however, the difference is posted to a separate price differences account. This means that the price differences are allocated to the price differences account and not to inventory.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 550 (10 ea.)
3. GR/IR clearing:
Debit **Unbilled Payables** EUR 500 (10 ea.) + **Price Differences** EUR 50 (10 ea.), credit **Goods in Transit** EUR 550 (10 ea.)

5.4.6.2.6 GR/IR Clearing Run – Price Differences with Moving Average Cost Method

Overview

If a material with the Moving Average perpetual cost method is purchased for storage in stock, and the invoiced price differs from the order price, the GR/IR clearing run posts the difference to inventory.

Example

A material with the Moving Average cost method is purchased for storage in stock. The supplier sends an invoice for only part of the delivery. The invoiced price is higher than the order price, which results in differences between the valued goods receipt and the invoice.

- **Purchase order:**
10 pieces for a total value of **EUR 500** (EUR 50 ea.)
- **Goods receipt:**
Your supplier delivers **10** pieces with a total value of **EUR 500**. The system posts this goods receipt to the associated asset account for materials (**Inventories**) based on the valuation level set for the material in its master data. The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier sends a partial invoice for **6** pieces with a total value of **EUR 310**. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **GR/IR clearing run:**
The GR/IR clearing run completely clears the **Goods in Transit** account. However, only part of the **Unbilled Payables** account is cleared. The price difference of **EUR 10** between the goods receipt and the invoice is posted to the asset account for materials (**Inventories**).
Only part of the **Unbilled Payables** account is cleared because only **6** pieces were delivered and invoiced. Therefore there are only 6 pieces to match up. The remaining amount stays on the **Unbilled Payables** account until the invoice for the remaining **4** pieces is received or the item is marked for final clearing and the GR/IR clearing run completely clears the clearing accounts.
The goods receipt for **6** pieces has a value of **EUR 300**. The invoice for the **6** pieces, however, is for **EUR 310**. The price difference of **EUR 10** is posted to the account used for the goods receipt. This allocates the price differences to the asset account for materials (**Inventories**).

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 310 (6 ea.)
3. GR/IR clearing:
Debit **Unbilled Payables** EUR 300 (6 ea.)
Debit **Material** EUR 10 (6 ea.)
Credit **Goods in Transit** EUR 310 (6 ea.)

5.4.6.2.7 GR/IR Clearing Run – Subsequent Credit

Overview

You order and receive items from your supplier, along with an invoice. If the value of the items is lower than originally stated (such as because the supplier applied a discount), this results in a subsequent credit to the **Trade Payables** account. This credit posting involves value only. Unlike a credit memo, it does **not** affect quantities.



Subsequent debits are also possible, which increase the value of the invoice rather than decreasing it.

Example

Assume your company purchases ten computers. Your company treats the computers as fixed assets. After the goods and the invoice are received, a defect is discovered that reduces the value of the computers but does not diminish their usefulness. The supplier agrees to reduce the price by 10%.

- **Purchase order:**
10 computers with a total value of **EUR 10,000** (EUR 1,000 each)
- **Goods receipt:**
The supplier delivers 10 computers with a total value of **EUR 10,000**. The system posts the goods receipt to the **Asset Account for Plant and Machinery**. The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier invoices you for 10 computers with a total value of **EUR 10,000**. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **Subsequent credit:**
As agreed, the supplier reduces the original amount of the invoice by 10% or **EUR 1,000**. The system posts this credit to the **Trade Payables** account. The offsetting posting is to **Goods in Transit**.
- **GR/IR clearing run:**
The GR/IR clearing run completely clears **Unbilled Payables** and **Goods in Transit**. The price difference of EUR 1,000 is posted to the **Asset Account for Plant and Machinery**.
Since the delivered quantity is the same as the invoiced quantity, the system completely clears **Unbilled Payables** and **Goods in Transit**. The subsequent credit reduces only the monetary amount and not the quantity.
The price difference of **EUR 1,000** due to the subsequent credit is posted to the account used for the goods receipt. This settles the price differences to the asset account for plant and machinery.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Asset Account for Plant and Machinery**, credit **Unbilled Payables** EUR 10,000 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 10,000 (10 ea.)
3. Subsequent credit:
Debit **Payables** EUR 1,000, credit **Goods in Transit** EUR 1,000 (10 ea.)
4. GR/IR clearing:

Debit **Unbilled Payables** EUR 10,000 (10 ea.), credit **Goods in Transit** EUR 9,000 (10 ea.) + **Asset Account for Plant and Machinery** EUR 1,000

5.4.6.2.8 GR/IR Clearing Run – Partial Invoice and Completion of Purchase Order Item

Overview

If not all of the goods receipts have been matched to the invoices at the point when you start the GR/IR clearing run, only those that have been matched are cleared.

However, if a purchasing document item has been marked for final clearing, the clearing accounts for that item are cleared regardless of the quantity.

- i** Purchasing document items are marked for final clearing automatically when the corresponding purchase order item has been assigned the Delivery Completed and Invoice Completed statuses in the *Purchase Requests and Orders* work center.
- It is also possible to manually mark items that do not have these statuses, if you are certain that no further deliveries or invoices are expected. You manually mark items for final clearing in the *Inventory Valuation* work center, *Purchasing Document Items* view.

Example

A material with the Moving Average cost method is purchased for storage in stock. The supplier invoice is for one piece less than was ordered. The supplier tells you that the last piece was free and there will be **no** further invoices for that item.

- **Purchase order:**
10 pieces for a total value of **EUR 500** (EUR 50 ea.)
- **Goods receipt:**
The supplier delivers **10** pieces with a total value of **EUR 500**. The system posts this goods receipt to the associated asset account for materials (**Inventories**). The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier sends a partial delivery of **9** pieces with a total value of **EUR 450**. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **Completion of purchase order item (Accounting view):**
The supplier tells the buyer that the last piece was free and there will be **no** further invoices for that item. Since all deliveries and invoices have been received, the buyer sets the Delivery Completed and Invoice Completed statuses for the purchase order item. Based on these statuses, the item is marked for final clearing automatically.
- **GR/IR clearing run:**
The GR/IR clearing run completely clears **Unbilled Payables** and **Goods in Transit**. The price difference of **EUR 50** between the goods receipt and the invoice is posted to the asset account for materials (**Inventories**). Even though only a partial invoice has been received, **Unbilled Payables** is cleared completely because the purchase order item is marked for final clearing.

i If a purchase order item has been marked for final clearing, the GR/IR clearing run completely clears **Unbilled Payables** and **Goods in Transit** for that item, even if a different quantity was invoiced than was actually received.

The price difference of **EUR 50** due to the different quantity is posted to the account used for the goods receipt. This allocates the price differences to the asset account for materials (**Inventories**).

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 450 (9 ea.)
3. Completion of Purchase Order Item (Accounting View)
4. GR/IR clearing:
Debit **Unbilled Payables** EUR 500 (10 ea.)
Credit **Goods in Transit** EUR 450 (9 ea.)
Credit **Material** EUR 50 (10 ea.)

5.4.6.2.9 GR/IR Clearing Run – Invoice Receipt Before Goods Receipt

Overview

When an invoice is received **before** the goods have arrived, the invoice is posted in the **Purchases in Transit** account but has no assignment to a goods receipt at this point. When the goods are received, the invoice is assigned to the goods receipt using the original posting date of the goods receipt.

i If the goods receipt has an earlier posting date than that of the invoice but is posted after the invoice, the posting date of the invoice is used.

If the goods receipt is later **canceled**, the invoice is unassigned from the goods receipt using the posting date of the invoice.

i If the period is locked, you have two options:

- You can unlock the period.
- You can overwrite the posting date in the source document. After the system notifies accounting regarding the business transaction, go to the **General Ledger** work center, **Source Documents** view. Select the **Unposted Source Documents** filter. To overwrite the posting date, click **Actions** , then **View Business Transaction**. On the **Business Transaction for Accounting** screen, click **Post to Another Period**. A dialog box appears in which you enter the alternate posting date and (optionally) an alternate closing step.

Example

An invoice is received before the goods, but **no** price differences result.

- Purchase order:

10 pieces for a total value of **EUR 500** (EUR 50 ea.)

- **Invoice receipt:**

The supplier sends an invoice for 10 pieces with a total value of **EUR 500**. The system posts this amount to **Purchases in Transit**. The offsetting account is **Trade Payables**.

- **Goods receipt:**

Your supplier delivers 10 pieces with a total value of **EUR 500**. The system posts this goods receipt to the associated asset account for materials (**Inventories**). The offsetting account is **Unbilled Payables**.

- **Adjusting entry in Purchases in Transit account:**

For the 10 pieces with a total value of **EUR 500**, the system automatically debits **Purchases in Transit** and credits **Purchases in Transit**.

This adjusting entry is necessary because when the invoice was received it could **not** be matched to a goods receipt in accounting either. To enable delivery-based invoice verification, which matches the invoices to the corresponding goods receipts, the 10 pieces for EUR 500 must be adjusted within the **Purchases in Transit** account. The posting results in the 10 pieces for EUR 500 being assigned to the goods receipt, and the goods receipt and invoice receipt (GR/IR) clearing run can now clear the items.

- **GR/IR clearing run:**

Since the order is completely delivered and invoiced, the clearing run completely clears **Unbilled Payables** and **Purchases in Transit**.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Invoice receipt:

Debit **Purchases in Transit**, credit **Payables** EUR 500 (10 ea.)

2. Goods receipt:

Debit **Material**, credit **Unbilled Payables** EUR 500 (10 ea.)

3. Reposting:

Debit **Purchases in Transit**, credit **Purchases in Transit** EUR 500 (10 ea.)

4. GR/IR clearing:

Debit **Unbilled Payables** EUR 500 (10 ea.) + credit **Purchases in Transit** EUR 500 (10 ea.)

5.4.6.2.10 GR/IR Clearing Run – Credit Memo

Overview

A supplier may send you a credit memo because of an error on an invoice. The system treats the credit memo as a quantity and value credit. If you want the system to apply only the value of the credit memo and not the quantity, you use the Subsequent Credit function.

Example

A service is ordered for a cost center. After the receipt of the service is confirmed and the invoice is received, the service provider sends a credit memo for time that was charged in error.

- **Purchase order:**

10 hours for a total amount of **EUR 1,000** (EUR 100 /hr.)

- **Confirmation:**

You receive **10** hours of the service for a total of **EUR 1,000**. The system posts this amount to the **Expenses for External Services** account. The offsetting account is **Unbilled Payables**.

- **Invoice receipt:**

The service provider sends you an invoice for **12** hours with a total value of **EUR 1,200**. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.

- **Credit memo:**

The service provider realizes the error and sends you a credit memo for **EUR 200**. The system posts this amount to the **Trade Payables** account. The offsetting posting is to **Goods in Transit**. **Goods in Transit** is reduced by **EUR 200** and **2 hours** (both the value and the quantity – see above).

- **GR/IR clearing run:**

The GR/IR clearing run completely clears **Unbilled Payables** and **Goods in Transit** since the service was completely delivered and invoiced.

If there had been price differences, they would have been posted to the account used for the goods receipt. This would have posted the price differences to the Expense Account for External Services.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Confirmation:

Debit **Expenses for External Services**, credit **Unbilled Payables** EUR 1,000 (10 hours)

2. Invoice receipt:

Debit **Goods in Transit**, credit **Payables** EUR 1,200 (12 hours)

3. Credit memo:

Debit **Payables**, credit **Goods in Transit** EUR 200 (2 hours)

4. GR/IR clearing:

Debit **Unbilled Payables** EUR 1,000 (10 hours), credit **Goods in Transit** EUR 1,000 (10 hours)

5.4.6.2.11 GR/IR Clearing Run – Cash Discount

Overview

When a cash discount is applied to a payment, the discount is posted to the **Goods in Transit** account (provided that the invoice item indicates the associated purchase order item and the goods have been received or are expected).

The GR/IR (goods receipt/invoice receipt) clearing run treats the discount as a reduction in the invoice value.

- For materials with the **Standard** cost method, the posting is from **Goods in Transit** to **Cash Discount Received/Expense**.
- For materials with the **Moving Average** cost method, the posting is from **Goods in Transit** to inventory provided that stock coverage is sufficient, otherwise to **Cash Discount Received/Expense**.
- If procurement is for consumption, the cash discount received/expense is posted to the original consumption accounts.

Example

A material is ordered for a project and thus for consumption. After the material is received and invoiced, a previously agreed discount is applied to the payment.

- **Purchase order:**

10 pieces for a total value of **EUR 500** (EUR 50 ea.)

- **Goods receipt:**
The supplier delivers **10** pieces with a total value of **EUR 500**. The system posts this goods receipt to **Material Consumption**. The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier sends an invoice for **10** pieces with a total value of **EUR 500**. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **Outgoing payments:**
You pay the invoice less a **EUR 15 cash discount**. The associated **Trade Payables** account is credited with **EUR 500**. The outgoing payment of **EUR 485** is posted to the **Cash** account, and the discount of **EUR 15** to **Goods in Transit**.
A cash discount is a percentage price reduction that is applied to the invoice if payment is made within a prescribed time limit or if payment is by cash. For more information on cash discounts, refer to the documentation on outgoing payments.
- **GR/IR clearing run:**
The GR/IR clearing run completely clears **Unbilled Payables** and **Goods in Transit**. The price difference of **EUR 15** is posted to **Material Consumption**.
Since the delivered quantity is the same as the invoiced quantity, the system completely clears **Unbilled Payables** and **Goods in Transit**. The discount reduces only the monetary amount and **not** the quantity.
The difference of **EUR 15** due to the cash discount is posted to the account used for the goods receipt. This settles the price differences to **Material Consumption**.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material Expense**, credit **Unbilled Payables** EUR 500 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 500 (10 ea.)
3. Outgoing payment:
Debit **Payables** EUR 500, credit **Goods in Transit** EUR 15 (10 ea.) + **Cash** EUR 485
4. GR/IR clearing:
Debit **Unbilled Payables** EUR 500 (10 ea.), credit **Goods in Transit** EUR 485 (10 ea.) + **Material Expense** EUR 15

5.4.6.2.12 Price Differences, Exchange Rate Differences, and Cash Discounts

Overview

GR/IR clearing runs that you execute in the *Inventory Valuation* work center, *GR/IR Clearing* view generate postings to properly account for price differences, exchange rate differences, and cash discounts.

- **Price differences** occur when the invoice price does not match the order price, resulting in a different value for the goods receipt.



Even if the invoice has the same value as the order, price differences can still occur because invoices are recorded as a value per quantity while goods receipts are recorded as Price × Quantity.

- **Exchange rate differences** arise in cross-border transactions involving foreign currencies and fluctuating exchange rates. Since the system always uses the current exchange rate, the rate it applies may vary between the ordering point and the receipt of the goods. This results in exchange rate differences. GR/IR clearing uses the exchange rate of the goods receipt.
- **Cash discounts** are a percentage reduction applied to the invoice if you pay within a prescribed time limit. Cash discounts are treated as a reduction in the invoice value in GR/IR clearing. For more information on how cash discounts are handled in GR/IR clearing, including a posting example, see [GR/IR Clearing Run – Cash Discount \[page 668\]](#).

Example

A material with the *Standard* cost method is purchased for storage in stock. It was ordered in pounds sterling (GBP), and the invoice is in pounds sterling as well. The company's local currency is euros (EUR). The exchange rate changes between the point of the invoice and the receipt of the goods. Furthermore, the invoiced price is lower than the order price. This results in both exchange rate differences and price differences.

- **Purchase order:**
10 pieces for a total value of **GBP 1000** (GBP 100 each)
- **Goods receipt:**
Your supplier delivers **10** pieces with a total value of **GBP 1000**. The exchange rate between the pound and the euro is currently **1:1.55**. The goods receipt is therefore valued at **EUR 1550** in local currency. The system posts this goods receipt to the associated asset account for materials (**Inventories**). The offsetting account is **Unbilled Payables**.
- **Invoice receipt:**
The supplier sends you an invoice for **10 pieces** with a total value of **GBP 900**. The exchange rate between the pound and the euro is now **1:1.7**. The invoice is therefore valued at **EUR 1530** in local currency. The system posts this amount to **Goods in Transit**. The offsetting account is **Trade Payables**.
- **GR/IR clearing run:**
The GR/IR clearing run completely clears **Unbilled Payables** and **Goods in Transit**. The run calculates price differences of **EUR 155** and exchange rate differences of **EUR 135**. The price differences are posted to the price difference account and the exchange rate differences to the exchange rate difference account.
The price differences amount to **GBP 100** in the purchase order currency. This amount is converted to local currency at the exchange rate of the goods receipt, which results in a price difference of **EUR 155**. The exchange rate difference is **EUR 135**, which completely clears the item in local currency. The price differences and the exchange rate differences are posted to separate accounts.

Postings

In this example, the GR/IR clearing run generates the following postings:

1. Goods receipt:
Debit **Material**, credit **Unbilled Payables** EUR 1550 (10 ea.)
2. Invoice receipt:
Debit **Goods in Transit**, credit **Payables** EUR 1530 (10 ea.)
3. GR/IR clearing:
Debit **Unbilled Payables** EUR 1550 (10 ea.) + **Exchange Rate Differences** EUR 135 (10 ea.), credit **Goods in Transit** EUR 1530 (10 ea.) + **Price Differences** EUR 155 (10 ea.)

See Also

[GR/IR Clearing \[page 577\]](#)

5.4.6.2.13 Valuation Runs

Overview

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

Valuation runs include:

- Balance carryforward runs
- Foreign currency remeasurement runs for payables or receivables
- Reclassification runs for payables or receivables
- Depreciation runs
- Overhead absorption runs for production lots, service orders, direct cost projects, or overhead cost projects
- Work-in-process clearing runs
- GR/IR (goods receipt/invoice receipt) clearing runs
- Revenue recognition runs
- Distribution runs

Valuation runs are available only in accounting applications. Runs in other applications are called mass data runs, which perform automatic mass processing on operational data. Examples of mass data runs include invoice runs, confirmation update runs, dunning runs, and payment runs.

Valuation Runs versus Mass Data Runs

Valuation runs differ from mass data runs in a number of ways:

- Scheduling
 - Operational applications perform mass data runs relatively frequently, often at regularly scheduled intervals. It is therefore possible to perform a mass data run **repeatedly** with identical selection parameters, or to schedule it as a periodic run. A record of each mass data run is stored in an application log to enable you to trace the results of the run.
 - You perform valuation runs only during period-end closing. It is very important to carry out the different tasks of the period-end closing process in the correct sequence and align them to each other. It would be of little use to schedule a valuation run as a periodic task, so the system does not provide this option. Instead, you use the [Closing Cockpit \[page 286\]](#) to carry out the closing process. You can only perform a valuation run **once**. If you want to repeat a valuation run with the same parameters, you create a new valuation run based on the previous one. The parameters of the previous valuation run are copied into the new run, where you can modify them if necessary before starting the run.
- Results
 - Mass data runs do not generate any postings. Instead, they generate documents or lists which you then process manually. Only this manual processing can generate postings. For example, the payments generated by a payment run first have to be approved before the system posts them.
 - You can create valuation runs as test runs to simulate their effects. Test runs do not generate any postings or change any data. They are simply a means for you to see what the effects of the run would be. Once you are satisfied with the simulated results, you execute the run again as an update run.
- Posting Logic

- When you execute a mass data run, source documents are generated automatically. When they are released, these source documents can be processed in accounting just like manually created source documents.
- When you execute a valuation run, journal entries are generated automatically. You can specify a set of books when you create the valuation run. In this case the journal entries are generated only in that set of books. If you do not specify a set of books, the valuation run is executed for all sets of books. This means that journal entries are generated in each set of books assigned to the company.



Do not execute a valuation run for more than one set of books if the fiscal years for the sets of books are offset against each other. If the fiscal years are offset, the valuation run would generate postings in different calendar months because the period numbers would not refer to the same months in the different fiscal years.

5.4.7 Material Cost Accumulation View

5.4.7.1 Material Cost Accumulation Quick Guide

In the **Material Cost Accumulation** view, you execute runs that collect all costs involved in purchasing or producing the selected materials. The costs are collected for each business residence in which the material is used.

If valuation at the product specification level is activated in your solution configuration, the run will process the relevant transactions and include the relevant costs.

- i** You execute a material cost accumulation run in preparation for a **FIFO cost determination run** which writes the collected costs to the material master data.

For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).

You access this view in the **Inventory Valuation** work center.

Business Background

Inventory Valuation Based on FIFO

FIFO (First In, First Out) is an inventory valuation method which assumes that the inventory items acquired or manufactured earliest are the first to be used. With this method, the inventory layers are mainly from the latest purchases or production runs. Thus the inventory values reported in the balance sheet are more realistic as they are based on the most recently incurred costs.

Under IFRS accounting standards, FIFO is a preferred method for measuring the historical cost of inventory (true and fair principle). It is also an appropriate method in inflationary markets because it charges off the earliest (lowest) costs first, allowing you to report higher values for inventory on hand.

To apply the FIFO method, you execute a **material cost accumulation run** on a periodic basis, which collects the costs involved in purchasing or producing the selected materials. You then use a **FIFO cost determination run** to update the calculated cost to the material valuation master data as the **Periodic FIFO Cost**. If you decide that the periodic FIFO cost calculated by the run is appropriate for valuing your inventories, you set it as the new inventory cost. The basic process is illustrated below.



Valuation of Inventories with FIFO Costs

For more information, see [Inventory Valuation Based on FIFO \[page 512\]](#).

Valuation of Material Inventories

To ensure accurate valuation of warehouse inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

For more information, see [Valuation of Material Inventories \[page 509\]](#).

GR/IR Clearing Runs

GR/IR (goods receipt/invoice receipt) clearing runs compare the amounts from receipts of goods (or services) with the associated amounts on the invoices. The run first determines the quantity that matches both a goods receipt and an invoice, and clears the **Goods in Transit** and **Unbilled Payables** accounts based on this quantity. This can result in price differences, exchange rate differences, and payment differences.

You execute GR/IR clearing runs in the *Inventory Valuation* work center, *GR/IR Clearing* view.

For more information, see [GR/IR Clearing Runs \[page 580\]](#).

WIP Clearing Runs

Work-in-process (WIP) clearing runs are periodic tasks that are usually performed at regularly scheduled times or during period closing to correct and clear the work in process account. A run selects all production lots that have the corresponding status and reduces the associated work-in-process inventory to zero.

By taking account of all changes to work in process during the period, WIP clearing runs ensure that the value of the work in process is correctly reported at the end of the period.

You create WIP clearing runs in the *Inventory Valuation* work center, *WIP Clearing* view.

For more information, see [Work-in-Process Clearing Runs \[page 641\]](#)



Tasks

Start Material Cost Accumulation Run



Recommendations

- To ensure full and correct results, it is recommended that you carry out the following activities **before** starting the run:
 - Execute a GR/IR clearing run.
 - Execute a WIP clearing run.
 - Make sure all source documents are posted and that any posting errors have been corrected.
- It is recommended that you execute a material cost accumulation run on a monthly basis.

1. Click **New** **Material Cost Accumulation Run**.

2. Enter the run parameters:

- *Company*
- *Set of Books*
- *Test Run*

If you select *Test Run*, the results are for your information only and are **not** processed by the FIFO Cost Determination run. If you want the results to be processed by the FIFO Cost Determination run, make sure that *Test Run* is deselected.

- *From/To Date*

The posting date range of the purchasing and production source documents to be included in the run.



To ensure that all relevant costs are collected, the date range should reach back at least 2 to 3 months into the past, depending on your production cycle.

By default, the system includes all goods receipts for procurement and production. You can additionally include the following:

- *Customer Returns*
Select this checkbox if you want to include items returned by customers.
- *Returns of Nonconsumed Goods*
Select this checkbox if you want to include returns of items that were issued for consumption within the company but then returned.
- *Stock Transfers*
Select this checkbox if you want to include items that were moved from one site to another within the company.
- *Manual Cost Adjustments*

Select this checkbox if you want to include any additional costs captured through journal entry vouchers with the screen variant *Manual Write-Up/Write Down for Materials*. Only positive cost adjustments will be considered.

Enter the selection criteria for the materials on any or all of the following tabs:

- **Material**

Only materials in the **same company** can be selected.

- **Product Category**

- **Business Residence**

3. You can now save or schedule the run.

- To save the run without executing it, click **Save**.

- To execute the run, click **Start Now** to start the run immediately, or **Schedule** to start it at a later time.

Results

To see the results, on the **Execution Details** tab, select an execution and click **View**, or simply click the execution ID. The results are shown on the **Processed Successfully** and **Processed with Errors** tabs.

For each source document item that was processed successfully, you can see the following information:

- **Material**
- **Business Residence**
- **Source Document Item ID**

To see the cost breakdown for a particular source document item, select the corresponding row (or filter on the source document ID). The breakdown is then displayed in the Details area.

- **Source Document Type**

- **Source Document Date**

- **Valuation Amount**

The total value determined for the source document.

- **Valuation Quantity**

The total quantity determined for the source document. This reflects any changes from returns or adjustments for the goods receipts.

- **Valuation Amount Per Unit**

The valuation amount divided by the valuation quantity.

- **Layer Status**

Indicates the status of the inventory layer:

- **Active** means that this run is the most recent run that generated the inventory layer.

- **Inactive** means that the inventory layer was generated again by a later run and is therefore no longer active in this run.



Only **active** layers are processed by a new FIFO cost determination run.

The **Details** area displays a breakdown of the selected source document item.



Materials with a **negative inventory** are not processed by the FIFO cost determination run. If you have negative inventories, you should enter the missing source documents for those materials before executing the material cost accumulation run.

Follow-On Activities

After you have executed a material cost accumulation run and checked the results, execute a **FIFO cost determination run** to calculate the FIFO cost for the selected materials.

For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).

5.4.7.2 Business Background

5.4.7.2.1 Inventory Valuation Based On FIFO

Overview

FIFO (First In, First Out) is an inventory valuation method which assumes that the inventory items acquired or manufactured earliest are the first to be used. With this method, the inventory layers are mainly from the latest purchases or production runs. Thus the inventory values reported in the balance sheet are more realistic as they are based on the most recently incurred costs.

Under IFRS accounting standards, FIFO is a preferred method for measuring the historical cost of inventory (true and fair principle). It is also an appropriate method in inflationary markets because it charges off the earliest (lowest) costs first, allowing you to report higher values for inventory on hand.

To apply the FIFO method, you execute a **material cost accumulation run** on a periodic basis, which collects the costs involved in purchasing or producing the selected materials. You then use a **FIFO cost determination run** to update the calculated cost to the material valuation master data as the *Periodic FIFO Cost*. If you decide that the periodic FIFO cost calculated by the run is appropriate for valuing your inventories, you set it as the new inventory cost. The basic process is illustrated below.



Valuation of Inventories with FIFO Costs

The FIFO functionality is available in the *Inventory Valuation* work center in the following views under *Periodic Tasks*:

- [Material Cost Accumulation](#)
- [FIFO Cost Determination](#)



FIFO costs are only supported for balance sheet valuation. It is not possible to value cost of goods sold with FIFO.

Prerequisites

The FIFO cost method is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). Then do the following:

- In the *Scoping* step, in the *Financial and Management Accounting* business area, ensure that the *Valuation of Warehouse Inventory* element is selected within *Inventory Valuation*.
- In the *Questions* step, for the *Valuation of Warehouse Inventory* element, confirm that you want to calculate material costs using the FIFO cost method.

Application of the FIFO Method

The basic procedure for applying the FIFO method to value your inventories is as follows. Click the hyperlinks in each step for detailed instructions. All steps are carried out in the *Inventory Valuation* work center.

1. Execute a **material cost accumulation run** to collect the costs for the selected materials.
View: [Material Cost Accumulation \[page 672\]](#)
2. Execute a **FIFO cost determination run** to calculate the FIFO cost for the selected materials.
View: [FIFO Cost Determination \[page 680\]](#)
3. As a spot check, you can now look at the value for the cost type *Periodic FIFO Cost* for selected materials.
View: [Material Unit Costs \[page 539\]](#)
4. Set the FIFO cost as the new inventory cost.
 - You can do this for individually selected materials with the [Set as Inventory Cost](#) function.
View: [Material Unit Costs \[page 539\]](#)
 - To set the FIFO cost as the inventory cost for a large number of materials at once, start an **update inventory costs run**.
View: [Update Inventory Costs \[page 622\]](#)

If you wish to see exactly how the FIFO costs differ from the inventory costs for all materials, you can use the [Inventory Cost Analysis Based On FIFO \[page 708\]](#) report.

Material Cost Accumulation Run

Material cost accumulation runs collect all costs of purchasing and production in order to build inventory layers for the materials. These layers are then used by the FIFO cost determination run to calculate the FIFO cost.

- For the **purchasing** process, the material cost accumulation run collects all purchasing costs for the selected materials, including:
 - Standard and moving average costs
 - Price differences
 - GR/IR clearing differences

This produces a total valuation amount for each goods receipt.

- For the **production** process, the material cost accumulation run collects the costs for:
 - Raw materials
 - Semifinished goods
 - Resources consumed

- Overhead costs applied to the production lot
- Production price differences from the WIP clearing run

This produces a total cost for the production lot.

For more information, see [Material Cost Accumulation Quick Guide \[page 672\]](#).

FIFO Cost Determination Run

FIFO cost determination runs use the results of material cost accumulation runs to calculate the FIFO cost for the materials. They then write the resulting unit costs to the material valuation master data.

You specify a period and year for the run. The system uses the ending inventory balance for that period to identify which quantities are in stock under a FIFO cost flow assumption. It then allocates the costs collected in the material cost accumulation run to these quantities and writes the resulting unit costs to the material valuation master data as the cost type *Periodic FIFO Cost*.

- i** In some cases the material cost accumulation run is not able to capture all relevant items and consequently no cost can be determined for some items. In such cases the FIFO cost determination run assigns an alternative cost to the missing items.

For more information, see [FIFO Threshold](#).

For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).

Periodic FIFO Cost

The unit cost for the cost type *Periodic FIFO Cost* is stored in the material valuation master data. You can maintain the unit cost for this cost type in the following ways:

- With a FIFO cost determination run. This run calculates the FIFO cost and updates the material valuation master data with this cost.
For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).
- By calculating your FIFO costs externally and then entering them in the material valuation master data manually or importing them from local Microsoft Excel workbooks.
For more information on entering or importing material unit costs, see [Material Unit Costs Quick Guide \[page 539\]](#).

For more information on the attributes of the cost type *Periodic FIFO Cost*, see [Cost Types for Inventory Valuation \[page 523\]](#).

FIFO Costs with Product Specifications

If valuation at the product specification level is activated in your solution configuration, both the material cost accumulation run and the FIFO cost determination run will process the relevant transactions and include the relevant costs.

For information on the prerequisites for valuation at the product specification level, see [Valuation Levels \[page 530\]](#).

- i** It is **not** possible to calculate FIFO costs for specific product specifications, since the FIFO costs calculated at the company or business residence level would be updated to all product specifications as well. You can only **exclude** selected valuation levels from the calculation of FIFO costs.

See Also

[Material Cost Accumulation Quick Guide \[page 672\]](#)

[FIFO Cost Determination Quick Guide \[page 680\]](#)

FIFO Threshold

[Inventory Cost Analysis Based On FIFO \[page 708\]](#)

5.4.7.2.2 Valuation of Material Inventories

Overview

To ensure accurate valuation of material inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

Determination of Inventory Quantities

The following rules must be followed to enable determination of the correct inventory quantities:

- All inventories that belong to the company must be reported in the balance sheet with a reasonable value. To meet this requirement, the transfer of ownership must be recorded correctly and in a timely manner for both goods issues and goods receipts.
- Inventories that belong to nonaffiliated companies must **not** be included in valuation.
- The inventory values in financials can be adjusted to match the quantities in logistics at any time.

Valuation Master Data

Three basic settings in the valuation master data of each material control how the material is valued:

- Cost type
- Valuation level
- Perpetual cost method

i You can access the valuation master data of your materials in the [Inventory Valuation](#) work center, [Materials](#) view or [Material Unit Costs](#) view.

Cost Type

Within standard business processes, material inventories are valued with the cost type [Inventory Cost](#). All other cost types are for informational purposes only and have no effect on the value of your inventories.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Valuation Level

The valuation level for a material determines the granularity at which the unit costs, account determination group, and perpetual cost method for the material are maintained.

By default, the valuation level is the business residence. You can increase the valuation granularity to a finer level if you have activated this feature in your solution configuration.

For more information, see [Valuation Levels \[page 530\]](#).

Perpetual Cost Method

The perpetual cost method determines how the inventory cost per unit of the material is calculated. This enables you to apply different valuation methods to your inventories.

The following perpetual cost methods are available:

- [Standard](#)

With the Standard method, the inventory cost is a predetermined value that remains constant until you change it manually.

- [Moving Average](#)

With the Moving Average method, the inventory cost is the total value of the items received into inventory divided by the quantity received.

Perpetual cost methods also differ in how they handle price differences, which are caused for example by goods receipts or invoice receipts. The Standard method posts differences to difference accounts, while the Moving Average method allocates differences to inventory.



Goods are received for a purchase order. **Unbilled Payables** is credited with EUR 100 and **Inventory** is debited in accordance with the selected cost method:

- If the perpetual cost method is [Moving Average](#) or [Standard](#) and the inventory cost is EUR 100, **Inventory** is debited with EUR 100.
- If the perpetual cost method is [Standard](#) and the inventory cost is EUR 90, **Inventory** is debited with EUR 90 and the remaining EUR 10 to **Price Differences**.

You can change the perpetual cost method at any time as this does **not** affect existing inventory values.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Balance Sheet Valuation with FIFO

You can apply the FIFO method to value your material inventories for financial reporting purposes.

For more information, see [Inventory Valuation Based On FIFO \[page 512\]](#).

5.4.8 FIFO Cost Determination View

5.4.8.1 FIFO Cost Determination Quick Guide

In the [FIFO Cost Determination](#) view, you execute FIFO cost determination runs that calculate the FIFO cost for the selected materials based on the costs collected by the material cost accumulation run.

The FIFO cost determination run writes the calculated FIFO cost for each material to the material valuation master data as the cost type [Periodic FIFO Cost](#). You can then use this cost to value your inventories in the balance sheet by setting the periodic FIFO cost as the new inventory cost; a corresponding revaluation posting is generated by the system automatically.

If you don't want to change the inventory cost, you can enter a manual posting for the difference between the inventory value based on the inventory cost and the inventory value based on the periodic FIFO cost. To see the difference between the two, use the [Inventory Cost Analysis based on FIFO](#) report.

If valuation at the product specification level is activated in your solution configuration, the run will process the relevant transactions and include the relevant costs.

- i** Before executing a FIFO cost determination run, make sure you have executed a **material cost accumulation run** for the selected materials.

For more information, see [Material Cost Accumulation Quick Guide \[page 672\]](#).

You access the [FIFO Cost Determination](#) view in the [Inventory Valuation](#) work center.

Business Background

Inventory Valuation Based on FIFO

FIFO (First In, First Out) is an inventory valuation method which assumes that the inventory items acquired or manufactured earliest are the first to be used. With this method, the inventory layers are mainly from the latest purchases or production runs. Thus the inventory values reported in the balance sheet are more realistic as they are based on the most recently incurred costs.

Under IFRS accounting standards, FIFO is a preferred method for measuring the historical cost of inventory (true and fair principle). It is also an appropriate method in inflationary markets because it charges off the earliest (lowest) costs first, allowing you to report higher values for inventory on hand.

To apply the FIFO method, you execute a **material cost accumulation run** on a periodic basis, which collects the costs involved in purchasing or producing the selected materials. You then use a **FIFO cost determination run** to update the calculated cost to the material valuation master data as the [Periodic FIFO Cost](#). If you decide that the periodic FIFO cost calculated by the run is appropriate for valuing your inventories, you set it as the new inventory cost. The basic process is illustrated below.



Valuation of Inventories with FIFO Costs

For more information, see [Inventory Valuation Based on FIFO \[page 512\]](#).

Valuation of Material Inventories

To ensure accurate valuation of warehouse inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

For more information, see [Valuation of Material Inventories \[page 509\]](#).

Cost Types for Inventory Valuation

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**
Values inventories and goods movements.
- **Estimated cost**
Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.
- **Planned cost**
Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.
- **Book value**
Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.
- **Periodic FIFO cost**
Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

i Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).



Tasks

Start FIFO Cost Determination Run

1. Click **New** [FIFO Cost Determination Run](#).
2. Enter the run parameters:
 - **Company**
 - **Set of Books**
 - **Test Run**
If you select **Test Run**, the results are only simulated. The calculated FIFO costs are **not** written to the material master data.
If you want the FIFO costs to be written to the material master data, make sure that **Test Run** is deselected.
 - **Period/Year**
This is the period from which you want to work backwards to allocate costs to the inventory items. The ending inventory balance for this period is what the system works with to identify which quantities are in stock under a FIFO cost flow assumption. It then allocates the respective costs to these quantities using the costs collected in the material cost accumulation run.
 - **Calculate FIFO Costs Based On**
Specify the level on which you want the run to calculate the FIFO costs. The following options are available:
 - **Business Residence Level**
If you select this option, the FIFO costs are calculated at the level of the business residence.

If product specification valuation levels exist for the material, the FIFO cost of the business residence level will be updated for all product specifications of that business residence as well. If a negative inventory exists for the selected business residence, an error message will be issued.

- **Company Level**

If you select this option, the FIFO costs are calculated at the level of the company. The FIFO costs are therefore updated for the material in all business residences of the company.

If product specification valuation levels exist for the material, the FIFO cost is updated at that level as well.

i Materials with a **negative inventory** are processed by the run as follows.

- If the negative inventory exists at the **overall company level**, the material is **not** processed and an error message is issued.
- If the negative inventory exists only in a particular **business residence**, a warning message is issued and the system does not process the inventory in that business residence, but it does process positive inventory in other business residences of the company.

- Enter the selection criteria for the materials on any or all of the following tabs:

- **Material**

Only materials in the **same company** can be selected.

- **Product Category**

- **Business Residence**

- **Exclude Valuation Level**

If transactions exist at both business residence level and product specification level, you can specify individual valuation levels to be excluded from the run.

i You **cannot** specify valuation levels to be **included** because it is not possible to calculate FIFO costs for individual product specifications.

For more information on valuation levels, see [Valuation Levels \[page 530\]](#).

3. You can now save or schedule the run.

- To save the run without executing it, click **Save**.

- To execute the run, click **Start Now** to start the run immediately, or **Schedule** to start it at a later time.

You can execute the same run more than once. This generates multiple Execution IDs.

Results

To see the results, on the **Execution Details** tab, select an execution and click **View**, or simply click the execution ID. The results are shown on the **Processed Successfully** and **Processed with Errors** tabs.

For each material that was successfully processed, you can see the following information:

- **Valuation Amount**

The total value determined for the material.

- *Inventory Quantity*
 - *Cost Accumulation Quantity for Threshold*
The quantity that was used to calculate the Threshold %.
For more information on the threshold function, see FIFO Threshold.
 - *Valuation Amount Per Unit*
The valuation amount for the material divided by the valuation quantity for the material.
- i** The run writes the *Valuation Amount Per Unit* to the material valuation master data as the cost type *Periodic FIFO Cost*.
- The *Details* area displays a breakdown of the selected material by source document item, including the following information:
 - *Cost Accumulation Run Reference*
The specific execution of the material cost accumulation run that calculated the valuation amount and quantity for the source document item.
You can navigate from here to the cost accumulation run, where you can see a cost breakdown by source document.
 - *Offsetting Account*
The G/L account posted by the source document item.
 - *Valuation Amount*
The total value determined for the source document item.
 - *Valuation Quantity*
The total quantity determined for the source document item.
 - *Valuation Amount Per Unit*
The valuation amount for the item divided by the valuation quantity for the item.

- i** Materials with a **negative inventory** are processed by the run as follows.
- If the negative inventory exists at the **overall company level**, the material is **not** processed and an error message is issued.
 - If the negative inventory exists only in a particular **business residence**, a warning message is issued and the system does not process the inventory in that business residence, but it does process positive inventory in other business residences of the company.

Follow-On Activities

When the FIFO cost determination run is completed and you have reviewed the results, carry out the following activities in order to use the FIFO cost to value the corresponding inventories in the balance sheet:

1. Check the FIFO cost in the material valuation master data to see which cost was updated by the FIFO cost determination run.
2. Use the [Inventory Cost Analysis Based On FIFO \[page 708\]](#) report to see how the FIFO costs differ from the inventory costs.
3. If you don't want to use the calculated FIFO cost, go to the *General Ledger* work center, *Manual Journal Entry Vouchers* view and enter a manual journal entry voucher for the difference, based on the information from the [Inventory Cost Analysis Based On FIFO](#) report.
4. In the [Material Unit Costs](#) view, set the FIFO cost as the new inventory cost of the material using the [Set as Inventory Cost](#) function. This results in a revaluation posting.

You can also set the FIFO cost as the new inventory cost by creating a run in the *Update Inventory Costs* view.

5.4.8.2 Business Background

5.4.8.2.1 Inventory Valuation Based On FIFO

Overview

FIFO (First In, First Out) is an inventory valuation method which assumes that the inventory items acquired or manufactured earliest are the first to be used. With this method, the inventory layers are mainly from the latest purchases or production runs. Thus the inventory values reported in the balance sheet are more realistic as they are based on the most recently incurred costs.

Under IFRS accounting standards, FIFO is a preferred method for measuring the historical cost of inventory (true and fair principle). It is also an appropriate method in inflationary markets because it charges off the earliest (lowest) costs first, allowing you to report higher values for inventory on hand.

To apply the FIFO method, you execute a **material cost accumulation run** on a periodic basis, which collects the costs involved in purchasing or producing the selected materials. You then use a **FIFO cost determination run** to update the calculated cost to the material valuation master data as the *Periodic FIFO Cost*. If you decide that the periodic FIFO cost calculated by the run is appropriate for valuing your inventories, you set it as the new inventory cost. The basic process is illustrated below.



Valuation of Inventories with FIFO Costs

The FIFO functionality is available in the *Inventory Valuation* work center in the following views under *Periodic Tasks*:

- *Material Cost Accumulation*
- *FIFO Cost Determination*

i FIFO costs are only supported for balance sheet valuation. It is not possible to value cost of goods sold with FIFO.

Prerequisites

The FIFO cost method is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. Then do the following:

- In the *Scoping* step, in the *Financial and Management Accounting* business area, ensure that the *Valuation of Warehouse Inventory* element is selected within *Inventory Valuation*.
- In the *Questions* step, for the *Valuation of Warehouse Inventory* element, confirm that you want to calculate material costs using the FIFO cost method.

Application of the FIFO Method

The basic procedure for applying the FIFO method to value your inventories is as follows. Click the hyperlinks in each step for detailed instructions. All steps are carried out in the *Inventory Valuation* work center.

1. Execute a **material cost accumulation run** to collect the costs for the selected materials.
View: [Material Cost Accumulation \[page 672\]](#)
2. Execute a **FIFO cost determination run** to calculate the FIFO cost for the selected materials.
View: [FIFO Cost Determination \[page 680\]](#)
3. As a spot check, you can now look at the value for the cost type *Periodic FIFO Cost* for selected materials.
View: [Material Unit Costs \[page 539\]](#)
4. Set the FIFO cost as the new inventory cost.
 - You can do this for individually selected materials with the  function.
View: [Material Unit Costs \[page 539\]](#)
 - To set the FIFO cost as the inventory cost for a large number of materials at once, start an **update inventory costs run**.
View: [Update Inventory Costs \[page 622\]](#)

If you wish to see exactly how the FIFO costs differ from the inventory costs for all materials, you can use the [Inventory Cost Analysis Based On FIFO \[page 708\]](#) report.

Material Cost Accumulation Run

Material cost accumulation runs collect all costs of purchasing and production in order to build inventory layers for the materials. These layers are then used by the FIFO cost determination run to calculate the FIFO cost.

- For the **purchasing** process, the material cost accumulation run collects all purchasing costs for the selected materials, including:
 - Standard and moving average costs
 - Price differences
 - GR/IR clearing differences

This produces a total valuation amount for each goods receipt.

- For the **production** process, the material cost accumulation run collects the costs for:
 - Raw materials
 - Semifinished goods
 - Resources consumed
 - Overhead costs applied to the production lot
 - Production price differences from the WIP clearing run

This produces a total cost for the production lot.

For more information, see [Material Cost Accumulation Quick Guide \[page 672\]](#).

FIFO Cost Determination Run

FIFO cost determination runs use the results of material cost accumulation runs to calculate the FIFO cost for the materials. They then write the resulting unit costs to the material valuation master data.

You specify a period and year for the run. The system uses the ending inventory balance for that period to identify which quantities are in stock under a FIFO cost flow assumption. It then allocates the costs collected in the material

cost accumulation run to these quantities and writes the resulting unit costs to the material valuation master data as the cost type *Periodic FIFO Cost*.

- i** In some cases the material cost accumulation run is not able to capture all relevant items and consequently no cost can be determined for some items. In such cases the FIFO cost determination run assigns an alternative cost to the missing items.

For more information, see [FIFO Threshold](#).

For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).

Periodic FIFO Cost

The unit cost for the cost type *Periodic FIFO Cost* is stored in the material valuation master data. You can maintain the unit cost for this cost type in the following ways:

- With a FIFO cost determination run. This run calculates the FIFO cost and updates the material valuation master data with this cost.
For more information, see [FIFO Cost Determination Quick Guide \[page 680\]](#).
- By calculating your FIFO costs externally and then entering them in the material valuation master data manually or importing them from local Microsoft Excel workbooks.
For more information on entering or importing material unit costs, see [Material Unit Costs Quick Guide \[page 539\]](#).

For more information on the attributes of the cost type *Periodic FIFO Cost*, see [Cost Types for Inventory Valuation \[page 523\]](#).

FIFO Costs with Product Specifications

If valuation at the product specification level is activated in your solution configuration, both the material cost accumulation run and the FIFO cost determination run will process the relevant transactions and include the relevant costs.

For information on the prerequisites for valuation at the product specification level, see [Valuation Levels \[page 530\]](#).

- i** It is **not** possible to calculate FIFO costs for specific product specifications, since the FIFO costs calculated at the company or business residence level would be updated to all product specifications as well. You can only **exclude** selected valuation levels from the calculation of FIFO costs.

See Also

[Material Cost Accumulation Quick Guide \[page 672\]](#)

[FIFO Cost Determination Quick Guide \[page 680\]](#)

[FIFO Threshold](#)

[Inventory Cost Analysis Based On FIFO \[page 708\]](#)

5.4.8.2.2 Valuation of Material Inventories

Overview

To ensure accurate valuation of material inventories, the correct inventory quantities must be valued using the appropriate methods.

Different valuation methods can be used for transaction-based inventory valuation than for balance sheet valuation, since the objective of balance sheet valuation is to value periodic inventories for financial reporting purposes.

Determination of Inventory Quantities

The following rules must be followed to enable determination of the correct inventory quantities:

- All inventories that belong to the company must be reported in the balance sheet with a reasonable value. To meet this requirement, the transfer of ownership must be recorded correctly and in a timely manner for both goods issues and goods receipts.
- Inventories that belong to nonaffiliated companies must **not** be included in valuation.
- The inventory values in financials can be adjusted to match the quantities in logistics at any time.

Valuation Master Data

Three basic settings in the valuation master data of each material control how the material is valued:

- Cost type
- Valuation level
- Perpetual cost method

i You can access the valuation master data of your materials in the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Cost Type

Within standard business processes, material inventories are valued with the cost type *Inventory Cost*. All other cost types are for informational purposes only and have no effect on the value of your inventories.

For more information, see [Cost Types for Inventory Valuation \[page 523\]](#).

Valuation Level

The valuation level for a material determines the granularity at which the unit costs, account determination group, and perpetual cost method for the material are maintained.

By default, the valuation level is the business residence. You can increase the valuation granularity to a finer level if you have activated this feature in your solution configuration.

For more information, see [Valuation Levels \[page 530\]](#).

Perpetual Cost Method

The perpetual cost method determines how the inventory cost per unit of the material is calculated. This enables you to apply different valuation methods to your inventories.

The following perpetual cost methods are available:

- **Standard**

With the Standard method, the inventory cost is a predetermined value that remains constant until you change it manually.

- **Moving Average**

With the Moving Average method, the inventory cost is the total value of the items received into inventory divided by the quantity received.

Perpetual cost methods also differ in how they handle price differences, which are caused for example by goods receipts or invoice receipts. The Standard method posts differences to difference accounts, while the Moving Average method allocates differences to inventory.



Goods are received for a purchase order. **Unbilled Payables** is credited with EUR 100 and **Inventory** is debited in accordance with the selected cost method:

- If the perpetual cost method is **Moving Average** or **Standard** and the inventory cost is EUR 100, **Inventory** is debited with EUR 100.
- If the perpetual cost method is **Standard** and the inventory cost is EUR 90, **Inventory** is debited with EUR 90 and the remaining EUR 10 to **Price Differences**.

You can change the perpetual cost method at any time as this does **not** affect existing inventory values.

For more information, see [Perpetual Cost Methods \[page 526\]](#).

Balance Sheet Valuation with FIFO

You can apply the FIFO method to value your material inventories for financial reporting purposes.

For more information, see [Inventory Valuation Based On FIFO \[page 512\]](#).

5.4.8.2.3 Cost Types for Inventory Valuation

Overview

Cost types enable you to assign different costs to a material for different purposes. The cost type **inventory cost** values inventory and goods movements for the material, while you can use additional cost types for example to plan for future changes in costs, without affecting valuation.

You also have the option of overwriting the inventory cost with one of the additional cost types (with the exception of planned cost), either individually or in a run.

The following cost types for materials are available:

- **Inventory cost**

Values inventories and goods movements.

- **Estimated cost**

Can be calculated in material cost estimates or maintained manually. This cost type is for informational purposes only.

- **Planned cost**

Intended for internal planning of anticipated future material costs. This cost type is for informational purposes only.

- **Book value**

Book value is based on legal requirements and may be calculated externally by applying a cost flow assumption such as LIFO. This cost type is for informational purposes only.

- **Periodic FIFO cost**

Calculated based on the First-In, First-Out method. This cost type is for informational purposes only.

- i** Within standard business processes, **inventory cost** is the **only** cost type that values material inventories and movements.

You maintain the costs for all cost types in the material valuation master data. You can access this data for example from the *Inventory Valuation* work center, *Materials* view or *Material Unit Costs* view.

Inventory Cost

Inventory cost values the inventory of a material for a given period, and also values movements of the material. The total inventory value for the material is calculated as Inventory Quantity x Inventory Cost.

Inventory cost can be changed as often as necessary during the period. Valuation is based on the current inventory cost or the inventory cost that was last valid for the period:

- In the **current** period, inventories and movements are always valued at the **current** inventory cost.
- In **past** periods, inventories and movements are valued at the inventory cost that was **last valid in the period**.

You cannot maintain inventory costs for future periods.

- i** Inventory cost is always valid for **entire periods**. Thus if you change the inventory cost in the middle of the period, the new cost will apply from the beginning of the period.

Inventory cost can be changed manually or automatically:

- If you change the inventory cost manually, note the following restrictions:
 - For past periods, you can only change the inventory cost if the period is still open.
 - You can only enter a *Valid From* date that is the start of a period.
 - You can only enter a *Valid To* date that is the end of a period.
 - For the **current** inventory cost, the *Valid To* date must be set to 12/31/9999.
- If the material uses the *Moving Average* cost method, the inventory cost can change automatically as a result of business transactions. For more information, see [Moving Average Cost Method \[page 528\]](#).

You can overwrite the inventory cost with the estimated cost, book value, or periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the *Set as Inventory Cost* task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

- i** Inventory cost can only be changed if the entire cost change time period is open, regardless of whether there is any inventory or not.

Estimated Cost

Estimated cost can be calculated in material cost estimates or maintained manually. This cost type does not affect the valuation of material inventories or movements.

The validity dates for the estimated cost can be set to any interval that is **not in past periods**.

You can overwrite the estimated cost with the results of material cost estimates. Refer to the information about releasing cost estimates in [Material Cost Estimates Quick Guide \[page 584\]](#).

You can overwrite the inventory cost with the estimated cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Planned Cost

Planned cost is provided to allow you to plan internally for anticipated future costs. This cost type does not affect the valuation of material inventories or movements. There are no restrictions on the validity dates.

Book Value

Book value may be calculated outside of the system by applying a cost flow assumption such as LIFO. This cost type does not affect the valuation of material inventories or movements.

 Book value is always valid for entire periods. It is not possible to change this restriction.

When you edit the book value, you can only enter a *Valid From* date that is the start of a period, and you can only enter a *Valid To* date that is the end of a period. Book value can be maintained for both past and future periods.

You can overwrite the inventory cost with the book value, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Periodic FIFO Cost

Periodic FIFO cost is intended for balance sheet valuation using the First In, First Out method. This cost type can be calculated in a FIFO cost determination run or maintained manually.

To value material inventories in the balance sheet with the periodic FIFO cost, you must overwrite the inventory cost with the periodic FIFO cost.

 In order to use periodic FIFO cost, you need to have activated the FIFO cost method in business configuration.

For more information, see [Balance Sheet Valuation Based On FIFO \[page 512\]](#).

Periodic FIFO cost is valid from the first to last day of the period for which the FIFO cost determination run is executed. It **cannot** be maintained for future periods.

You can overwrite the inventory cost with the periodic FIFO cost, either for individually selected materials or in a run:

- For information about overwriting the inventory cost for individually selected materials, refer to the Set as Inventory Cost task in [Material Unit Costs Quick Guide \[page 539\]](#).
- For information about overwriting the inventory cost in a run, see [Update Inventory Costs Quick Guide \[page 622\]](#).

Summary of Cost Types

The differences between the cost types are summarized below.

	Inventory Cost	Estimated Cost	Planned Cost	Book Value	Periodic FIFO Cost
Values inventories and movements	Yes	No	No	No	No
Can overwrite Inventory Cost	–	Yes	No	Yes	Yes
Can be maintained for past periods	Yes, if period open	No	Yes	Yes	Yes
Can be maintained for future periods	No	Yes	Yes	Yes	No
Allowed validity	<p><i>Valid From:</i> First day of period <i>Valid To:</i></p> <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period 	<p><i>Valid From:</i> Any date that is not in past periods <i>Valid To:</i> Any date</p>	<p><i>Valid From:</i> Any date <i>Valid To:</i> Any date</p>	<p><i>Valid From:</i> First day of period <i>Valid To:</i> Last day of period</p>	<p><i>Valid From:</i> First day of period <i>Valid To:</i></p> <ul style="list-style-type: none"> • For current cost: Unlimited • For previous periods: Last day of period

5.5 Reports

5.5.1 Material Inventories – Balance History

Overview

Shows the quantities and values of the opening and ending balance, receipts, and issues for materials.

Prerequisites

To ensure that the report displays accurate data, execute a GR/IR clearing run and a WIP clearing run.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

In the *Fiscal Period/Year* and *Fiscal Period/Year – Comparison* fields, enter the periods you want to compare.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

This report displays quantities and amounts of warehouse stock at the start and end of a period. The incoming and outgoing quantities as well as their corresponding amounts are also listed for a period.

You can use this report to identify major inventory movements and compare the inventory levels over time. This allows you to identify trends and thus take actions to reduce high stock levels.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to

- **Material Inventories - Line Items**
- **Product Specification Overview**

To be able to navigate to the product specification overview, add the *Valuation Level ID* characteristic to the report.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.2 Material Inventories – Balance Summary

Overview

Shows the quantities and values of the material inventory for a key date.

Material inventories include warehouse inventories, inventories of goods in transit, and advance deliveries to service customers.

Prerequisites

To ensure that the report displays full and accurate business data, execute a GR/IR clearing run and a WIP clearing run.

Views

The following views are available with this report:

- **Material Inventories – Balance Summary**
Shows the inventory value and the inventory quantity by G/L account and product category.
- **Material Inventories by Product Category Hierarchy**
Shows the inventory value and the inventory quantity by product category. You can also see the hierarchy of product categories.
- **Material Inventories by Material**
Shows the inventory value and the inventory quantity by material and business residence.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management

Analyzing the Report

In the standard layout, the inventory value and inventory quantity are displayed sorted by G/L account and product category.

You can use this report to see the details for a range of criteria including period and material.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Material Inventories – Line Items**
- **Material Inventories – Balance History**
- **Material Inventories – Reconciliation**
- **Product Specification Overview**

To be able to navigate to the product specification overview, you need to add the *Valuation Level ID* characteristic to the report.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.3 Material Inventories – Line Items

Overview

Shows the line items for materials in material inventory.

Prerequisites

To ensure that the report displays accurate data, execute a GR/IR clearing run and a WIP clearing run.

Views

The following views are available with this report:

- **Material Inventories – Line Items**

Shows the inventory value and inventory quantity of the journal entries that influence the value of material inventories during a particular period.

- **Line Items – Date Details**

Shows the date of the source document, the proposed posting date, and the posting date.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

This report is useful for detailed analysis of a range of criteria including material, business residence or a combination of these criteria. It lists the movements with the corresponding business transaction type, source document ID number, and posting date.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **G/L Accounts – Line Items**

- **Journal**

- **Journal Entry**

- **Material Overview**

- **Product Specification Overview**

To be able to navigate to the product specification overview, add the *Valuation Level ID* characteristic.

See Also

- Reports View

- Overview of Reports in Financial Management

- Overview of Data Sources in Financial Management

5.5.4 Material Inventories – Reconciliation

Overview

Compares the inventory quantities in logistics against the balances on the material ledger accounts for a key date. To enable deeper analysis of the balance sheet, the report also displays inventory values and inventory costs by G/L account and business residence.

It is recommended that you run this report at the following times:

- Run the report for periods in which you **no longer make operational postings**. This ensures that the report only shows true differences.
- Run the report **before you close an accounting period**. This allows you to correct any differences directly in the periods in which they arose.
If differences are detected after the accounting period has been closed, you need to reopen the period in order to correct them.

Views

The following views are available with this report:

- **Reconciliation**
Shows differences between the inventory quantities in accounting and the inventory quantities in operational inventory management (logistics). The values are listed by material and business residence.
- **Trial Balance Reconciliation**
Shows differences between the inventory quantities in accounting and the inventory quantities in operational inventory management (logistics) along with inventory values from the balance sheet and inventory costs. The values are listed by material, G/L account, and business residence.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

i The business data in this report will only be full and correct if there are no tasks in the general ledger that affect material inventories and if no inconsistencies were detected by data flow verification.

Analyzing the Report

The *Inventory in Accounting (Reconcilable with Logistics)*, *Inventory in Logistics*, and *Difference* columns are shown by default. You can add additional columns with information on the key date or the snapshot.

The report displays the following data.

Reconciliation view:

- *Inventory in Accounting (Reconcilable with Logistics)*
The economically relevant inventory quantities in accounting.
 - *Inventory from Balance Sheet* (hidden by default)
The inventory quantities on which the balance sheet values for the key date are based.
 - *Quantity Posted After Key Date But Relevant* (hidden by default)
The quantities that could not be posted in the economically relevant period due to a period lock (for example, the source document was not entered until after period was closed). Since these quantities affect the balance sheet, you need to decide whether they are significant or whether they can be disregarded. If they are significant, they need to be moved to the correct period.

The *Inventory in Accounting (Reconcilable with Logistics)* column is the sum of the columns *Inventory from Balance Sheet* and *Quantity Posted After Key Date But Relevant*.

- *Inventory in Logistics*

The economically relevant quantities in operational inventory management.

- *Inventory from Snapshot [date/time]* (hidden by default)

The operational inventory quantity that existed at the point in time shown in the column header.



The system performs automatic backups of the inventory state (snapshots) at monthly intervals. For the comparison, the system uses the snapshot closest to the key date.

- *Quantity Confirmed Before Snapshot But Not Relevant* (hidden by default)

In order to determine the economically relevant inventory, the snapshot must be adjusted by this quantity. All source documents are included that were entered before the snapshot was taken but whose economically relevant date is after the key date.



An outbound delivery is entered on December 31. The delivery date (which is also the posting date in accounting) is set to January 1 of the following year, since that is the economically relevant date of the delivery. Since the transaction was entered before the snapshot was taken, it is included in the snapshot even though it is not relevant until the following year. (Note: for reasons of simplification, it is assumed that the accounting periods are identical to calendar months.)

- *Quantity Confirmed After Snapshot But Relevant* (hidden by default)

In order to determine the economically relevant inventory, the snapshot must be adjusted by this quantity. All source documents are included that were entered after the snapshot was taken but whose economically relevant date is before the key date.



On December 31 inventory is withdrawn for a cost center, but the transaction is not entered until January 1. The execution date (and therefore the posting date in accounting) specified in the transaction is December 31. Since the transaction was entered after the snapshot was taken, it is not included in the snapshot even though it is relevant for December 31. (Note: for reasons of simplification, it is assumed that the accounting periods are identical to calendar months.)

The *Inventory in Logistics* column is the sum of the columns *Inventory from Snapshot*, *Quantity Confirmed Before Snapshot But Not Relevant*, and *Quantity Confirmed After Snapshot But Relevant*.

- *Difference*

Shows differences between the *Inventory in Accounting (Reconcilable with Logistics)* and the *Inventory in Logistics*. Cells with a nonzero difference are highlighted red, while cells with zero difference are green. Red-highlighted cells require you to review the values and correct them if necessary.

Differences can be caused by the following factors:

- There will usually be one or more logistical transactions in the general ledger that have not been processed due to missing configuration settings or master data. Such transactions have a corresponding task that identifies the exact problem.

To analyze the cause of the differences, you can navigate to the **Material Inventories – Unposted Source Documents** report. This report shows the source documents for the material that have not been posted in accounting and that consequently give rise to the differences. From there you can navigate directly to the business transaction for accounting and determine why the transaction has not been posted.

- In rare cases, the processing of logistical transactions in accounting was aborted. Use data flow verification to see whether an incident was generated automatically. For more information on data flow verification, see Data Flow Verification for Journal Entries.

Trial Balance Reconciliation view:

- *Inventory Value from Balance Sheet*

The inventory values on which the balance sheet values for the key date are based. (The amounts shown are not the total balance on the G/L accounts but only the portion represented by the material inventories.)

- ***Inventory from Balance Sheet***

The inventory quantities on which the balance sheet values for the key date are based.

- ***Inventory Cost***

The inventory costs that were valid on the key date and used to value the respective material inventory.

- ***Inventory in Logistics***

The economically relevant quantities in operational inventory management.

- ***Difference***

Shows differences between the *Inventory in Accounting (Reconcilable with Logistics)* and the *Inventory in Logistics*. Cells with a nonzero difference are highlighted red, while cells with zero difference are green. Red-highlighted cells require you to review the values and correct them if necessary.

Differences can be caused by the following factors:

- There will usually be one or more logistical transactions in the general ledger that have not been processed due to missing configuration settings or master data. Such transactions have a corresponding task that identifies the exact problem.

To analyze the cause of the differences, you can navigate to the **Material Inventories – Unposted Source Documents** report. This report shows the source documents for the material that have not been posted in accounting and that consequently give rise to the differences. From there you can navigate directly to the business transaction for accounting and determine why the transaction has not been posted.

- In rare cases, the processing of logistical transactions in accounting was aborted. Use data flow verification to see whether an incident was generated automatically. For more information on data flow verification, see Data Flow Verification for Journal Entries.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Material Overview**
- **Business Residence Overview**
- **Confirmation Journal**
- **Material Inventories – Line Items**
- **Material Inventories – Balance Summary**
- **Material Unit Costs**
- **Product Specification Overview**
To be able to navigate to the product specification overview, add the *Valuation Level ID* characteristic to the report.
- **Material Inventories – Unposted Source Documents**

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.5 GR/IR Inventories – Balance Summary

Overview

Shows the quantities and values of goods receipts and invoice receipts for a key date.

For **Purchase in Transit** (billed but not received), the goods receipt quantity is less than the invoice receipt quantity.

For **Unbilled Payables** (received but not billed), the goods receipt quantity is greater than the invoice receipt quantity.

Prerequisites

To ensure that the report displays full and accurate business data, execute a GR/IR clearing run and a WIP clearing run.

Views

The following views are available with this report:

- **GR/IR Inventories – Balance Summary**
Shows the open amounts and quantities of goods receipts and invoices, listed by purchasing document item.
- **GR/IR Inventories – Totals**
Shows the total amounts and quantities received and invoiced, listed by purchasing document item. This includes any amounts and quantities that have been cleared by GR/IR clearing runs.
- **GR/IR Inventories – by G/L Account**
Shows the open amounts and quantities of goods receipts and invoices, listed by G/L account.
- **GR/IR Inventories by Product**
Shows the open amounts and quantities of goods receipts and invoices, listed by product.
- **GR/IR Inventories by Supplier**
Shows the open amounts and quantities of goods receipts and invoices, listed by supplier..

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The standard layout of this report shows the open amounts and quantities of deliveries and invoices, listed by purchasing document item. From this information you can see which items have not been fully delivered and/or have not been fully invoiced.

Additional information is available for the following key figures:

- *Amount Awaiting Invoice*

The monetary amount associated with the quantity that has been received but not yet invoiced. For example, if 5 units at EUR 20 ea. have been received but only 3 units have been invoiced, EUR 40 is shown under Amount Awaiting Invoice.

- ***Amount Awaiting Receipt***

The monetary amount associated with the quantity that has been invoiced but not yet received. For example, if 5 units at EUR 20 ea. have been invoiced but only 3 units have been received, EUR 40 is shown under Amount Awaiting Receipt.

- ***Quantity Awaiting Invoice***

The quantity that has been received but not yet invoiced. For example, if 5 units have been received and 3 units invoiced, 2 units are shown under Quantity Awaiting Invoice.

- ***Quantity Awaiting Receipt***

The quantity that has been invoiced but not yet received. For example, if 4 units have been received and 6 units invoiced, 2 units are shown under Quantity Awaiting Receipt.



You can analyze GR/IR clearing information by adding the *GR/IR Clearing Set* and *GR/IR Clearing Set Type* characteristics to the report content area.

- A **GR/IR clearing set** is a set of line items associated with a purchasing document item which are treated as a unit and cleared together. A clearing set may consist for example of a supplier goods receipt and a supplier invoice.
- The **GR/IR clearing set type** refers to the type of transaction on which a GR/IR clearing set is based, such as a supplier goods receipt or a supplier invoice.

These characteristics help you analyze the results of GR/IR clearing more closely, such as to determine why items were not cleared.

You can use the context menu to view additional details on a purchasing document or product.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Journal**
- **G/L Accounts – Line Items**
- **Purchasing Documents – Line Items**, *Clearing Sets* view
- **Product Specification Overview**

To be able to navigate to the product specification overview, add the *Product Specification* characteristic to the report.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.6 WIP Inventories – Balance Summary

Overview

Shows the value of work-in-process inventories for materials and production lots.

Prerequisites

To ensure that the report displays full and accurate business data, execute a GR/IR clearing run, an overhead absorption run for production lots, and a WIP clearing run.

Views

The following views are available with this report:

- **WIP Inventories – Balance Summary**

Shows the value of the work-in-process inventory for production lots by G/L account, product category, and material at a key date. All WIP values are included, irrespective of the status of the production lot.

- **WIP Inventories – Open Production Lots**

Shows the value of the work-in-process inventory for open production lots by G/L account, product category, and material at a key date. All WIP values of production lots with lifecycle status other than Finished and Closed are included.

- **WIP Inventories by Production Lot**

Shows the value of the work-in-process inventory for each individual production lot. All WIP values are included, irrespective of the status of the production lot.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The default view of the report displays WIP values for each production lot by G/L account, product category, and material.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Production Lots – Line Items**
- **Production Lot Overview**
- **Material Overview**

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.7 Purchase Price Variances

Overview

Shows the variances between the purchase order price, invoice amount, and payment amount.

Prerequisites

To ensure that the report displays full and accurate business data, execute a GR/IR clearing run.

Views

The following views are available with this report:

- **Purchase Price Variances**
Shows payment differences, exchange rate differences, price differences, and total differences, as well as clearing amounts and quantities, by supplier, product, and purchasing document.
- **Purchase Price Variances by Purchasing Document**
Shows the differences and key figures for each purchasing document.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The standard report shows the following data for each supplier, product, and purchasing document:

- Payment differences
Differences between the invoice amount and the payment amount (such as a cash discount).
- Exchange rate differences
Differences, in company currency, between the invoice amount and the foreign currency payment amount.
- Price differences
Differences between the value of the goods received (purchase order price) and the invoice amount.
- Total differences (amounts and percentages)
- Clearing amounts and clearing quantities of the goods and invoices received

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [Supplier Overview](#)
- [Product Overview](#)
- [Product Specification Overview](#)

To be able to navigate to the product specification overview, add the *Product Specification* characteristic to the report.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.8 Production Variances

Overview

Shows periodic and total variances between the valued goods receipts and the actual production costs.

Prerequisites

To ensure that the report displays full and accurate business data, execute a GR/IR clearing run and a WIP clearing run.

Views

The following views are available with this report:

- **Production Variances**
Shows the total production costs, total production quantity, period production costs, period production quantity, period production variance, total production variance, and total production variance percent for each output material.
- **Production Variances by Production Lot**
Shows the production variances separately for each production lot. In addition, you can drill down to check the underlying detail postings.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The standard view displays the total production costs, total production quantity, period production costs, period production quantity, period production variance, total production variance, and total production variance percent for each output material. The *Total Production Costs* column displays the total production costs for a material independently of the time period. The *Period Production Variance* column displays the production variance within

the selected period, and the *Total Production Variance* column displays the production variance up to and including the selected period.

You can use the report to analyze the costs incurred, for example, on a specific production lot (or all production lots for a material). You can also analyze differences in order to take corrective actions to reduce the variance.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Production Lots - Line Items**
- **Material Overview**
- **Product Specification Overview**

To be able to navigate to the product specification overview, you first need to add the *Product Specification* characteristic to the report.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.9 Production Lots – Line Items

Overview

Contains journal entries that were generated for production lots in selected accounting periods.

Prerequisites

To ensure that the report displays full and accurate data, execute a GR/IR clearing run, an overhead absorption run for production lots, and a WIP clearing run.

Views

The following views are available with this report:

- **Production Lots – Line Items**
Shows the journal entries by production lot and G/L account.
- **Production Lots – G/L Account (Origin)**
Shows the journal entries by G/L account origin. In this view, you can display the breakdown of the WIP values.
- **Production Lots – Material**
Shows the journal entries that relate to material movements (both withdrawals for production and receipts of goods from production), including produced materials and offset materials (consumed) for the individual journal entries.
- **Production Lots – Overhead Allocation**
Shows the journal entries involving overhead absorption (both service cost allocation and overhead allocation), along with the origin of the costs. The offsetting cost center and the offsetting resource are also displayed (if assigned).

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see [Overview of Reports in Financial Management](#).

Analyzing the Report

The default view of the report shows all journal entries for the selected criteria by production lot and G/L account.

You can use the report to analyze in detail the postings incurred to the selected accounts, production lots, or materials. Since the report also shows the corresponding G/L journal entry number, this can be used for further investigations in the [General Ledger](#) work center.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [Journal](#)
- [G/L Accounts – Line Items](#)
- [Production Lot](#)
- [Journal Entry](#)
- [Cost Center](#)
- [Product Specification Overview](#)

To be able to navigate to the product specification overview, add the [Product Specification](#) characteristic to the report.

See Also

- [Reports View](#)
- [Overview of Reports in Financial Management](#)
- [Overview of Data Sources in Financial Management](#)

5.5.10 Material Unit Costs

Overview

Shows the material unit costs for multiple sets of books and cost types.

Prerequisites

To ensure that the report displays full and accurate business data, execute a GR/IR clearing run and a WIP clearing run.

Views

The following views are available with this report:

- **Material Unit Costs**

Shows the material unit costs and the associated cost units.

- **Material Unit Costs – Comparison**

Shows the material unit costs and the associated cost units for different sets of books and cost types.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

- To see the costs for more than one set of books, enter the sets of books in the *Set of Books* field.
- To see the costs for more than cost type, enter the cost types in the *Cost Type* field.

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report displays the unit costs of the materials together with associated information such as the cost type and the unit on which the costs are based.

To further analyze data in this report, you can drag characteristics to rows and columns.



To see the source document that initiated the cost change in the general ledger, add the *Last Source Document Affecting Cost* characteristic.

Note that the ID of the source document is only available for the cost type **inventory cost** because this is the only cost type that is posted in the general ledger. Cost changes for other cost types such as **planned cost** or **estimated cost** are not posted in the general ledger, and therefore no document ID can be shown.

If you want to determine how an inventory cost arose, use the Inventory Cost History function. For more information, see [Inventory Cost History \[page 537\]](#).

From this report, you can navigate to:

- **Business Residence Overview**
- **Material Overview**
- **Set of Books Overview**
- **Product Specification Overview**

To be able to navigate to the product specification overview, add the *Valuation Level ID* characteristic.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.11 Purchasing Documents – Line Items

Overview

Shows G/L postings to purchasing document items and associated information, enabling you to analyze purchasing documents at the line item level and investigate the results of GR/IR clearing more closely.

Views

The following views are available with this report:

- **Purchasing Documents – Line Items**
Shows the purchasing document line items, listed by purchasing document item.
- **Purchasing Documents – Line Items by G/L Account**
Shows the purchasing document line items, listed by G/L account.
- **Purchasing Documents – Clearing Sets**
Shows the GR/IR clearing sets for each purchasing document item. This view helps you analyze the results of GR/IR clearing.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The standard layout of this report shows the purchasing document line items and the associated G/L accounts, posting dates, amounts, and valuation quantities.

Additional information is available for the following characteristics:

- **GR/IR Clearing Set**
A set of line items associated with a purchasing document item which are treated as a unit and cleared together. A clearing set may consist for example of a supplier goods receipt and a supplier invoice.
- **GR/IR Clearing Set Type**
The type of transaction on which a GR/IR clearing set is based, such as a supplier goods receipt or a supplier invoice.

These characteristics enable you to analyze the results of GR/IR clearing more closely, such as to determine why items were not cleared.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Journal**
- **G/L Accounts – Line Items**
- **Product Specification Overview**
To be able to navigate to the product specification overview, add the *Product Specification* characteristic.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

5.5.12 Inventory Cost Analysis Based On FIFO

Overview

Shows the differences between inventory valuation based on the inventory cost in the material master data and inventory valuation based on the actual cost of procurement or production as determined by applying the FIFO cost flow assumption.

Prerequisites

You have executed a **material cost accumulation run** and a **FIFO cost determination run** for the selected materials. For more information, see [Balance Sheet Valuation Based On FIFO \[page 512\]](#).

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about the standard variables, see Overview of Reports in Financial Management.

Analyzing the Report

The standard layout of this report shows the variance between the inventory value and the calculated FIFO value for each selected material. The variances are shown as an amount and as a percentage.

You can group the materials by business residence or by material.

Additional information is available for the following selected key figures:

- ***Inventory Quantity***
The total quantity of the material in operational inventory management.
- ***Inventory Cost***
The value of the cost type *Inventory Cost*.
- ***Inventory Value***
The *Inventory Quantity* multiplied by the *Inventory Cost*.
- ***FIFO Cost***
The unit cost of the material as calculated in the FIFO cost determination run. This value is equivalent to the *Valuation Amount Per Unit* in the FIFO cost determination run.
- ***FIFO Value***
The *Inventory Quantity* multiplied by the *FIFO Cost*.

- **Variance**

The difference between the Inventory Value and the FIFO Value (FIFO Value – Inventory Value).

- **Variance %**

The percentage difference between the Inventory Value and the FIFO Value.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- Business Residence Overview
- Material Overview
- **Material Inventories – Balance Summary**
- **Material Inventories – Balance History**
- **Material Inventories – Line Items**
- **Material Inventories – Reconciliation**

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6 Cost and Revenue

6.1 Business Background

6.1.1 Cost Center Management Accounting

6.1.1.1 Cost Center Management Accounting

Overview

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

Cost Center Management Accounting enables you to:

- Accumulate overhead on the responsible cost centers
- Distribute the overhead from support cost centers to primary cost centers based on cause-and-effect criteria
- Credit the cost centers for the services performed and debit the cost objects
- Credit the cost centers by applying overhead rates to the cost objects
- Use reports to monitor the efficiency of your cost centers

Prerequisites

Management Accounting is activated in your solution configuration. To find this option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#). In the [Scoping](#) step of the project, ensure that the [Management Accounting](#) business package is selected within the [Financial and Management Accounting](#) business area.

Cost Centers

You create organizational units and set up organizational structures in the [Organizational Management](#) work center, [Org Structures](#) view. Each organizational unit has attributes that define its legal, managerial, and reporting significance.

For the purposes of management accounting, you need to have **at least one** organizational unit with the [Cost Center](#) attribute. Normally, however, you define most of your departments as cost centers to be able to monitor their efficiency.

Conceptually, you can divide your cost centers into primary cost centers and support cost centers:

- **Primary cost centers**

A primary cost center belongs to one of the functional cost pools of your organization, such as materials management, production, administration, sales, or research and development.

- **Support cost centers**

Support cost centers provide services for other cost centers or serve as overhead cost collectors.

A distinction between primary cost centers and support cost centers **cannot** be defined as such in the system.

Functions in Cost Center Management Accounting

- **Accumulation of overhead**

You accumulate overhead on support cost centers or primary cost centers in the following ways:

- By assigning the overhead to cost centers when entering invoices
- By assigning the overhead to the master cost center of the employee in payroll
- By assigning the overhead to the master cost center of the asset when posting depreciation



If overhead is assigned to the wrong cost center, you either need to correct the business transaction or create an adjusting entry in the [General Ledger](#) work center.

- **Distribution of overhead between cost centers**

Support cost centers distribute their overhead costs to primary cost centers based on allocation bases. The distribution function credits the support cost centers and debits the primary cost centers.

Distribution can be based on either the original account (primary cost distribution) or special clearing accounts (secondary cost allocation).

For more information, see [Overhead Distribution Between Cost Centers \[page 712\]](#).

- **Allocation of service costs to cost objects**

The resources assigned to cost centers provide services for the production of cost objects. The available cost objects are:

- Sales orders
- Service orders
- Direct cost projects
- Production lots

Service allocation debits the receivers of the services and credits the cost centers providing the services. You can define the cost rates for services in the resource and service master data.

Since these costs can be traced directly to individual cost objects, they are **direct costs** of the cost object. For example, the costs incurred by a particular production lot or the costs for external or internal services incurred for a direct cost project are direct costs.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#)

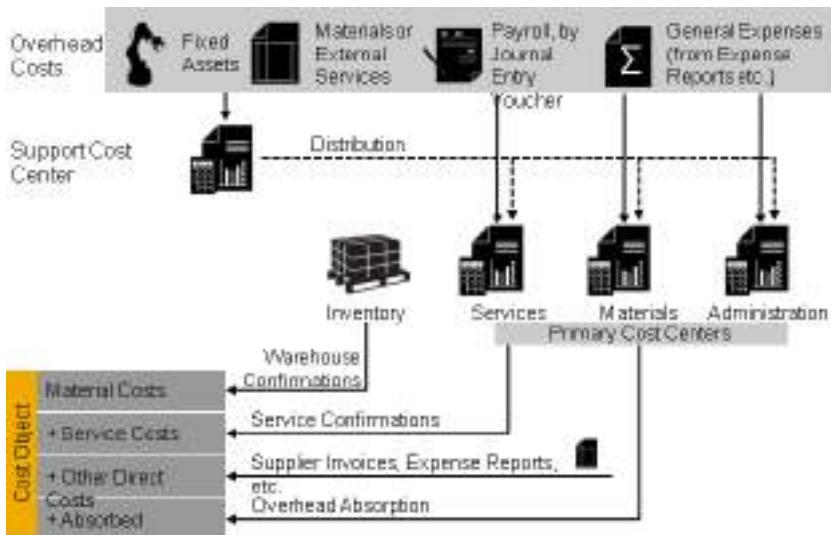
- **Absorption of overhead by cost objects**

You can define overhead rates based on the direct costs incurred by the cost objects and the overhead incurred by the cost centers. When the overhead rates are applied, the cost objects are debited with their share of the overhead and the cost centers are credited.

For more information, see [Overhead Absorption by Cost Objects \[page 718\]](#).

- **Reports**

The reports available in the [Cost and Revenue](#) work center enable you to analyze the efficiency of your cost centers. They also help you determine underapplied and overapplied overhead on the cost centers and take the necessary steps to correct it.



Functions in Cost Center Management Accounting

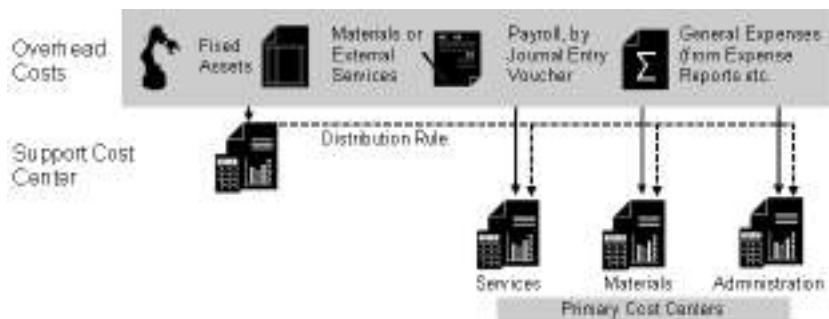
- For additional cost control of special time-dependent tasks, cost centers can employ **overhead cost projects**. Overhead cost projects are always assigned to a responsible cost center to which they directly allocate their costs. Thus they do not carry costs themselves and are therefore not cost objects. Overhead cost projects usually serve the purpose of collecting internal costs for allocation between cost centers (internal orders). Overhead cost projects can receive allocations of service costs and absorb overhead.
- Direct cost projects** are cost objects that are interrelated. For example, a project can provide general services for other projects. To capture these relationships, direct cost projects can serve as both senders and receivers of overhead distribution.

For more information, see [Project Cost and Revenue Management \[page 724\]](#).

6.1.1.2 Overhead Distribution Between Cost Centers

Overview

You can distribute overhead costs from support cost centers to primary cost centers. This credits the support cost centers and debits the primary cost centers. The distribution is based either on costs (such as direct material costs) or on other allocation bases of your choosing.



Overhead Distribution Between Cost Centers

Prerequisites

Overhead distribution is activated in your solution configuration. To find this option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. In the *Scoping* step of the project, ensure that the *Management Accounting* business package is selected within the *Financial and Management Accounting* business area.

In the *Questions* step, expand *Financial and Management Accounting* and then *Management Accounting*. Select *Cost Center Management Accounting* and answer the question regarding the distribution of overhead from support cost centers to primary cost centers.

Elements of Overhead Distribution

Overhead distribution involves two activities:

1. **Create distribution rule**
2. **Perform distribution run**

Create Distribution Rule

Distribution rules specify the cost centers and costs to be distributed, along with the allocation bases. Distribution runs are based on the distribution rules you define.

You create distribution rules in the *Cost and Revenue* work center, [Distribution Rules \[page 786\]](#) view. The system guides you through all required steps.

You enter the following data in the distribution rule:

- **Sending cost centers**

It is possible to specify more than one sending cost center in a distribution rule. You can assign the distribution rule to the sending cost centers in several ways:

- Since an active distribution rule must always be assigned to at least one sending cost center, you enter a sending cost center in the first step of the guided activity.
- In a later step, you can assign the distribution rule to additional cost centers by selecting *Assign additional cost centers* in the *Assign This Distribution Rule* field.
- You can also assign additional sending cost centers to the distribution rule at any time by later calling up the distribution rule in the editing view and adding the cost centers on the *Senders* tab.

When you assign the distribution rule to a cost center, the system defaults the current date as the *Assignment Valid From* date and *Unlimited* as the *Assignment Valid To* date. You can change these dates as required.



An **active** distribution rule must always be assigned to **at least one** sending cost center. You should deactivate distribution rules that you no longer need.

- **Distribution values**

You can distribute costs from accounts of the following types:

- **COSEXP – Costs/Expenses**

Outside of cost accounting, you post expenses to accounts of this type. Such costs are also called primary costs.

- **CSTGEN - Allocated Costs**

Within cost accounting, you can post costs to accounts that are not the original accounts. For example, you could distribute the costs incurred by the **Plant Security** cost center (wages, power, equipment and so on) to the other cost centers by means of a **Plant Security Costs** account. Such costs are also called secondary costs.

You can select the accounts for the costs in different ways. In the first step of the guided activity, select one of the following values in the *Distribution Basis* field:

- **All costs**

The system distributes the costs from all accounts of the above types.

- **G/L account (origin)**

If you select this option, an additional field **G/L Account (Origin)** appears in which you can select a single account whose costs you want to distribute.

- **Group of G/L accounts (origin)**

If you select this option, two additional fields appear. In the *Financial Reporting Structure* field, select a structure that you created in the *Chart of Accounts, Financial Reporting Structures, Account Determination* fine-tuning activity in business configuration. Then in the **Group of G/L Accounts (Origin)** field you can select an item in the structure. This item functions as a group for all accounts below it.



- If you assign more than one distribution rule to a cost center, it is possible that the cost center will be overcredited when you perform the distribution run. To reduce the chance of this happening, the system performs the following checks when you create the distribution rule:
 - The system does not allow you to assign more than one distribution rule to a cost center if each rule distributes **all costs**.
 - The system does not allow you to assign distribution rules to a cost center that distributes the costs of the same **individual accounts** or of the same accounts in **account groups**.
- You **cannot** select more than one account individually. If you want to distribute the values of multiple accounts that are not grouped together as an item in the cost structure, you need to set up a separate distribution rule for each account. However, this should not normally be necessary because costs that can be distributed with the same rule are usually so similar that they are located in the same position in the cost structure.

You also need to select a *set of books*. The distribution rule only distributes the values of the selected set of books. This enables you to distribute the values of different sets of books using different rules.

For more information, see [Set of Books \[page 42\]](#).

- **Receiving cost centers**

You can select the receiving cost centers in two different ways. In the first step of the guided activity, select one of the following values in the *Select Cost Centers* field:

- **By organizational unit**

If you select this option, an *Organizational Unit* field appears, in which you can select a single organizational unit. This defines all cost centers in that organizational unit as receiving cost centers.

- **Manually**

This option enables you to select cost centers as receiving cost centers in a later step of the guided activity. The system displays a list of all cost centers, from which you can select the desired ones. You can thus select cost centers independently of their organizational units.



You normally distribute overhead only from support cost centers to primary cost centers. Since direct cost projects are cost objects that exist for extended periods of time and receive services from support cost centers, the system allows you to distribute overhead to direct cost projects as well. For more information, see [Project Cost and Revenue Management \[page 724\]](#).

To be able to distribute overhead to direct cost projects, you need to have selected the *Project Planning and Execution* business package in your solution configuration.

- **Distribution factors**

In the first step of the guided activity, two methods are available for defining distribution factors: *Based on costs* and *Fixed*:

- **Based on costs**

The system calculates the distribution factors automatically from the relationship between the balances of certain accounts between the receiving cost centers.

Example:

- Direct material costs as the basis for distributing material overhead
- Cost of goods manufactured as the basis for distributing administration costs

If you select this option, an additional field *Calculate Factors Based On* appears. Just as with the selection of distribution values, you can specify an individual account, a group of accounts, or select from a list of all accounts.

- **All costs**

The system uses the balances of all accounts of the above account types to calculate the allocation ratio.

- **G/L account (origin)**

If you select this option, an additional field *G/L account (origin)* appears, in which you can select a single account.

- **Group of G/L accounts (origin)**

If you select this option, two additional fields appear. In the *Financial Reporting Structure* field, select a structure that you created in configuration in the *Chart of Accounts, Financial Reporting Structures, Account Determination* fine-tuning activity. Then in the *Group of G/L accounts (origin)* field, you select an item in the cost structure. This item functions as a group for all accounts below it.

- **Fixed**

This option enables you to enter distribution factors manually in a later step of the guided activity.

Examples:

- Area of floor space per cost center
- Number of employees per cost center

The system converts your allocation bases into percentages, which it uses when it performs the distribution.

- **Account determination group**

The account determination group determines which accounts are used for the distribution.

When you select an account determination group, the system uses the accounts that you specified in the configuration of that account determination group.

If you do **not** select an account determination group in the *Account Determination Group* field, the system uses the original expense accounts (that is, the accounts that you specified when you entered the distribution values). This is also called primary cost distribution.

For more information, see [Overhead Distribution \(Account Determination\) \[page 155\]](#).

When you have completed the guided activity, the system activates the rule automatically so that it is available for use in the distribution run.

Perform Distribution Run

To apply the distribution rules, you start a distribution run. You start the run in the *Cost and Revenue* work center, [Overhead Distribution \[page 829\]](#) view.



You need to have finished accumulating the overhead costs before you start the distribution run.

When you create a distribution run, you have the following selection parameters:

- *Company*

You can restrict the run to a particular company or execute it for all companies. The distribution run allocates the overhead for **all cost centers** in the selected company simultaneously (iterative processing).

You **cannot** select individual cost centers or cost center groups for the run as this would prevent iterative processing.

- *Set of Books*

You can restrict the run to a particular set of books or execute it for all sets of books.

- *Distribution Rule*

You can restrict the run to a particular distribution rule. If you leave this field blank, all distribution rules are processed.

- *Closing Step*

Specify the closing step for the postings.

For more information, see [Closing Steps \[page 76\]](#).

- *Period/Year*

Enter the accounting period and fiscal year for the run.



- You can only execute a distribution run **once per period**. If you want to repeat a run, you must first cancel the existing run.
- If you have **not** restricted the distribution run to an individual distribution rule, the system executes the following processing steps for each sending cost center:
 - The system first applies the active distribution rules that distribute the values of **individual accounts** or **groups of accounts**.
 - The system then applies the distribution rules that distribute the values of **all accounts**.

This enables you to distribute the values of certain accounts based on special rules, then distribute the remaining costs using a general rule.

Before performing an actual distribution run, you have the option of executing it as a *test run*. This enables you to check the results to make sure they are correct before executing in update mode. For example, you may wish to do a test run for individual distribution rules. A test run does **not** generate any actual postings, but you can see a simulation of the effects of the selected rules. The results of the test run provide detailed information on the errors, cost centers, debits and credits, and posting records generated by the rule.

Example

The vehicle fleet department is a cost center that is **not** directly involved in production of the company's products. It provides transportation services for other departments, and initially carries the costs for depreciation, fuel, maintenance, and so on itself.

To allocate these costs, you select as the allocation base the mileage driven by the employees of the cost centers that used the vehicles. You can obtain the mileages from the vehicle logs.

Total Output		Support Cost Center	Primary Cost Centers			
		Vehicle Fleet	Material	Production	Sales	Administration
Fleet Costs		EUR 7,746				
Mileage	10,350		2,000	600	6,500	1,250

Based on the mileages, you can allocate the fleet costs to the different cost centers that used the fleet services.

Total Output		Support Cost Center	Primary Cost Centers			
		Vehicle Fleet	Material	Production	Sales	Administration
Fleet Costs		EUR 7,746	1,497	449	4,865	935
Mileage	10,350		2,000	600	6,500	1,250

See Also

[Cost Center Management Accounting \[page 566\]](#)

6.1.1.3 Service Cost Allocation to Cost Objects

Overview

When products are manufactured and delivered to customers, costs are incurred by the cost centers for the services and resources required to perform the work. A resource is a production factor such as labor, equipment, or vehicles, while a service is the activity performed by a resource.

Production workers enter the consumption quantities of the services and resources into the system by means of activity confirmations. The confirmations result in the allocation of direct costs from the cost centers to the sales orders, service orders, projects, or production lots that requested the work.

Service cost allocation is based on the resource and service cost rates defined in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) and [Service Cost Rates \[page 792\]](#) views.

Valuation of Consumption

Consumption is valued based on the cost rates for the resources or services consumed. To enable the system to find the appropriate cost rates, activity confirmations must always specify a resource. A service can optionally be specified in addition.

Whenever activity confirmations are entered into the system, the consumptions are valued automatically by applying the cost rate to the quantities entered. If cost rates have been maintained for the resources, the system uses these rates to value the consumptions. If no cost rate for a resource exists, the service cost rates are used instead.

Allocation of Costs to Requesting Entities

Resources are always associated with a cost center. The cost center provides services for cost objects that request them. The following cost objects can request services:

- Sales orders
- Service orders
- Projects
- Production lots

In each case, the cost object requesting the work is charged with the costs incurred, and the cost center where the work was performed is credited.

Account Determination

The accounts to which the relevant costs are posted are always selected based on the account determination group for the service. If no service was specified, the default account determination defined in business configuration is used.

See Also

[Service Cost Allocation to Sales and Service Orders \[page 749\]](#)

[Service Cost Allocation to Projects \[page 739\]](#)

[Service Cost Allocation to Production Lots \[page 771\]](#)

6.1.1.4 Overhead Absorption by Cost Objects

Overview

After you have distributed overhead from support cost centers to primary cost centers, you use overhead absorption runs to apply the overhead to the direct costs of the cost objects on the basis of overhead rates. This credits the primary cost centers and debits the cost objects.

You establish overhead rates outside of the system by choosing an allocation base that is a justifiable cost driver. Which allocation base to choose depends on individual circumstances, and particularly on the production environment.

To calculate the overhead rate, you divide the overhead of the cost center by the allocation base.



Examples for calculating overhead rates:

- Material overhead
You decide to use the direct material costs as the allocation base. The overhead rate is therefore the total material overhead costs divided by the direct material costs.
- Administration overhead
You decide to use the cost of goods manufactured as the allocation base. The overhead rate is therefore the administration overhead divided by the cost of goods manufactured.

You normally establish overhead rates for relatively long intervals, during which time they are used to calculate the target overhead.

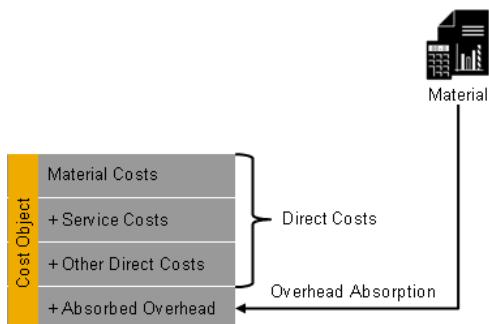
Since the actual overhead will usually differ from the target overhead, there will normally be an over- or underabsorption of overhead on the cost centers. If this misallocation is excessive, investigate the cause and take steps to reduce it.



Examples for analyzing overhead absorption and reducing misallocations:

- Analyze the efficiency of your cost centers and introduce cost-saving measures or improvements to your processes.
- Compensate for rising overhead costs by adjusting your overhead rates.
- Check to see how the overhead rates were calculated and switch to a different allocation base if necessary.
- Review the distribution bases of the preceding overhead distributions and consider whether they are a justifiable cost driver.

You can also use the total costs of the cost objects (direct costs plus applied overhead) as the basis for valuating products manufactured in-house.



Overhead Absorption by Cost Objects

i To be able to apply overhead rates to cost objects, you need to have selected the *Overhead Absorption* option for the cost object in scoping.

Elements of Overhead Absorption

Overhead absorption consists of three activities:

- Define overhead rates
- Create overhead rules
- Execute overhead absorption run

Overhead Rates

An overhead rate specifies the costs to which the overhead percentage is applied, and which cost center and account is credited. Overhead rates are the basis of overhead rules.

In an overhead rule, you specify the overhead rates to be applied to the cost object.

You define overhead rates in the *Cost and Revenue* work center, *Overhead Rules* [page 788] view.

You enter the following data in the overhead rate:

- **Company ID**
Assign the rate to the company in which you want to use it.

- **Overhead type**

You assign the overhead rate to an *overhead type* in order to categorize it.

SAP delivers five different overhead types:

- Production
- Research & Development
- Material
- Sales
- Administration

The overhead types thus describe the five most common cost pools. You can adjust the overhead types in the *Implementation Projects* view. In the activity list, go to the *Fine-Tuning* phase and choose the *Overhead Types for Cost Accounting* activity.

The *overhead types* are only for analysis purposes and have no influence on system behavior.

- **Calculation base**

You can select costs from accounts of the following types as the calculation base:

- *COSEXP – Costs/Expenses*
- *CSTGEN - Allocated Costs*

The accounts specified as the calculation base of an overhead rate normally carry direct costs of the same cost pool, such as direct material costs or direct production costs.

For more information, see [Calculation Bases for Overhead Absorption \[page 722\]](#).

You also need to select a **set of books**. Overhead rates are only valid within the selected set of books. This enables you to define different overhead rates for different sets of books.

For more information, see [Set of Books \[page 42\]](#).

- **Percentage**

You enter the overhead rate as a *percentage* and specify a *Valid From* date. If you change the percentage later, the *Valid To* date of the old percentage is automatically changed to the day before the *Valid From* date of the new percentage.

- **Account determination group**

The *account determination group* defines which accounts are used to allocate the overhead.

The system allocates the overhead to the accounts that you specified in the configuration of account determination for the account determination group. When you select an account determination group, the *Account* field displays the account for crediting the cost center.

For more information, see:

- [Overhead Absorption by Service Order Items \(Account Determination\) \[page 162\]](#)
- [Overhead Absorption by Projects \(Account Determination\) \[page 157\]](#)
- [Overhead Absorption by Production Lots \(Account Determination\) \[page 159\]](#)

- **Cost center**

The cost center is the primary cost center that is credited by the overhead allocation.

Create Overhead Rules

In an overhead rule, you specify which overhead rates are to be applied to the cost object.

You create overhead rules in the *Cost and Revenue* work center, [Overhead Rules \[page 788\]](#) view.

You enter the following data in the overhead rule:

- **Company**

Assign the rule to the company in which you want to use it.

- **Overhead rates**

Select the overhead rates you want to calculate with the rule.

When the system calculates the overhead rates, it applies the sequence defined under *Calculation Sequence*. The sequence is important mainly when rates are based on other rates, in other words when the account charged by an overhead rate is included in the calculation base of another rate.

- **Assignment rules**

You can use overhead rules for the following cost objects:

- Production lots
- Projects
- Service orders

To enable overhead rates to be applied to a cost object, you need to assign the corresponding overhead rule to the cost object. You can do this in two ways:

- **Automatic assignment through assignment rules**

When you create a cost object, the system normally assigns an overhead rule to it automatically. To enable this feature, you need to define assignment rules in the *Specify Assignment Rules* step of the guided activity. You can define the assignment for the following dependencies:

- For production lots
The dependency is based on the company and business residence in which the production lot is manufactured.
- For projects
The dependency is based on the company and whether the project is a direct cost project or an overhead cost project.
- For service orders
The dependency is based on the company, the service organization, and whether the cost object is a service order or a service confirmation.

- **Manual assignment**

In individual cases you can manually change the assignment of overhead rules to cost objects in the following views:

Cost Object	Work Center	View
Production lots	<i>Inventory Valuation</i>	Production Lots [page 565]
Service orders	<i>Cost and Revenue</i>	Sales Document Items [page 799]
Projects	<i>Cost and Revenue</i>	Projects [page 794]



Manual assignment should be reserved for exceptional cases.

Execute Overhead Absorption Run

To apply your overhead rules, you execute an overhead absorption run for each type of cost object. You execute the runs in the following views:

Cost Object	Work Center	View
Production lots	<i>Inventory Valuation</i>	Production Lots – Overhead Absorption [page 629]
Service orders	<i>Cost and Revenue</i>	Service Orders – Overhead Absorption [page 820]
Direct cost projects	<i>Cost and Revenue</i>	Direct Cost Projects – Overhead Absorption [page 824]
Overhead cost projects	<i>Cost and Revenue</i>	Overhead Cost Projects – Overhead Absorption [page 822]

The following selection parameters are offered when you define an overhead absorption run:

- **Company ID**
You can restrict the run to a particular company or execute it for all companies.
- **Set of Books ID**
You can restrict the run to a particular set of books or execute it for all sets of books.
- **Period/Year**
Enter the accounting period and fiscal year for which you want the overhead rates to be calculated.



- You can perform an overhead absorption run as often as you wish. If you repeat a run, the system only posts the differences against the previous runs in that period.
- If you mistakenly applied overhead rates to a cost object and want to reverse this, remove the assignment of the overhead rule and repeat the overhead absorption run.

You also need to specify the [closing step \[page 76\]](#) for the postings.

Before performing an actual overhead absorption run, you can execute it as a [test run](#). This enables you to check the results to make sure they are correct before executing in update mode. A test run does **not** generate any actual postings, but you can see a simulation of the effects of the overhead rates. The results of the test run provide detailed information on the errors, cost centers, debits and credits, and posting records generated by the run.

See Also

- [Cost Center Management Accounting \[page 566\]](#)
- [Overhead Distribution Between Cost Centers \[page 712\]](#)
- [Overhead Absorption by Production Lots \[page 568\]](#)
- [Overhead Absorption by Service Order Items \[page 750\]](#)
- [Overhead Absorption by Projects \[page 739\]](#)

6.1.1.5 Calculation Bases for Overhead Absorption

Overview

When creating overhead rates in the [Overhead Rules \[page 788\]](#) view, you can use any accounts of the following types as calculation bases:

- [COSEXP – Costs/Expenses](#)
- [CSTGEN – Allocated Costs](#)

These accounts are used as [G/L accounts \(origin\) \[page 748\]](#) in postings to deferred cost accounts. G/L accounts (origin) reveal the individual cost elements that constitute the deferred costs.

You select the appropriate G/L accounts (origin) that describe the direct costs of the particular type of cost object to which you want to apply overhead.

You access the [Overhead Rules](#) view in the [Cost and Revenue](#) work center.

Account Determination for Direct Cost Accounts

In the [Business Configuration](#) work center, [Implementation Projects](#) view, open the [Charts of Accounts, Financial Reporting Structures, Account Determination](#) fine-tuning activity. Under [Account Determination](#), select the subledgers listed in the following tables. The G/L accounts (origin) can be found on the tabs and columns shown in the table.

Direct Costs for Production Lots

	Subledger	Tab	All G/L Accounts (Origin) in Column
Direct materials costs	<i>Inventories</i>	Gains and Losses	<i>Material Consumption</i>
Direct production costs	<i>Costs</i>	Service	<i>Debit for Internal Services</i>

Direct Costs for Service Order Items

	Subledger	Tab	All G/L Accounts (Origin) in Column
Direct materials costs	<i>Inventories</i>	Gains and Losses	<i>Material Consumption</i>
Direct production costs	<i>Costs</i>	Service	<i>Debit for Internal Services</i> <i>Expenses for External Services</i>
Other direct costs	<i>Costs</i>	General Expenses	<i>General Expenses</i>

Direct Costs for Projects

	Subledger	Tab	All G/L Accounts (Origin)* in Column
Direct materials costs	<i>Inventories</i>	Gains and Losses	<i>Material Consumption</i>
Direct production costs	<i>Costs</i>	Service	<i>Debit for Internal Services</i> <i>Expenses for External Services</i>
Other direct costs	<i>Costs</i>	General Expenses	<i>General Expenses</i>
With direct cost projects, you can also apply overhead to distributed costs. You posted the distributions either to the original accounts or to special distribution accounts.	<i>Costs</i>	Distribution	<i>Distribution</i>

* Since project costs are posted directly to expense accounts instead of to work in process or deferred costs, these G/L accounts (origin) represent the accounts that were actually posted.

- i** In the [General Ledger](#) work center, [Journal Entry Vouchers \[page 273\]](#) view, you can manually post direct costs to production lots, service order items, or projects. You can also apply overhead to these direct costs. You can see the automatically or manually posted direct costs and the G/L accounts (origin) in the following reports:
- [Production Lots – Line Items](#)
 - [Sales Documents – Line Items](#)
 - [Project Costs – Line Items](#)

Overhead rates can also be calculated based on other overhead rates. Select the appropriate G/L accounts (origin) from the [Overhead](#) column on the [Overhead Absorption](#) tab in account determination for the [Costs](#) subledger.

6.1.2 Project Cost and Revenue Management

6.1.2.1 Project Cost and Revenue Management

Overview

There are two basic aspects of project management:

- **Project Planning and Execution** constitutes the **operational** aspect of project management. It involves planning, scheduling, and executing projects.
Project managers perform these activities in the *Project Management* work center.
- **Project Cost and Revenue Management** constitutes the **financial** aspect of project management. It involves allocating and tracking costs and revenues for projects.
Financial analysts use the tasks and reports in the *Cost and Revenue* work center to:
 - Distribute costs and revenues between projects
 - Define cost rates for service cost allocations to projects
 - Apply overhead to projects using overhead absorption
 - Perform revenue recognition for project sales
 - Analyze planned and actual values on projects using dedicated reports

Project Types

You can create projects for internal and external purposes. A number of operational and financial settings are needed to enable the project to meet its intended purpose.

- You specify the operational and financial settings for projects in the Project Types fine-tuning activity in business configuration.
- Whenever you create a new project, you select one of the defined project types.

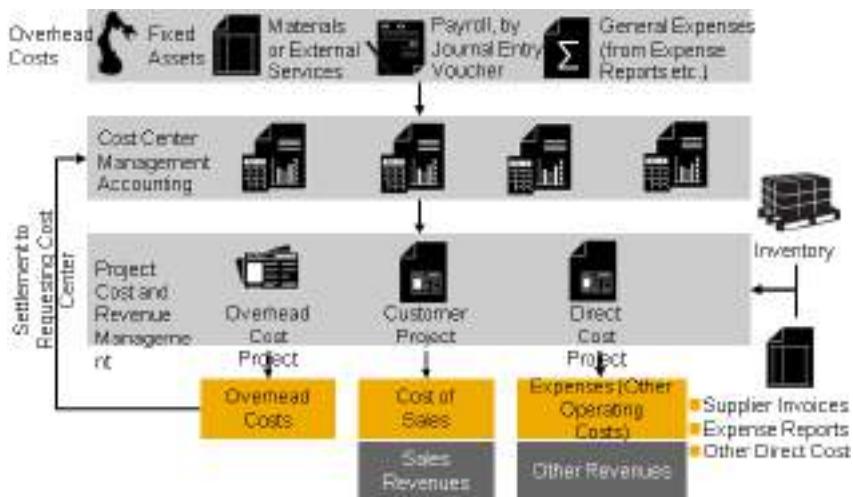
Process Variant Types

The only financial setting stored in a project type is the *Process Variant Type*. The process variant type controls how project costs and revenues are handled in financial and management accounting and is the most critical setting for project cost and revenue management. It is therefore important that the financial analyst is involved in the setup of the project types.

The project type is based on the following process variant types:

Process Variant Type	Project Type
90 - Project Processing - For Overhead Cost Projects	Overhead Cost Project
91 - Project Processing - For Other Direct Cost Projects	Direct Cost Project
257 - Project Processing - For Customer Projects	Customer Project
427 - Project Processing - For Multi-Customer Projects	Multi-Customer Project

The figure below displays how project cost and revenue management is integrated in management accounting, as well as the main differences between the process variant types.



Process Variant Types in Project Cost and Revenue Management

Projects of all process variant types receive **costs** from various sources:

- **Material costs** resulting from consumptions recorded for the project; this credits inventory
- **Service costs** resulting from service confirmations; this credits the cost centers which performed the services.
- **Other direct costs** using supplier invoices, journal entry vouchers, or expense reports
- Some project types may also receive **overhead costs** using overhead distribution or overhead absorption; this credits cost centers.

Only customer projects, multi-customer projects, and direct cost projects can be invoiced and thus generate **revenues**.

The main difference between the three process variant types is how costs and revenues are posted and processed:

- **Overhead Cost Projects**

Overhead cost projects are intended for **internal projects** only. Together with cost centers, they allow the management and allocation of overhead costs. Overhead cost projects enable you to analyze overhead costs in more detail than cost centers only.

All costs charged to overhead cost projects are automatically reallocated back to the cost center that requested the work. Overhead cost projects therefore always have a balance of zero. Overhead cost projects are intended for internal cost collecting purposes only.

- **Direct Cost Projects**

Similar to overhead cost projects, direct cost projects are intended mainly for **internal projects**. However, in contrast to overhead cost projects, their costs remain on the project. They can be assigned to specific market segments and are thus available in profit analysis.

Usually, direct cost projects do not generate any revenues. However, in case you get your project costs covered by a business partner, you can create manual customer invoices with reference to a direct cost project.

i The system handles costs and revenues posted to direct cost projects as **expenses (Other Operating Costs)** and **Other Revenues**. It does not post costs on direct cost projects to a cost of goods sold account and it does not allow automatic revenue recognition for the revenues.

- **Customer Projects**

Customer projects are projects which you manage and execute **for your customers** and are always linked to a sales order. This integrates customer projects into the normal order-to-cash scenario and offers standard functions such as reporting by function of expense, profit analysis, and automatic revenue recognition.

- **Multi-Customer Projects**

You use multi-customer projects for events such as concerts or exhibitions where you sell standardized services.

The system can automatically defer and recognize costs and revenues for multi-customer projects if an accrual method is assigned to the project. If no accrual method is assigned, costs are posted to the relevant **expense account** and revenues are posted to **Sales Revenues**.

See Also

[Overhead Cost Projects \[page 726\]](#)

[Direct Cost Projects \[page 732\]](#)

[Customer Projects \[page 728\]](#)

Multi-Customer Projects

[Cost and Revenue Distribution Between Projects \[page 735\]](#)

[Service Cost Allocation to Projects \[page 739\]](#)

[Overhead Absorption by Projects \[page 739\]](#)

[Revenue Recognition for Project Sales \[page 741\]](#)

[Revenue Recognition for Multi-Customer Projects \[page 763\]](#)

[Project Cost and Revenue Planning \[page 743\]](#)

6.1.2.2 Overhead Cost Projects

Overview

Overhead cost projects are intended for **internal projects** only. Together with cost centers, they allow the management and allocation of overhead costs. Overhead cost projects enable you to analyze overhead costs in more detail than cost centers only.

Typical applications of overhead cost projects include:

- Internal IT implementation projects where costs are reallocated to the requesting department
- General events such as trade fairs where costs are reallocated to the marketing department

Overhead cost projects always allocate their costs back to the responsible cost center and thus do not carry a balance.

Integration with Management Accounting

Project Cost and Revenue

You can plan work, materials, and expenses on each task of an overhead cost project. For more information, see [Project Cost and Revenue Planning \[page 743\]](#).



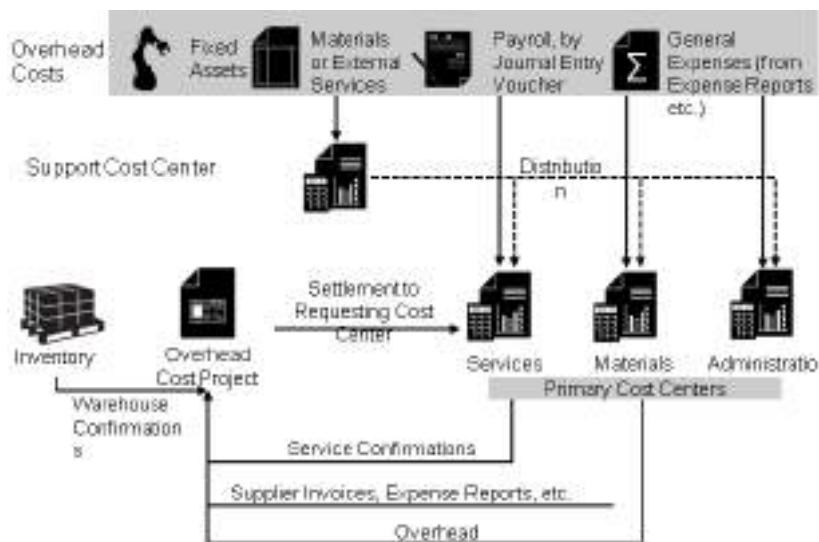
Revenues **cannot** be planned on overhead cost projects.

When you execute the project, you allocate the following types of costs to it:

- Material costs, using **consumptions** for the project. This credits warehouse inventory.
- Service costs, using **service confirmations**. This credits the cost center that performed the service.

- Other costs, using **supplier invoices**, **journal entry vouchers**, or **expense reports**.
- Absorbed overhead costs, using an **overhead absorption run**. This credits the cost center specified in the overhead rate.

All costs charged to an overhead cost project are **automatically** reallocated back to the cost center that is specified in the project as the *Requesting Unit*.



Cost Allocations to Overhead Cost Projects

Cost Centers

You assign the responsible cost center (*Responsible Unit*) to the project at header level. You can optionally assign other cost centers to individual project tasks.

Profit Analysis

Overhead cost projects themselves cannot be assigned to any market segment and do not appear in profit analysis. However, their requesting cost center may be assigned to profit analysis attributes and may be included in the profit analysis reports.

For more information, see:

- [Profit Overview by Key Figure \[page 853\]](#)
- [Profit Detail by Contribution Margin Scheme \[page 850\]](#)

Integration with General Ledger

Posting Logic

All costs charged to an overhead cost project are automatically reallocated back to the cost center that is specified in the project header as the *Requesting Unit*. Overhead cost projects therefore always have a balance of zero.

- i** Automatic reallocations of costs from overhead cost projects to the requesting cost center take place immediately and generate separate journal entries for the allocations. These reallocations should not be confused with overhead absorption.
- You can identify these journal entries by the business transaction type *Settlement*.
 - The reallocations do **not** change the G/L account posted but only transfer the costs from the overhead cost project to the requesting cost center.

Determination of Profit Centers and Segments

If you post costs or revenues to an overhead cost project, the system automatically determines the profit center and the segment to which the responsible cost center (*Responsible Unit*) belongs and assigns them to the journal entries. This allows you to create income statements for profit centers or segments.

For more information, see [Derivation of Profit Centers and Segments \[page 63\]](#).

Functional Area Determination

If you post costs or revenues to an overhead cost project, the system automatically determines the functional area and assigns it to the journal entries. Functional area determination can be based on the G/L account or the responsible cost center (*Responsible Unit*) of the overhead cost project.

For more information, see [Functional Areas \[page 18\]](#).

Business Configuration

For an overhead cost project, the process variant type selected in business configuration is *90 – Project Processing – For Overhead Cost Projects*. SAP delivers the project type *Cost Collecting Project* using this process variant type as example.

- i** You can modify the default settings for any project type with the Project Types fine-tuning activity in business configuration. You can also create additional project types based on your business needs.

See Also

[Project Cost and Revenue Management \[page 724\]](#)

6.1.2.3 Customer Projects

Overview

Customer projects are always linked to a sales order. This integrates the project into the normal order-to-cash scenario and offers standard functions such as **reporting by function of expense**, **profit analysis**, and **automatic revenue recognition**.

Integration with Sales

To sell project-based services, you create a sales order which contains **project-based items**. This sales order represents the customer's view of the project.

To internally manage the project, you need to create a customer project based on and linked to the sales order. You can create the customer project directly from the sales order. For more information, see [Creating a Project from a Sales Order](#).

Integration with Management Accounting

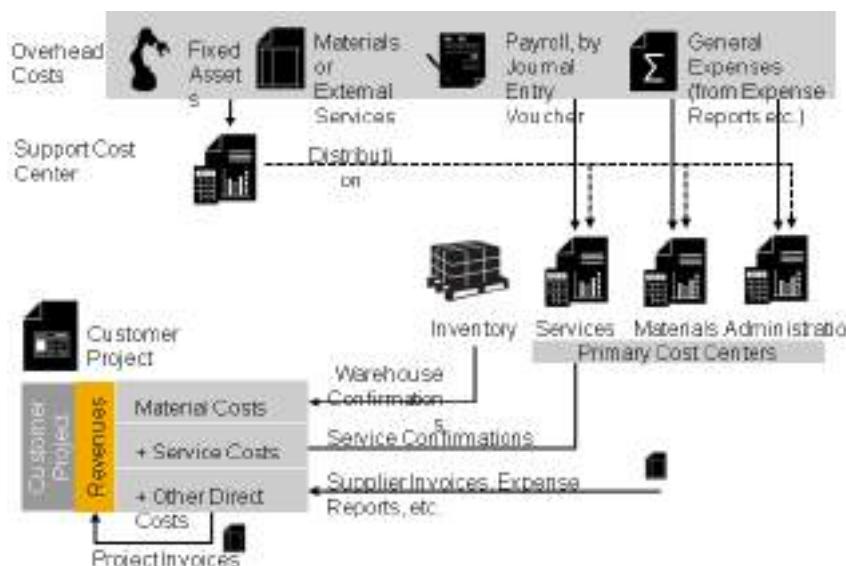
Project Cost and Revenue

You can plan work, materials, expenses, and revenues on each task of a customer project. For more information, see [Project Cost and Revenue Planning \[page 743\]](#).

When you execute the project, you allocate the following types of costs to it:

- Material costs, using **consumptions** for the project. This credits warehouse inventory.
- Service costs, using **service confirmations**. This credits the cost center which performed the service.
- Other direct costs, using **supplier invoices**, **journal entry vouchers**, or **expense reports**.

You invoice the customer for the project by creating **project invoices**. The system assigns the revenues to the customer project which allows profit analysis. For more information on project invoicing, see [Project Invoicing](#).



Cost and Revenue on Customer Projects

Cost Centers

You assign the responsible cost center (*Responsible Unit*) to the project at header level. You can optionally assign other cost centers to individual project tasks.

Automatic Revenue Recognition

You can perform automatic revenue recognition for project sales by using revenue recognition runs, which recognize revenue based on the accrual methods assigned to the corresponding sales order items.

For more information, see [Revenue Recognition for Project Sales \[page 741\]](#).

Profit Analysis

Customer projects can be assigned to the following profit analysis attributes:

- Customer group

- Product category
- Country
- Region
- Sales unit

This allows you to analyze the project costs and revenues for market segments defined by these attributes using the profit analysis reports. In profit analysis, the balances for customer projects are shown with reference to the profit analysis attributes.

For more information, see:

- [Profit Overview by Key Figure \[page 853\]](#)
- [Profit Detail by Contribution Margin Scheme \[page 850\]](#)

Integration with General Ledger

Old Posting Logic

The posting logic for costs and revenues posted to customer projects is shown in the table below:

Revenue Recognition	Sales Order Item determination	Accrual Method assigned	Posting logic
Not Scoped	Irrelevant for revenue recognition, relevant for invoicing and profitability on sales order	N/A	<p>First posting: Posting to deferred cost with assignment solely to project task.</p> <p>Second posting: The costs stay deferred as long as no sales order item is assigned. As soon as a sales order item is assigned, the system is posting to the Cost of Goods sold account to project task and sales order item. Project Revenues are posted to the Sales revenue account.</p>
Scoped	SOI can NOT be determined during confirmation posting	No	<p>First posting: Posting to deferred cost with assignment solely to project task.</p> <p>Second posting: The costs stay deferred as long as no sales order item is assigned. As soon as a sales order item is assigned, the system is posting to Cost of goods sold with assignment to project task and sales order item. Project Revenues are posted to the Sales revenue account.</p>
		Yes	<p>First posting: Posting to deferred cost with assignment solely to project task.</p> <p>Second posting: The costs stay deferred as long as no sales order item is assigned. As soon as a sales order item is assigned, the system is posting deferred cost to project task and sales order item.</p> <p>Project Revenues are posted to the Deferred Sales revenue account.</p> <p>Third posting: According to the accrual method - all or parts of the deferred cost expense accounts during Revenue Recognition run</p>
	SOI can be determined during confirmation posting	No	<p>First posting: Posting to Cost of Goods with assignment to project task and sales order item. Project Revenues are posted to the Sales revenue account.</p>
		Yes	<p>First posting: Posting to deferred cost with assignment to project task and sales order item.</p> <p>Second posting: According to the accrual method - all or parts of the deferred cost expense accounts during Revenue Recognition run</p>

New Posting Logic

Here the project cost is directly posted as expenses in the posting logic and there is no posting of deferred cost.

Revenue Recognition	Sales Order Item determination	Accrual Method assigned	Posting logic
Not Scoped	Irrelevant for revenue recognition, relevant for invoicing and profitability on sales order	N/A	<p>First posting: Directly posting project cost as expenses in the P/L (no posting of deferred cost).</p> <p>Second posting: As soon as a sales order item is assigned, the system is posting to the Original Expense account available with <i>G/L Account (Origin)</i> assigned to project task and sales order item.</p> <p>Project Revenues are posted to the Sales revenue account.</p>
Scoped	SOI can NOT be determined during confirmation posting	No	<p>First posting: Expenses are posted to deferred cost with assignment solely to project task.</p> <p>Second posting: The costs stay deferred as long as no sales order item is assigned. As soon as a sales order item is assigned, the system is posting to Original Expense account available with <i>G/L Account (Origin)</i> with assignment to project task and sales order item.</p> <p>Project Revenues are posted to the Sales revenue account.</p>
		Yes	<p>First posting: Expenses are posted to deferred cost with assignment solely to project task.</p> <p>Second posting: The costs stay deferred as long as no sales order item is assigned. As soon as a sales order item is assigned, the system is posting deferred cost to project task and sales order item.</p> <p>Project Revenues are posted to the Deferred Sales revenue account.</p> <p>Third posting (Revenue Recognition Run): According to the accrual method - all or parts of the deferred cost are posted to the Original Expense account available with <i>G/L Account (Origin)</i> during Revenue Recognition run. All or parts of deferred sales revenues are posted to the Sales Revenue accounts</p>
	SOI can be determined during confirmation posting	No	<p>First posting: Expenses are posted to Original Expense account available with <i>G/L Account (Origin)</i> with assignment to project task and sales order item.</p> <p>Project Revenues are posted to the Sales revenue account.</p>
		Yes	<p>First posting: Expenses are posted to deferred cost with assignment to project task and sales order item. Project Revenues are posted to the Sales revenue account.</p> <p>Second posting: According to the accrual method - all or parts of the deferred cost are posted to the Original Expense account available with <i>G/L Account (Origin)</i> during Revenue Recognition run. All or parts of deferred sales revenues are posted to the Sales Revenue accounts.</p>

Derivation of Posting Date for Journal Entry Type "Expense Assignment to Sales Documents"

1. The posting date of the journal entry of the original expense document is used unless it is earlier than the sales order item date, in which case the latter date is used.
2. Adjustments due to clearing are posted with the posting date of the journal entry of the referenced original expense document, the sales order item date, or the date of the clearing posting, whichever date is most current.
3. The *Post to another period* action on the unposted source document for *Customer Project Expense List* documents overrides the above derived posting dates.

Derivation of Posting Date for Journal Entry Type "Reversal of Expense Assignment to Sales Documents"

1. Posting date for the reversal journal entry is the posting date of the previous *Expense Assignment to Sales Documents* posting on the same expense item.
2. The *Post to another period* action on the unposted source document for *Customer Project Expense List* documents overrides the above derived posting dates.

Posting Logic for Multiple Cost Assignments

The posting logic for multiple cost assignments in different scenarios are described as follows:

1. **Without** Revenue Recognition scoped and **new** posting logic
Here, the posting is done on the expense account derived by the entered GL Account Alias with account assignment to customer project. The CPEL message reposts to sales order item and the same expense account.
2. **With** Revenue Recognition scoped and **new** posting logic
Posting first goes to deferred cost account with account assignment to customer project. The CostRevenueElement (GL Account origin) is derived based on the GL Account Alias.
The Revenue Recognition run reposts from deferred cost account to the Expense Account derived from the entered GL Account Alias (with account assignment sales order item).
3. **With** Revenue Recognition scoped and **old** posting logic
Posting first goes to deferred cost account with account assignment to customer project. The CostRevenueElement (GL Account origin) is derived based on the GL Account Alias entered.
The Revenue Recognition run reposts from deferred cost account to COGS Account also with CRE derived from the entered GL Account Alias (with account assignment sales order item and same CRE as deferred cost line)

Determination of Profit Centers and Segments

If you post costs or revenues to a customer project, the system automatically determines the profit center and the segment to which the responsible cost center (*Responsible Unit*) belongs and assigns them to the journal entries. This allows you to create income statements for profit centers or segments.

For more information, see [Derivation of Profit Centers and Segments \[page 63\]](#).

Functional Area Determination

If you post costs or revenues to a customer project, the system automatically determines the functional area and assigns it to the journal entries. Functional area determination can be based on the G/L account or the responsible cost center (*Responsible Unit*) of the customer project.

For more information, see [Functional Areas \[page 18\]](#).

Business Configuration

For a customer project, the process variant type selected in business configuration is [257 – Project Processing – For Customer Projects](#). SAP delivers an example of a project type using this process variant type.

i You can modify the default settings for any project type with the Project Types fine-tuning activity in business configuration. You can also create additional project types based on your business needs.

See Also

[Project Cost and Revenue Management \[page 724\]](#)

6.1.2.4 Direct Cost Projects

Overview

Like overhead cost projects, direct cost projects are intended mainly for **internal projects**. However, in contrast to overhead cost projects their costs can be assigned to specific market segments and are thus **available for profit analysis**.

Typical applications of direct cost projects include:

- Internal development of new product lines. Here the market segment is specified by the product group.
- Events such as product shows that are held for selected customers. Here the market segment is specified by the customer group and the product category.

Integration with Management Accounting

Project Cost and Revenue

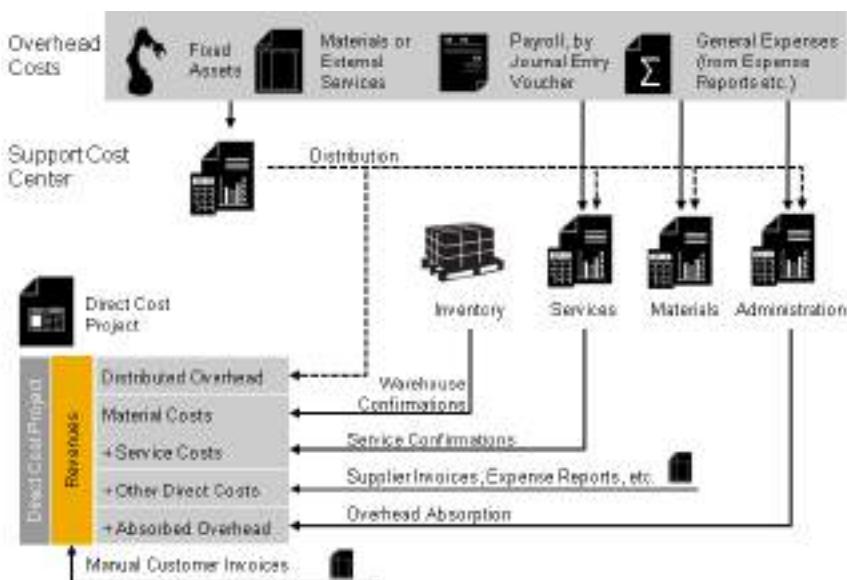
You can plan work, materials, expenses, and revenues on each task of a direct cost project. For more information, see [Project Cost and Revenue Planning \[page 743\]](#).

When you execute the project, you allocate the following types of costs to it:

- Material costs, using **consumptions** for the project. This credits the warehouse inventory.
- Service costs, using **service confirmations**. This credits the cost center that performed the service.
- Other direct costs, using **supplier invoices**, **journal entry vouchers**, or **expense reports**
- Overhead costs, using a **distribution run**. This credits the sending cost center or project specified in the distribution rule.
- Absorbed overhead costs, using an **overhead absorption run**. This credits the cost center specified in the overhead rate.

Direct cost projects do not normally generate any revenue. However, if your project costs are covered by a business partner, you can create **manual customer invoices** with reference to a direct cost project.

i If your project is intended for organizing and executing events offering **standardized services**, use a **multi-customer project** instead of a direct cost project.



Cost and Revenue on Direct Cost Projects

Cost Centers

You assign the responsible cost center (**Responsible Unit**) to the project at header level. You can optionally assign other cost centers to individual project tasks.

Profit Analysis

Direct cost projects can be assigned to the following profit analysis attributes:

- Customer group
- Product category
- Country
- Region
- Sales unit

This allows you to analyze the project costs and revenues for market segments defined by these attributes using the profit analysis reports. In profit analysis, the balances for direct cost projects are shown with reference to the profit analysis attributes.

For more information, see:

- [Profit Overview by Key Figure \[page 853\]](#)
- [Profit Detail by Contribution Margin Scheme \[page 850\]](#)



- Automatic revenue recognition using revenue recognition runs is **not** supported for direct cost projects. You can only recognize revenue for direct cost projects **manually**.
- No balance sheet accounts can be posted with the project type *Direct Cost Project*.

Integration with General Ledger

Posting Logic

The posting logic for direct cost projects differs fundamentally from the posting logic for customer projects:

- Since direct cost projects are not based on a sales order, all costs are posted to **expense accounts** rather than to cost of goods sold. In the income statement, you would treat these expenses as **other operating costs**.
- If you post manual invoices with reference to a direct cost project, you would treat these exceptional revenues not as sales revenues but as **other revenues** in the income statement. Since these revenues are not based on a sales order, revenues cannot be recognized automatically.

Determination of Profit Centers and Segments

If you post costs or revenues to a direct cost project, the system automatically determines the profit center and the segment to which the responsible cost center (*Responsible Unit*) belongs, and assigns them to the journal entries. This allows you to create income statements for profit centers or segments.

For more information, see [Derivation of Profit Centers and Segments \[page 63\]](#).

Functional Area Determination

If you post costs or revenues to a direct cost project, the functional area is determined automatically and assigned to the journal entries. Functional area determination can be based on the G/L account or the responsible cost center (*Responsible Unit*) of the direct cost project.

For more information, see [Functional Areas \[page 18\]](#).

Business Configuration

For a direct cost project, the process variant type selected in business configuration is [91 - Project Processing - For Direct Cost Projects](#). A number of project types using this process variant type are delivered as examples of direct cost projects, such as Research and Development Project and Marketing Project.

-  You can modify the default settings for any project type with the Project Types fine-tuning activity in business configuration. You can also create additional project types based on your business needs.

Special Use Case for Direct Cost Projects

It is possible to use direct cost projects for the purpose of managing projects offering **standardized services** as described in the following.

-  You should normally use **multi-customer projects** for this purpose.

When you create a sales order with a standardized service (item type **Service – time and material**, **Service – fixed price**, or **Service – fixed price without actuals**) or a service-related expense (item type **Expense – time and material** or **Expenses – fixed price without actuals**), you can add a project task of the direct cost project to the sales order item. As a consequence, the system automatically assigns all upcoming cost and revenues posted to this sales order to the project task. Sales orders from various customers can refer to the same direct cost project.

Example:

- You hold a public event and run it as a direct cost project.
- Your customers buy standardized services related to this event, such as advertising space.
- When you create the sales order item for this standardized service, you add the relevant task of the direct cost project.

In this use case, the tasks of the direct cost project can be regarded as separate cost and revenue objects. To support correct cost and revenue allocation, you can also distribute overhead costs from support project tasks to the main project tasks. On the other hand, you can also distribute revenues between project tasks based on fixed values, for example the size of the advertising space.

See Also

[Project Cost and Revenue Management \[page 724\]](#)

Multi-Customer Projects

6.1.2.5 Cost and Revenue Distribution Between Projects

Overview

You distribute costs and revenues between projects or project tasks based on allocation bases. This enables you to collect costs and revenues on a project and then distribute them to its subprojects. You can define subprojects as project tasks of the main project.

The functions for cost and revenue distribution are available in the [Cost and Revenue](#) work center.

Prerequisites

Project planning and execution and overhead distribution are activated in your solution configuration. To find these options, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#). In the *Scoping* step of the project:

- Ensure that the *Project Planning and Execution* business package is selected within the *Project Management* business area.
- Ensure that the *Management Accounting* business package is selected within the *Financial and Management Accounting* business area. In the *Questions* step, expand *Financial and Management Accounting* and then *Management Accounting*. Select *Project Cost and Revenue Management* and answer the question regarding the allocation of overhead to projects.

Elements of Cost and Revenue Distribution

Cost and revenue distribution involves two activities:

1. **Create distribution rule for projects**
2. **Perform distribution run**

Create Distribution Rule for Projects

Distribution runs for projects are based on distribution rules. In the distribution rules, you specify which costs and revenues of which projects and project tasks you want to distribute, along with the distribution factors.

You define distribution rules for projects in the [Distribution Rules \[page 786\]](#) view. The system guides you through all required steps.

You enter the following data in a distribution rule for projects:

- **Sender project or project task**
In the first step of the guided activity, you specify a project or project task as the sender of the costs and revenues.
When you assign the distribution rule to a project or project task as the sender, the system defaults the current date as the *Assignment Valid From* date and *Unlimited* as the *Assignment Valid To* date. You can change these dates as required.

i An active distribution rule must always be assigned to at least one sender project or project task.
You should deactivate distribution rules that you no longer need.

- **Distribution values**
You can distribute values from accounts of the following types:
 - **COSEXP – Costs/Expenses**
Outside of cost accounting, you post expenses to accounts of this type. Such costs are also called primary costs.
 - **CSTGEN - Allocated Costs**
Within cost accounting, you can post costs to accounts that are not the original accounts. For example, you could distribute the costs incurred by the **Plant Security** cost center (wages, power, equipment and so on) to the other cost centers by means of a **Plant Security Costs** account. Such costs are also called secondary costs.
 - **REVGAN – Revenues or Gains**
You post revenues to accounts of this type.

You can select the accounts for the costs in different ways. In the first step of the guided activity, select one of the following values in the *Distribution Basis* field:

- **All costs**
The system distributes the values of all cost accounts of the above types.
- **All costs and revenues**
The system distributes the values of all accounts of the above types.
- **All revenues**
The system distributes the values of all profit and loss accounts of the above types.
- **G/L account (origin)**
If you select this option, an additional field *G/L Account (Origin)* appears in which you can select a single account whose values you want to distribute.
- **Group of G/L accounts (origin)**
If you select this option, two additional fields appear. In the *Financial Reporting Structure* field, select a structure that you created in configuration in the *Chart of Accounts, Financial Reporting Structures, Account Determination* fine-tuning activity. Then in the *Group of G/L Accounts (Origin)* field you can select an item in the structure. This item functions as a group for all accounts below it.



- If you assign more than one distribution rule to a project or project task, it is possible that the project or project task will be overcredited when you perform the distribution run. To reduce the chance of this happening, the system performs the following checks when you create the distribution rule:
 - The system does not allow you to assign more than one distribution rule to a project or project task if the rules distribute **all** costs or revenues.
 - The system does not allow you to assign distribution rules to a project or project task that distribute the costs or revenues of the same **individual accounts** or of the same accounts in **account groups**.
- You **cannot** select more than one account individually. If you want to distribute the values of multiple accounts that are not grouped together as an item in the cost structure, you need to set up a separate distribution rule for each account. However, this should not normally be necessary because costs or revenues that can be distributed with the same rule are usually so similar that they are located in the same position in the cost structure.

You also need to select a *set of books*. The distribution rule only distributes the values of the selected set of books. This enables you to distribute the values of different sets of books using different rules.

For more information, see [Set of Books \[page 42\]](#).



- You can only distribute costs and revenues from projects or project tasks to **other projects or project tasks**, not to cost centers.
- You can distribute costs and revenues from projects or project tasks only on the basis of **fixed distribution factors**. It is **not** possible to use distribution factors that are based on costs or revenues.
- You can distribute costs and revenues from projects or project tasks **only to the original accounts**. It is not possible to use clearing accounts for this purpose.

When you have completed the guided activity, the system activates the rule automatically so that it is available for use in the distribution run. You can change or deactivate the distribution rule in the [Distribution Rules View \[page 786\]](#).

Perform Distribution Run

To apply the distribution rules, you start a distribution run. You start the run in the [Overhead Distribution View \[page 829\]](#).



You need to have finished accumulating the costs and revenues before you start the distribution run.

When you create a distribution run, you have the following selection parameters:

- *Company*

You must restrict the run to a single company. The run is always executed for **all cost centers and projects** in the selected company simultaneously (iterative processing).



You **cannot** select individual cost centers or cost center groups for the run as this would prevent iterative processing.

- *Set of Books*

You can restrict the run to a particular set of books or execute it for all sets of books for the selected company.

- *Distribution Rule*

You can restrict the run to a particular distribution rule. If you leave this field blank, all distribution rules are processed.

- *Closing Step*

Specify the closing step for the postings.

For more information, see [Closing Steps \[page 76\]](#).

- *Period/Year*

Enter the accounting period and fiscal year for the run.



- You can only execute a distribution run **once per period**. If you want to repeat a run, you must first cancel the existing run.
- If you have **not** restricted the run to an individual distribution rule, the system executes the following processing steps for each sending cost center or project (task):
 - The system first applies the active distribution rules that distribute the values of **individual accounts or groups of accounts**.
 - The system then applies the distribution rules that distribute the values of **all accounts**.

This enables you to distribute the values of certain accounts based on special rules, then distribute the remaining costs using a general rule.

Before performing an actual distribution run, you have the option of executing it as a *test run*. This enables you to check the results to make sure they are correct before executing in update mode. For example, you may wish to do a test run for individual distribution rules. A test run does **not** generate any actual postings, but you can see a simulation of the effects of the selected rules. The results of the test run provide detailed information on the errors, the cost centers or projects debited and credited, and the posting records generated by the rule.

See Also

[Project Cost and Revenue Management \[page 724\]](#)

6.1.2.6 Service Cost Allocation to Projects

Overview

Employees or their time administrators enter confirmations for working time in the employee time sheet. The time sheet records the time worked and the projects and project tasks for which the work was performed.

Time sheets can be edited in the following scenarios:

- Decentrally in self-service scenarios by employees or service agents themselves
- Centrally by time administrators who enter their employees' time data (for example, when working times are initially recorded on paper or when administrators upload working times from Microsoft Excel)

Time sheets are accessed in the *Time Administration* work center, *Regular Tasks* view or in the *Home* work center, *Self-Services* view.

Job Assignment

Each labor resource is assigned to a **cost center** and one or more **jobs** in its master data. The master data of the resource indicates, for a specific cost center, which jobs the resource represents. This assignment is time-based.

Each employee is assigned to a cost center and a job. With the cost center/job combination from the employee it is possible to find exactly one labor resource (with the same cost center/job combination) and then determine the cost rate from the resource.

i The system always needs to be able to find a unique labor resource. If a cost rate has been maintained for the labor resource, the system uses that rate to value the working time. If no labor resource cost rate exists, the service cost rate is used instead.

When an employee enters an activity confirmation, the system derives the resource from the employee's cost center and job, and automatically defaults the resource in the confirmation.

Integration with Financials and Project Management

Information on the service and the time confirmed in the time sheet is sent to financials to enable costs to be determined for the labor resources consumed. The costs are calculated based on the cost rates defined in the *Cost and Revenue* work center.

This information is also sent to Project Management to facilitate monitoring of the project progress.

See Also

[Service Cost Allocation to Cost Objects \[page 717\]](#)

6.1.2.7 Overhead Absorption by Projects

Overview

After you have allocated overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the projects. This credits the primary cost centers and debits the projects.

The cost centers provided services for the projects, so they were credited for the costs of the services and the projects were debited. Since the services can easily be identified with particular projects, these costs are **direct costs** of the projects.

Some costs nevertheless remain on the cost centers because not all costs can be identified with particular projects. These costs are overhead that is allocated to the projects based on **overhead rates**.

- i** Strictly speaking, the costs allocated to **overhead cost projects** are **not** direct costs. Since an overhead cost project always passes all of its costs on to a cost center, it is not a true cost object. Therefore, the costs allocated to overhead cost projects are actually overhead. Only from the perspective of the overhead cost project itself are such costs regarded as direct costs to which overhead is allocated based on overhead rates.

The functions for overhead absorption are available in the *Cost and Revenue* work center.

Prerequisites

You establish overhead rates outside of the system by choosing a suitable allocation base, such as the direct costs of the corresponding cost pool. To calculate the overhead rate per unit, you divide the total overhead costs of the cost center by the allocation base. You store the resulting **overhead rates** in the system and combine multiple rates in **overhead rules** to simplify processing.

To enable an overhead rule to be applied to a project, it must be assigned to the project. The assignment can be made automatically or manually:

- The system normally assigns the overhead rule **automatically** when you create the project. This automatic assignment is based on **assignment rules**. You define assignment rules when you create the overhead rule in the *Specify Assignment Rules* step of the guided activity. For more information, see the *Overhead Rules* [page 788] view.

You can define the assignment for the following dependencies:

- The company for which the project is created
- Whether the project is a direct cost project or an overhead cost project

- In individual cases, you can also **manually** change the assignment of an overhead rule in the *Projects* [page 794] view.

- i** To be able to apply overhead rates to projects, you need to have selected the *Project Planning and Execution* business package and the *Overhead Absorption by Projects* business option in your solution configuration.

Execution

To apply your overhead rules to projects, execute an overhead absorption run in the *Direct Cost Projects – Overhead Absorption* [page 824] view or the *Overhead Cost Projects – Overhead Absorption* [page 822] view.

The following selection parameters are offered when you define an overhead absorption run:

- **Company ID**
You can restrict the run to a particular company or execute it for all companies.
- **Set of Books ID**
You can restrict the run to a particular set of books or execute it for all sets of books.
- **Project Number:**
For test purposes, you can restrict the run to a single project.

- **Period/Year**

Enter the accounting period and fiscal year for which you want the overhead rates to be calculated.

You also need to specify the *closing step* for the postings.

For more information, see [Closing Steps \[page 76\]](#).



- You can perform an overhead absorption run as often as you wish. If you repeat a run, the system only posts the differences against the previous runs in that period.
- It is not possible to directly cancel the posted results of an overhead absorption run. However, you can offset the effects of the run by setting the overhead rates in the overhead rule to 0%.
- Since overhead cost projects are not true cost objects, they always allocate their overhead directly to the responsible cost center. The system creates an additional journal entry for each posted overhead charge, which allocates the overhead to the cost center. This journal entry is visible on the *Postings* tab together with the overhead entry.
- To verify whether a run has been completed successfully, you can run the following checks:
 - **Log**
You find a log for a run in the corresponding subview. Each run has a status (*Information*, *Error*). To display the **details** of a log, select the relevant run and choose *Display*. If **errors** occur during a run, you need to resolve them. You can find information on the errors on the *Messages* tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
 - **Job Monitor**
If a run has **not** been completed successfully and you cannot resolve the problem, you can display the technical details relating to the run in the Job Monitor. Select the relevant run and click [View Jobs](#). If a job finds errors, contact your system administrator.

See Also

[Overhead Absorption by Cost Objects \[page 718\]](#)

6.1.2.8 Revenue Recognition for Project Sales

Overview

Project sales include the sale of project-based services and the associated expenses, including materials. They do **not** include standardized services and the associated expenses.

You can identify a project sale from the item type of the sales order item:

Item Type of Sales Order Item	Meaning
Service – time and material (project)	Project-based service invoiced based on the confirmed time and material
Service – fixed price (project)	Project-based service invoiced at a fixed price
Expense – time and material (project)	Project-based expense invoiced based on the confirmed time and material
Expense – fixed price (project)	Project-based expense invoiced at a fixed price

Revenue recognition for project sales differs depending on whether the sales order item is invoiced based on the confirmed time and material or at a fixed price:

- Project-based sales order items based on **time and material (service or expense)**
As with revenue recognition for product sales, revenue recognition for project sales is tied to specific events. Before the event, the revenue must remain deferred. After the event, the revenue must be recognized. Two **event-based** accrual methods are available for the revenue type **Project Sales (Time and Material)**:
 - *Recognize at point of invoice*
 - *Recognize at point of delivery*
- Project-based sales order items with **fixed price (service or expense)**
Revenue recognition for fixed-price project-based sales order items can either be based on the percentage of completion (POC) of the project task, or on the full completion of the project task (completed contract). Two **POC-based** accrual methods are available for the revenue type **Project Sales (Fixed Price)**:
 - *Recognize using cost-to-cost POC*
 - *Recognize at completed contract*

i For reasons of simplicity, the following sections assume full delivery and invoicing of the item. However, the system recognizes revenue and cost of sales separately for every partial delivery and partial invoice.

Prerequisites

Configuration Settings

i Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

Sell Project-Based Products and Services is activated in your solution configuration. To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. In the *Scoping* step of the project, ensure that *Product and Service Portfolio for Sales* is selected within *Sales*.

Recognize at Point of Invoice

For project-based sales order items with the accrual method *Recognize at point of invoice* the revenue recognition run checks the following: If a project invoice has been posted which includes time and expense confirmations for this sales order item, the system recognizes the revenue and the cost of sales for these confirmations.

- The system resets the deferral of the cost of sales.
- The system resets the deferral of the sales revenue.

Recognize at Point of Delivery

For project-based sales order items with the accrual method *Recognize at point of delivery* the revenue recognition run checks the following: If service confirmations or expense reports have been posted against the project tasks assigned to the sales order item, the system recognizes the revenue and the cost of sales.

- The system resets the deferral of the cost of sales.
- If the project invoice has not been posted for these service confirmations or expenses, the system accrues the sales revenues.

Recognize Using Cost-to-Cost POC

For project-based sales order items with the accrual method *Recognize using cost-to-cost POC*, the revenue recognition run performs the following steps:

- If no manual percentage of completion (POC) is valid on the date of the run, the run calculates the POC as **Confirmed Costs ÷ Planned Costs**. The planned costs are the costs that you entered in the sales order item as the price component *Cost Estimate*.
- If a manual POC is valid on the date of the run, the run uses the manual value instead of calculating it.
- The run calculates the revenue to be recognized by applying the POC to the planned revenue. The planned revenue is the *Net Value* of the sales order item.
- The run resets the deferral of the confirmed costs.
- The run recognizes the calculated revenue.
 - If a revenue of this amount has been deferred, the run resets this deferral.
 - If a revenue of this amount has not yet been deferred, the run accrues it.

Recognize at Completed Contract

For project-based sales order items with the accrual method *Recognize at completed contract*, the revenue recognition run checks whether the sales order item is completely fulfilled and invoiced and whether the *Final Delivery or Invoice Date* has passed.

If these conditions are met, the system recognizes the revenue; if not, the system continues to defer the revenue.

- i** If you want to manually control whether the revenue recognition run defers or recognizes revenue for project sales, you can use the two **basic accrual methods**:
- *Continue to defer*
 - *Reverse deferrals and accruals*

For more information, see [Revenue Recognition \[page 751\]](#).

6.1.2.9 Project Cost and Revenue Planning

Overview

Accurate planning of project costs and revenues is essential for establishing realistic budgets, avoiding cost overruns, and ensuring that the project will generate sufficient profit. The high cost transparency provided by project management helps you effectively budget your projects and control their costs. Advanced reporting features allow you to quickly detect overspending and pinpoint its causes in detailed cost breakdowns.

Project managers plan project tasks by specifying:

- The anticipated amount of work (services) required
- The planned materials
- The estimated expenses
- The estimated revenues



Revenues **cannot** be planned on overhead cost projects.

Each project task has one or more work packages for which the project manager specifies a service, a team member, and the expected time required. Project tasks can also include expenses, such as for airfare or lodging, as well as internally or externally procured materials. Overhead is applied automatically if you have assigned an overhead rule to the project.

Materials can be planned and procured for projects in two ways:

- In the project only: In this case the material items are not shown separately in the sales order but are implicitly included in the cost of the project-based services.
- In the project and in the sales order: In this case the material items are shown in the sales order separately from the project-based services.



Projects are costed **automatically** each time they are saved so that the costs remain current.

However, you need to trigger an update of the planned costs in the following cases:

- You changed a material cost or cost rate.
- You corrected an error that was due to:
 - A missing material cost or cost rate
 - A missing G/L account
 - A missing price in a price list or contract

For more information, see the [View Planned Costs and Revenues](#) task in [Projects Quick Guide \(Cost and Revenue\)](#) [page 794].

Analyzing Planned Project Costs and Revenues

You can analyze the planned costs and revenues for the project in detail as follows:

- In the [Cost and Revenue](#) work center, *Projects* view.
For more information, see the [View Plan Values](#) task in the [Projects Quick Guide \(Cost and Revenue\)](#) [page 794].
- In the [Project Plan Values](#) [page 856] report

Valuation

The planned services and materials are valued using **valuation strategies**, which consist of a priority sequence. If the first cost or price in the sequence has not been maintained, the system attempts to find the next one, and so on. If the system cannot find any of the costs or prices in the priority sequence, it issues an error message.



Valuation strategies are predefined and cannot be changed.

The planned expenses are taken directly from project expense planning, while overhead is calculated based on the overhead rule assigned to the project.

Valuation Strategy for Services

For **internal** employees, the work is valued using the following valuation strategy:

1. Labor resource cost rate
2. Service cost rate

If you want the work to be valued with the service cost rate, simply make sure that no cost rate is defined for the labor resource.

For **external** employees and employees of other companies within the same corporate group, the work is valued using the following valuation strategy:

1. Price from fixed source of supply
2. Price from contract
3. Price from price list
4. Service cost rate

 You define fixed sources of supply in the *Sourcing and Contracting* work center.

Valuation Strategy for Materials

Materials are valued using the following valuation strategy:

1. Price from latest purchase order with reference to the project
If a purchase order with reference to the project exists, the system uses the price from that purchase order. If there is more than one purchase order for the same material, the system uses the price from the latest purchase order.
2. Price from latest purchase order without reference to the project
If no purchase order with reference to the project exists, the system uses the price from a purchase order that does not reference the project. If there is more than one purchase order for the same material, the system uses the price from the latest purchase order.
3. Price from fixed source of supply
4. Price from contract
5. Price from price list



- The valuation date for materials is the **start date of the project**. This date is used to determine the financial period for cost allocation.
- If a planned material has not been activated for valuation, an information message is sent to the project manager when the project is saved. The plan values are flagged as erroneous in the **Project Plan Values** screen and in the **Project Plan Values** report.

Valuation of Expenses

The planned costs for expense items are transferred directly from project expense planning to accounting.

If the currency of an expense item differs from the default currency of the company and set of books, it is converted into the default currency.

Valuation of Overhead

Overhead items are generated automatically by the system after an **overhead rule** is assigned to the project. Overhead rules allow you to apply overhead on an ongoing basis, eliminating the need to run month-end allocations and ensuring that you always see the complete project costs. You can define different rules for different types of direct costs.

For more information on overhead rules, see [Overhead Absorption by Projects \[page 739\]](#).

Period Distribution

Calculated costs can be structured by G/L account origin and distributed to fiscal periods based on the scheduling of the corresponding project task.

See Also

[Project Cost and Revenue Management \[page 724\]](#)

6.1.3 Sales and Profit Analysis

6.1.3.1 Sales and Profit Analysis

Overview

Detailed information about revenues and the cost of sales is needed to support critical business decisions and to monitor performance and profitability. To ensure that this information is timely and accurate, the system provides functions that automatically determine accounts, recognize revenue, and allocate overhead. The reports available for sales and profit analysis enable you to gain insight into your sales operations, such as your net profit on sales orders including costs and returns, or the gross profit on a particular product in a particular region.

Sales Analysis

Sales data from CRM is translated into financial data with the following functions:

- General posting logic and account determination
- Revenue recognition
- Overhead absorption

Posting Logic and Account Determination

Business transactions automatically generate journal entries in the correct subledgers. Account determination automatically derives the correct G/L accounts for expenses and revenues.

For more information, see [Automatic Account Determination \[page 82\]](#).

Revenue Recognition

Revenue recognition is the process of assigning sales revenue to the periods in which it was realized and earned. The cost of sales and any revenue deductions for returns associated with the revenue need to be assigned to the same accounting periods as the revenue itself.

Automatic revenue recognition is based on accrual methods. The costs and revenues for sales document items and multi-customer projects to which an accrual method has been assigned are recognized automatically when you execute a revenue recognition run.

In business configuration, you can define rules that automatically assign accrual methods to sales document items and multi-customer projects.

You can analyze the accrual accounts in the **Sales Accruals** report. This report shows accrued and deferred costs and revenues as recorded in accounting documents based on revenue recognition procedures within accounting.

For more information, see [Revenue Recognition \[page 751\]](#).

Overhead Absorption

Overhead absorption allocates overhead costs to service orders, production lots, and projects based on overhead rules. In an overhead rule, you specify which overhead rates are to be applied to the cost object. Overhead is applied in an overhead absorption run. You execute separate overhead absorption runs for each type of cost object.

For more information, see [Overhead Absorption by Cost Objects \[page 718\]](#).

Profit Analysis

Profit can be analyzed based on data from different points along the sales process. This allows you to choose between seeing predictive profit figures or profit actually earned:

- **Order profit** is calculated from incoming orders, giving you an early indication of profit trends.
- **Invoice profit** is calculated from outgoing invoices, providing a more reliable estimation of profit.
- **Earned profit** is based on the data posted in accounting and therefore represents your actual profit.

You analyze profit in the Profit Detail by Contribution Margin Scheme and Profit Overview by Key Figure reports. When you run these reports, you select one of the above profit types. The reports enable you to drill down to specific market segments such as sales orders, products, and customers.

The **Profit Detail by Contribution Margin Scheme** report provides profit key figures for a single market segment, allowing you to analyze that market segment in detail. The following key figures are available:

- Income from Operations
- Gross Profit on Sales
- Net Sales Revenue
- Sales Revenues
- Sales Discounts and Allowances
- Cost of Goods Sold
- Other Operating Costs
- Selling Expenses
- Administrative or General Expenses

The **Profit Overview by Key Figure** report shows profit information by selected key figures for multiple market segments. Several predefined views are provided so that you can easily compare the key figures for regions, customers, products, sales units, service and support teams, and fiscal year periods for the different market segments. The following key figures are available in this report:

- Net Sales Revenue
- Cost of Goods Sold
- Gross Profit on Sales
- Gross Profit on Sales Margin %
- Income from Operations
- Income from Operations Margin %

For more information about analyzing order profit and invoice profit, see [Profit Analysis Based On Orders and Invoices \[page 767\]](#).

For more information about analyzing earned profit, see [Earned Profit Analysis \[page 766\]](#).

Prerequisites

The system must be configured for profit analysis as described in the following:

- Settings for Earned Profit Analysis – Configuration Guide

- Settings for Profit Analysis Based on Invoices and Orders – Configuration Guide

See Also

[G/L Account \(Origin\) \[page 748\]](#)

[Service Cost Allocation to Sales and Service Orders \[page 749\]](#)

[Overhead Absorption by Service Order Items \[page 750\]](#)

6.1.3.2 G/L Account (Origin)

Overview

Postings on accrued sales documents are made directly to balance sheet accounts (such as deferred costs). Since these accounts lack information on the origin of the costs and revenues, the G/L account (origin) provides an additional characteristic that supplies this information. This allows for a more detailed breakdown in reports.

i Exchange rate differences are always posted to a G/L account defined specifically for these differences. With exchange rate differences the G/L account (origin) uses the original accounts. For example, if the purchase of a material results in an exchange rate difference, the G/L account (origin) shows the difference on the original material account, **not** on the exchange rate difference account.

The G/L account (origin) provides the basis for overhead absorption and is used in reports for production lots to enable detailed cost analysis.

For example, when work in process is assigned to production orders, the G/L account (origin) breaks down the G/L account postings into the consumption of raw materials, machine hours, or any other costs you wish to track separately:

Breakdown of Work in Process

Cost Object	G/L Account	G/L Account (Origin)
Production Lot	121000 Work in Process	510005 Raw Materials 580001 Material Overhead 550000 Machine Hours

Similarly, when deferred costs are assigned to sales documents, the G/L account (origin) allows you to see the costs in greater detail:

Breakdown of Deferred Costs

Cost Object	G/L Account	G/L Account (Origin)
Sales Order	199100 Deferred Costs	519900 Trading Goods 450100 Freight Out
Customer Project	199100 Deferred Costs	518100 Service Expenses (internal) 518200 Service Expenses (external)

Relevant Account Types

The following account types define the possible values of the G/L account (origin) and appear in the value help:

- Costs or expenses
- Allocated costs

- Revenues or gains

i No separate master data exists for the G/L account (origin). Instead, the normal G/L accounts are used. The G/L account (origin) is derived automatically through account determination for Costs.

6.1.3.3 Service Cost Allocation to Sales and Service Orders

Overview

When services are provided to customers, costs are incurred by the cost centers for the labor resources performing the work. Once the service activities have been completed, the costs are allocated from the cost center to the sales or service order that requested the service.

The allocation of service costs to the sales or service order is based on CRM service confirmations. Service workers enter the consumption quantities of the services in these confirmations. Since service workers are labor resources, which are always associated with a cost center, the confirmations result in the allocation of direct costs from the cost centers to the sales and service orders.

Valuation of Service Consumption

The values of service consumptions, and therefore the associated cost allocation, are based on service and resource cost rates defined in the *Cost and Revenue* work center. To enable the system to find the appropriate cost rates, service confirmations must always specify the labor resource. A service can optionally be specified in addition.

Whenever service confirmations are entered into the system, the consumptions are valued automatically by applying the cost rate to the quantities confirmed.

- If cost rates for the labor resources exist, the system uses these rates to value the consumptions.
- If no cost rates for the labor resources exist, the system uses the service cost rates to value the consumptions.

Job Assignment

Each labor resource is assigned to a **cost center** and one or more **jobs** in its master data. The master data of the resource indicates, for a specific cost center, which jobs the resource represents. This assignment is time-based.

Each employee is assigned to a cost center and a job. With the cost center/job combination from the employee it is possible to find exactly one labor resource (with the same cost center/job combination) and then determine the cost rate from the resource.

When an employee enters an activity confirmation, the system derives the resource from the employee's cost center and job, and automatically defaults the resource in the confirmation.

Account Determination

Selection of the accounts for posting the relevant costs is always based on the account determination group for the service. If no service was specified, the default account determination defined in business configuration is used.

See Also

[Service Cost Allocation to Cost Objects \[page 717\]](#)

6.1.3.4 Overhead Absorption by Service Order Items

Overview

After you have allocated overhead from support cost centers to primary cost centers, you use overhead absorption runs to apply the overhead to the direct costs of the service order items (in the following, this also means service confirmation items). This credits the primary cost centers and debits the service order items.

The cost centers provided services for the service order items. They were therefore credited for these services and the service order items debited accordingly. Since the services can easily be identified with particular service order items, these costs are **direct costs of the service order items**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular service order items. These costs are overhead that is allocated to the service order items based on **overhead rates**.

Prerequisites

You establish overhead rates outside of the system by choosing a suitable allocation base, such as the cost pool for direct production costs. To calculate the rate per unit, you divide the total overhead costs of the cost center by the allocation base. You store the resulting *overhead rates* in the system and combine multiple rates in *overhead rules* to simplify processing.

To enable an overhead rule to be applied to a particular service order item, you need to assign it to the item. The system normally assigns the rule automatically when you create the service order. This automatic assignment is based on **assignment rules**. You define assignment rules when you create the overhead rule.

You can define the assignment for the following dependencies:

- The company for which the service document is created
- The service organization for which the service document is created
- Whether the service document is a service order or a service confirmation

In individual cases, you can also manually change the assignment of the overhead rule in the *Cost and Revenue* work center, [Sales Document Items \[page 799\]](#) view.



To be able to apply overhead rates to service order items, you need to have selected the *Service Orders* function and the *Overhead Absorption by Service Orders* option during scoping.

Execution

To apply your overhead rules to service orders, execute an overhead absorption run in the *Cost and Revenue* work center, [Service Orders – Overhead Absorption \[page 820\]](#) view.

The following selection parameters are offered when you define an overhead absorption run:

- **Company ID**
You can restrict the run to a particular company or execute it for all companies.
- **Set of Books ID**
You can restrict the run to a particular set of books or execute it for all sets of books.
- **Service Organization ID**
You can restrict the run to a particular service organization or execute it for all service organizations.

- **Document Type**

You can restrict the run to service orders only or service confirmations only.

- **Service Document ID**

For test purposes, you can restrict the run to a single service order or service confirmation.

- **Period/Year**

Enter the accounting period and fiscal year for which you want the overhead rates to be calculated.

You also need to specify the [closing step \[page 76\]](#) for the postings.



- You can execute an overhead absorption run as often as you wish. If you repeat a run, the system only posts the differences against the previous runs in that period.
- It is not possible to directly cancel the posted results of an overhead absorption run. However, you can offset the effects of the run by setting the overhead rates in the overhead rule to 0%.
- To verify whether a run has been completed successfully, you can run the following checks:
 - **Log**
You find a log for a run in the corresponding subview. Each run has a status (*Information*, *Error*). To display the **details** of a log, select the relevant run and choose *Display*. If **errors** occur during a run, you need to resolve them. You can find information on the errors on the [Messages](#) tab page. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
 - **Job Monitor**
If a run has **not** been completed successfully and you cannot resolve the problem, you can display the technical details relating to the run in the Job Monitor. Select the relevant run and click [View Jobs](#). If a job finds errors, contact your system administrator.

See Also

[Overhead Absorption by Cost Objects \[page 718\]](#)

6.1.3.5 Revenue Recognition

6.1.3.5.1 Revenue Recognition

Overview

Revenue recognition is the process of assigning sales revenue to the periods in which it was realized and earned. The cost of sales and any revenue deductions for returns associated with the revenue need to be assigned to the same accounting periods as the revenue itself.

Revenue recognition involves either **deferring** or **accruing** revenue, cost of sales, and revenue deductions.

- **Deferring** revenue, cost of sales, or revenue deductions means to carry these amounts forward into the next accounting period.

Deferrals are transfers of revenue, cost of sales, or revenue deductions from the income statement accounts to special balance sheet accounts. This prevents them from influencing the profit of the current accounting period. In the accounting period in which the revenue is realized, you transfer the revenue, cost of sales, and revenue reductions to the corresponding income statement accounts.

- **Accruing** revenue, cost of sales, or revenue deductions means to record these amounts in the current accounting period even though they have not yet been posted by an invoice, warehouse or service confirmation, or credit memo. Accruals are postings of sales revenue, cost of sales, or revenue deductions to the income statement accounts and of the offsetting entries to special balance sheet accounts. In the accounting period in which the invoice, warehouse or service confirmation, or credit memo are posted, you clear the sales revenue, cost of sales, or revenue deductions with the accrued net value, the accrued cost of sales, or the accrued revenue deductions.

The system supports automatic revenue recognition for:

- Sales order items
- Customer return items
- Customer contract items
- Multi-customer projects

i In the following, sales order items, customer return items, and customer contract items are collectively referred to as **sales document items**.

Prerequisites

Management Accounting, Sales and Profit Analysis, and revenue recognition are activated in your solution configuration. To find these options, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click Edit Project Scope.

- In the *Scoping* step:
 - Under *Financial and Management Accounting* *Management Accounting* , ensure that *Sales and Profit Analysis* is selected.
- In the *Questions* step:
 - Under *Financial and Management Accounting* *Management Accounting* *Sales and Profit Analysis* , ensure that the question about whether you want revenue recognition is answered with Yes.

i If you do not need to defer or accrue sales revenue, or if you want to do this manually, you do **not** need to select this option.

Examples where revenue recognition is not needed:

- All sales are paid in cash
- Products and services are always invoiced in the same period in which they are delivered

Automatic Revenue Recognition

Revenue for sales document items and multi-customer projects is recognized automatically if an **accrual method** is assigned to the item or project. Accrual methods contain rules that define how the system recognizes the revenue. If an accrual method is assigned to the sales document item or multi-customer project, the system automatically defers the revenue, cost of sales, and revenue deductions when they incur. It does not matter at this point which accrual method is assigned or when you expect the revenue to be recognized.

Assignment of Accrual Methods

Accrual methods for automatic revenue recognition can be assigned to sales document items and multi-customer projects automatically or manually:

- Accrual methods are assigned automatically based on **accrual method determination**. For more information, see Accrual Method Determination – Configuration Guide.
- You can manually assign accrual methods to **sales document items** in the *Cost and Revenue* work center, *Sales Document Items* view. For more information, see [Sales Document Items Quick Guide \[page 799\]](#).
- You can manually assign accrual methods to **multi-customer projects** in the *Cost and Revenue* work center, *Projects* view. For more information, see [Projects Quick Guide \[page 794\]](#).

Accounts for Revenue, Cost of Sales, and Returns

Revenue

The system posts sales revenue as follows:

- If **no** accrual method is assigned to the sales order item, sales revenue is posted directly to the **Sales Revenues** account. This account is an income statement account, which means the revenue is recognized. If you want to defer the revenue and recognize it in a later period, you must do this manually.
- If an accrual method is assigned to the sales order item, sales revenue is posted to the **Deferred Net Value** account. This account is a balance sheet account, which means the revenue is not yet recognized. The revenue recognition run recognizes the revenue if the recognition rules stored in the accrual method are satisfied.

i If you assign an accrual method to a sales order item that did not previously have one, the next revenue recognition run automatically corrects the postings of previous invoices.

Cost of Sales

The system posts any cost of sales (warehouse confirmations, service confirmations, time confirmations, or other expenses) as follows:

- If **no** accrual method is assigned to the sales order item, the cost of sales is posted directly to the **Expense** account. If you want to defer the cost of sales and recognize it in a later period, you must do this manually.
- If an accrual method is assigned to the sales order item, the cost of sales is posted to the **Deferred Costs** account. This account is a balance sheet account, which means that the costs are not yet recognized. The revenue recognition run recognizes the cost of sales if the recognition rules stored in the accrual method are satisfied.

i If you assign an accrual method to a sales order item that did not previously have one, the next revenue recognition run automatically corrects the postings of previous expenses.

Returns

The system posts returns (revenue deductions from customer returns) as follows:

- If **no** accrual method is assigned to the customer return item, returns are posted directly to the **Sales Returns** account. This account is an income statement account, which means the returns are recognized. If you want to defer them and recognize them in a later period, you must do this manually.
- If an accrual method is assigned to the customer return item, returns are posted to the **Deferred Sales Returns** account.

This account is a balance sheet account, which means the returns are not yet recognized. The revenue recognition run recognizes the returns if the recognition rules stored in the accrual method are satisfied.

- i** If you assign an accrual method to a customer return item that did not previously have one, the next revenue recognition run automatically corrects the postings of previous customer returns.

Recognition of Revenue, Expenses, and Returns

Automatic revenue recognition is performed in revenue recognition runs. You start the revenue recognition run during period-end closing. The run checks the revenue recognition rules stored in the assigned accrual methods. Based on these rules, the system recognizes revenue, expenses, and returns as follows:

- If the relevant transactions have already been entered and the values have been deferred, the system resets the deferrals. This transfers the values to the income statement accounts where they influence the period profit.
 - The system posts revenue from the **Deferred Net Value** account to the **Sales Revenues** account.
 - The system posts expenses from the **Deferred Costs** account to the **Expense** account.
 - The system posts returns from the **Deferred Sales Returns** account to the **Sales Returns** account.
- If the relevant transactions have **not** yet been entered, the system accrues the values. Accrual posts the recognized values to the income statement accounts and posts the offsetting entries to special balance sheet accounts.
 - The system posts revenue to the **Sales Revenues** account and the offsetting entries to the **Accrued Net Value** account.
 - The system posts expenses to the **Expense** account and the offsetting entries to the **Accrued Costs** account.
 - The system posts returns to the **Sales Returns** account and the offsetting entries to the **Accrued Sales Returns** account.

When the relevant transactions are posted, the system again defers them as explained above. The revenue recognition run in the subsequent period then clears the **Accrued Net Value** and **Deferred Net Value** accounts.

You can start or schedule the run in the *Cost and Revenue* work center, *Revenue Recognition* view. For more information, see [Revenue Recognition Quick Guide \[page 827\]](#).

- You specify the accounts for automatic revenue recognition in business configuration in the [Chart of Accounts, Financial Reporting Structures, Account Determination](#) fine-tuning activity. For more information, see Chart of Accounts, Financial Reporting Structures, Account Determination – Configuration Guide.

Basic Accrual Methods

Two basic accrual methods are available for **all** revenue types:

- [Continue to defer](#)
With this method, the revenue, cost of sales, and revenue reductions for the item remain on deferral accounts. Some sales document items may require that you manually decide when to recognize revenue. In this case, use this accrual method initially. At the point when you want to recognize the revenue, assign a different accrual method (for example, [Reverse deferrals and accruals](#)).
- [Reverse deferrals and accruals](#)
This method reverses any deferrals or accruals for revenue, cost of sales, and revenue reductions. All values are transferred to the sales revenue accounts, cost of sales accounts, or revenue reduction accounts.

You can use this accrual method to recognize revenue that was kept on deferral accounts using the *Continue to defer* method.

- i** You **cannot** delete an accrual method from a sales document item or multi-customer project once any journal entries involving the item or project exist. Therefore, it is **not** possible to reverse deferrals or accruals created by the revenue recognition run simply by unassigning the accrual method. Instead you must assign the *Reverse deferrals and accruals* method.

Accrual Methods for Specific Revenue Types

Additional accrual methods are available for specific revenue types. For more information, see:

- [Revenue Recognition for Product Sales and Customer Returns \[page 755\]](#)
- [Revenue Recognition for Project Sales \[page 741\]](#)
- [Revenue Recognition for Customer Contracts \[page 759\]](#)
- [Revenue Recognition for Multi-Customer Projects \[page 763\]](#)

- i** For **service order items**, there is usually little delay between the point when the service is provided and the point when the customer is invoiced. Therefore it is **not** normally necessary to recognize revenue with service orders.

6.1.3.5.2 Revenue Recognition for Product Sales and Customer Returns

Overview

Revenue recognition for product sales and customer returns is tied to specific events. Before the event, revenue must stay deferred. After the event, revenue must be recognized.

Two event-based accrual methods are available for the revenue types *Product Sales* and *Customer Returns*:

- [*Recognize at point of invoice*](#)
- [*Recognize at point of delivery*](#)

Product sales include the sale of material, standardized services, and related expenses. They do **not** include project-based services and expenses.

You can identify a product sale from the item type of the sales order item:

Item Type of Sales Order Item	Meaning
Product – delivery-based	Sale of a material
Service – fixed price	Sale of a service invoiced at a fixed price, with service confirmation
Service – fixed price without actuals	Sale of a service invoiced at a fixed price, without service confirmation
Service – time and material	Sale of a service invoiced with time and material
Expense – fixed price	Sale of an expense invoiced at a fixed price
Expense – time and material	Sale of an expense invoiced with time and material

i For reasons of simplicity, the following sections assume full delivery and invoicing of an item. However, the system recognizes revenue and cost of sales separately for every partial delivery and partial invoice.

Prerequisites

i Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

Sales orders, customer returns, and revenue recognition are activated in your solution configuration. To find these options, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).

- In the *Scoping* step:
 - Under *Sales* *Selling Products and Services* , ensure that *Sales Orders* and *Customer Returns* are selected.
- In the *Questions* step:
 - Under *Financial and Management Accounting* *Management Accounting* *Sales and Profit Analysis* , ensure that the question about whether you want revenue recognition is answered with Yes.

Accrual Methods

When you start a revenue recognition run, the system checks all sales document items and recognizes the revenue based on the accrual methods as described in the following table:

Accrual Method	Sales Order Items	Customer Return Items
<i>Recognize at point of invoice</i>	If the invoice has been posted, the system recognizes the revenue and the cost of sales.	If the credit memo has been posted, the system recognizes the revenue reduction and the reduction in the cost of sales.
<i>Recognize at point of delivery</i>	If the warehouse confirmation or the service confirmation has been posted, the system recognizes the revenue and the cost of sales: <ul style="list-style-type: none">• The system resets the deferral of the cost of sales.• The system accrues the sales revenues.	If the goods receipt has been posted, the system recognizes the revenue reduction and the reduction of cost of sales: <ul style="list-style-type: none">• The system resets the deferral of the reduction of cost of sales.• The system accrues the reduction of sales revenues.

i If you want to control whether the revenue recognition run defers or recognizes revenue for product sales or customer returns, use the two **basic accrual methods** *Continue to defer* and *Reverse deferrals and accruals*.

For more information, see [Revenue Recognition \[page 751\]](#).

6.1.3.5.3 Revenue Recognition for Project Sales

Overview

Project sales include the sale of project-based services and the associated expenses, including materials. They do **not** include standardized services and the associated expenses.

You can identify a project sale from the item type of the sales order item:

Item Type of Sales Order Item	Meaning
Service – time and material (project)	Project-based service invoiced based on the confirmed time and material
Service – fixed price (project)	Project-based service invoiced at a fixed price
Expense – time and material (project)	Project-based expense invoiced based on the confirmed time and material
Expense – fixed price (project)	Project-based expense invoiced at a fixed price

Revenue recognition for project sales differs depending on whether the sales order item is invoiced based on the confirmed time and material or at a fixed price:

- Project-based sales order items based on **time and material (service or expense)**
As with revenue recognition for product sales, revenue recognition for project sales is tied to specific events. Before the event, the revenue must remain deferred. After the event, the revenue must be recognized.
Two **event-based** accrual methods are available for the revenue type **Project Sales (Time and Material)**:
 - *Recognize at point of invoice*
 - *Recognize at point of delivery*
- Project-based sales order items with **fixed price (service or expense)**
Revenue recognition for fixed-price project-based sales order items can either be based on the percentage of completion (POC) of the project task, or on the full completion of the project task (completed contract).
Two **POC-based** accrual methods are available for the revenue type **Project Sales (Fixed Price)**:
 - *Recognize using cost-to-cost POC*
 - *Recognize at completed contract*

i For reasons of simplicity, the following sections assume full delivery and invoicing of the item. However, the system recognizes revenue and cost of sales separately for every partial delivery and partial invoice.

Prerequisites

Configuration Settings

i Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

Sell Project-Based Products and Services is activated in your solution configuration. To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. In the *Scoping* step of the project, ensure that *Product and Service Portfolio for Sales* is selected within *Sales*.

Recognize at Point of Invoice

For project-based sales order items with the accrual method *Recognize at point of invoice* the revenue recognition run checks the following: If a project invoice has been posted which includes time and expense confirmations for this sales order item, the system recognizes the revenue and the cost of sales for these confirmations.

- The system resets the deferral of the cost of sales.
- The system resets the deferral of the sales revenue.

Recognize at Point of Delivery

For project-based sales order items with the accrual method *Recognize at point of delivery* the revenue recognition run checks the following: If service confirmations or expense reports have been posted against the project tasks assigned to the sales order item, the system recognizes the revenue and the cost of sales.

- The system resets the deferral of the cost of sales.
- If the project invoice has not been posted for these service confirmations or expenses, the system accrues the sales revenues.

Recognize Using Cost-to-Cost POC

For project-based sales order items with the accrual method *Recognize using cost-to-cost POC*, the revenue recognition run performs the following steps:

- If no manual percentage of completion (POC) is valid on the date of the run, the run calculates the POC as **Confirmed Costs ÷ Planned Costs**. The planned costs are the costs that you entered in the sales order item as the price component *Cost Estimate*.
- If a manual POC is valid on the date of the run, the run uses the manual value instead of calculating it.
- The run calculates the revenue to be recognized by applying the POC to the planned revenue. The planned revenue is the *Net Value* of the sales order item.
- The run resets the deferral of the confirmed costs.
- The run recognizes the calculated revenue.
 - If a revenue of this amount has been deferred, the run resets this deferral.
 - If a revenue of this amount has not yet been deferred, the run accrues it.

Recognize at Completed Contract

For project-based sales order items with the accrual method *Recognize at completed contract*, the revenue recognition run checks whether the sales order item is completely fulfilled and invoiced and whether the *Final Delivery or Invoice Date* has passed.

If these conditions are met, the system recognizes the revenue; if not, the system continues to defer the revenue.

- i** If you want to manually control whether the revenue recognition run defers or recognizes revenue for project sales, you can use the two **basic accrual methods**:
- *Continue to defer*
 - *Reverse deferrals and accruals*

For more information, see [Revenue Recognition \[page 751\]](#).

6.1.3.5.4 Revenue Recognition for Customer Contracts

Overview

The system supports revenue recognition for customer contracts based on different accrual methods, including basic accrual methods, event-based accrual methods, and time-based accrual methods.

You can identify a customer contract item from its item type:

Item Type of Customer Contract Item	Meaning
Entitlement – time and material	Entitlement for services invoiced with time and material
Entitlement – fixed price	Entitlement for services invoiced at a fixed price, with service confirmation
Entitlement – fixed price without actuals	Entitlement for services invoiced at a fixed price, without service confirmation
Service – time and material	Sale of a service invoiced with time and material
Service – fixed price	Sale of a service invoiced at a fixed price, with service confirmation
Service – fixed price without actuals	Sale of a service invoiced at a fixed price, without service confirmation
Expense – time and material	Sale of an expense invoiced with time and material
Expense – fixed price without actuals	Sale of an expense invoiced at a fixed price, without service confirmation

Revenue recognition for customer contracts differs depending on whether the item is invoiced based on the confirmed **time and material** or at a **fixed price**. This is determined by the invoicing method.

The following invoicing methods are available for customer contracts:

- **Time and Material**
The customer contract item is invoiced based on the actual time spent and the actual expenses incurred.
- **Fixed Price**
The customer contract item is invoiced at a fixed price.
- **Fixed Price per Period**
The customer contract item is invoiced at a fixed price for a specified time period (flat rate).

You can see the invoicing method in the *Cost and Revenue* work center, *Sales Document* Items view, in the *Details* area of the customer contract item.

The invoicing method determines the available accrual methods for the item.

Prerequisites

i Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

Customer contracts and revenue recognition are activated in your solution configuration. To find these business options, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click [Edit Project Scope](#).

- In the *Scoping* step:
 - Under *Sales* *Selling Products and Services*, ensure that *Customer Contracts* is selected.
- In the *Questions* step:

- Under [Financial and Management Accounting](#) [Management Accounting](#) [Sales and Profit Analysis](#) , ensure that the question about whether you want revenue recognition is answered with Yes.

Basic Accrual Methods for Customer Contracts

Two basic accrual methods are available for **all** customer contract items (invoicing methods *Time and Material*, *Fixed Price*, or *Fixed Price per Period*):

- *Continue to defer*
- *Reverse deferrals and accruals*

With these methods you can **manually** decide for each item whether revenue should be recognized completely or kept on deferral accounts. This allows you to recognize revenue when the contract is completed, or in case of doubt about the liquidity of the customer, to defer the revenue until collection can be assumed.

Event-Based Accrual Methods for Time and Material Customer Contracts

Two event-based accrual methods are available for customer contract items with the invoicing method *Time and Material*:

- *Recognize at point of invoice*
- *Recognize at point of delivery*

With these methods, the revenue recognition run automatically recognizes revenue when the invoice or warehouse confirmation has been posted for the item.

Time-Based Accrual Methods for Customer Contracts with Fixed-Price Invoicing

Three time-based accrual methods are available for customer contract items with the invoicing method *Fixed Price*:

- *Straight-Line – Exact Days*
- *Straight-Line – Even Periods*
- *Straight-Line – Prorate Partial Periods*

These methods allow **automatic** time-based revenue recognition. They are explained in more detail below.

Straight-Line – Exact Days

This method is the most accurate because it distributes revenue based on the exact number of days on which the contract runs in each accounting period.

The system first calculates a day rate by dividing the total value of the contract by the total number of days covered by the contract. This rate is then applied to each period to calculate the revenue to be recognized.

To prevent rounding errors, the revenue for the last period is calculated as the contract value less the cumulative revenue recognized in the preceding periods.

Example

Period	Revenue recognized in period	Cumulative revenue recognized
January	413.33	413.33
February	373.33	786.66
March	413.33	1199.99
April	200.01	1400.00

With the *Straight-Line – Exact Days* method, the amount recognized in each period (except the last) is calculated by applying the **day rate** to the number of days on which the contract ran in that period. The day rate is the contract value divided by the total number of days covered by the contract:
 $1400 \div (31 + 28 + 31 + 15) = 13.3333$
To calculate the revenue for a period, the day rate is multiplied by the number of days in the period.
The revenue for the **last** period is calculated as the contract value less the cumulative revenue recognized in the preceding periods:
 $1400.00 - 1199.99 = 200.01$

Straight-Line – Even Periods

With fixed-price contracts, the length of the contract does not necessarily correspond to entire accounting periods. To make period comparisons easier, however, it is often desirable to recognize equal amounts of revenue in each period.

This requirement is met by the Straight-Line – Even Periods method. This method calculates equal amounts of revenue for each period regardless of how many days are involved. The amounts are calculated as the contract value divided by the number of periods.

Example

Period	Revenue recognized in period	Cumulative revenue recognized
January	350.00	350.00
February	350.00	700.00
March	350.00	1050.00
April	350.00	1400.00

With the *Straight-Line – Even Periods* method, equal amounts of revenue are recognized for each period.
In this example the revenue amounts are therefore:
 $1400.00 \div 4 \text{ periods} = 350.00 \text{ per period}$

Straight-Line – Prorate Partial Periods

This method combines the advantages of the Exact Days method with those of the Even Periods method. For **full** periods it calculates equal amounts of revenue, which makes period comparisons easier. However, periods that are only **partially** covered by the contract are prorated based on the number of days.

The revenue amounts are calculated as follows:

1. The system first calculates the revenue to be recognized for the partial periods based on the day rate.
2. The remaining revenue is then distributed equally across the full periods.

Example

Period	Revenue recognized in period	Cumulative revenue recognized
January	400.00	400.00
February	400.00	800.00
March	400.00	1200.00
April	200.00	1400.00

With the *Straight-Line – Prorate Partial Periods* method, equal amounts of revenue are recognized for each full period, while partial periods are prorated based on the day rate. In this example April is a partial period, so the system multiplies the day rate (13.3333) by the number of days covered in this period: $13.3333 \times 15 \text{ days} = 200.00$. The remaining 1200.00 is then distributed evenly across the three full periods: $1200.00 \div 3 \text{ periods} = 400.00 \text{ per period}$.

Time-Based Accrual Methods for Customer Contracts with Fixed Price per Period Invoicing (Flat Rate)

For customer contract items with the invoicing method *Fixed Price per Period*, the same time-based accrual methods are available as with fixed-price contracts:

- *Straight-Line – Exact Days*
- *Straight-Line – Even Periods*
- *Straight-Line – Prorate Partial Periods*

These methods, however, function somewhat differently than with fixed-price contracts, as explained in the following.

Straight-Line – Exact Days

As with fixed-price contracts, this method is the most accurate because it distributes revenue based on the exact number of days on which the contract runs in each accounting period. However, with flat-rate contracts the day rate is calculated based on the net price for the **pricing period** (the period of time to which the flat rate applies).

Example

- **Pricing period:** 1 week
- **Net price for pricing period:** EUR 140.00
- **Accounting period:** months

In this example, the day rate is $\text{EUR } 140.00 \div 7 \text{ days} = \text{EUR } 20.00 \text{ per day}$.

If the number of days in the pricing period varies (such as when the pricing period is months), the day rate is based on the **average** number of days in each pricing period.

Straight-Line – Even Periods

With flat-rate contracts, this method calculates a period rate based on the net price and pricing period and assigns this rate to all accounting periods, including the first period.

Example

- **Pricing period:** 3 months
- **Net price for pricing period:** EUR 600.00
- **Accounting period:** months

In this example the revenue recognized in each accounting period will be:
EUR 600 ÷ 3 months = EUR 200

Straight-Line – Prorate Partial Periods

This method works the same as the Even Periods method except that it prorates the first period based on the day rate. The day rate is calculated as the period rate divided by the number of days in the first period. The revenue for all periods after the first period is calculated as with the Even Periods method.

Example

- **Contract start:** January 20
- **Period rate:** EUR 200
- **Accounting period:** months

In this example the day rate for the first period is EUR 200 ÷ 31 days = EUR 6.4516 per day. Thus the revenue recognized for the first period is EUR 6.4516 × 12 days = EUR 77.42.
In subsequent periods, revenue of EUR 200 is recognized in each period.

See Also

[Revenue Recognition \[page 751\]](#)

6.1.3.5.5 Revenue Recognition for Multi-Customer Projects

Overview

The system can automatically recognize revenue for multi-customer projects if an **accrual method** is assigned to the project. Accrual methods ensure that the correct deferral accounts are selected.

Two accrual methods are available specifically for multi-customer projects:

- [Recognize at completed contract](#)
- [Recognize at completed contract \(revenue only\)](#)

If **no** accrual method is assigned to the project, neither costs nor revenues for the project tasks are deferred automatically.

Prerequisites



Configuration settings are usually performed by an administrator. If you do not have the required authorization, contact your administrator.

Selling goods and services with multi-customer projects is activated in your solution configuration. To find this option, go to the [Business Configuration](#) work center and choose the [Implementation Projects](#) view. Select your implementation project and click [Edit Project Scope](#).

- In the *Scoping* step:
 - Ensure that is selected.
- In the *Questions* step:
 - Under , ensure that the question about selling goods and services to multiple customers is answered with Yes.

Automatic Revenue Recognition

If an **accrual method** is assigned to the multi-customer project, the system automatically defers and recognizes costs and revenues for the project tasks. You can have the system defer and recognize both costs and revenues or revenues only, depending on the accrual method.

All postings to multi-customer projects with an assigned accrual method will **automatically** derive the correct deferral account based on the specific accrual method and the project status.

Accrual Methods

The following accrual methods can be assigned to multi-customer projects:

- *Recognize at completed contract*

If this accrual method is assigned to the project, the **costs and revenues** for each project task will be deferred until the task is finished (completed-contract method).

When the status of the task is set to *Completed*, *Closed*, or *Stopped*, no further deferrals for the task take place. When you execute a revenue recognition run, the system recognizes the costs and revenues for all completed project tasks.

- *Recognize at completed contract (revenue only)*

If this accrual method is assigned to the project, the **revenues** for each project task will be deferred until the task is finished (completed-contract method). Costs are not deferred.

When the status of the task is set to *Completed*, *Closed*, or *Stopped*, no further deferrals for the task take place. When you execute a revenue recognition run, the system recognizes the revenues for all completed, closed, or stopped project tasks.

You can assign a different accrual method for each set of books in the company.

In addition to these methods, you can also assign the basic accrual methods which are available for all revenue types:

- *Continue to defer*
- *Reverse deferrals and accruals*

The basic accrual methods allow you to manually decide whether revenue should be recognized completely or kept on deferral accounts.

For more information on basic accrual methods, see [Revenue Recognition \[page 751\]](#).

Assignment of Accrual Methods

Accrual methods can be assigned to multi-customer projects automatically or manually:

- You can have the system **automatically** assign accrual methods to multi-customer projects based on the settings for accrual method determination in business configuration.
For more information, see Accrual Method Determination – Configuration Guide.
- You can **manually** assign accrual methods to multi-customer projects in the *Cost and Revenue* work center, *Projects* view.
For more information, see [Projects Quick Guide \[page 794\]](#).

i If no accrual method was assigned to a project and the revenues were posted to the sales revenue account instead of being accrued, this can be corrected as follows:

1. Assign an accrual method to the project.
2. Start a revenue recognition run.

The revenue recognition run will correct the previous postings so that revenues are properly posted to the accrual accounts.

Revenue Recognition Run

Revenue recognition runs can automatically recognize costs and revenues for completed, closed, or stopped project tasks. To enable this, an accrual method must be assigned to the project.

You execute revenue recognition runs in the [Revenue Recognition](#) view. For more information, see [Revenue Recognition Quick Guide \[page 827\]](#).

i A revenue recognition run recognizes revenue for a project task only if both of the following conditions apply:

- The task has the status *Completed*, *Closed*, or *Stopped*.
- The task was completed, closed, or stopped in the period for which the revenue recognition run is executed.

For example, if a task is set to completed on March 1, and on March 2 you start a revenue recognition run for February, **no** revenue will be recognized for the task.

For a stopped task, the relevant date is the last-changed date of the task.

The revenue recognition run checks the status of each task separately. This enables the costs and revenues for the different tasks in a project to be recognized at different points in time.

- For tasks with the status *Completed*, *Closed*, or *Stopped*, all postings to deferred costs and deferred revenues will be automatically reposted to costs/revenues.
- For tasks with the status *Released*, all postings to costs/revenues will be automatically reposted to deferred costs and deferred revenues if necessary.

i Remember that if no accrual method is assigned to the project, the project tasks will **not** be included in the revenue recognition run.

Manual Revenue Recognition

You can manually defer costs and revenues for multi-customer projects with **journal entry vouchers**. You enter journal entry vouchers in the [General Ledger](#) work center, [Journal Entry Vouchers](#) view.

When you enter journal entry vouchers for multi-customer projects, specify the following parameters:

- Journal entry type: [Manual Entry for Sales Documents](#)
- Screen variant: [Manual Adjusting Entry for Sales Documents](#)

With this screen variant, the journal entry voucher will be **ignored** by the revenue recognition run even if an accrual method is assigned to the project. That is, if you post expenses using this screen variant, the expenses **will not be reposted** to deferred costs when you execute a revenue recognition run.



If you use the screen variant *Manual Write-Up/Write-Down*, the journal entry voucher will be considered by the revenue recognition run. That is, if you post expenses or revenues using this screen variant, they **will be reposted** to deferred costs/revenues when you execute a revenue recognition run.

For more information, see [Journal Entry Vouchers Quick Guide \[page 273\]](#).

See Also

[Revenue Recognition \[page 751\]](#)

6.1.3.6 Profit Analysis

6.1.3.6.1 Earned Profit Analysis

Overview

Understanding the factors that contribute to profitability is crucial in an increasingly competitive market. Earned profit analysis provides detailed information about the composition of your company's operating profit, which is one of the most significant indicators of profitability. Operating profit represents profit before interest expenses and income taxes, and excludes extraordinary items such as interest income that arise from sources other than regular activities.

The profit figures in the earned profit reports match the figures in the income statement exactly. These reports represent an extract of the income statement, providing a breakdown of operating profit so that you can see how divisions, customers, products, and regions contribute to your company's profits. In the case of questionable amounts, you can investigate by drilling down to the individual item, for instance the sales order number or project. You can define a separate structure for the profit reports that deviates from that of the income statement.

Analyzing Earned Profit

You analyze earned profit in the Profit Detail by Contribution Margin Scheme and Profit Overview by Key Figure reports. When you run either of these reports, you select the profit type **Earned Profit**.

The **Profit Detail by Contribution Margin Scheme** report provides profit key figures for a single market segment, allowing you to analyze that market segment in detail. The following key figures are available:

- Income from Operations
- Gross Profit on Sales
- Net Sales Revenue
- Sales Revenues
- Sales Discounts and Allowances
- Cost of Goods Sold
- Other Operating Costs
- Selling Expenses
- Administrative or General Expenses

The **Profit Overview by Key Figure** report shows profit information by selected key figures for multiple market segments. Several predefined views are provided so that you can easily compare the key figures for regions,

customers, products, sales units, service and support teams, and fiscal year periods for the different market segments. The following key figures are available in this report:

- Net Sales Revenue
- Cost of Goods Sold
- Gross Profit on Sales
- Gross Profit on Sales Margin %
- Income from Operations
- Income from Operations Margin %

You can structure the profit data by dragging characteristics such as calendar year/month, country, or customers onto the report. You can also set filters, for example for specific customers so that you can analyze their profitability.

 Profit analysis based on the potential profit from orders and invoices is described in a separate document, [Profit Analysis Based On Orders and Invoices \[page 767\]](#).

Prerequisites

The system must be configured for profit analysis as described in the following:

- Settings for Earned Profit Analysis – Configuration Guide
- Settings for Profit Analysis Based on Invoices and Orders – Configuration Guide

See Also

[Profit Detail by Contribution Margin Scheme \[page 850\]](#)

[Profit Overview by Key Figure \[page 853\]](#)

6.1.3.6.2 Profit Analysis Based On Orders and Invoices

Overview

In a rapidly changing business environment, it is important to be able to detect trends in profitability at the earliest possible stage, since that enables faster and more effective management responses. To offer this ability, the system provides estimates of the expected profit based on data from CRM. This gives you more time to respond to warning signals and can be used to forecast future trends, enabling you to anticipate whether targets will be met and initiate countermeasures if necessary.

The system offers two types of predictive profit information:

- **Order profit** is based on sales and service orders. This information is available at an early stage in the sales process and can be used to estimate the profit on incoming orders.
- **Invoice profit** is based on customer invoices. Since this data arises later in the sales process, it is more reliable than order profit and more nearly approximates the revenue that will eventually be posted in accounting.

The structure of the order profit report and invoice profit report matches that of the income statement up to and including gross profit. These reports provide a breakdown of gross profit so that you can see how divisions, customers, products, and regions contribute to your company's profitability. In the case of questionable amounts, you can investigate the root cause by drilling down to the individual item, for instance the sales order number. You analyze profit based on selected key figures, which are available automatically and require no configuration.

You can define a separate structure for the profit reports that deviates from that of the income statement.

Analyzing Order and Invoice Profit

You analyze order and invoice profit in the Profit Detail by Contribution Margin Scheme and Profit Overview by Key Figure reports. When you run either of these reports, you select the profit type **Order Profit** or **Invoice Profit**.

The **Profit Overview by Key Figure** report shows profit information by selected key figures for multiple market segments. Several predefined views are provided so that you can easily compare the key figures for regions, customers, products, sales units, service and support teams, and fiscal year periods for the different market segments. The following key figures are available in this report:

- Net Sales Revenue
- Cost of Goods Sold
- Gross Profit on Sales
- Gross Profit on Sales Margin %
- Income from Operations
- Income from Operations Margin %

The **Profit Overview by Key Figure** report shows profit information by selected key figures for multiple market segments. Several predefined views are provided so that you can easily compare the key figures for regions, customers, products, sales units, service and support teams, and fiscal year periods for the different market segments. The following key figures are available in this report:

- Net Sales Revenue
- Cost of Goods Sold
- Gross Profit on Sales
- Gross Profit on Sales Margin %
- Income from Operations
- Income from Operations Margin %

You can structure the profit data by dragging characteristics such as calendar year/month, country, or customers onto the report. You can also set filters, for example for specific customers so that you can analyze their profitability.

 For information on profit analysis based on earned profit, see [Earned Profit Analysis \[page 766\]](#).

Prerequisites

The system must be configured for profit analysis as described in the following:

- Settings for Earned Profit Analysis – Configuration Guide
- Settings for Profit Analysis Based on Invoices and Orders – Configuration Guide

See Also

[Profit Detail by Contribution Margin Scheme \[page 850\]](#)

[Profit Overview by Key Figure \[page 853\]](#)

6.1.3.6.3 Solving Problems with Profit Data

Overview

If you are experiencing faulty or missing profit data, the problem is usually due to incorrect or incomplete settings in business configuration and the applications. This document is intended to help you determine the cause of the problems in order to enable full profitability analysis.

For information on the required settings, see:

- Settings for Earned Profit Analysis – Configuration Guide
- Settings for Profit Analysis Based on Invoices and Orders – Configuration Guide

Problem 1: The type of the selected financial reporting structure is Income Statement by Nature of Expense, so profitability analysis is not possible

There is no solution to this problem for the **current** setting of the set of books. To solve the problem for the future:

1. Create a new financial reporting structure of the type *Income Statement by Function of Expense*, or select an existing structure of that type. You select an existing structure in the *Business Configuration* work center in the *Chart of Accounts, Financial Reporting Structures, Account Determination* fine-tuning activity.

i You cannot change the type of a financial reporting structure directly. You can only select a different structure with the required type, or create a new one.
2. Make the following changes regarding the set of books:
 - a. Create a new instance of the set of books.

⚠ Creating a new set of books will have a **severe** impact on your system. You should only create a new set of books if it is absolutely necessary.
 - b. In the new instance of the set of books, set the reporting principle to one of the *Function of Costs* principles.
 - c. Maintain the contribution margin scheme with the name of the financial reporting structure that you created in step 1. When the system asks for a validity date, enter a date in the future.

Once you have made these changes, profitability reporting will become possible starting with the date you specified when you activated the set of books.

- i** If the reporting principle is a *Function of Costs* principle and you did **not** set the correct contribution margin scheme in the set of books, there are certain methods that can be applied to prevent a new set of books from being created. In this case, please contact SAP development.

Problem 2: No contribution margin scheme appears in the value help for the set of books

You have not created a financial reporting structure of the type *Income Statement by Function of Expense* in business configuration. For more information, see the above-mentioned configuration guides and make sure that your changes are deployed to the system.

Problem 3: The balances on the G/L accounts that appear when you drill down in the profit reports do not match those in the G/L line item report

Cause:

- The system is set up such that functional areas are derived only from the cost center type, not from the G/L account.
- You attempted to correct the problem by means of a manual adjustment entry, but did not specify the cost center.

Background:

Automatic postings result in costs being posted to a cost center and G/L account. If the system cannot derive the functional area from the G/L account, it uses a fallback strategy and derives it from the cost center type.

If you attempt to correct the problem by means of manual adjustment entries but don't enter a value for the cost center, the manual adjustment entries will not have a functional area. They will use the **default functional area 9900** instead.

Consequently, the derivation will be visible in the profit reports because the automatic postings can derive the functional area and will thus map to the corresponding profitability line of the contribution margin scheme. But the manual adjustment entries cannot derive the functional area and therefore will not map to any profitability line. As a result, the G/L accounts in the profit reports will be different from those in the G/L line item report.

Recommended solution:

Check your adjustment entries to see if they specify the cost center. If the cost center is missing, reverse the adjustment entries and re-enter them with the correct cost center assignment.

- i Consider whether you really want the functional areas to be derived from the cost center type instead of from the G/L account. The normal case is to derive them from the G/L account.
- i You will observe a similar problem in the income statement by function of expense.

Problem 4: Even after you maintained the market segment attributes for cost centers, projects, and customers, the profit reports still show the wrong market segment attributes or none at all

System behavior depends on whether the transactions involve cost centers, projects, or customers:

- All transactions on **cost centers** or **projects** will show the new market segment attributes.
- All **new** transactions with reference to a **customer** will show the new customer attributes. Transactions that existed before you maintained the attributes will continue to show the original customer attributes.

Problem 5: A System 500 error occurs when you attempt to open the Profit Overview by Key Figure report (“Configuration of the financial reporting structure XYZ is incomplete”)

The cause of this error is that no fixed structure items have been assigned to the financial reporting structure in business configuration.

To eliminate the error, assign fixed structure items to the financial reporting structure.

Problem 6: After moving from an implementation focus without Financials to full implementation with Financials, profit data for sales documents is incomplete

This problem arises from the fact that sales documents which were created prior to full implementation may not have a fiscal year and period, since this information is not mandatory when sales documents are created without Financials. As a result, no accounting period for these documents is known, resulting in incomplete profit data.

Whether a solution is possible depends on the processing status of the sales documents:

- For sales documents that were **invoiced and delivered** prior to activation of Financials, **no** solution is possible. The system automatically removes these documents from profit reporting. No reporting on order profit, invoice profit, or earned profit is possible for these sales documents.
- Sales documents that were created but **not delivered or invoiced** during the partial implementation phase can be included in **order profit** by opening and closing the corresponding fiscal year and periods in the past.

6.1.4 Production Costing

6.1.4.1 Service Cost Allocation to Production Lots

Overview

When production activities are carried out to manufacture finished products from raw materials, workers inform the system about the completion of work steps by means of production confirmations. These contain information on the work actually done, such as the duration of the task, quantities produced, and any scrapped items. Production confirmations are entered with reference to the production lot, which contains the bill of materials and bill of operations. Operations correspond to the individual tasks that are confirmed.

In the *Production Control* work center, the confirmation function can be accessed from the production order or from the task view. When an employee confirms a production task, a production confirmation is generated automatically.

There are two types of confirmations:

- *Confirm as Planned* only allows you to confirm the planned values.
- *Confirm* allows you to specify different quantities and other information such as additional output products and unplanned component consumptions.

Integration with Financials

In addition to their role in production control, confirmations supply financials with information about the quantity of finished product output as well as the materials, resources, and services consumed in the production process. This information is used to value the consumptions and post the amounts to the proper accounts, such as the work in process account.

See Also

[Service Cost Allocation to Cost Objects \[page 717\]](#)

6.1.5 Financial Planning

6.1.5.1 Financial Planning

Overview

The purpose of financial planning is to ensure the company's continued financial stability and liquidity. To achieve these goals, financial planners establish long-term capital requirements and set the budgets of the organizational units and functional areas, as well as plan other financial factors such as the capital structure, depreciation, investments and divestments, and amortization.

In the system, the data for financial planning is based on general ledger accounts. You create the plan data using Microsoft Excel spreadsheets and save it to the system, where it is used to measure plan/actual differences and support budgeting.

Financial planning functionality is available for financial analysts as well as line managers.

- Financial analysts carry out financial planning in the [Cost and Revenue](#) work center, [Planning](#) view. Financial planning in this view is at company level, including balance sheet planning.
- Line managers carry out financial planning in the [Managing My Area](#) work center, [Financial Planning](#) view. Financial planning in this view is restricted to the cost centers and profit centers for which the manager is responsible. No balance sheet planning is possible in this view.

Planning Areas

Financial planning is supported for the following areas:

- Cost center expenses
- Income statement planning
- Balance sheet planning

Financial Plans

A financial plan applies to a specific fiscal year, company, and set of books.

You can create different **versions** of a financial plan, for example versions based on optimistic and pessimistic scenarios. Each version is based on the same financial reporting structure as the other versions, which differ only in the amounts planned on the accounts (plan data).

The plan data is used in **plan/actual reports** to compare planned and actual figures. You can visualize the financial effects of different plans by simulating their effects on KPIs.

You create the data for financial plans using the [SAP Business ByDesign Add-In for Microsoft Excel](#). This offers the following benefits:

- Planners always work with current data, enhancing planning accuracy even with relatively long planning horizons.
- Flexibility and familiarity for end users working with Microsoft Excel spreadsheets.
- Eliminates the common problem of discrepancies between financial data stored in the system and that stored in local spreadsheets, as well as inconsistencies between spreadsheets.

- Supports collaboration and the exchange of information between financial planners, which increases the quality and reliability of the planning data.
-

For more information on financial plans, see [Financial Plans \[page 773\]](#).

See Also

Business Planning

6.1.5.2 Financial Plans

Overview

Financial planning involves estimating future income, expenses, assets, and liabilities. The estimates are stored in the system in financial plans. You can create only one financial plan for a combination of fiscal year, company and a set of books. It is not possible to create different plans for the same combination, but you can create different versions of a plan. You can plan your balance sheet, income statement, and cost center expenses.

You create financial plans in the *Cost and Revenue* work center, *Planning* view. For more information, see [Planning Quick Guide \[page 804\]](#).

Prerequisites

To be able to use the financial planning functionality, the *Financial Planning* business option in the *Financial Planning* business topic must be selected in scoping.

To be able to enter plan data, you need to have installed the *SAP Business ByDesign Add-In for Microsoft Excel*. For more information, refer to the prerequisites described in [Enter Plan Data \[page 816\]](#).

Features

A financial plan is valid for a fiscal year and applies to particular set of books assigned to the company.

Each plan has one or more **versions**, all of which are based on the same financial reporting structures as the other versions but have different plan data reflecting differing assumptions about the future. For example, you could have a version based on optimistic assumptions and a version based on pessimistic assumptions.

You define one of the versions as the default, which means that the data of that version appears in the default view of the plan/actual reports:

- **Financial Statements – Plan/Actual**
- **Financial Statements – Plan/Actual – Version Comparison**
- **Cost Centers – Plan/Actual**
- **Cost Centers – Plan/Actual – Version Comparison**

This also applies to the **My Area** version of the above reports.

Within the plan/actual reports you have the option of viewing the plan data of other versions as well.

Planning Process

You can plan from the top down or from the bottom up:

- You can enter data at company level, in which case the data is broken down automatically to profit centers and cost centers.
- Or you can enter data at the profit center and cost center level, in which case the data is rolled up automatically to company level.

You create the plan data and save it to the system using the *SAP Business ByDesign Add-In for Microsoft Excel*.

You have the option of using the actual data from a previous fiscal year as the starting point for your plan data. You then modify the copied actual data to meet your expectations for the fiscal year you are planning.

Entering Plan Data

You enter plan data separately for each version using the *SAP Business ByDesign Add-In for Microsoft Excel*.

For instructions on how to enter plan data, see [Enter Plan Data \[page 816\]](#).



Plan data can only be entered if the status of the version is *Not Started* or *In Process*.

When the plan version has the status *Not Started*, conflicts can arise between plan data and metadata. For example, one user might delete an account while another user is entering plan data for it. Such conflicts are prevented when the status is *In Process*.

Once you have entered plan data, the data can be viewed in the plan/actual reports.



If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

Version Status

The status of a version controls:

- Whether the metadata can be edited (version ID, description, and planning areas)
- Whether plan data can be entered
- Whether the data of the version is visible in the plan/actual reports

The initial status of any new version you create is Not Started. You can change the status of a version with [Change Status](#).

The status has the following effects on the version:

Status	Metadata can be edited	Plan data can be entered	Version is visible in reports	
<i>Not Started</i>	Yes	Yes*	No	Initial status assigned to new versions.
<i>In Process</i>	No	Yes	Yes	Version has been started but is not finished.
<i>Finished</i>	No	No	Yes	Version is completely planned and is locked to prevent further changes.
<i>Not Relevant</i>	No	No	No	Version is no longer used.

*When a plan version has the status *Not Started*, conflicts can arise between plan data and metadata. For example, one user might delete an account while another user is entering plan data for it. Such conflicts are prevented when the status is *In Process*.

Note the following restrictions on changing the status:

- *Not Started* or *Not Relevant* can only be set to *In Process* or *Finished*.

- *In Process* or *Finished* can be set to any other status.

 If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

Attachments

You can attach files and links to the plan.

The following functions are available for working with attachments:

Function	Description
 Download	Saves the attachment on your local computer.
 >  File	Creates a file attachment.
 >  Link	Creates an attachment as a link to an external address.
 Delete	Deletes the attachment. You cannot delete locked attachments.
 Replace	Overwrites the selected attachment with a new file or link
 Lock	Prevents the file from being deleted or replaced. Switches to  Unlock when the attachment is locked.
 Icon View	Displays the attachments as icons.
 List View	Displays the attachments as a list.

You can optionally assign a *Document Type* to help identify the attachment.

To open an attachment, click the document title.

The following attributes are displayed for each attachment:

- File type
- Lock status
- Document title
- Document type
- Date and time created
- Created by
- File size (not indicated for hyperlinks)

The *Details* area below the list of attachments displays general information on the currently selected attachment.

You can edit the document title, document type, and comment.

The content of attachments cannot be edited within the plan.

See Also

[Financial Planning \[page 772\]](#)

[Planning Quick Guide \[page 804\]](#)

6.1.6 Free Cost Objects

Overview

Cost objects are any items for which you separately measure costs. In some cases revenues are measured as well. You can use both standard and free cost objects for this purpose.

- **Standard cost objects** are predefined by SAP and included in the standard business processes and reports. Projects and sales orders are examples of standard cost objects.
- **Free cost objects** are cost objects that you define as needed. The amounts collected on a free cost object can be settled to other free cost objects by means of a settlement run.

Prerequisites

- You have included free cost objects in your **project scope**.
To find this business option, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Edit Project Scope**. In the *Questions* step, expand the *Financial and Management Accounting* and *Management Accounting* scoping elements and select *Cost Center Management Accounting*. Answer *Yes* in response to the question as to whether you want to use free cost objects.
- You have defined a **cost object type** for your free cost object.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Cost Object Types* activity from the activity list.
For more information, see Configuration: Cost Object Types.
- You have created an **account assignment type** for your free cost object type.
To find this activity, go to the *Business Configuration* work center and choose the *Implementation Projects* view. Select your implementation project and click **Open Activity List**. Select the *Fine-Tune* phase, then select the *Account Assignment Types* activity from the activity list.
For more information, see Configuration: Account Assignment Types.

Master Data

You can create the single free cost objects for your cost object type and structure them hierarchically. To do so, go to the *Cost and Revenue* work center under *Master Data* and choose *Free Cost Objects*.

i If you have included free cost objects subsequently to your project scope, this view might not be available in the *Cost and Revenue* work center. Contact your system administrator to have it assigned to your user's access profile.

The master data of free cost objects includes:

- **Organizational Assignments**
You can assign a **profit center** and a **functional area** to a cost object. If the cost object is entered directly in a business transaction, the profit center and functional area are automatically included in the journal entry.
- **Settlement Rules**

The total costs and revenues collected on a cost object (in most cases a superordinate cost object) can be distributed to other cost objects (in most cases subordinate cost objects). You can create a settlement rule to specify the cost objects to which the amount is settled.

For more information, see Settlement Rules for Free Cost Objects.

- **Hierarchical Structure**

You can set up a hierarchy of cost objects by means of **superordinate cost objects**.



A hierarchy of free cost objects for a vehicle fleet could look like this:

Example Structure Vehicle Fleet

Superordinate Free Cost Object (Level 1)	Superordinate Free Cost Object (Level 2)	Free Cost Object	Costs
Fleet			All general administration costs
	Car Fleet Location Berlin		Parking area, administration
		Car <i>B-AS 388</i>	Petrol, service, repairs
		Car <i>B-ZZ 444</i>	Petrol, service, repairs
	Car Fleet Location Hamburg		Parking area, administration
		Car <i>HH-F 999</i>	Petrol, service, repairs
		Car <i>HH-S 678</i>	Petrol, service, repairs

For more information, see [Free Cost Objects Quick Guide \[page 803\]](#).

Automatic Updating in Journal Entries

In business transactions, the processor can enter a free cost object as an additional account assignment. The costs and revenues of this business transaction are then automatically charged or debited to the corresponding free cost object.



A free cost object is only available as an account assignment if an account assignment type has been created for the cost object type and assigned to the business transaction.

Manual Adjustment Postings

You can create manual postings to debit or credit a free cost object.

- **General ledger postings**

You create general ledger postings in the [General Ledger](#) work center, [Journal Entry Vouchers](#) view.

- **Fixed asset postings**

You create fixed asset postings in the [Fixed Assets](#) work center, [Fixed Assets](#) view. [Choose Manual Posting](#) and select one of the fixed asset postings that supports postings to G/L accounts.

- **Tax postings**

You create tax postings in the [Tax Management](#) work center. Select one of the tax postings under [Manual Tax Entries](#).

Settlement

You can settle the costs or revenues collected on one free cost object to other free cost objects. The settlement run takes place according to the settlement rule assigned to the free cost object. To do so, go to the Cost and Revenue work center under Periodic Tasks and choose Free Cost Objects - Settlement.

For more information, see [Free Cost Objects – Settlement Quick Guide \[page 831\]](#).

Reports

The following reports are available to review your free cost objects and the costs and revenues collected on them:

- **Free Cost Objects List**

This report shows the master data for free cost objects. For more information, see [Free Cost Objects List \[page 848\]](#).

- **Free Cost Objects – Line Items**

This report shows the line item amounts for free cost objects. For more information, see [Free Cost Objects – Line Items \[page 849\]](#).

You can find the reports in the *Cost and Revenue* work center under *Reports*.

Free cost objects are also available as an additional characteristic in other reports (such as line item reports).

6.1.7 Sales Kit Process Flow

Overview

A sales kit is defined as a logical group of items that can be sold together as one unit. Wholesale and component manufacturing industries like to offer product bundles as single selling units. In the Business ByDesign system a single selling unit comprising of various components is called a sales kit.

For example, a laptop and an adaptor are two different products that can be grouped together and sold as a single unit. This combination of the laptop and adaptor is available on paper as a unit and has a price associated with it. However, the kit itself does not exist as a physical entity.

The various components of a sales kit are listed in the sales kit item list. In the case of the laptop and adaptor, both the individual products exist as physical entities. They are stored and transported, and so have inventory value. However, since they are a part of the sales kit, their individual prices are not relevant and only the price of the sales kit as a whole is considered.

Process Flow

1. Create a Sales Kit

You can create a sales kit in the *Product and Service Portfolio* work center by choosing the *New Sales Kit* common task. The sales kit you create represents the unit that is sold to the customer. For more information, see [Create a Sales Kit](#).

2. Add sales information to the Sales Kit

You can add sales details for the sales kit. This includes information such as the sales organization, distribution channel, and so on. You can also assign advanced sales details to each distribution chain, for example, a specific sales unit of measure, warranties, internal comments, sales notes, customer part numbers, tax

information and so on. However, you must mandatorily enter a sales organization and distribution channel for the sales kit.

For more information, see [Assign Sales Details to the Sales Kit](#).

3. Add valuation information to the Sales Kit

You can add valuation details for the sales kit which includes information such as basic valuation details, and a status to each company and business residence that provide financial data for a sales kit. You can also assign advanced valuation details such as a specific inventory valuation unit of measure, and cost information for each relevant set of books.

For more information, see [Assign Valuation Details to the Sales Kit](#).

4. Create a Sales Kit Item List

Using the sales kit ID created during the process of creating a sales kit, you can create a sales kit item list, which consists of all the items that are included in that particular sales kit. Each of these items has an inventory process associated with it, but is not price relevant within the kit.

For more information, see [Create a Sales Kit Item List](#) in the Tasks section of the Sales Kit Quick Guide.

5. Create and Release a Sales Order

You can create a sales order with a sales kit as a line item and release it.

For more information, see [Sales Orders Quick Guide](#).

6. Release a Customer Invoice

You can create and release a customer invoice document.

For more information, see [Quick Guide for Invoice Requests](#).

7. Determine Ship-From Information and Check Availability

Once the sales order containing a sales kit has been released, the system displays a customer demand per sales kit in the *Customer Demand* view of the *Outbound Logistics Control* work center. You can determine the shipment scheduling, ship-from information, and the availability for sales orders that contain sales kits. You can also use this view to release confirmed sales kits to logistics execution.

For more information, see [Customer Demand Quick Guide](#).

8. Release a Sales Kit

Apart from the *Customer Demand* view, you can also release sales kits in the *Delivery Due List* view of the *Outbound Logistics Control* work center, where the sales orders are listed based on confirmed schedule lines. In this delivery due list, the supply planner can release the sales kits to hand them over to logistics execution. Once the sales kit has been released, you cannot change data such as product, date, quantity, ship-to party in the corresponding sales order.

For more information about delivery due lists, see [Delivery Due List Quick Guide](#).

9. Process an Outbound Delivery

The system displays the released sales kits as delivery proposals in the *Delivery Proposals* subview and as delivery requests in the *Delivery Requests* subview of the *Delivery Control* view in the *Outbound Logistics* work center. In this view, you can process an outbound delivery for the sales kit with tasks by creating a warehouse request or without tasks by posting a goods issue.

For more information about delivery proposals and delivery requests, see [Delivery Control Quick Guide](#).

If you process the outbound delivery with tasks, you can create a warehouse task in the *Warehouse Requests* view and confirm the task in the *Task Control* view.

For more information about warehouse requests, see [Warehouse Requests Quick Guide](#).

For more information about task control, see [Task Control Quick Guide](#).

Whether you post the goods issue in one step directly or use the task support, the outbound delivery is processed and inventory changes are communicated to invoicing, accounting, and supply control.

10. Post Costs/Revenues

The delivery of a sales kit and its components triggers the creation of a journal entry in the system which posts the costs of components delivered. The valuation and the account determination are based on the component products delivered as part of the sales kit. The invoicing of the sales kit triggers the creation of a journal entry

which posts the revenues. You can view the entry in the *Journal Entries* view of the *General Ledger* work center. For more information, see [Journal Entries Quick Guide \[page 272\]](#)

There is no change in the account determination logic for the sales kit items and the component items. Revenue recognition is not allowed for sales order items with sales kit products. For more information see, [Sales Document Items Quick Guide \[page 799\]](#)

6.2 Master Data View

6.2.1 Cost Centers Quick Guide

The *Cost Centers* view in the *Cost and Revenue* work center displays your cost centers, their general data, and the names of their managers and employees. You can also see the distribution rules and overhead rates assigned to the cost centers.

You can create distribution rules and assign them to support cost centers. Distribution rules specify how overhead costs are distributed from support cost centers to primary cost centers or projects.

To see your cost centers based on the organizational structure, use the Show view *Organizational Structure*. This view shows all org units, including those that are not cost centers.

- i**
- You edit the organizational hierarchy in the *Organizational Management* work center, [Org Structures \[page 19\]](#) view.
 - You edit distribution rules in the *Cost and Revenue* work center, [Distribution Rules \[page 786\]](#) view.
 - You distribute overhead in the *Cost and Revenue* work center, [Overhead Distribution \[page 829\]](#) view.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).



Tasks

Create a Distribution Rule for Cost Centers

For information about this task, see Create a Distribution Rule for Cost Centers.

Assign a Distribution Rule to a Cost Center

1. Select a cost center and click **Assign**, then *Distribution Rules to Cost Center*.
2. In the *Valid On* field, enter the date for which you want to assign the distribution rule. In the *Rules* field, select *All* and click **Go**. You can also restrict the list to the *Assigned* or *Unassigned* distribution rules. The system lists the distribution rules and indicates whether they are assigned to the selected cost center on the specified date.
3. Find the distribution rule you want to assign and select the *Assigned to this Cost Center* checkbox. The system defaults the first day of the current fiscal year as the *Assignment Valid From* date and *Unlimited* as the *Assignment Valid To* date. You can change these dates as required.
4. Save your changes.

Unassign a Distribution Rule from a Cost Center

1. Select a cost center and click **Assign**, then *Distribution Rules to Cost Center*.
2. In the *Valid On* field, enter the date for which you want to display the assigned distribution rules. In the *Rules* field, select *All* and click **Go**. You can also restrict the list to the *Assigned* or *Unassigned* distribution rules.
3. Find the distribution rule you want to unassign. You now have two options, depending on whether the rule has been used in overhead distribution for this cost center or not:
 - If the rule has **never** been used in overhead distribution for this cost center, you can unassign it by deselecting the *Assigned to this Cost Center* checkbox.
 - If the rule **has** been used in overhead distribution for this cost center, do **not** unassign it but simply invalidate it by changing the *Assignment Valid To* field to yesterday's date. This retains the information that the rule has been used in overhead distribution for this cost center.
4. Save your changes.

6.2.2 Resources Quick Guide (Cost and Revenue)

Resources provide services for projects, sales orders, service orders, and production lots. Through service cost allocation the system automatically debits the receiver of the service and credits the cost center providing the resource.

You create and edit resources in the *Cost and Revenue* work center, *Resources* view.

Service cost allocation is based on cost rates for services and resources, which you define in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) view and [Service Cost Rates \[page 792\]](#) view.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Service Cost Allocation to Cost Objects

When products are manufactured and delivered to customers, costs are incurred by the cost centers for the services and resources required to perform the work. A resource is a production factor such as labor, equipment, or vehicles, while a service is the activity performed by a resource.

Production workers enter the consumption quantities of the services and resources into the system by means of activity confirmations. The confirmations result in the allocation of direct costs from the cost centers to the sales orders, service orders, projects, or production lots that requested the work.

Service cost allocation is based on the resource and service cost rates defined in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) and [Service Cost Rates \[page 792\]](#) views.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#).



Tasks

Create a Labor Resource

1. Click **New**, then [Labor Resource](#).
2. Enter the following information:
 - *Resource ID*
 - Assign the resource to a cost center by entering a date in the *Cost Center Assignment Valid From* field and entering the *Cost Center*.
 - *Job*
 - *Unit of Measure*
The system uses this unit of measure for the cost unit of the cost rate.
3. Optional: enter a time-independent cost rate by selecting [Create Cost Rate](#) and entering a cost rate and a cost unit. This cost rate overrides the service cost rate in service cost allocations and project cost estimations.



To enter time-**dependent** cost rates, access the [Resource Cost Rates \[page 791\]](#) view or click [View All](#).

4. Save the new resource.

The system activates the resource and adds it to the worklist of the [Resources](#) view.

Create an Equipment Resource

1. Click  [New](#), then [Equipment Resource](#).
2. Enter the following information:
 - [Resource ID](#)
 - Assign the resource to a cost center by entering a date in the [Cost Center Assignment Valid From](#) field and by entering the [Cost Center ID](#).
 - [Unit of Measure](#)
The system uses this unit of measure for the cost unit of the cost rate.
3. Optional: enter a time-independent cost rate by selecting [Create Cost Rate](#) and entering a cost rate and a cost unit. This cost rate overrides the service cost rate in service cost allocations and project cost estimations.

 To enter time-dependent cost rates, access the [Resource Cost Rates](#) [\[page 791\]](#) view or click .
4. Save the new resource.

The system activates the resource and adds it to the worklist of the [Resources](#) view.

Create a Vehicle Resource

1. Click  [New](#), then [Vehicle Resource](#).
2. Enter the following information:
 - [Resource ID](#)
 - Assign the resource to a cost center by entering a date in the [Cost Center Assignment Valid From](#) field and entering the [Cost Center ID](#).
 - [Unit of Measure](#)
The system uses this unit of measure for the cost unit of the cost rate.
3. Optional: enter a time-independent cost rate by selecting [Create Cost Rate](#) and entering a cost rate and a cost unit. This cost rate overrides the service cost rate in service cost allocations and project cost estimations.

 To enter time-dependent cost rates, access the [Resource Cost Rates](#) [\[page 791\]](#) view or click .
4. Save the new resource.

The system activates the resource and adds it to the worklist of the [Resources](#) view.

6.2.3 Services Quick Guide (Cost and Revenue)

Services are provided by resources for projects, sales orders, service orders, and production lots. Through service cost allocation the system automatically debits the receiver of the service and credits the cost center providing the resource.

You create and edit services in the [Cost and Revenue](#) work center, [Services](#) view.

Service cost allocation is based on cost rates for services and resources, which you define in the [Cost and Revenue](#) work center, [Resource Cost Rates](#) [\[page 791\]](#) view and [Service Cost Rates](#) [\[page 792\]](#) view.

Business Background

Assigning Statuses to a Service

A service can be involved in various business processes. For this reason, a service is divided into sections for purchasing, sales, and valuation. Each section includes details specific to the business process as well as one or more statuses indicating the completeness or readiness of the service for that process. Therefore, when creating a new service, it is important to apply the correct statuses to ensure that the relevant processes are assigned and that data in these areas is kept up-to-date.

For more information, see [Assigning Statuses to a Service](#)

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Service Cost Allocation to Cost Objects

When products are manufactured and delivered to customers, costs are incurred by the cost centers for the services and resources required to perform the work. A resource is a production factor such as labor, equipment, or vehicles, while a service is the activity performed by a resource.

Production workers enter the consumption quantities of the services and resources into the system by means of activity confirmations. The confirmations result in the allocation of direct costs from the cost centers to the sales orders, service orders, projects, or production lots that requested the work.

Service cost allocation is based on the resource and service cost rates defined in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) and [Service Cost Rates \[page 792\]](#) views.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#).



Tasks

Create a Service

1. Choose the *Services* subview in the *Services* view of the *Product Data* work center.
2. Click **New** and then **Service** to open the **New Service** quick activity.
3. Enter the *Service ID*.



If internal number ranges have been configured for services, you cannot enter a service ID manually; when you save the service, the system assigns the next available ID automatically.

For more information, see Configuration: Number Ranges.

4. Enter the *Service Description*.
For information about descriptions in other languages, see **Add Service Descriptions in Other Languages** below.
5. Select the *Product Category* to which you want to assign the new service.
6. In the *Base UoM* field, enter the default unit of measure for the service. It will be used for purchasing, sales, and valuation unless different units of measure are selected manually for those processes.

 The base UoM should be the smallest unit of measure for the service. Therefore, if you select different units of measure for any processes, make sure that the base UoM is always smaller.
7. Optional: Enter advanced general details for the service.
 - a. Click **View All**.
 - b. To indicate that the service should be treated as an expense for financial purposes, select the *Expense Indicator* check box.

 The check box is grayed out as soon as you save the service.
 - c. To add, delete, or replace a product image for the service, click **Image** and select the appropriate option.
8. Click **Save** to save your changes.

Assign Purchasing Details to a Service

For information about this task, see here.

Assign Sales Details to a Service

For information about this task, see here.

Assign Valuation Details to a Service

For information about this task, see here.

Add Quantity Conversions to a Service

For information about this task, see here.

Add Service Descriptions in Other Languages

1. Choose the *Services* subview in the *Services* view of the *Product Data* work center.
2. Select the service and click **Edit** to open the *Service* quick activity.
The *Service Description* field displays the description of the service in your logon language.
3. Click **View All**.
4. At the top of the *General* tab, click *Other Languages*.
5. To add a description of the service in another language, click **Add Row**.

 If you do not maintain a service description for a language, a description will not appear on business documents in that language.
6. In the new row, select a *Language* and enter the *Service Description*.

7. In the *Details* section, enter additional information about the service and click **Save**.

Create Services Using Microsoft Excel

You can create services using a predefined Microsoft Excel template. For information about this task, see here.

6.3 Allocation View

6.3.1 Distribution Rules Quick Guide

In the *Distribution Rules* view in the *Cost and Revenue* work center, you create and edit distribution rules that specify how overhead costs are distributed from support cost centers to primary cost centers or projects.



- You can display the cost centers in the *Cost and Revenue* work center, [Cost Centers \[page 780\]](#) view.
- You perform overhead distribution in the *Cost and Revenue* work center, [Overhead Distribution \[page 829\]](#) view.



If you are using **Project Cost and Revenue Management**, you can also specify how costs as well as revenues are distributed between projects based on distribution rules that you assign to the sending projects. You distribute costs and revenues between projects in the [Overhead Distribution \[page 829\]](#) view using the same distribution run that distributes overhead costs between cost centers.

Business Background

You use distribution rules in **Cost Center Management Accounting** to distribute overhead costs between cost centers.

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Distribution Between Cost Centers

The overhead distribution function distributes overhead costs from support cost centers to primary cost centers based on cause-and-effect criteria and using suitable allocation bases. This credits the support cost centers and debits the primary cost centers or projects.

For more information, see [Overhead Distribution Between Cost Centers \[page 712\]](#).

You use distribution rules in **Project Cost and Revenue Management** to distribute costs and revenues between projects.

Project Cost and Revenue Management

Project Cost and Revenue Management constitutes the financial view of project management. It manages and allocates direct costs, overhead costs, and revenues for projects, and allows you to track detailed information on the cost and revenue structure of your projects.

For more information, see [Project Cost and Revenue Management \[page 724\]](#).

Cost and Revenue Distribution Between Projects

You distribute costs and revenues between projects or project tasks based on allocation bases. This enables you to collect costs and revenues on a project and then distribute them to its subprojects. You can define subprojects as project tasks of the main project.

The functions for cost and revenue distribution are available in the [Cost and Revenue](#) work center.

For more information, see [Cost and Revenue Distribution Between Projects \[page 735\]](#).



Tasks

Create a Distribution Rule for Cost Centers

For information about this task, see here.

Create a Distribution Rule for Projects

For information about this task, see here.

Edit a Distribution Rule

1. Select a distribution rule and click [Edit](#).
2. On the [General](#) tab, you can edit the [Description](#) and select or deselect the [Active](#) indicator.
3. On the [Senders](#) tab, you can do the following:
 - In a distribution rule for cost centers, you can add or delete cost centers as senders or change the validity period of the assignment.

→ Alternatively, you can assign distribution rules to cost centers in the [Cost Centers \[page 780\]](#) view.

 - In a distribution rule for projects, you can only have **one** project/project task as the sender.
4. On the [Receivers](#) tab, you can add or delete receivers or change the validity period of the assignment. You can also change the distribution by editing the [Distribution Factor](#).
 - In a distribution rule for cost centers, the receivers can be cost centers or projects/project tasks. You **cannot** change the receiver type of an existing distribution rule.
 - In a distribution rule for projects, the receivers can **only** be projects or project tasks.
5. Save your changes.

6.3.2 Overhead Rules Quick Guide

Overhead rules specify how overhead is absorbed by cost objects such as projects, production lots, or service orders.

You create and edit overhead rules in the *Cost and Revenue* work center, *Overhead Rules* view.

Overhead rules contain overhead rates that you define in the *Edit Overhead Rates* common task. You can edit assignment rules to specify which cost objects use which overhead rules.



To apply the overhead to the cost objects, you use **overhead absorption runs**.

- You execute overhead absorption runs for projects in the *Cost and Revenue* work center in the following views:
 - [Overhead Cost Projects – Overhead Absorption \[page 822\]](#)
 - [Direct Cost Projects – Overhead Absorption \[page 824\]](#)

This is relevant for **Project Cost and Revenue Management**.

- You execute overhead absorption runs for service orders in the *Cost and Revenue* work center, [Service Orders – Overhead Absorption \[page 820\]](#) view.
This is relevant for **Sales and Profit Analysis**.
- You execute overhead absorption runs for production lots in the *Inventory Valuation* work center, [Production Lots – Overhead Absorption \[page 629\]](#) view.
This is relevant for **Production Costing**.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Absorption by Cost Objects

After you have distributed overhead from support cost centers to primary cost centers, you use overhead absorption runs to apply the overhead to the direct costs of the cost objects on the basis of overhead rates. This credits the primary cost centers and debits the cost objects.

For more information, see [Overhead Absorption by Cost Objects \[page 718\]](#).



Tasks

Create an Overhead Rate

1. Under *Common Tasks*, click *Edit Overhead Rates*.
2. Click *New* *Overhead Rate*.
3. In the *Enter Basic Data* step, provide the following information:
 - Overhead rate ID
 - Company
 - Set of books
 - Optionally, you can use the *Overhead Type* to classify the overhead rate.
4. In the *Specify Calculation* step, provide the following information:
 - Under *Account (Origin)*, enter all accounts that make up your calculation base.
For more information, see *Calculation Bases for Overhead Absorption* [page 722].
 - Enter the *Percentage* and its *Valid From* date.
5. In the *Specify Crediting* step, provide the following information:
 - Enter the *Account Determination Group*. The account determination group determines the accounts to which the overhead calculated is posted. The system automatically displays the account for the credit postings.
 - Enter the *Cost Center* that you want to credit when posting the calculated overhead to the cost object.
6. In the *Review* step, review your data and correct it if necessary.
Click *Finish* to save the new overhead rate.

Create an Overhead Rule

1. Click *New* *Overhead Rule*.
2. In the *Enter Basic Data* step, enter the overhead rule ID and the company.
3. In the *Specify Assignment Rules* step, enter the assignment rules for the overhead rule. The system will automatically assign this overhead rule to production lots, projects, or service orders based on the assignment rules.
 - In the *Assignment Rules for Production Lots and Material Cost Estimates* table, enter the business residences in the *Business Residence* column. The system automatically assigns the overhead rule to production lots created in these business residences.
 - In the *Assignment Rules for Projects* table, specify whether the system should automatically assign the overhead rule to **overhead cost projects** or **direct cost projects** by selecting the corresponding transaction type in the *Business Transaction Type* column.
 - In the *Assignment Rules for Service Orders* table, specify whether the system should automatically assign the overhead rule to **service orders** or **service confirmations** by selecting the corresponding transaction type in the *Business Transaction Type* column.

Transaction Type column. You can also specify the **service organization** as a criterion for automatic assignment.

i This screen only shows the assignment rules for the new overhead rule. To check the consistency of the assignment rules across all overhead rules, click [Show All Assignment Rules](#).

4. In the [Select Overhead Rates](#) step, select the overhead rates that you want to use to calculate the overhead.
5. In the [Review](#) step, review the data and correct it if necessary. Click [Finish](#) to save the new overhead rule.

Edit Assignment Rules for Projects

1. Select the overhead rule for which you want to edit the assignment rules and click [Actions](#) ▾ [Edit Assignment Rules for Projects](#).
2. Enter the assignment rules for combinations of company and business transaction type. The business transaction type allows you to distinguish between direct cost projects and overhead cost projects. The system assigns overhead rules to projects based on these combinations.

i

- If you leave one of the fields empty, the rule will be valid for **all** values of that field.
- The system processes the assignment rules sequentially starting with sequence number 1. Once the first overhead rule is assigned, the system stops processing further rules.
You can change the sequence of the rules with [Move Up](#) and [Move Down](#).

3. Save your changes.

Edit Assignment Rules for Production Lots

1. Select the overhead rule for which you want to edit the assignment rules and click [Actions](#) ▾ [Edit Assignment Rules for Production Lots](#).
2. Enter the assignment rules for combinations of company and business residence. The system assigns overhead rules to production lots based on these combinations.

i

- If you leave one of the fields empty, the rule will be valid for **all** values of that field.
- The system processes the assignment rules sequentially starting with sequence number 1. Once the first overhead rule is assigned, the system stops processing further rules.
You can change the sequence of the rules with [Move Up](#) and [Move Down](#).

3. Save your changes.

Edit Assignment Rules for Service Orders

1. Select the overhead rule for which you want to edit the assignment rules and click [Actions](#) ▾ [Edit Assignment Rules for Service Orders](#).

2. Enter the assignment rules for combinations of company, service organization, and business transaction type. The business transaction type allows you to distinguish between service orders and service confirmations. The system assigns overhead rules to service orders based on these combinations.



- If you leave one of the fields empty, the rule will be valid for **all** values of that field.
- The system processes the assignment rules sequentially starting with sequence number 1. Once the first overhead rule is assigned, the system stops processing further rules.
You can change the sequence of the rules with **Move Up** and **Move Down**.

3. Save your changes.

6.3.3 Resource Cost Rates Quick Guide

Resource cost rates are used in allocations of consumption by resources providing services to projects, sales orders, service orders, and production lots.

By default, service costs are allocated automatically based on **resource** cost rates. If no valid resource cost rate exists, the system applies the service cost rate. If you want the system to apply the service cost rate even when a valid resource cost rate exists, see the **Delimit Cost Rates** task below.



A resource cost rate of zero is a valid cost rate and therefore takes priority over any service cost rate.

You edit resource cost rates in the **Cost and Revenue** work center, **Resource Cost Rates** view. You can also edit resource cost rates in the master data of the resources themselves.

You can see both the current and future cost rates with **Current and Upcoming Cost Rates** in the **Show** filter.



- You create and edit resources in the **Cost and Revenue** work center, **Resources** [page 781] view.
- You create and edit services in the **Cost and Revenue** or **Product Data** work center, **Services** view.
- You create and edit service cost rates in the **Cost and Revenue** work center, **Service Cost Rates** [page 792] view.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Service Cost Allocation to Cost Objects

When products are manufactured and delivered to customers, costs are incurred by the cost centers for the services and resources required to perform the work. A resource is a production factor such as labor, equipment, or vehicles, while a service is the activity performed by a resource.

Production workers enter the consumption quantities of the services and resources into the system by means of activity confirmations. The confirmations result in the allocation of direct costs from the cost centers to the sales orders, service orders, projects, or production lots that requested the work.

Service cost allocation is based on the resource and service cost rates defined in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) and [Service Cost Rates \[page 792\]](#) views.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#).



Tasks

Edit Resource Cost Rates

1. Select one or more resources and click [Edit](#).
2. On the [Edit Resource Cost Rates](#) screen, specify the date on which the new cost rates become valid, and click [Go](#).
3. Enter the new cost rates and any new cost units.
You can increase or decrease the selected cost rates by a defined factor with [Multiply All by Factor](#). For example, to increase the cost rates by 10%, enter a factor of 1.1.
4. Save the new cost rates.
The new cost rates will become effective on the date you entered in [New Cost Rate Valid From](#).

Edit Cost Units

To enter a new cost unit for one or more resources, follow the same procedure above as for editing cost rates.

Delimit Cost Rates

The [Delimit](#) function enables you to set the [Valid To](#) date for the cost rates of one or more resources. This invalidates the resource cost rates after that date so that the system applies the **service cost rates** from that point onward.

6.3.4 Service Cost Rates Quick Guide

Service cost rates are used in allocations of consumption by resources providing services to projects, sales orders, service orders, and production lots.

By default, service costs are allocated automatically based on **resource** cost rates. If no valid resource cost rate exists, the system applies the service cost rate. If you want the system to apply the service cost rate even when a valid resource cost rate exists, see [Resource Cost Rates Quick Guide \[page 791\]](#).

i A resource cost rate of zero is a valid cost rate and therefore takes priority over any service cost rate.

You edit service cost rates in the *Cost and Revenue* work center, *Service Cost Rates* view. You can also edit service cost rates in the master data of the services themselves.

You can see both the current and future cost rates with *Current and Upcoming Cost Rates* in the *Show* filter.

- i**
- You create and edit resources in the *Cost and Revenue* work center, [Resources \[page 781\]](#) view.
 - You create and edit services in the *Cost and Revenue* or *Product Data* work center, Services view.
 - You create and edit resource cost rates in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) view.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

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For more information, see [Cost Center Management Accounting \[page 566\]](#).

Service Cost Allocation to Cost Objects

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Production workers enter the consumption quantities of the services and resources into the system by means of activity confirmations. The confirmations result in the allocation of direct costs from the cost centers to the sales orders, service orders, projects, or production lots that requested the work.

Service cost allocation is based on the resource and service cost rates defined in the *Cost and Revenue* work center, [Resource Cost Rates \[page 791\]](#) and [Service Cost Rates \[page 792\]](#) views.

For more information, see [Service Cost Allocation to Cost Objects \[page 717\]](#).



Tasks

Edit Service Cost Rates for Default Set of Books

Follow this procedure to edit the cost rates of multiple services in one go, but only for the default set of books.

1. Select one or more services and click **Edit**.

2. On the [Edit Service Cost Rates](#) screen, specify the date on which the new cost rates become valid, and click [Go](#).
3. Enter the new cost rates and any new cost units.
You can increase or decrease the selected cost rates by a defined factor with [Multiply All by Factor](#). For example, to increase the cost rates by 10%, enter a factor of 1.1.
4. Save the new cost rates.
The new cost rates will become effective on the date you entered in the [New Cost Rate Valid From](#) field.

Edit Service Cost Rates for Additional Sets of Books

Follow this procedure to edit the service cost rates for any additional (non-default) sets of books used by your company.

1. Click directly on the Service ID.
2. On the [Service Overview](#) screen, click [View All](#).
3. On the [Service](#) screen, go to the [Valuation](#) tab.
4. You can now see the cost rates for all sets of books. To edit a cost rate, select a set of books and click [Edit Cost Rate](#).
5. Enter the new cost rate, the cost unit, and the date from which the new cost rate is valid.
6. Save the new cost rates.

Edit Cost Units

To enter a new cost unit for a service, follow the above procedures for editing cost rates.

6.4 Projects View

6.4.1 Projects Quick Guide (Cost and Revenue)

In this view you create and edit projects and perform tasks related to cost and revenue management for the projects. You can:

- Reassign **overhead rules** for overhead absorption in cases where you do not want the system to use the rules that were assigned to the projects automatically based on your assignment rules.
- Reassign **accrual methods** for automatic revenue recognition (multi-customer projects only) in cases where you do not want the system to use the accrual methods that were assigned to the projects automatically based on accrual method determination.
- Enter a **manual percentage of completion** for revenue recognition for fixed-price sales order items associated with project tasks.
- View the **planned costs and revenues** for the project tasks.



- You maintain **overhead rules** and **assignment rules** in the [Overhead Rules \[page 788\]](#) view.
- You perform **overhead absorption** for **overhead cost projects** in the [Overhead Cost Projects – Overhead Absorption \[page 822\]](#) view.
- You perform **overhead absorption** for **direct cost projects** in the [Direct Cost Projects – Overhead Absorption \[page 824\]](#) view.

You access the *Projects* view in the *Cost and Revenue* work center.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Project Cost and Revenue Management

Project Cost and Revenue Management constitutes the financial view of project management. It manages and allocates direct costs, overhead costs, and revenues for projects, and allows you to track detailed information on the cost and revenue structure of your projects.

For more information, see [Project Cost and Revenue Management \[page 724\]](#).

Project Cost and Revenue Planning

Accurate planning of project costs and revenues is essential for establishing realistic budgets, avoiding cost overruns, and ensuring that the project will generate sufficient profit. The high cost transparency provided by project management helps you effectively budget your projects and control their costs. Advanced reporting features allow you to quickly detect overspending and pinpoint its causes in detailed cost breakdowns.

Project managers plan project tasks by specifying:

- The anticipated amount of work (services) required
- The planned materials
- The estimated expenses
- The estimated revenues



Revenues **cannot** be planned on overhead cost projects.

Each project task has one or more work packages for which the project manager specifies a service, a team member, and the expected time required. Project tasks can also include expenses, such as for airfare or lodging, as well as internally or externally procured materials. Overhead is applied automatically if you have assigned an overhead rule to the project.

For more information, see [Project Cost and Revenue Planning \[page 743\]](#).

Overhead Absorption by Projects

After you have allocated overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the projects. This credits the primary cost centers and debits the projects.

The cost centers provided services for the projects, so they were credited for the costs of the services and the projects were debited. Since the services can easily be identified with particular projects, these costs are **direct costs** of the projects.

Some costs nevertheless remain on the cost centers because not all costs can be identified with particular projects. These costs are overhead that is allocated to the projects based on **overhead rates**.

For more information, see [Overhead Absorption by Projects \[page 739\]](#).

Revenue Recognition for Multi-Customer Projects

The system can automatically recognize revenue for multi-customer projects if an **accrual method** is assigned to the project. Accrual methods ensure that the correct deferral accounts are selected.

Two accrual methods are available specifically for multi-customer projects:

- [Recognize at completed contract](#)
- [Recognize at completed contract \(revenue only\)](#)

If **no** accrual method is assigned to the project, neither costs nor revenues for the project tasks are deferred automatically.

For more information, see [Revenue Recognition for Multi-Customer Projects \[page 763\]](#).



Tasks

Create a New Project

1. Click **New**, then select *Project* to open the *New Project* screen.
 You can also create a new project by starting the *New Project* common task that belongs to the *Project Management* work center.
2. In the *Enter Initial Data* step, select the *Project Type*, *Source*, and *Project Language*. You can use a *Template*, an *Existing Project*, or a *Microsoft Project*® as the source for the new project. To create the new project from scratch, choose *None*. If you want to create an overhead cost project, select *Cost collecting project* as the project type and if you want to create a direct cost project, select for example, *Marketing project* or *Strategic Sourcing Project*. For more information about project types and process variant types you can use, see Configuration: Project Types. After filling out all the necessary fields, click **Next**.
3. In the *Copy Source* step, search and select a template or an existing project or upload a *Microsoft Project* file.
 The *Copy Source* step appears only if you chose *Template*, *Existing Project*, or *Microsoft Project* as a *Source* in the previous step. If you chose *None*, this step is skipped.

Specify which project details you want to copy from the template or the existing project. You can display the details of a selected project by clicking **Show Details**. Click **Next**.

4. In the *Define Project* step, change the copied data as required or enter new data.
 - Update the *Project Name*, *Project ID*, *Project Type*, *Person Responsible*, and *Project Language*, and other data (depending on the project type) including the *Start/Finish Date*, as required.
 - Select the *Mail Notification* checkbox to send an e-mail to the person responsible for the task and the project manager, when a work package is assigned by a team member. For more information on maintaining e-mail addresses in the system see, **Edit My Contact Data** in the Tasks section of the Company Address Book Quick Guide.
 - Enter further information as required and click **Next**.

i The fields you can update depend on the project type you selected.

5. In the *Define Team* step, you add team members and organizational units to the project. Select a team member and then *Substitute* if you want that team member to be the substitute for the project responsible on the new project. Click **Next**.
6. In the *Review* step, check the data and correct it if necessary, and then click **Finish** to save the project.
7. Click **Close** to return to the *Projects* view.

Reassign an Overhead Rule to a Project

1. Select a project and click **Reassign** *Overhead Rule*.
2. Enter the overhead rule.

Unassign an Overhead Rule from a Project

Select a project that has an overhead rule and click **Unassign** *Overhead Rule*.

Reassign an Accrual Method to a Multi-Customer Project

1. Select a *Multi-customer project* and click **Reassign** *Accrual Method*.
2. Enter the accrual method and the set of books to which the accrual method applies.

Unassign an Accrual Method from a Multi-Customer Project

1. Select a *Multi-customer project* that has an accrual method and click **Unassign** *Accrual Method*.
2. Enter the set of books to which the accrual method applies.

Edit Percentage of Completion for Fixed-Price Sales Order Items

1. Select the projects for which you want to edit the percentage of completion of the associated fixed-price sales order items, and click **Edit Percentage of Completion**.
2. The *Edit Percentage of Completion* screen shows the sales order items associated with the projects, along with the following information for each item:
 - Manual POC

The current manually entered percentage of completion. This percentage will be used in the next revenue recognition run executed for the sales order.

- Calculated POC
Actual costs as a percentage of estimated costs.
- Last POC Used
The percentage of completion used by the last revenue recognition run executed for the sales order.

Select an item and enter the percentage of completion for the desired validity range.

i The item must have the revenue type *Project Sales (Fixed Price)* as only these allow the entry of a percentage of completion.

If you want to add a new percentage of completion with a different validity range, click **Add Row**. Make sure the validity range does not overlap with existing entries.

You **cannot** enter a *Valid From* date that is in the future.

Result

The next revenue recognition run that includes the sales order and which is executed within the validity range of the percentage of completion will use the manual value instead of calculating it.

View Planned Costs and Revenues

To see the planned costs and revenues on a project, click **View Plan Values**.

You can then see the following information on the *Project Plan Values* screen:

- The yellow row indicates the total planned cost and revenue for the project.
- The remaining rows list the project tasks along with the planned cost and revenue and the error status for each task.
- The *Planned Cost* column shows the total cost calculated for each task based on the planned services, materials, expenses, and overhead.

Breakdowns of the total planned cost are shown in the *Details* area on the following tabs:

○ **Services**

The services and resources required to perform the planned work for the task. The planned work is based on the cost unit of the service cost rate or resource cost rate that was selected for valuation. The selection of cost rates is based on the valuation strategy for services.

i For more information on the valuation strategy for services, see [Project Cost and Revenue Planning \[page 743\]](#).

○ **Materials**

The planned materials, their planned quantities, and the resulting costs based on the indicated valuation method. The planned quantity is based on the cost unit of the cost or price that was selected for valuation.

The *Valuation Method* indicates which cost or price was selected to calculate the planned cost of the material based on the valuation strategy for materials.

i For more information on the valuation strategy for materials, see [Project Cost and Revenue Planning \[page 743\]](#).

- Expenses
The expense groups and G/L accounts (origin) of the planned expenses for the task. The planned expenses are in the transaction currency. The planned costs are in the company currency.
- Overhead
The overhead costs calculated for the task based on the overhead rule. The cost centers credited and the overhead rates applied (*Percentage*) are also shown.
- The *Planned Revenue* column shows the total revenue planned for each project task. A breakdown of the planned revenue by income group and G/L account (origin) is shown in the *Details* area on the **Revenues** tab.



You can also analyze the planned costs and revenues in the [Project Plan Values \[page 856\]](#) report.

Error Status

The *Error Status* symbol indicates whether errors occurred during the calculation of planned costs or revenues. An error status is shown for the project as a whole (at the top of the screen), for each task, and for each item within a task.

- The error status for the **project as a whole** indicates whether the costs and revenues for all **tasks** of the project were calculated successfully or not.
- The error status for a project **task** indicates whether the costs and revenues for the **items** of that task were calculated successfully or not.

If the error status symbol for a task is red, go to the **Messages** tab to see the error messages. You then need to correct the errors described in the messages.

Reevaluating the Planned Costs

The planned costs calculated for the project will **not** be current in the following cases:

- You changed a material cost or a cost rate.
- You corrected an error that was due to:
 - A missing cost or cost rate
 - A missing G/L account
 - A missing price in a price list or contract

In these cases you need to trigger an update of the planned costs as follows:

- To update the planned costs for **all** tasks in the project, click **Valuate All**.
- To update the planned costs for **selected** tasks, select the tasks and click **Valuate**.

6.5 Sales Document Items View

6.5.1 Sales Document Items Quick Guide

This view displays the items of sales orders, customer returns, service orders, service confirmations, and customer contracts. You can reassign accrual methods and overhead rules, as well as specify a percentage of completion for sales order items.

- **Accrual methods** are used in automatic revenue recognition. Accrual methods are automatically assigned to sales order items, customer return items, and customer contract items based on the assignment rules specified in business configuration. If you want the system to use different accrual methods, you can reassign them in this view.



Accrual methods cannot be assigned to Sales Order Items with Sales Kit products.

- **Overhead rules** are used in overhead absorption for service orders and service confirmations. The overhead rules are automatically assigned to service order items and service confirmation items based on assignment rules that you specify in the [Overhead Rules \[page 788\]](#) view. If you want the system to use different overhead rules, you can reassign them in this view.
- You can specify a **manual percentage of completion** for sales order items to override the automatically calculated percentage.

You access the [Sales Document Items](#) view in the [Cost and Revenue](#) work center.



- You edit overhead rules in the [Cost and Revenue](#) work center, [Overhead Rules \[page 788\]](#) view.
- You perform revenue recognition in the [Cost and Revenue](#) work center, [Revenue Recognition \[page 827\]](#) view.
- You perform overhead absorption for service orders and service confirmations in the [Cost and Revenue](#) work center, [Service Orders – Overhead Absorption \[page 820\]](#) view.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Absorption by Service Order Items

After you have allocated overhead from support cost centers to primary cost centers, you use overhead absorption runs to apply the overhead to the direct costs of the service order items (in the following, this also means service confirmation items). This credits the primary cost centers and debits the service order items.

The cost centers provided services for the service order items. They were therefore credited for these services and the service order items debited accordingly. Since the services can easily be identified with particular service order items, these costs are **direct costs of the service order items**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular service order items. These costs are overhead that is allocated to the service order items based on **overhead rates**.

For more information, see [Overhead Absorption by Service Order Items \[page 750\]](#).

Revenue Recognition

Revenue recognition is the process of assigning sales revenue to the periods in which it was realized and earned. The cost of sales and any revenue deductions for returns associated with the revenue need to be assigned to the same accounting periods as the revenue itself.

For more information, see [Revenue Recognition \[page 751\]](#).

Sales Kit Process Flow

A sales kit is defined as a logical group of items that can be sold together as one unit. Wholesale and component manufacturing industries like to offer product bundles as single selling units. In the Business ByDesign system a single selling unit comprising of various components is called a sales kit .

For more information, see [Sales Kit Process Flow \[page 778\]](#)



Tasks

i Before starting any of these tasks, use the [Show](#) filter to display the sales document items of the relevant type.

Reassign an Overhead Rule to a Service Order Item or Service Confirmation Item

1. Select a service order item or service confirmation item and click [Reassign](#) [Overhead Rule](#).
2. Enter the new overhead rule.

i You can only assign an overhead rule that belongs to the same company as the service order item or service confirmation item.

Unassign an Overhead Rule from a Service Order Item or Service Confirmation Item

Select a service order item or service confirmation item and click [Unassign](#) [Overhead Rule](#).

Reassign an Accrual Method to a Sales Order Item, Customer Return Item, or Customer Contract Item

1. Select a sales order item, customer return item, or customer contract item and click [Reassign](#) [Accrual Method](#).
2. Enter the new accrual method. Since the accrual methods may differ between sets of books, you must also enter a [Set of Books ID](#).

i You cannot assign an [Accrual Method](#) to a [Sales Kit Product ID](#) or [Sales Kit Product Description](#)

Unassign an Accrual Method from a Sales Order Item, Customer Return Item, or Customer Contract Item

1. Select a sales order item, customer return item, or customer contract item and click **Unassign  Accrual Method**.
2. Enter the ID of the set of books from which you want to unassign the accrual method.

Edit Percentage of Completion for Sales Order Items

1. Select one or more sales order items and click **Edit Percentage of Completion**.
2. Select an item and enter the percentage of completion for the desired validity range. If you want to add a new percentage of completion with a different validity range, click **Add Row**. Make sure the validity range does not overlap with existing entries.

 You cannot enter a *Valid From* date that is in the future.

Result

The next revenue recognition run that includes the sales order and which is executed within the validity range of the percentage of completion will use the manual value instead of calculating it.

Check the Completion Status of a Sales Document Item

1. Select a sales order item, customer return item, or customer contract item.
2. In the Details area, check the following fields:
 - **Final Delivery Date**
If the item is completely fulfilled (all materials or services have been delivered), this field displays the most recent posting date of all goods or service deliveries belonging to this item.
 - **Final Delivery or Invoice Date**
If the item is completely fulfilled and invoiced, this field displays the most recent posting date of all goods or service deliveries, customer returns, customer invoices, or credit memos belonging to this item.
If you filter the worklist for **open** sales document items using the **Show** field, the system displays sales document items which do not have a *Final Delivery or Invoice Date*.

These dates control when the revenue recognition run recognizes both the revenues and costs of sales and all differences between the expected values and the final values of the order:

- In case of sales order items based on a fixed price, the revenue recognition run recognizes quantity differences if the posting date of a revenue recognition run is later than the *Final Delivery Date* and the assigned accrual method is *Recognize at point of delivery*.
- The revenue recognition run recognizes all differences related to exchange rates, prices, or quantities if the posting date of a revenue recognition run is later than the *Final Delivery or Invoice Date* and the assigned accrual method is *Recognize at point of invoice* or *Recognize at point of delivery*.

i These two dates also display for service order items, service confirmation items, and customer contract items. They are for your information only since the revenue recognition run does not process service orders or customer contracts.

An additional field is available for sales order items, customer return items, and customer contract items:

- *Revenue Fully Recognized*

The revenue recognition run automatically selects this checkbox if, in an earlier run, the revenue and the cost of sales for the sales document item are fully recognized and all deferrals are reset. If the checkbox is selected, future revenue recognition runs will not process the sales document item. If you want the revenue recognition run to process the item, you must start the run for just that item.

The system automatically deselects this checkbox in either of the following cases:

- If you assign the accrual method *Continue to defer*
- If a new posting is made to the sales document item

6.6 Free Cost Objects View

6.6.1 Free Cost Objects Quick Guide

About this document

In this view you manage your free cost objects, including setting up a hierarchical structure, making organizational assignments, and assigning settlement rules.

You access the *Free Cost Objects* view in the *Cost and Revenue* work center.

Business Background

Cost objects are any items for which you separately measure costs. In some cases revenues are measured as well. You can use both standard and free cost objects for this purpose.

- **Standard cost objects** are predefined by SAP and included in the standard business processes and reports. Projects and sales orders are examples of standard cost objects.
- **Free cost objects** are cost objects that you define as needed. The amounts collected on a free cost object can be settled to other free cost objects by means of a settlement run.

For more information, see [Free Cost Objects \[page 776\]](#).



Tasks

Edit Free Cost Object

To edit a cost object, select the cost object and click **Edit**.

The system displays the following tabs:

- **General**
Contains general information on the free cost object, such as profit analysis attributes. You can also see the assigned settlement rules or assign new settlement rules.
- **Assignments**
You can edit the following assignments:
 - **Organizational Assignments**
You can assign a profit center and a functional area to your cost object. The system uses this information for derivation procedures while automatically creating journal entries from source documents.
 - **Superordinate Cost Objects**
You can assign an existing cost object as superordinate to your cost object.
As the assignments are time-dependent, there can be multiple entries for each element.
- **Analytics View**
Shows the general ledger accounts, business transactions, and other accounting information for the cost object. If you wish to view all information, choose the *Free Cost Objects – Line Items Report* from the *Reports* view in the *Cost and Revenue* work center.
- **Changes**
You can display all the changes that were made to a cost object over a specific period. You can restrict the display to a specific user or to a specific attribute.
- **Notes**
You can enter notes for cost objects. The system displays all the notes entered so far. You can also remove notes.
- **Attachments**
You can upload attachments for cost objects. You can also download, replace, or delete existing attachments.

Create and Assign Settlement Rules to Free Cost Object

For information about this task, see Create Settlement Rules for Free Cost Objects.

6.7 Planning View

6.7.1 Planning Quick Guide

In the *Planning* view, you create plans for your financial key figures. Financial plans are estimates of the company's future financial key figures for a fiscal year and set of books.

You access the *Planning* view in the *Cost and Revenue* work center.

Business Background

Financial Planning

The purpose of financial planning is to ensure the company's continued financial stability and liquidity. To achieve these goals, financial planners establish long-term capital requirements and set the budgets of the organizational units and functional areas, as well as plan other financial factors such as the capital structure, depreciation, investments and divestments, and amortization.

For more information, see [Financial Planning \[page 772\]](#).

Financial Plans

Financial planning involves estimating future income, expenses, assets, and liabilities. The estimates are stored in the system in financial plans. You can create only one financial plan for a combination of fiscal year, company and a set of books. It is not possible to create different plans for the same combination, but you can create different versions of a plan. You can plan your balance sheet, income statement, and cost center expenses.

For more information, see [Financial Plans \[page 773\]](#).



Tasks

Create a Plan

1. Click **New**, then *Plan*.
2. On the *General* tab, enter the following information:
 - **Assignments**
Your entries in this area serve to identify the plan as a whole:
 - **Company**
You can only plan companies you are assigned to.
 - **Set of Books**
When you select a company, the default set of books for the company is selected automatically. You can select a different set of books if it is available for that company.
 - **Fiscal Year**
By default, this field contains the next fiscal year, based on the current date. If you change the fiscal year, press **ENTER** to update the automatically generated Plan ID with the new fiscal year. You can also modify the Plan ID manually.

i You cannot change the company, set of books, or fiscal year once you have saved the plan.

- **Identification**
Enter a *Plan ID*.
The plan ID serves as a unique technical name for your plan. You do not need to know the plan ID in order to work with your plan, but it may be needed to identify the plan in case of incidents.

A plan ID is proposed by the system automatically based on your entries under [Assignments](#). The default plan ID has the format YYYY_<company ID>_<set of books ID>.

i It is recommended that you accept the default plan ID proposed by the system.
If you nevertheless wish to change the plan ID, note the character restrictions below.

Allowed characters for plan ID:

- Uppercase letters (lowercase letters are converted to uppercase automatically)
 - 0 to 9
 - Underscore
 - Hyphen
- **Planning Areas and Reporting Structures**
Select the planning areas and reporting structures you want to use.
Planning is supported for the following areas:
 - [Expenses](#) (on cost centers)
 - [Income Statement](#)
 - [Balance Sheet](#)You can choose to plan any or all of these areas. At least one area is required.
For each of the areas you are planning, you select a financial reporting structure that determines which G/L accounts can be planned.
Since your financial reporting structures do not usually change significantly from year to year, you normally create a new plan based on an existing structure.

 You can edit financial reporting structures in the [Business Configuration](#) work center.

If you want to plan project expenses, plan the expenses on the cost centers involved in the project.

i The G/L accounts you plan in expense planning are actually the [G/L Account \(Origin\)](#) characteristic. This characteristic allows you to see a breakdown of the cost of sales and work in process into cost origins. For more information, see [G/L Account \(Origin\) \[page 748\]](#).

The planning areas are integrated with each other. If all planning areas are activated for a version, changes made to the cost center plan data immediately affect the income statement plan data and vice-versa:

- Costs planned on cost centers are immediately visible on the corresponding income statement account or on the profit center to which the cost center is assigned.
- By the same token, changes to income statement plan data (such as a budget reduction) for a profit center immediately affect the cost center plan data.

For these reasons, key figures are provided that allow you to control the effects of the amounts on the different planning areas. For more information on these key figures, see [Enter Plan Data \[page 816\]](#).

- **Planning Dimensions**

Planning dimensions are the organizational and master data on which your planning data is based.

The following planning dimensions are available:

- **G/L Account**

A plan always requires at least G/L accounts as a planning dimension.

Therefore, **G/L Account** is always selected by default and **cannot** be deselected.

- **Cost Center**

If you selected **Expenses** as a planning area, the **Cost Center** dimension is selected automatically. To deselect the **Cost Center** dimension, deselect the **Expenses** planning area.

- **Profit Center**

You can optionally plan profit centers.

3. On the **Versions** tab, create a version by clicking **New**, then **Version** or **Version from Actuals**.

- **Version** creates an initially empty version.

- **Version from Actuals** transfers the actual data from a selected fiscal year into the new plan as the starting point for the plan data. This enables you to easily adjust the figures to meet your expectations for the year you are planning.

The system does not propose a **Version ID**. It is good practice to choose a version ID which allows you to recognize the **purpose** of the version. The same character restrictions apply as with the Plan ID.

Depending on your selections on the **General** tab, up to three tabs are displayed for the selected version: **Expense Planning**, **Income Statement Planning**, and **Balance Sheet Planning**.

i Each of these tabs only appears if you selected the corresponding planning area on the **General** tab.

You now select the accounts, cost centers, or profit centers by clicking the corresponding checkbox under **Used in Expense Planning**, **Used in Income Statement Planning**, or **Used in Balance Sheet Planning** (depending on the planning area). You can also select by clicking **Actions**, then **Select** or **Select All**.

i Use **Select All** with caution as it can significantly reduce system performance.

- **Expense Planning**

On this tab you select the G/L accounts and cost centers you want to use for planning expenses.

i Remember that in expense planning the G/L accounts are actually the **G/L Account (Origin)** characteristic. This characteristic allows you to see a breakdown of the cost of sales and work in process into cost origins.

Selection

The **Leading List** option determines the order of the displayed lists, allowing you to select either cost centers for G/L accounts or vice-versa:

- If **G/L Accounts** is the leading list, you can select cost centers for G/L accounts.
- If **Cost Centers** is the leading list, you can select G/L accounts for cost centers.

i The plan data entry sheet will only contain the combinations of G/L accounts and cost centers you selected.

Filtering

You can filter on the list of cost centers. To filter the *Used in Expense Planning* column, enter **yes** or **no**.

Copying Cost Center and G/L Account Assignments

You can copy cost center assignments and G/L account assignments.

- To copy the cost center assignment of a G/L account to another G/L account:
 1. Select *G/L Accounts* as the leading list.
 2. Select a G/L account in the list and click **Copy Assignment From...**.
 3. In the *Copy Assignment From* dialog box, enter a G/L account.
The G/L account you selected in the list receives the cost center assignment of the G/L account which you enter in the dialog box.
- To copy the G/L account assignment of a cost center to other cost centers:
 1. Select *Cost Centers* as the leading list.
 2. Select one or more cost centers and click **Copy Assignment From...**.
 3. In the *Copy Assignment From* dialog box, enter a cost center.
The cost centers you selected in the list receive the G/L account assignment of the cost center which you enter in the dialog box.

- **Income Statement Planning** and **Balance Sheet Planning**

On these tabs you determine which G/L accounts you want to use for planning your income statement and balance sheet.

If you selected *Profit Center* as a planning dimension, you can also select profit centers.

Selection

If you did **not** select *Profit Center* as a planning dimension, you select G/L accounts directly.

If you selected *Profit Center* as a planning dimension, you can select either profit centers for G/L accounts or vice-versa. The selection method is controlled by the *Leading List* option:

- If *G/L Accounts* is the leading list, you can select profit centers for G/L accounts.
- If *Profit Centers* is the leading list, you can select G/L accounts for profit centers.

Filtering

Filtering is possible on the list of cost centers or profit centers. To filter the *Used in Income Statement Planning* column or the *Used in Balance Sheet Planning* column, enter **yes** or **no**.

Copying Profit Center and G/L Account Assignments

If you selected *Profit Center* as a planning dimension, you can copy profit center assignments and G/L account assignments.

- To copy the profit center assignment of a G/L account to another G/L account:
 1. Select *G/L Accounts* as the leading list.
 2. Select a G/L account in the list and click **Copy Assignment From...**.

3. In the *Copy Assignment From* dialog box, enter a G/L account. The G/L account you selected in the list receives the profit center assignment of the G/L account which you enter in the dialog box.
- o To copy the G/L account assignment of a profit center to other profit centers:
 1. Select *Profit Centers* as the leading list.
 2. Select one or more profit centers and click **Copy Assignment From...**.
 3. In the *Copy Assignment From* dialog box, enter a profit center. The profit centers you selected in the list receive the G/L account assignment of the profit center which you enter in the dialog box.
4. Save your changes.

i If you opted to copy actual data from another fiscal year (*Version from Actuals*), the G/L accounts and/or profit centers that have data are selected by default. If you deselect any of these G/L accounts or profit centers, their data is **not** copied when you save the plan.

Result

You have created a plan and a version containing the accounts, cost centers, and/or profit centers you want to plan. You can now enter the plan data.

Enter Plan Data

For information about this task, see [Enter Plan Data \[page 816\]](#).

Edit General Data

1. Select a plan and click **Edit**.
2. On the **General** tab, make any required changes to the identification, planning areas, reporting structures, and/or planning dimensions.
- i**
 - You **cannot** change the company, set of books, or fiscal year. If you need to change any of these elements, create a new plan.
 - You **cannot** deselect the *G/L Account* dimension.
 - To deselect the *Cost Centers* dimension, deselect the *Expenses* planning area.
3. Save your changes.

Create a New Version

1. Select a plan and click **Edit**, or click **New** and then *Plan Version*.
2. On the **Versions** tab, click **New**, then *Version* or *Version from Actuals*.
 - *Version* creates an initially empty version.
 - *Version from Actuals* transfers the actual data from a selected fiscal year into the new plan as the starting point for the plan data. This enables you to easily adjust the figures to meet your expectations for the year you are planning.
3. Enter an ID for the new version.
Note the character restrictions for the ID as listed in the *Create a Plan* task.
4. Save your changes.

When you have created the new version, you can edit it as described in the *Edit a Version* task.

Copy a Version

To create a new version as copy of an existing version of your plan:

1. Select a plan and click **Edit**.
2. On the **Versions** tab, select the version you want to copy.
3. Click **Copy**.
4. An incremental numerical suffix **_<n>** is added to the ID of the new version. You can modify the ID if desired.
5. Save your changes.

When you have created the new version, you can edit it as described in the *Edit a Version* task.

Edit a Version

1. Select a plan and click **Edit**.
2. On the **Versions** tab, select the version you want to edit.

i You can only edit versions that have the status *Not Started*.

3. If you want to edit the version ID or the description, click in the corresponding field and make your changes.
4. If you want to edit a planning area (such as *Expense Accounts* or *Cost Centers*), click the tab of the planning area and make your changes.
5. Save your changes.

i You **cannot** change the planning areas for individual versions. If you want to change the planning areas, go to the **General** tab.

Set Version as Default

1. Select a plan and click **Edit**.
2. On the **Versions** tab, select a version.
3. Click **Mark as Default**.

The version you selected as the default appears in plan/actual reports as the initial version. You can set a different version as the default version at any time.

You cannot set more than one version as the default version. If you want to plan multiple scenarios, decide which scenario is the most important for operational reporting and set its version as the default version.

i If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

Set Status

1. Select a plan and click **Edit**.
2. On the **Versions** tab, select a version.
3. Click **Change Status** and select the desired status.
Note the following restrictions:

- If the version currently has the status *Not Started* or *Not Relevant*, the status can only be set to *In Process* or *Finished*.
 - *In Process* or *Finished* can be set to any other status.
4. Save your changes.

View Changes

1. Select a plan and click **Edit**.
2. Go to the **Changes** tab.
3. Specify filter criteria if desired.
4. Click **Go**.

By default, the list shows the changes made with the most recent save listed under *Change Date/Time*. You can see the changes made with previous saves by selecting another row.

You can restrict the displayed changes by date/time and user, and/or add additional attributes such as the status or version ID:

- To see only the changes made during a certain period of time, enter dates and times in the *Changes Made From* and *Changes Made To* fields.
- To add an additional attribute to the list, select an attribute in the *Attribute* field and click **Go**. Repeat to add additional attributes.
- To restrict the list to the changes made by a specific user, select the user in the *Changed By User* field.

You can export the list of changes with **Export** > *To Microsoft Excel*.

Add File Attachment

1. Select a plan and click **Edit**.
2. Go to the **Attachments** tab.
3. Click **Add**, then *File*.
4. In the *Add File* dialog box, click **Browse...**.
5. Select the file and click **Open**.
The default document title is the file name, which you can overwrite. You can optionally select a document type and enter a comment.
6. Click **Add**.
7. Save your changes.

Add Link Attachment

1. Select a plan and click **Edit**.
2. Go to the **Attachments** tab.
3. Click **Add**, then *Link*.
4. In the *Add Link* dialog box, enter the external address (example: `http://www.sap.com`).

The following protocols are supported:

- `http://`
- `https://`
- `ftp://`
- `file://`

5. Enter a document title. You can optionally assign a document type and enter a comment.
6. Save your changes.

Copy a Plan

In the list of plans, click **Copy**.

This copies the entire plan, **including the plan data**, to a new fiscal year. You have the option of copying all versions or a selected version only.



Due to the large volume of data involved, copying a plan can take several minutes to complete.

Delete a Version

1. Select a plan and click **Edit**.
2. Go to the **Versions** tab.
3. Select a version and click **Delete**.

6.7.2 Business Background

6.7.2.1 Financial Planning

Overview

The purpose of financial planning is to ensure the company's continued financial stability and liquidity. To achieve these goals, financial planners establish long-term capital requirements and set the budgets of the organizational units and functional areas, as well as plan other financial factors such as the capital structure, depreciation, investments and divestments, and amortization.

In the system, the data for financial planning is based on general ledger accounts. You create the plan data using Microsoft Excel spreadsheets and save it to the system, where it is used to measure plan/actual differences and support budgeting.

Financial planning functionality is available for financial analysts as well as line managers.

- Financial analysts carry out financial planning in the *Cost and Revenue* work center, *Planning* view. Financial planning in this view is at company level, including balance sheet planning.
- Line managers carry out financial planning in the *Managing My Area* work center, *Financial Planning* view. Financial planning in this view is restricted to the cost centers and profit centers for which the manager is responsible. No balance sheet planning is possible in this view.

Planning Areas

Financial planning is supported for the following areas:

- Cost center expenses
- Income statement planning
- Balance sheet planning

Financial Plans

A financial plan applies to a specific fiscal year, company, and set of books.

You can create different **versions** of a financial plan, for example versions based on optimistic and pessimistic scenarios. Each version is based on the same financial reporting structure as the other versions, which differ only in the amounts planned on the accounts (plan data).

The plan data is used in **plan/actual reports** to compare planned and actual figures. You can visualize the financial effects of different plans by simulating their effects on KPIs.

You create the data for financial plans using the *SAP Business ByDesign Add-In for Microsoft Excel*. This offers the following benefits:

- Planners always work with current data, enhancing planning accuracy even with relatively long planning horizons.
- Flexibility and familiarity for end users working with Microsoft Excel spreadsheets.
- Eliminates the common problem of discrepancies between financial data stored in the system and that stored in local spreadsheets, as well as inconsistencies between spreadsheets.
- Supports collaboration and the exchange of information between financial planners, which increases the quality and reliability of the planning data.
-

For more information on financial plans, see [Financial Plans \[page 773\]](#).

See Also

Business Planning

6.7.2.2 Financial Plans

Overview

Financial planning involves estimating future income, expenses, assets, and liabilities. The estimates are stored in the system in financial plans. You can create only one financial plan for a combination of fiscal year, company and a set of books. It is not possible to create different plans for the same combination, but you can create different versions of a plan. You can plan your balance sheet, income statement, and cost center expenses.

You create financial plans in the *Cost and Revenue* work center, *Planning* view. For more information, see [Planning Quick Guide \[page 804\]](#).

Prerequisites

To be able to use the financial planning functionality, the *Financial Planning* business option in the *Financial Planning* business topic must be selected in scoping.

To be able to enter plan data, you need to have installed the *SAP Business ByDesign Add-In for Microsoft Excel*. For more information, refer to the prerequisites described in [Enter Plan Data \[page 816\]](#).

Features

A financial plan is valid for a fiscal year and applies to particular set of books assigned to the company.

Each plan has one or more **versions**, all of which are based on the same financial reporting structures as the other versions but have different plan data reflecting differing assumptions about the future. For example, you could have a version based on optimistic assumptions and a version based on pessimistic assumptions.

You define one of the versions as the default, which means that the data of that version appears in the default view of the plan/actual reports:

- **Financial Statements – Plan/Actual**
- **Financial Statements – Plan/Actual – Version Comparison**
- **Cost Centers – Plan/Actual**
- **Cost Centers – Plan/Actual – Version Comparison**

This also applies to the **My Area** version of the above reports.

Within the plan/actual reports you have the option of viewing the plan data of other versions as well.

Planning Process

You can plan from the top down or from the bottom up:

- You can enter data at company level, in which case the data is broken down automatically to profit centers and cost centers.
- Or you can enter data at the profit center and cost center level, in which case the data is rolled up automatically to company level.

You create the plan data and save it to the system using the *SAP Business ByDesign Add-In for Microsoft Excel*.

You have the option of using the actual data from a previous fiscal year as the starting point for your plan data. You then modify the copied actual data to meet your expectations for the fiscal year you are planning.

Entering Plan Data

You enter plan data separately for each version using the *SAP Business ByDesign Add-In for Microsoft Excel*.

For instructions on how to enter plan data, see [Enter Plan Data \[page 816\]](#).



Plan data can only be entered if the status of the version is *Not Started* or *In Process*.

When the plan version has the status *Not Started*, conflicts can arise between plan data and metadata. For example, one user might delete an account while another user is entering plan data for it. Such conflicts are prevented when the status is *In Process*.

Once you have entered plan data, the data can be viewed in the plan/actual reports.



If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

Version Status

The status of a version controls:

- Whether the metadata can be edited (version ID, description, and planning areas)
- Whether plan data can be entered
- Whether the data of the version is visible in the plan/actual reports

The initial status of any new version you create is Not Started. You can change the status of a version with [Change Status](#).

The status has the following effects on the version:

Status	Metadata can be edited	Plan data can be entered	Version is visible in reports	
Not Started	Yes	Yes*	No	Initial status assigned to new versions.
In Process	No	Yes	Yes	Version has been started but is not finished.
Finished	No	No	Yes	Version is completely planned and is locked to prevent further changes.
Not Relevant	No	No	No	Version is no longer used.

*When a plan version has the status *Not Started*, conflicts can arise between plan data and metadata. For example, one user might delete an account while another user is entering plan data for it. Such conflicts are prevented when the status is *In Process*.

Note the following restrictions on changing the status:

- *Not Started* or *Not Relevant* can only be set to *In Process* or *Finished*.
- *In Process* or *Finished* can be set to any other status.

 If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

Attachments

You can attach files and links to the plan.

The following functions are available for working with attachments:

Function	Description
Download	Saves the attachment on your local computer.
Add > File	Creates a file attachment.
Add > Link	Creates an attachment as a link to an external address.
Delete	Deletes the attachment. You cannot delete locked attachments.
Replace	Overwrites the selected attachment with a new file or link
Lock	Prevents the file from being deleted or replaced. Switches to Unlock when the attachment is locked.
Icon View	Displays the attachments as icons.
List View	Displays the attachments as a list.

You can optionally assign a *Document Type* to help identify the attachment.

To open an attachment, click the document title.

The following attributes are displayed for each attachment:

- File type
- Lock status
- Document title

- Document type
- Date and time created
- Created by
- File size (not indicated for hyperlinks)

The *Details* area below the list of attachments displays general information on the currently selected attachment. You can edit the document title, document type, and comment.

The content of attachments cannot be edited within the plan.

See Also

[Financial Planning \[page 772\]](#)

[Planning Quick Guide \[page 804\]](#)

6.7.3 Tasks

6.7.3.1 Enter Plan Data

Overview

You can enter plan data in a Microsoft Excel workbook and save it to a financial plan version. The plan data is then available in the plan/actual reports.



If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

Prerequisites

Go to *My Computer* in the *Self-Services Overview* view in the *Home* work center to ensure that the following prerequisites are fulfilled:

- You have installed the latest **Add-In for Microsoft Excel®**.
Click [Install Additional Software](#).
- The settings for your browser have been set correctly.
Click [Check My Computer Settings](#).

You also need to have created a financial plan. For more information, see [Planning Quick Guide \[page 804\]](#).

Make sure you are familiar with the features of the *SAP Business ByDesign* tab in Microsoft Excel. This tab provides a number of generic functions, such as for opening and saving workbooks, refreshing, and inserting headers. For more information, see working with reports and plans in Microsoft Excel®.



It is recommended that you enter plan data only when the plan version has the status *In Process*.

While you can also enter plan data if the status is *Not Started*, this may lead to conflicts between plan data and metadata. For example, another user might delete an account while you are entering plan data for it.

You **cannot** enter plan data if the plan version has the status *Finished* or *Not Relevant*.

Procedure

1. In the SAP Business ByDesign system, go to the *Cost and Revenue* work center, *Planning* view.
2. Select a plan.
3. In the *Details* area, click an icon for a plan version for one of the planning areas *Expenses*, *Income Statement*, or *Balance Sheet*.
4. Confirm the *File Download* prompt with *Open*.
5. In the *Logon to SAP Business ByDesign* dialog box:
 - Select a system and enter a user name and password. *Recent URLs* shows your last system logons. If you want the system to store your user name and password, select *Remember my user name and password*.
 - When you have entered the required information, click *Log On*.
6. A Microsoft Excel workbook opens that contains the accounts and the assigned cost centers and profit centers based on the plan. The *SAP Business ByDesign* tab is displayed in the Microsoft Excel ribbon.



If the *SAP Business ByDesign* tab is not displayed, check to make sure that the *SAP Business ByDesign Add-In for Microsoft Excel* has been installed correctly.

7. You can now enter amounts for the G/L accounts, cost centers and profit centers.
 - Enter the amounts manually. You **cannot** use standard Excel formulas as their results will not be uploaded.



- When you first enter an amount, the cell is highlighted yellow. This means that the new amount has not yet been uploaded to the database.
- To upload the new amounts to the database, click *Upload Input*. Note that if you click *Refresh* before the system has finished writing the changes to the database, the previous data will be read from the database again and your changes will be overwritten.

- You can enter amounts for individual G/L accounts on the cost center and profit center level. The system calculates the totals for the cost centers and profit centers automatically.



You cannot enter totals directly. This is only possible in the *Managing My Area* work center, which also provides more options for distribution for managers.

- The following functions are available in the *Planning* group:
 - *Reevaluate*
Applies a percentage increase or decrease to the selected cells.
 - *Distribute Equally*
Distributes the value of the selected cell equally across all cells below it.

If no cells are shown in the Selected Cells field, the function cannot be applied to the cells you selected. When you run a planning function, a refresh is performed automatically.

- In the *View* pane, you can:
 - Add additional key figures and characteristics to the display.

For example, for the Expenses planning area you can add the Allocation key figure or the Cost Center Type characteristic. For the Income Statement planning area, you can add the Chart of Accounts or the P/L Account as additional characteristics.

- For key figures: apply scaling factors, select the number of decimal places, and specify whether the sign should be reversed
- Change the sorting order of the elements

The *View* pane appears by default when you first open the Excel workbook. You can toggle the pane on and off by clicking the dialog box launcher on the *View* group.



If you activate the ending balance, adding additional characteristics can lead to unexpected results.

- You can use key figures to control how amounts entered in one planning area affect other planning areas.

If both the *Expenses* and *Income Statement* planning areas are activated for a version, changes made to the cost center plan data immediately affect the income statement plan data and vice-versa:

- Costs planned on cost centers are immediately visible on the corresponding income statement account or on the profit center to which the cost center is assigned.
- By the same token, changes to income statement plan data (such as a budget reduction) for a profit center immediately affect the cost center plan data.

For these reasons, key figures are provided that allow you to control the effects of the amounts on the different planning areas:

Key Figures

Planning Area	Available Key Figures
Expenses	<ul style="list-style-type: none">● <i>Charge</i> This key figure allows detailed cost planning on cost centers. It is available for all G/L accounts of the type Cost/Expense (COSEXP). <i>Charge</i> is the default key figure.● <i>Allocation</i> This key figure allows you to plan cost allocations. It is available for all G/L accounts of the type Allocated Costs (CSTGEN). Cost allocations resulting from overhead distribution, overhead rates, or service cost allocation are not normally planned manually in detail but can be planned as totals. With plan versions that integrate income statement and expense planning, therefore, the planned total allocations affect both areas. You can optionally add <i>Allocation</i> to the layout.

Planning Area	Available Key Figures
Income Statement	<ul style="list-style-type: none"> • Amount This key figure displays totals for each planning record (income statement item / profit center). • Amount w/o Cost Center Amounts you enter for this key figure are not broken down into cost centers. Use this key figure for example with project budgets or budgets whose distribution needs to be negotiated. • Amount with Cost Center Amounts you enter for this key figure are immediately broken down into cost centers. <p>Example You enter USD 400 on income statement account 51000. Cost planning is activated for profit centers A, B, and C. Cost planning is also activated for cost centers CC1 and CC2, both of which belong to profit center C. The following planning records have been created:</p> <ul style="list-style-type: none"> • Account 51000 / Profit center A / Cost center – (not assigned) • Account 51000 / Profit center B / Cost center – (not assigned) • Account 51000 / Profit center C / Cost center – (not assigned) • Account 51000 / Profit center – (not assigned) / Cost center – (not assigned) • Account 51000 / Profit center C / Cost center CC1 • Account 51000 / Profit center C / Cost center CC2 <p>If you apply the <i>Distribute Equally</i> function, the USD 400 is distributed differently depending on the key figure:</p> <ul style="list-style-type: none"> • For <i>Amount w/o Cost Center</i>, the total amount would be distributed as follows: <ul style="list-style-type: none"> ◦ Account 51000 / Profit center A / Cost center – (not assigned): USD 100 ◦ Account 51000 / Profit center B / Cost center – (not assigned): USD 100 ◦ Account 51000 / Profit center C / Cost center – (not assigned): USD 100 ◦ Account 51000 / Profit center – (not assigned) / Cost center – (not assigned): USD 100 • For <i>Amount with Cost Center</i>, the total amount would be distributed as follows: <ul style="list-style-type: none"> ◦ Account 51000 / Profit center C / Cost center CC1: USD 200 ◦ Account 51000 / Profit center C / Cost center CC2: USD 200 <p>That is, in the income statement the entire amount would be shown on profit center C because the other two profit centers have no cost center assigned to them.</p>
Balance Sheet	<ul style="list-style-type: none"> • Opening Balance This key figure allows you to enter the opening balance for the planning year. You cannot plan a separate opening balance for each planning period within the year. • Changes This key figure allows you to enter the change balance in the corresponding planning period. • Ending Balance This key figure is calculated from the Opening Balance and the Change Balance and verifies that the total balance for each planning period is correct.

- For expenses, enter increases in costs in the *Charge* column, and decreases in the *Allocation* column.

i You must enter decreases with a negative sign, otherwise they will be treated as increases. The following values must be entered with a negative sign:

- Allocations in cost center planning
- Revenues in income statement planning
- Liabilities in the balance sheet

8. To save the plan data to the system, click *Upload Input*.

- Business users can save the data as a **personal** workbook. This allows the workbook to be adapted to personal needs. A personal workbook is visible only to the user who created it. Personal workbooks can also be accessed in the *Reports* view of the *Home* work center.
- Administrators can create **public** workbooks and assign them to work center views. Public workbooks are visible to all users who have authorization for the work center views to which the workbook is assigned.

Result

The plan data is uploaded into the SAP Business ByDesign system and stored in your plan version.

i If the default version is set to *Not Started* or *Not Relevant*, no plan data is displayed in the plan/actual reports.

6.8 Periodic Tasks View

6.8.1 Service Orders – Overhead Absorption Quick Guide

In this view you execute overhead absorption runs for service orders and service confirmations. These runs allocate overhead costs to service orders and service confirmations based on **overhead rules** which you have assigned to the service orders and service confirmations.

You access the *Service Orders – Overhead Absorption* view in the *Cost and Revenue* work center.

Overhead absorption for service orders is a task within period-end closing. You can perform this task either directly in the *Service Orders – Overhead Absorption* view or from the list of closing activities in the *Closing Cockpit* [page 286] view.

- i**
- You create and edit overhead rules in the *Cost and Revenue* work center, *Overhead Rules* [page 788] view.
 - You reassign overhead rules to service order items or service confirmation items in the *Cost and Revenue* work center, *Sales Document Items* [page 799] view.



If no overhead rule is assigned to an item, the item will **not** be processed by the run.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Absorption by Service Order Items

After you have allocated overhead from support cost centers to primary cost centers, you use overhead absorption runs to apply the overhead to the direct costs of the service order items (in the following, this also means service confirmation items). This credits the primary cost centers and debits the service order items.

The cost centers provided services for the service order items. They were therefore credited for these services and the service order items debited accordingly. Since the services can easily be identified with particular service order items, these costs are **direct costs of the service order items**.

Some costs nevertheless remain on the cost centers after they are credited with the costs of the services, because not all costs can be identified with particular service order items. These costs are overhead that is allocated to the service order items based on **overhead rates**.

For more information, see [Overhead Absorption by Service Order Items \[page 750\]](#).

Valuation Runs

Overhead absorption for service orders is performed by overhead absorption runs, which are one of the valuation runs in accounting.

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs \[page 234\]](#).

Closing Activities – Year-End Closing

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities – Year-End Closing \[page 236\]](#).



Tasks

Start Overhead Absorption Run

1. Click **New** **Absorption Run**.
2. Enter the following information:

- If you want to perform a simulation of the run, select *Test Run*.
 - Enter the *Company*.
 - Select the *Closing Step* that you want the system to use for the postings.
 - Select the *Period/Year* for which you want to execute the run.
 - Enter optional information as desired.
3. You can either schedule the run as a background job or start it immediately as a foreground job.
- If you want to schedule the run as a **background** job, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately. You can continue with your work while the system executes the background job.
 - If you want to start the run immediately as a **foreground** job, click **Start Now**. You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to see the logs. Alternatively, you can click **Log Result** in the *Details* area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to *Finished* when the run has completed.

- i** If an item was not processed by the run, the reason could be that no overhead rule is assigned to it, or the overhead rule itself is incorrectly defined.
- First make sure an overhead rule is assigned to the item. You can check this in the *Sales Document Items* view. The Details area for the item indicates the assigned overhead rule.
 - If an overhead rule is already assigned to the item, then the problem lies with the overhead rule itself. Check the overhead rule in the *Overhead Rules* view and make sure it is correctly defined.

6.8.2 Overhead Cost Projects – Overhead Absorption Quick Guide

In this view you execute overhead absorption runs for overhead cost projects. These runs allocate overhead costs to overhead cost projects based on the **overhead rules** which you have assigned to the overhead cost projects.

You access the *Overhead Cost Projects – Overhead Absorption* view in the *Cost and Revenue* work center.

Overhead absorption for overhead cost projects is a task within year-end closing. You can perform this task either directly in the *Overhead Cost Projects – Overhead Absorption* view or from the list of closing activities in the *Closing Cockpit* [page 286] view.



- You create and edit overhead rules in the *Cost and Revenue* work center, [Overhead Rules \[page 788\]](#) view.
- You reassign overhead rules to overhead cost projects in the *Cost and Revenue* work center, [Projects \[page 794\]](#) view.



If no overhead rule is assigned to a project, the project will **not** be processed by the run.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Absorption by Projects

After you have allocated overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the projects. This credits the primary cost centers and debits the projects.

The cost centers provided services for the projects, so they were credited for the costs of the services and the projects were debited. Since the services can easily be identified with particular projects, these costs are **direct costs** of the projects.

Some costs nevertheless remain on the cost centers because not all costs can be identified with particular projects. These costs are overhead that is allocated to the projects based on **overhead rates**.

For more information, see [Overhead Absorption by Projects \[page 739\]](#).

Valuation Runs

Overhead absorption for overhead cost projects is performed by overhead absorption runs, which are one of the valuation runs in accounting.

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs \[page 234\]](#).

Closing Activities – Year-End Closing

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities - Year-End Closing \[page 236\]](#).



Tasks

Start Overhead Absorption Run

1. To start a new overhead absorption run, click **New** **Absorption Run**.
2. Enter the following information:
 - If you want to perform a simulation of the run, select **Test Run**.
 - Enter the **Company**.
 - Select the **Closing Step** that you want the system to use for the postings.
 - Select the **Period/Year** for which you want to execute the run.
 - Enter optional information as desired.
3. You can either schedule the run as a background job or start it immediately as a foreground job.
 - If you want to schedule the run as a **background job**, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately.
You can continue with your work while the system executes the background job.
 - If you want to start the run immediately as a **foreground job**, click **Start Now**.
You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to **Finished**, click **View** to see the logs. Alternatively, you can click **Log Result** in the **Details** area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to **Finished** when the run has completed.

i If project tasks were not processed by the run, the reason could be that no overhead rule is assigned to the project, or the overhead rule itself is incorrectly defined.

- First make sure an overhead rule is assigned to the project. You can check this in the **Projects** view of the **Cost and Revenue** work center.
- If an overhead rule is already assigned to the project, then the problem lies with the overhead rule itself. Check the overhead rule in the **Overhead Rules** view and make sure it is correctly defined.

6.8.3 Direct Cost Projects – Overhead Absorption Quick Guide

In this view you execute overhead absorption runs for direct cost projects. These runs allocate overhead costs to direct cost projects based on the **overhead rules** which you have assigned to the direct cost projects.

You access the *Direct Cost Projects – Overhead Absorption* view in the *Cost and Revenue* work center.

Overhead absorption for direct cost projects is a task within year-end closing. You can perform this task either directly in the *Direct Cost Projects – Overhead Absorption* view or from the list of closing activities in the *Closing Cockpit* [page 286] view.



- You create and edit overhead rules in the *Cost and Revenue* work center, *Overhead Rules* [page 788] view.
- You reassign overhead rules to direct cost projects in the *Cost and Revenue* work center, *Projects* [page 794] view.



If no overhead rule is assigned to a project, the project will **not** be processed by the run.

Business Background

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting](#) [page 566].

Overhead Absorption by Projects

After you have allocated overhead from support cost centers to primary cost centers, you use the overhead absorption function to apply the overhead to the direct costs of the projects. This credits the primary cost centers and debits the projects.

The cost centers provided services for the projects, so they were credited for the costs of the services and the projects were debited. Since the services can easily be identified with particular projects, these costs are **direct costs** of the projects.

Some costs nevertheless remain on the cost centers because not all costs can be identified with particular projects. These costs are overhead that is allocated to the projects based on **overhead rates**.

For more information, see [Overhead Absorption by Projects](#) [page 739].

Valuation Runs

Overhead absorption for direct cost projects is performed by overhead absorption runs, which are one of the valuation runs in accounting.

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs](#) [page 234].

Closing Activities – Year-End Closing

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities – Year-End Closing \[page 236\]](#).



Tasks

Start Overhead Absorption Run

1. To start a new run, click **New** **Absorption Run**.
2. Enter the following information:
 - If you want to perform a simulation of the run, select **Test Run**.
 - Enter the **Company**.
 - Select the **Closing Step** that you want the system to use for the postings.
 - Select the **Period/Year** for which you want to execute the run.
 - Enter optional information as desired.
3. You can either schedule the run as a background job or start it immediately as a foreground job.
 - If you want to schedule the run as a **background** job, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately.
You can continue with your work while the system executes the background job.
 - If you want to start the run immediately as a **foreground** job, click **Start Now**.
You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to **Finished**, click **View** to see the logs. Alternatively, you can click **Log Result** in the **Details** area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to **Finished** when the run has completed.

- i** If project tasks were not processed by the run, the reason could be that no overhead rule is assigned to the project, or the overhead rule itself is incorrectly defined.
- First make sure an overhead rule is assigned to the project. You can check this in the **Projects** view of the **Cost and Revenue** work center.
 - If an overhead rule is already assigned to the project, then the problem lies with the overhead rule itself. Check the overhead rule in the **Overhead Rules** view and make sure it is correctly defined.

6.8.4 Revenue Recognition Quick Guide

In this view you execute revenue recognition runs that recognize revenue for **sales orders** based on the **accrual methods** assigned to them.

Revenue recognition is a task within year-end closing. You can perform this task either directly in the *Revenue Recognition* view or from the list of closing activities in the *Closing Cockpit [page 286]* view.

-  Accrual methods are automatically assigned based on the assignment rules specified in **business configuration**. You can also manually reassign the accrual methods:
- You can reassign accrual methods for **sales document items** in the *Sales Document Items [page 799]* view.
 - You can reassign accrual methods for **multi-customer projects** in the *Projects [page 794]* view.
 - Accrual methods cannot be assigned to a *Sales Kit* or its associated products.

 Sales document items and multi-customer projects without an accrual method are **not** processed by the revenue recognition run.

You access the *Revenue Recognition* view in the *Cost and Revenue* work center.

Business Background

Sales and Profit Analysis

Detailed information about revenues and the cost of sales is needed to support critical business decisions and to monitor performance and profitability. To ensure that this information is timely and accurate, the system provides functions that automatically determine accounts, recognize revenue, and allocate overhead. The reports available for sales and profit analysis enable you to gain insight into your sales operations, such as your net profit on sales orders including costs and returns, or the gross profit on a particular product in a particular region.

For more information, see [Sales and Profit Analysis \[page 746\]](#).

Revenue Recognition

Revenue recognition is the process of assigning sales revenue to the periods in which it was realized and earned. The cost of sales and any revenue deductions for returns associated with the revenue need to be assigned to the same accounting periods as the revenue itself.

For more information, see [Revenue Recognition \[page 751\]](#).

Valuation Runs

Revenue recognition is performed by the revenue recognition run which is one of the valuation runs used in accounting.

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs \[page 234\]](#).

Closing Activities – Year-End Closing

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities – Year-End Closing \[page 236\]](#).



Tasks

Start Revenue Recognition Run

1. Click **New** [Revenue Recognition Run](#).
2. Enter the following information:
 - If you want to perform a simulation of the run, select [Test Run](#).
 - Enter the [Company](#).
 - Select the desired [Sales Object Type](#):
 - If you want to recognize revenue for multi-customer projects, select [Multi-Customer Projects](#).
To execute the run for a specific project, enter the project under [Multi-Customer Project Selection](#). If you don't enter a project, the run will process **all** multi-customer projects in the company.
 - If you want to recognize revenue for sales documents, select [Sales Documents](#).
To execute the run for specific sales documents, enter the selection criteria under [Sales Document Selection](#). If you don't enter any selection criteria, the run will process **all** sales documents in the company.
 - Select the [Closing Step](#) that you want the system to use for the postings.
 - Enter the accounting period and fiscal year for which you want to execute the run.
3. You can either schedule the run as a background job or start it immediately as a foreground job.
 - If you want to schedule the run as a **background** job, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately.
You can continue with your work while the system executes the background job.
 - If you want to start the run immediately as a **foreground** job, click **Start Now**.
You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to [Finished](#), click **View** to see the logs. Alternatively, you can click [Log Result](#) in the [Details](#) area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to [Finished](#) when the run has completed.

i If a **sales document item** was not processed by the run, make sure an accrual method is assigned to it. You can check this in the *Cost and Revenue* work center, *Sales Document Items* view. The Details area for the item indicates the assigned accrual method. Items that have no accrual method are **not** processed by the run.

If a **project task** was not processed by the run, make sure an accrual method is assigned to the project. You can check this in the *Cost and Revenue* work center, *Projects* view. The Details area for the project indicates the assigned accrual method. Projects that have no accrual method are **not** processed by the run.

6.8.5 Overhead Distribution Quick Guide

Distribution runs allocate overhead costs from support cost centers to primary cost centers or projects. Distribution is based on distribution rules that you assigned to the support cost centers. You execute distribution runs in this view.

You create distribution rules and assign them to cost centers in either the [Distribution Rules \[page 786\]](#) view or the [Cost Centers \[page 780\]](#) view.

Overhead distribution is a task within year-end closing. You can perform this task either directly in the *Overhead Distribution* view or from the list of closing activities in the [Closing Cockpit \[page 286\]](#) view.

i If you are using **Project Cost and Revenue Management**, you can distribute both costs and revenues between projects based on distribution rules that you assigned to the sending projects. You perform cost and revenue distribution between projects using the same distribution run that distributes overhead costs between cost centers.

You access the *Overhead Distribution* view in the *Cost and Revenue* work center.

Business Background

You use distribution runs in **Cost Center Management Accounting** to distribute overhead costs between cost centers.

Cost Center Management Accounting

Cost Center Management Accounting provides functions for managing and allocating overhead costs. Examples of costs that are generally classified as overhead include operating supplies, wages and salaries, social security contributions, and depreciation.

In contrast to direct costs, overhead costs **cannot** be traced **directly** to a cost object but must first be accumulated on the cost centers that requested the services. At the end of each period, you use the **overhead distribution** and **overhead absorption** functions to credit the cost centers for the accumulated overhead and allocate it to the cost objects.

For more information, see [Cost Center Management Accounting \[page 566\]](#).

Overhead Distribution Between Cost Centers

The overhead distribution function distributes overhead costs from support cost centers to primary cost centers based on cause-and-effect criteria and using suitable allocation bases. This credits the support cost centers and debits the primary cost centers or projects.

For more information, see [Overhead Distribution between Cost Centers \[page 712\]](#).

You use distribution runs in **Project Cost and Revenue Management** to distribute costs and revenues between projects.

Project Cost and Revenue Management

Project Cost and Revenue Management constitutes the financial view of project management. It manages and allocates direct costs, overhead costs, and revenues for projects, and allows you to track detailed information on the cost and revenue structure of your projects.

For more information, see [Project Cost and Revenue Management \[page 724\]](#).

Cost and Revenue Distribution Between Projects

You distribute costs and revenues between projects or project tasks based on allocation bases. This enables you to collect costs and revenues on a project and then distribute them to its subprojects. You can define subprojects as project tasks of the main project.

The functions for cost and revenue distribution are available in the **Cost and Revenue** work center.

For more information, see [Cost and Revenue Distribution Between Projects \[page 735\]](#).

Distribution runs are one of the valuation runs used in accounting for year-end closing.

Valuation Runs

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period-end closing process.

For more information, see [Valuation Runs \[page 234\]](#).

Closing Activities – Year-End Closing

Before you can create your closing reports, you first need to perform some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities – Year-End Closing \[page 236\]](#).



Tasks

Start Distribution Run

1. Click **New** [Distribution Run](#).
2. Enter the following information:
 - If you want to perform a simulation of the run, select [Test Run](#).
 - Enter the data for the run, such as the [Company](#), the [Set of Books](#), or the [Distribution Rule](#).
 - Select the [Closing Step](#) that you want the system to use for the postings.
 - Enter the accounting period and fiscal year for which you want to execute the run.
3. You can either schedule the run as a background job or start it immediately as a foreground job.
 - If you want to schedule the run as a **background** job, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately.

- You can continue with your work while the system executes the background job.
- If you want to start the run immediately as a **foreground** job, click **Start Now**. You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to see the logs. Alternatively, you can click **Log Result** in the **Details** area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to *Finished* when the run has completed.

Reverse Distribution Run

- Select the distribution run you want to reverse. The run must be an *Update* run and its execution status must be *Finished*.
- Click **Reverse** and enter a *Run Description* for the reversal run.
You can either schedule the run as a background job or start it immediately as a foreground job.
 - If you want to schedule the run as a **background** job, click **Schedule**. Enter the date and time when the run should start. If you leave the field empty, the job will start immediately.
You can continue with your work while the system executes the background job.
 - If you want to start the run immediately as a **foreground** job, click **Start Now**. You have to wait until the foreground job finishes before you can continue with your work.

i This run can take several minutes to execute. If you start it as a foreground job, the screen may eventually time out. If that happens, go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to see the logs. Alternatively, you can click **Log Result** in the **Details** area of a finished run.

Result

The run is listed in the view with a blank execution status. The execution status will switch to *Finished* when the run has completed.

The **Reversed** checkbox is selected for the reversed run.

6.8.6 Free Cost Objects — Settlement Quick Guide

In this view, you can allocate incurred costs and revenues collected on a cost object to other cost objects. This settlement is performed according to a settlement rule assigned to a cost object.

To create settlement rules and assign them to the cost objects, see Create Settlement Rules for Free Cost Objects.

Settlement is a task within period-end closing. You can perform this task directly in the *Free Cost Object — Settlement* view or from the list of closing activities in the *Closing Cockpit [page 286]* view.

You can access *Free Cost Objects — Settlement* view from *Cost and Revenue* work center under *Periodic Tasks*.

Business Background

Free Cost Objects — Settlement is performed by the settlement run which is one of the valuation runs used in accounting for period- end closing.

Valuation Runs

Valuation runs are a type of mass processing in accounting applications that generate journal entries during the period- end closing process.

For more information, see [Valuation Runs \[page 234\]](#).

Closing Activities — Period- End Closing

Before you can create your closing reports, you first need to prepare some preparatory tasks. The system supports you in this process.

For more information, see [Closing Activities — Period- End Closing \[page 236\]](#).



Tasks

Start Free Cost Object — Settlement

1. To perform a new settlement run, click [\[New\]](#), then [Settlement Run](#).
2. You have the following options for performing settlement:
 - **Settlement with Reference**
To reuse the data from a previous settlement, select the settlement you want to use and click [\[Copy\]](#). The system copies the data directly to the input screen on the new settlement. You can then adjust the data copied from the previously-executed settlement.
 - **Test Run**
To perform the settlement as a test run, select [Test Run](#). The system previews the results of the test run but does not make any postings. The postings are only simulated.

i You can only delete settlements that you either scheduled or performed as a test run. To delete a test run, select the run that you want to delete and click [\[Delete\]](#).

3. Enter the following information:
 - Enter the data for the run, such as the [Company](#), [Set of Books](#), [Cost Object Type](#), and [Cost Object](#).

i If you do not select a [Cost Object Type](#) or a [Cost Object](#), the system settles costs for all sender cost object types assigned to all the settlement rules associated with the selected combination of the [Company](#) and [Set of Books](#). If no settlement rules are found for the given combination or if no sender cost object types are assigned to a settlement rule, the run ends with warning and information messages.

- Select the *Closing Step* that you want the system to use for the postings on the key date to the corresponding accounting period. This accounting period must be open for the closing step that you have selected. For more information, see [Closing Steps \[page 76\]](#).
 - Enter the accounting period and fiscal year for which you want to execute the run.
4. Scheduling
- You can perform settlement immediately or schedule it to occur later.
- To perform settlement **immediately**, click **Start Now**.
- i** You have to wait until the foreground job finishes before you can continue with your work. This may take several minutes depending upon the data volume, which can cause the screen to time out. In such a case, you can go to the main screen for the run and refresh the data. When the run status changes to *Finished*, click **View** to view the logs. Alternatively, you can click **Log Result** in the *Details* section of a finished run.
- To schedule settlement for a **subsequent point in time**, click **Schedule** and indicate when you want the system to perform settlement. If you leave the *Date* and *Time* fields empty, the run starts immediately.
- i** You can continue with your work while the system executes the run as a background job.
5. You can view scheduled settlement runs and their respective times in **View Jobs**. The runs are listed in the view with a blank execution status. The execution status will switch to *Finished* when a run has completed.

Display and Check Log

1. Display Log

If you performed settlement immediately, the system issues a status message. To display details, click **Display Log** in the status message.

When you have scheduled settlement, you can display the list of logs once the settlement has been performed. To do this, choose the relevant settlement run.

2. Check the log

The log contains the following information:

- **General**
Shows the status, run information, any messages that were issued during the settlement.
- **Data Selection**
Shows the information that you entered at the start of the settlement.
- **Messages**
Shows a list of all messages that were issued (such as warning messages).
- **Postings**
Shows all the account movements and journal entries that the system posted for the key date valuation and the valuation reversal.
You can display the postings for each account or sorted by document.
- **Processed Successfully**
Shows the Settlement Rule ID, name and type of sender cost object, receiver cost object, settlement amount settlement factor and the G/L account to which postings were made for each settlement rule.

- **Processed with Errors**
Shows all the settlement rules that the run processed with errors.
- **Not Processed**
Shows all the settlement rules that were not processed for example because there were no costs or revenues selected.

To verify whether a run has been completed successfully, you can run the following checks:

- Log
You find a log for a run in the corresponding subview. Each run has a status (Information, Error). To display the details of a log, select the relevant run and click **Display**. If errors occur during a run, you need to resolve them. You can find information on the errors under **Messages**. Once you have resolved the errors, start the run again. The system repeats the postings that could not be made in the first run.
- Job Monitor
If a run has not been completed successfully and you cannot find and resolve the cause, you can display the technical details relating to your run in the Job Monitor. Select the relevant run and click **View Jobs**. If a job finds errors, contact your system administrator.

Reverse Free Cost Object — Settlement

1. Select the settlement run you want to reverse.
The run must be an **Update** run and its execution status must be **Finished**.
2. Schedule reversal run
Choose **Reverse**. Enter a **Run Description** for the reversal run, and schedule it.
3. You can view scheduled settlement and their respective times in **View Jobs**.
If the run is scheduled for a later time, it is listed in the view with a blank execution status.
The execution status changes to **Finished** when the run has completed.
The **Reversed** check box is selected for all the reversed runs.

6.9 Reports

6.9.1 Cost Center List

Overview

This report shows the master data of cost centers at a specific validity date.

Views

This report offers you the following views:

Cost Center List

Shows the cost centers as a flat list.

Cost Center Hierarchy

Shows the cost centers within the organizational hierarchy.

Features

Running the Report

Before running the report, you can specify the data you want to see by selecting specific variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

The variables are explained below:

- **Cost Center Group**

Any organizational unit with cost centers assigned to it can act as a cost center group. You can enter one or more organizational units. The system displays the cost centers below the organizational units that you have entered.

- **Master Data Validity Date**

Every cost center is only valid within a certain period of time. The report will only display cost centers that are valid on the date that you have entered. Since you usually want to see the current cost center hierarchy, the default value is the current date.

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is initially displayed in the table format of the **Cost Center List** view.

You can switch to the **Cost Center Hierarchy** view to display the cost centers within the organizational hierarchy.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- The **Cost Center Overview** of an individual cost center
- The **Cost Centers - Line Items** report or the **Total Costs by Cost Center and Assigned Projects** report

See also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.2 Cost Centers – Line Items

6.9.2 Cost Centers – Line Items – My Area

i There are two versions of this report:

- The version entitled **Cost Centers – Line Items** displays all cost centers.
- The version entitled **Cost Centers – Line Items – My Area** only displays the cost centers for which you are responsible. This version is not directly accessible but can be run by navigating from the **My Area** version of other cost center reports.

Overview

This report covers the quantities and amounts (in company currency and transaction currency) that have been charged to or allocated from a selected cost center by other cost centers or other cost objects such as resources, services, projects, or production lots.

The key figures are displayed on line item level per G/L account, business transaction, and posting date.

Views

The following views are available with this report:

- **Cost Centers – Line Items (Default)**
Shows the key figures by cost center.
- **Distributions, Absorption, Resources**
Shows the key figures by cost center including the offsetting cost centers, resources, and services.
- **Materials and Services**
Shows the key figures by cost center including the offsetting business residences and materials.
- **Fixed Assets**
Shows the key figures by cost center including the offsetting fixed assets.
- **Offsetting Objects**
Shows the key figures by cost center including the offsetting cost centers, projects, or production lots.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- **G/L Account (Origin)**
Select the same entries that you have entered as G/L accounts. Ensure that you have entered a chart of accounts (origin) before entering G/L accounts (origin).
- **Functional Area**
Enter the functional areas for which you want to display the key figures.

For more information about common variables, see Overview of Reports in Financial Management.

Analyzing the Report

The line items are grouped by G/L account (origin) and business transaction type. Each line item displays the posting date, journal entry ID, source document ID, valuation quantity, the charged amount, and the allocated amount.

In general ledger, the system refers to debit and credit entries on G/L accounts. In contrast to that, in management accounting, the system refers to **charges** and **allocations**.



There is no 1 to 1 relationship between debit and charge and credit and allocations. Debit entries lead to charges, but a credit entry may result in a reduction of a charge or an allocation depending on how the credit entry has been created.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- The **Cost Center Overview** of an individual cost center, the **Journal Entry**, or the **Source Document**.
- **Journal**
- **G/L Account – Line Items**

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.3 Cost Centers – Plan/Actual

6.9.3 Cost Centers – Plan/Actual – My Area



There are two versions of this report:

- The version entitled *Cost Centers – Plan/Actual* displays all cost centers.
- The version entitled *Cost Centers – Plan/Actual – My Area* only displays the cost centers for which you are responsible. This version is available in the *Managing My Area* work center under the report category *Manager – Departmental – Budget*.

Overview

Shows the planned and actual charges and allocations on cost centers, as well as the differences between plan and actual as absolute amounts and percentages.

Views

The following views are available with this report:

- *Cost Centers – Plan/Actual*
Displays the actual and planned charges and allocations on the cost centers for the selected period
- *Plan/Actual by Selected Period*
Displays the actual and planned charges and allocations on the cost centers from the first period to the selected period of the year.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- Company
Enter the company for which you want to display the key figures of the cost centers. The default value is the company to which you are assigned.
- Set of Books
In the definition of your sets of books, one of the sets of books assigned to a certain company is set as the default. You can also enter a different set of books provided that it is used by the company you selected.
- Cost Center
Enter the cost centers for which you want to display the key figures.

i With the **My Area** version of this report, it is not possible to select specific cost centers. This version shows only the cost centers you are responsible for.

- Financial Reporting Structure
G/L accounts (origin) can be arranged in a hierarchical structure for reporting purposes. If you want to use this reporting tool, select a structure that contains the G/L accounts (origin) on which you want to report.

i It is recommended that you select the same reporting structure as that of the plan itself. This ensures that you will see all available plan data in the report.

Analyzing the Report

Depending on the view, the report shows the following key figures:

- **Actual**
The actual charges and allocations on the cost centers for the selected period range.
- **Plan**
The planned charges and allocations on the cost centers for the selected period range and the default plan version.
- **Variance**
The difference between planned and actual charges and allocations on the cost centers for the selected period range.
- **Variance (%)**
The difference between planned and actual charges and allocations on the cost centers for the selected period range expressed as a percentage.
- **Actual Selected Period**
The actual charges and allocations on the cost centers for the selected period of the year.
- **Plan Selected Period**
The planned charges and allocations on the cost centers for the selected period of the year and the default plan version.
- **Variance Selected Period**
The difference between the planned and actual charges and allocations on the cost centers for the selected period of the year.
- **Variance (%) Selected Period**
The difference between planned and actual charges and allocations on the cost centers for the selected period of the year expressed as a percentage.
- **Actual YTP**
The actual charges and allocations on the cost centers from the first period to the selected period.
- **Plan YTP**

The planned charges and allocations on the cost centers from the first period to the selected period and the default plan version.

- **Variance YTP**

The difference between the planned and actual charges and allocations on the cost centers from the first period to the selected period.

- **Variance (%) YTP**

The difference between planned and actual charges and allocations on the cost centers from the first period to the selected period expressed as a percentage.

- **Actual Balance**

The actual balance on the item for the selected year.

- **Plan Balance**

The planned balance on the item for the selected year and default plan version.

- **Variance Balance**

The difference between planned and actual.

- **Variance (%) Balance**

The difference between planned and actual, expressed as a percentage.

- **Actual Allocation**

The actual allocation on the item for the selected year.

- **Plan Allocation**

The planned allocation on the item for the selected year and default plan version

- **Variance Allocation**

The difference between planned and actual.

- **Variance (%) Allocation**

The difference between planned and actual, expressed as a percentage.

- **Actual Charge**

The actual charges posted on a cost center for the selected year.

- **Plan Charge**

The planned charges for the cost centers for the selected year and default plan version.

- **Variance Charge**

The difference between planned and actual charges posted on a cost center.

- **Variance (%) Charge**

The difference between planned and actual charges posted on a cost center, expressed as a percentage.

Additional key figures are available that can be selected and displayed in the report:

- **Actual YTD**

The actual charges and allocations on the cost centers from the first period to the current period.

- **Plan YTD**

The planned charges and allocations on the cost centers from the first period to the current period and the default plan version.

- **Variance YTD**

The difference between the planned and actual charges and allocations on the cost centers from the first period to the current period.

- **Variance (%) YTD**

The difference between planned and actual charges and allocations on the cost centers from the first period to the current period expressed as a percentage.

To analyze the data in this report:

- Use the filters to manipulate the display of data in the content pane.

- To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- Cost center overview
- **Total Costs by Cost Center and Assigned Projects**
- **Cost Centers – Line Items**
- **Financial Reporting Structure**



- Planned data is only displayed in the report if the selected default version has the status *In Process* or *Finished*.
- With the **My Area** version of this report, you can only navigate to the **Cost Centers – Line Items – My Area** report which shows only the cost centers you are responsible for.

For the Cost Center characteristic, you can switch between the cost center hierarchy and a flat list of the cost centers.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.4 Cost Centers – Plan/Actual – Version Comparison

6.9.4 Cost Centers – Plan/Actual – Version Comparison – My Area



There are two versions of this report:

- The version entitled *Cost Centers - Plan/Actual - Version Comparison* displays all cost centers.
- The version entitled *Cost Centers - Plan/Actual - Version Comparison - My Area* is restricted to the cost centers that are assigned to a manager. This version is available in the *Managing My Area* work center under the report category *Financials – Departmental – Budget*.

Overview

Compares the planned and actual balances on cost centers for different planned versions for a selected time frame

Views

The following views are available with this report:

- *Actual vs. Version 1*

Shows the planned and actual cost center balances by G/L account for a selected planned version, along with the differences between planned and actual.

- *Actual vs. Version 2*

Shows the planned and actual cost center balances by G/L account for a second selected planned version, along with the differences between planned and actual.

- *Version 1 vs. Version 2*

Shows the planned cost center balances by G/L account for two selected planned versions, along with the differences.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

i With the **My Area** version of this report, it is not possible to select specific cost centers. This version shows only the cost centers you are responsible for.

Additional information is available for the following selected variables:

- **Version 1**
The planned version whose data you want to compare against the actual data. The version that was marked as the default version in the financial plan is preselected.
- **Version 2**
You can optionally select a second planned version. This allows you to easily switch between the data of the two planned versions, or to compare the two planned versions against each other.
- **Reporting Structure**
G/L accounts (origin) can be arranged in a hierarchical structure for reporting purposes. If you want to use this reporting tool, select a structure that contains the G/L accounts (origin) on which you want to report.

i It is recommended that you select the same reporting structure as that of the plan itself. This ensures that you will see all available plan data in the report.

Analyzing the Report

Depending on the view, the report shows the following key figures:

- **Actual Balance**
The actual balance on the item for the selected year.
- **Plan Balance**
The planned balance on the item for the selected year and version.
- **Difference Balance**
The difference between planned and actual, or between the two planned versions..
- **Difference (%) Balance**
The difference between planned and actual, or between the two planned versions, expressed as a percentage..
- **Actual Allocation**
The actual allocation on the item for the selected year.
- **Plan Allocation**
The planned allocation on the item for the selected year and version
- **Difference Allocation**
The difference between planned and actual, or between the two planned versions.

- **Difference (%) Allocation**
The difference between planned and actual, or between the two planned versions, expressed as a percentage.
- **Actual Charge**
The actual charges posted on a cost center for the selected year.
- **Plan Charge**
The planned charges for the cost centers for the selected year and version.
- **Difference Charge**
The difference between planned and actual charges posted on a cost center, or between the two planned versions.
- **Difference (%) Charge**
The difference between planned and actual charges posted on a cost center, or between the two planned versions, expressed as a percentage.

The selected year and the version IDs are displayed directly in the column headers.

To further analyze data in this report, you can drag characteristics to rows and columns.

i Planned data is only displayed in the report if the selected planned version has the status *In Process* or *Finished*.

From this report you can navigate to [Financial Reporting Structure](#).

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.5 Financial Statements – Plan/Actual

6.9.5 Financial Statements – Plan/Actual – My Area

i There are two versions of this report:

- The version entitled [Financial Statements – Plan/Actual](#) displays all profit centers.
- The version entitled [Financial Statements – Plan/Actual – My Area](#) only displays the profit centers for which you are responsible. This version is available in the [Managing My Area](#) work center under the report category [Manager – Departmental – Budget](#).

Overview

Compares the planned and actual values on the balance sheet, income statement, and cash flow statement for a selected fiscal year.

Primarily, you create legally required financial statements during your closing activities. However, you can also create the statements at any other time to assess the current standing of your company.

You can only create one financial statement at a time. This means that you have to run separate reports to create a balance sheet, an income statement, or a cash flow statement. You specify the type of financial statement in the *Financial Reporting Structure* selection field.

The report performs the following calculations:

- For **balance sheets**, the system determines whether balance-dependent accounts (such as bank accounts) have a credit or debit balance. Depending on the type of balance, the amount is shown as a receivable or payable. When defining your financial reporting structure, you specify which G/L accounts should be displayed on the basis of their balance. Furthermore, the retained earnings or losses are determined automatically and displayed in the relevant financial statement item.
- For **income statements**, the result is determined automatically and displayed in the relevant financial statement item.

Prerequisites

Before you can create financial statements that compare plan and actual data, the following prerequisites must be fulfilled:

- You need to have defined financial reporting structures for balance sheets, income statements, and cash flow statements.
- When you create financial statements for statutory reporting purposes, you need to have completed your closing activities in the various application areas. For more information on the closing activities, see [Closing Activities – Year-End Closing \[page 236\]](#).
- You need to have created at least one financial plan for the selected fiscal year, company, and set of books. For more information, see [Planning Quick Guide \[page 804\]](#).

i Ensure that all accounting periods within the closing period are closed at the point in time for which you create your financial statements for statutory reporting purposes. If one or more accounting periods are still open for closing entries, you need to ensure from an organizational point of view that no postings are performed at this point in time.

Views

The following views are available with this report:

- [*Financial Statements – Plan/Actual*](#)
Displays the actual and planned balances for the selected period.
- [*Plan/Actual by Selected Period*](#)
Displays the actual and planned balances from the first period to the selected period of the year.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

i With the **My Area** version of this report, it is not possible to select specific profit centers. This version shows only the profit centers you are responsible for.

Additional information is available for the following selected variables:

- Financial Reporting Structure

You specify the type of financial statement that you want to create (balance sheet, income statement, or a cash flow statement). The structure of the financial statement depends on the accounting principles applied. All of the structures that you have defined are offered for selection.



It is recommended that you select the same financial reporting structure as that of the plan itself. This ensures that you will see all available plan data in the report.

- Balance Sheet Type

If you are creating a **balance sheet**, you can choose from among the following balance sheet types:

- *1 – Cumulative*

In the most common case, you create a cumulative balance sheet for the entire period selected. The last day of the period is used as the balance sheet date. If the specified period has not yet been closed, the last closed day is taken as the balance sheet date.

- *2 – Changes in current period*

Select this balance sheet type to include the changes that have been made in the current period.

- *4 – Opening balance*

Select this balance sheet type to create an opening balance sheet. The first day of the specified fiscal year is used as the balance sheet day.

If you are creating an **income statement** or a **cash flow statement**, only *2 – Changes in current period* is allowed.

- Display Currency

Financial statements are usually created in the company currency.

Nevertheless, you can also create your financial statements in a different currency. Note, however, that the financial statement in this case no longer meet the statutory requirements because the totals values in the company currency are only converted on the specified conversion date.

- Display Currency – Conversion Date

If you want to create your financial statements in a currency that differs from the company currency, you can specify the conversion date. Usually, the current date is taken as the conversion date.

Analyzing the Report

Depending on the view, the report shows the following key figures:

- *Actual*

The actual balance on the item for the selected period range.

- *Plan*

The planned balance on the item for the selected period range and the default plan version.

- *Variance*

The difference between planned and actual balance on the item for the selected period range.

- *Variance (%)*

The difference between planned and actual balance on the item for the selected period range expressed as a percentage.

- *Actual Selected Period*

The actual balance on the item for the selected period of the year.

- *Plan Selected Period*

The planned balance on the item for the selected period of the year and the default plan version.

- *Variance Selected Period*

The difference between the planned and actual balance on an item for the selected period of the year.

- *Variance (%) Selected Period*

The difference between planned and actual balance on an item for the selected period of the year expressed as a percentage.

- **Actual YTP**

The actual balance on the item from the first period to the selected period.

- **Plan YTP**

The planned balance on the item from the first period to the selected period and the default plan version.

- **Variance YTP**

The difference between the planned and actual balance on an item from the first period to the selected period.

- **Variance (%) YTP**

The difference between planned and actual balance on an item from the first period to the selected period expressed as a percentage.

Additional key figures are available that can be selected and displayed in the report:

- **Actual YTD**

The actual balance on the item from the first period to the current period.

- **Plan YTD**

The planned balance on the item from the first period to the current period and the default plan version.

- **Variance YTD**

The difference between the planned and actual balance on an item from the first period to the current period.

- **Variance (%) YTD**

The difference between planned and actual balance on an item from the first period to the current period expressed as a percentage.

From this report you can navigate to:

- **Account balances**
- **Line items**, and documents relating to an item and the relevant document flow
- **Financial Reporting Structure**

To further analyze data in this report, you can drag characteristics to rows and columns.



- Planned data is only displayed in the report if the selected default version has the status *In Process* or *Finished*.
- On selecting G/L accounts to show data, the report lists all the profit centers associated with the G/L account but in the **My Area** version, only the data for the profit centers you are responsible for is visible.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.6 Financial Statements – Plan/Actual – Version Comparison

6.9.6 Financial Statements – Plan/Actual – Version Comparison – My Area

i There are two versions of this report:

- The version entitled *Financial Statements – Plan/Actual – Version Comparison* displays all profit centers.
- The version entitled *Financial Statements – Plan/Actual – Version Comparison - My Area* only displays the profit centers for which you are responsible. This version is available in the *Managing My Area* work center under the report category *Financials – Departmental – Budget*.

Overview

Compares the data of different planned versions for the balance sheet, income statement, or cash flow statement against the actual data for a selected time frame. You can also compare two planned versions against each other.

Primarily, you create legally required financial statements during your closing activities. However, you can also create the statements at any other time to assess the current standing of your company.

You can only create one financial statement at a time. This means that you have to run separate reports to create a balance sheet, an income statement, or a cash flow statement. You specify the type of financial statement in the *Financial Reporting Structure* selection field.

The report performs the following calculations:

- For **balance sheets**, the system determines whether balance-dependent accounts (such as bank accounts) have a credit or debit balance. Depending on the type of balance, the amount is shown as a receivable or payable. When defining your financial reporting structure, you specify which G/L accounts should be displayed on the basis of their balance. Furthermore, the retained earnings or losses are determined automatically and displayed in the relevant financial statement item.
- For **income statements**, the result is determined automatically and displayed in the relevant financial statement item.

Prerequisites

Before you can create financial statements that compare planned and actual data, the following prerequisites must be fulfilled:

- You need to have defined financial reporting structures for balance sheets, income statements, and cash flow statements.
- When you create financial statements for statutory reporting purposes, you need to have completed your closing activities in the various application areas. For more information on the closing activities, see [Closing Activities – Year-End Closing \[page 236\]](#).
- You need to have created at least one financial plan for the selected fiscal year, company, and set of books. For more information, see [Planning Quick Guide \[page 804\]](#).

i Ensure that all accounting periods within the closing period are closed at the point in time for which you create your financial statements for statutory reporting purposes. If one or more accounting periods are still open for closing entries, you need to ensure from an organizational point of view that no postings are performed at this point in time.

Views

The following views are available with this report:

- *Actual vs. Version 1*
Shows the actual data and the planned data from a selected planned version.
- *Actual vs. Version 2*
Shows the actual data and the planned data from another selected planned version.
- *Version 1 vs. Version 2*
Shows the data from two planned versions.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk. (*).

i With the **My Area** version of this report, it is not possible to select specific profit centers. This version shows only the profit centers you are responsible for.

Additional information is available for the following selected variables:

- Version 1
The planned version whose data you want to compare against the actual financial data. The version that was marked as the default version in the financial plan is preselected.
- Version 2
You can optionally select a second planned version. This allows you to easily switch between the data of the two planned versions, or to compare the two planned versions against each other.
- Financial Reporting Structure
You specify the type of financial statement that you want to create (balance sheet, income statement, or a cash flow statement). The structure of the financial statement depends on the accounting principles applied. All of the structures that you have defined are offered for selection.

i It is recommended that you select the same financial reporting structure as that of the plan itself.
This ensures that you will see all available plan data in the report.

- Balance Sheet Type

If you are creating a **balance sheet**, you can choose from among the following balance sheet types:

- *1 – Cumulative*

In the most common case, you create a cumulative balance sheet for the entire period selected. The last day of the period is used as the balance sheet date. If the specified period has not yet been closed, the last closed day is taken as the balance sheet date.

- *2 – Changes in current period*

- Select this balance sheet type to include the changes that have been made in the current period.
 - ***4 – Opening balance***
Select this balance sheet type to create an opening balance sheet. The first day of the specified fiscal year is used as the balance sheet day.
- If you are creating an **income statement** or a **cash flow statement**, only ***2 – Changes in current period*** is allowed.
- **Display Currency**
Financial statements are usually created in the company currency.
Nevertheless, you can also create your financial statements in a different currency. Note, however, that the financial statement in this case no longer meet the statutory requirements because the totals values in the company currency are only converted on the specified conversion date.

Analyzing the Report

Depending on the view, the report shows the following key figures:

- ***Actual Balance***
The actual balance on the item for the selected year.
- ***Plan Balance***
The planned balance on the item for the selected year and version.
- ***Difference Balance***
The difference between planned and actual, or between the two planned versions.
- ***Difference (%) Balance***
The difference between planned and actual, or between the two planned versions, expressed as a percentage.

The selected year and the version IDs are displayed directly in the column headers.

To further analyze data in this report, you can drag characteristics to rows and columns.



- Planned data is only displayed in the report if the selected version has the status ***In Process*** or ***Finished***.
- On selecting G/L accounts to show data, the reports lists all the profit centers associated with the G/L account but in the **My Area** version, only the data for the profit centers you are responsible for is visible.

From this report you can navigate to **Financial Reporting Structure**.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.7 Free Cost Object List

Overview

Shows the master data for free cost objects as a flat list or hierarchy.

Views

The following views are available with this report:

- **Free Cost Object List**
Displays the cost objects as a flat list.
- **Cost Object Hierarchy**
Displays the cost objects as a hierarchy, allowing you to see which cost objects are assigned to superordinate cost objects.

Features

Running the Report

Before running the report, you specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Analyzing the Report

The report lists the selected cost objects along with associated information such as the profit center and the assigned functional area.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Free Cost Objects – Line Items**
- **Cost Object Overview**
- **Profit Center Overview**

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.8 Free Cost Objects – Line Items

Overview

Shows the line item amounts for free cost objects, along with associated accounting information.

Views

The following views are available with this report:

- **Free Cost Objects – Line Items**
Shows the G/L accounts, business transactions, and other accounting information for the cost objects.

- Free Cost Objects Overview
Shows the charges, allocations, and balances for the cost objects.
- Offsetting Objects
Shows the cost objects, cost centers, projects, fixed assets, materials, and resources that offset the charges and allocations for the free cost objects.

Features

Running the Report

Before running the report, you specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

You can display all cost objects for the company and set of books, or restrict the selection based on variables such as the cost object type, G/L account, journal entry, segment, or profit center.

Analyzing the Report

Additional information is available for the following key figures:

- Charge
Amount charged to the cost object from external transactions or allocations.
- Allocation
Amount allocated to another cost object. For the receiving cost object, the allocation is shown as a charge.
- Balance
The balance of the charge and the allocation.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [G/L Accounts – Line Items](#)
- [Free Cost Object List](#)
- [Cost Object Overview](#)
- [Journal](#)

See Also

- [Reports View](#)
- [Overview of Reports in Financial Management](#)
- [Overview of Data Sources in Financial Management](#)

6.9.9 Profit Detail by Contribution Margin Scheme

Overview

Shows the cost and revenue key figures for a specific market segment, such as a customer group in a particular region.

This report provides a multidimensional view of contribution margins, allowing you to better understand how a given segment contributes to overall profit.

Three different types of profit can be displayed: order profit, invoice profit, and earned profit, each of which is based on a different set of data generated at a different point along the sales process. This allows users to choose between seeing early profit figures of a more or less predictive nature versus profit based on the data posted in accounting and reflected in the balance sheet.

You can compare the profit information in the report with other periods to detect trends in market segment profitability, enabling you to anticipate whether targets will be met and initiate appropriate countermeasures if necessary.

This report also enables you to analyze which functional areas and price components have not been assigned to the financial reporting structure.

Prerequisites

The system must be set up for profit analysis as described in the following configuration guides:

- Settings for Earned Profit Analysis – Configuration Guide
- Settings for Profit Analysis Based on Invoices and Orders – Configuration Guide

Views

The following views are available with this report:

- [*Profit Detail by Contribution Margin Scheme*](#)
- [*Missing Scheme Assignments – Functional Areas*](#)
- [*Missing Scheme Assignments – Price Components*](#)

Features

Running the Report

i In the standard system, this report is also displayed in work centers in which no processing of financial data normally occurs. Administrators can define which reports are displayed in which work centers. For details, see the [*Business Analytics Quick Guide*](#).

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- **Profit Type**
The profit type determines the source of data used to calculate profit:
 - **Order profit** is based on the sales and service orders in CRM. This profit type is available at an early stage in the sales process and is therefore useful for forecasting and reports on incoming orders. However, there is no assurance that the order profit will be fully translated into actual profit later.
 - **Invoice profit** is calculated using the revenues from customer invoices in CRM. Since it is based on invoices, it is closer to the revenue data that is eventually recorded in accounting.
 - **Earned profit** is based on the data in accounting and therefore corresponds to the amounts in the income statement. Since earned profit cannot be calculated until the data is recorded in accounting, it is not available as early as the other two profit types.
- **Set of Books**
By default, this field always contains the default set of books.

- If you select **earned profit** as the profit type and leave the set of books blank or enter a wrong combination of company and set of books, the system defaults to the set of books that is appropriate for the selected company.
- If you select **order profit** or **invoice profit** as the profit type, this field can be blank because the default set of books is selected automatically in the background in order to determine the structure of the report.
- ***Invoice Request Type***

You can choose to display the invoice request types for each of the items. To do so, click [Add Fields](#). Expand **Dimension: Sales Documents**, and select **Invoice Request Type**. You can choose to display the characteristic in the report or be available in the list of **Not Currently Shown** variables.

When selected for display, the report shows invoice request type for each item as **Manual Invoice Request** or **Over-the-Counter Sale Request**. If the invoice request type for an item is not specified, the system displays the invoice request type as **Not Assigned**.

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

The data in this report is initially displayed in table format. The profitability lines correspond to the rows defined in the contribution margin scheme. Depending on which profit type you selected, the amounts shown are either the potential profit based on orders or invoices, or the actual profit from postings in accounting. The profitability key figures comprise all lines up to Gross Profit, along with calculated lines.

The sales quantity is not displayed in this report but only in the **Profit Overview by Key Figure** report. Key figures with a value of zero are not displayed.

The key figures available in this report include:

- [**Income from Operations**](#)
- [**Gross Profit on Sales**](#)
- [**Net Sales Revenue**](#)
- [**Sales Revenues**](#)
- [**Sales Discounts and Allowances**](#)
- [**Cost of Goods Sold**](#)
- [**Other Operating Costs**](#)
- [**Selling Expenses**](#)
- [**Administrative or General Expenses**](#)

To analyze the data in this report:

- Drill down to more detailed data.
- To further analyze data in this report, you can drag characteristics to rows and columns.

For example, to analyze sales by period and employee, add the Fiscal Year Period and Responsible Employee characteristics to the analysis area.

From this report, you can navigate to:

- [**G/L Accounts - Line Items**](#)
- [**Journal**](#)
- [**Profit Overview by Key Figure**](#)
- [**Functional Area Determination**](#)
- [**Missing Scheme Assignments – Functional Area**](#)
- [**Missing Scheme Assignments - Price Components**](#)
- [**Financial Reporting Structure**](#)

Analysis of Missing Scheme Assignments

The following views enable you to analyze problems with missing assignments of functional areas and price components that result in incomplete profit data:

- [*Missing Scheme Assignments – Functional Areas*](#)

This view shows the amounts that could not be reported under the correct functional areas due to missing assignments in the financial reporting structure.

The following **key figures** show the amounts involved in the missing assignments:

- [*Default Functional Area*](#)

The amounts in this key figure were assigned to the default functional area. The default functional area is used when the functional area cannot be derived from the G/L account nor from the cost center.

From this key figure, you can navigate to the [*Functional Area Determination*](#) report. This report enables you to analyze why the default functional area was used. From the G/L account and cost center transferred by this report, the report determines whether any G/L account or cost center has been assigned to any functional area.

The report indicates that the G/L account or cost center type has to be maintained in business configuration in order to correct the problem.

- [*Missing from Scheme*](#)

The amounts in this key figure could not be assigned to any functional area.

From this key figure, you can navigate to the [*Missing Scheme Assignments – Functional Area*](#) report. This report shows the assigned and unassigned functional areas in the financial reporting structure.

- [*Missing Scheme Assignments – Price Components*](#)

This view shows the amounts that could not be reported under the correct price components due to missing assignments in the financial reporting structure. These amounts are shown in the [*Missing from Scheme*](#) key figure.

From the [*Missing from Scheme*](#) key figure, you can navigate to the [*Missing Scheme Assignments - Price Components*](#) report. This report shows the price components that are missing from the financial reporting structure as well as price components that are assigned.

i The missing assignments of functional areas and price components must be corrected in the [*Business Configuration*](#) work center in order to enable full and correct reporting of profit data. For more information, see the configuration guides mentioned in the Prerequisites and follow the instructions on assigning price components and functional areas.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.10 Profit Overview by Key Figure

Overview

Shows profit information by selected, predefined and custom key figures for multiple market segments.

This report enables you to easily compare key figures for different market segments, such as customers in different regions. By breaking down the income statement amounts into various aspects, the report provides insight into the structure of your revenues and margins.

Three different types of profit can be displayed: order profit, invoice profit, and earned profit, each of which is based on a different set of data generated at a different point along the sales process. This allows users to choose between seeing early profit figures of a more or less predictive nature and profit based on accounting data and reflected in the income statement.

You can compare the profit information in the report with other periods to detect trends in key figures, enabling you to anticipate whether targets will be met and initiate appropriate countermeasures if necessary.

Prerequisites

The system must be configured for profit analysis as described in the following:

- Settings for Earned Profit Analysis – Configuration Guide
- Settings for Profit Analysis Based on Invoices and Orders – Configuration Guide

Views

The following views are available with this report:

- **Profit Overview by Accounting Period**
Shows the key figures by accounting period and year.
- **Profit Overview by Customer**
Shows the key figures by customer.
- **Profit Overview by Product**
Shows the key figures by product and product category.
- **Profit Overview by Region**
Shows the key figures for geographical regions.
- **Profit Overview by Sales Unit**
Shows the key figures for sales units.
- **Profit Overview by Service and Support**
Shows the key figures for service and support and service execution teams.

Features

Running the Report

i In the standard system, this report is also displayed in work centers in which no processing of financial data normally occurs. Administrators can define which reports are displayed in which work centers. For details, see the [Business Analytics Quick Guide](#).

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- **Profit Type**
The profit type determines the source of data used to calculate profit:

- **Order profit** is based on the sales and service orders in CRM. This profit type is available at an early stage in the sales process and is therefore useful for forecasting and reports on incoming orders. However, there is no assurance that the order profit will be fully translated into actual profit later.
- **Invoice profit** is calculated using the revenues from customer invoices in CRM. Since it is based on invoices, it is closer to the revenue data that will eventually be recorded in accounting.
- **Earned profit** is based on the data in accounting and therefore corresponds to the amounts in the income statement. Since earned profit cannot be calculated until the data is recorded in accounting, it is not available as early as the other two profit types.

- ***Set of Books***

By default, this field always contains the default set of books.

- If you select **earned profit** as the profit type and leave the set of books blank or enter a wrong combination of company and set of books, the system defaults to the set of books that is appropriate for the selected company.
- If you select **order profit** or **invoice profit** as the profit type, this field can be blank because the default set of books is selected automatically in the background in order to determine the structure of the report.

- ***Invoice Request Type***

You can choose to display the invoice request types for each of the items. To do so, click [Add Fields](#). Expand **Dimension: Sales Documents**, and select **Invoice Request Type**. You can choose to display the characteristic in the report or be available in the list of **Not Currently Shown** variables.

When selected for display, the report shows invoice request type for each item as **Manual Invoice Request** or **Over-the-Counter Sale Request**. If the invoice request type for an item is not specified, the system displays the invoice request type as **Not Assigned**.

For more information on common variables, see Overview of Reports in Financial Management.

Using Custom Key Figures

Along with predefined key figures, the report also allows for displaying up to 3 custom key figures showing values of arbitrary structure nodes within the financial reporting structure used.

Follow the following steps to use Custom Key Figures:

- In the business configuration, [Edit](#) the financial reporting structure used in the report.
- Assign one of the fixed structure items 'Custom 1', 'Custom 2', or 'Custom 3' to the structure nodes you want to include into the report. When running the report the values of these structure nodes are captured in the respective key figures 'Custom 1', 'Custom 2', or 'Custom 3'. The key figures automatically receive the name of their assigned structure node.
- Include the key figure into the report.

Analyzing the Report

The data in this report is initially displayed in table format showing the key figures by country and region. The key figures correspond to the rows defined in the contribution margin scheme. Depending on which profit type you selected, the amounts shown are either the potential profit based on orders or invoices, or the actual profit from postings in accounting. The profitability key figures comprise all those up to Gross Profit, along with calculated figures.

The report only shows the composition of a company's operating profit. It does not show non-operating profit or unassigned accounts. Key figures with a value of zero are not displayed.

Available key figures:

- [Net Sales Revenue](#)
- [Cost of Goods Sold](#)
- [Gross Profit on Sales](#)

- *Gross Profit on Sales %*
- *Income from Operations*
- *Income from Operations %*
- *Custom 1*
- *Custom 2*
- *Custom 3*

To analyze the data in this report:

- Drill down to more detailed data.
- To further analyze data in this report, you can drag characteristics to rows and columns.

For example, you can create a time series by adding the fiscal year/period characteristic to the analysis area and displaying the result as a chart.

From this report, you can navigate directly to the **Profit Detail by Contribution Margin Scheme** report.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.11 Project Plan Values

Overview

Shows the estimated costs and revenues for the project tasks of a single project based on the planned work, the planned materials, the planned expenses, and the planned revenues.

The planned costs for projects can include expenses for travel costs and entertainment, complementing the work planning and helping you keep your projects under budget. You are able to track expenses for items such as:

- Lodging
- Meals
- Rental cars
- Entertainment
- Office supplies and books

Expenses that were entered in different currencies are displayed in a single currency in the report.

The project estimate is displayed in a flat list showing the planned cost and revenue for each project task.

Prerequisites

You must have authorization for the company to which the project belongs or be the project lead for that project.

Views

The following views are available with this report:

- Project Estimate
Shows the estimated project costs and revenues for each project task.
- Project Estimate – Details
Shows additional information including the resource, the supplier, the total planned quantity, the cost rate, and the error status.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

Depending on the view, the report shows the following key figures:

- Total Planned Cost
- Total Planned Revenue
- Total Planned Quantity
- Cost Unit
- Cost Rate

Depending on the view, the report shows the following characteristics:

- Project Task
- Project Estimate Item Type
- Product
- Expense/Income Group
- Resource
- Supplier
- Error Status

If the Error Status key figure is 1 and the background color is red, this means that an error occurred in valuation and a BTM task has been generated in the *Cost and Revenue* work center. The task explains the cause of the error and how to correct it.

An error will occur for example if a G/L account or currency conversion rate is missing.

Overhead is displayed as separate cost items.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- Project task overview
- Product overview

See Also

- Reports View
- Overview of Reports in Financial Management

- Overview of Data Sources in Financial Management

6.9.12 Project Cost and Revenue Details by Project

Overview

Shows the planned and incurred costs and revenues, margins, and variances for multiple projects. For customer projects, it also shows the deferred costs and revenue, the estimated costs, and the net revenue in the sales order.

Views

The following views are available with this report:

- Cost Details
Shows detailed information on project costs for analysis purposes. This view is required mainly in the case of customer projects where there can be deferred costs posted to the project.
- Cost Overview
Shows basic cost information including planned and incurred costs and cost variances since the start of the project and for the current period.
- Cost and Revenue Variances
Shows an overview of costs, revenues, and variances at the sales order level.
- Profit Totals
Shows profit information including planned and incurred margins.
- Revenue Details
Shows detailed information on project revenue for analysis purposes. This view is required mainly in the case of customer projects where there can be deferred revenues posted to the project.
- Revenue Overview
Shows an overview of the revenue, including variances.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- *Project*
You can enter one or more projects, or leave this variable blank to see all projects that match your other selection values.
- *Person Responsible*
You can enter one or more employee IDs of the persons responsible for the projects.
- *Project Status*
The project status is defaulted to Released, In Planning, and Started.
- *Responsible Unit*
The cost center in charge of fulfilling the project. You can enter one or more responsible units.
- *Requesting Unit*

The cost center that requested the project. You can enter one or more requesting units.

For more information about common variables, see Overview of Reports in Financial Management.

- i** If you run this report from the *Managing My Area* work center and you are not the manager of the financial department, the system only reports on the costs and revenues of projects for which you are responsible and further projects for which you are authorized.

Analyzing the Report

The default view of the report shows basic key figures for the projects, such as planned and incurred costs since the start of the project and for the current period.

- i** ITD stands for Inception to Date, which means from the start of the project to the selected period.

Depending on the view, the report shows the following key figures:

- Total Planned Cost
The total planned cost for the project (without a time restriction)
- Total Planned Margin
Total Planned Revenue – Total Planned Cost
- Total Planned Margin %
 $(\text{Total Planned Revenue} - \text{Total Planned Cost}) \div \text{Total Planned Revenue} \times 100$
- Total Planned Revenue
Total revenue planned for the project
- ITD Cost of Sales
Cost posted on the project since the start of the project
- ITD Deferred Cost
Deferred costs since the start of the project
- ITD Deferred Revenue
Deferred revenue since the start of the project
- ITD Planned Cost
Planned cost since the start of the project
- ITD Planned Revenue
Planned revenue on the project since the start of the project
- ITD Incurred Cost
Total cost incurred on the project (COGS + Deferred) since the start of the project
- ITD Incurred Cost Variance
ITD Planned Cost – ITD Incurred Cost
- ITD Incurred Cost Variance %
 $(\text{ITD Planned Cost} - \text{ITD Incurred Cost}) \div \text{ITD Planned Cost} \times 100$
- ITD Invoiced Revenue
Total Revenue (Net Revenue + Deferred) since the start of the project
- ITD Invoiced Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Invoiced Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Revenue
Net revenue since the start of the project
- ITD Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Revenue}) \div \text{ITD Planned Revenue} \times 100$

- ITD Incurred Margin
ITD Invoiced Revenue – ITD Incurred Cost
- ITD Incurred Margin %
(ITD Invoiced Revenue – ITD Incurred Cost) ÷ ITD Invoiced Revenue x 100
- Incurred Margin Variance %
Total Planned Margin % – ITD Incurred Margin %
- Period Planned Revenue
Planned revenue on project in current period
- Period Planned Cost
Planned cost on project in current period
- Period Cost of Sales
Cost posted on project in current period
- Period Deferred Revenue
Deferred revenue in current period
- Period Incurred Cost
Total cost incurred on project (COGS + Deferred) in current period
- Period Incurred Cost Variance
Period Planned Cost – Period Incurred Cost
- Period Invoiced Revenue
Total revenue (Net Revenue + Deferred) in current period
- Period Revenue
Net revenue in current period
- Period Invoiced Revenue Variance %
(Period Planned Revenue – Period Invoiced Revenue) ÷ Period Planned Revenue x 100
- Sales Order Cost Estimate
Cost estimate defined for sales order item
- Sales Order Net Value
Net value from the sales order

The report shows the following characteristics:

- Accounting Period/Year
- Company
- Country
- Customer
- Customer Group
- Functional Area
- G/L Account
- G/L Account (Origin)
- Person Responsible
- Primary Cost Object Type
- Product
- Product Category
- Profit Center
- Program
- Project

- Project Status
- Project Type
- Project Task
- Region
- Requesting Unit
- Responsible Unit
- Sales Order
- Sales Order (Item)
- Sales Unit
- Segment

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [Project Overview](#)
- [Project Cost and Revenue Details by Project Structure](#)
- [Project Plan Values](#)
- [Projects – Line Items](#)
- [Sales Accrual](#)



Navigation to Sales Accrual is enabled only for Deferred Cost/Revenue.

See Also

- [Reports View](#)
- [Overview of Reports in Financial Management](#)
- [Overview of Data Sources in Financial Management](#)

6.9.13 Project Cost and Revenue Details by Project Structure

Overview

Shows the planned and incurred costs and revenues, margins, and variances for the project tasks of a single project displayed as a hierarchical structure. For customer projects, it also shows the deferred costs and revenue, the estimated costs, and the net revenue in the sales order.

Views

The following views are available with this report:

- [Cost Details](#)
Shows detailed information on project costs for analysis purposes. This view is required mainly in the case of customer projects where there can be deferred costs posted to the project.
- [Cost Overview](#)

Shows basic cost information including planned and incurred costs and cost variances since the start of the project and for the current period.

- Cost and Revenue Variances
Shows an overview of costs, revenues, and variances at the sales order level.
- Profit Totals
Shows profit information including planned and incurred margins.
- Revenue Details
Shows detailed information on project revenue for analysis purposes. This view is required mainly in the case of customer projects where there can be deferred revenues posted to the project.
- Revenue Overview
Shows an overview of the revenue, including variances.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about common variables, see [Overview of Reports in Financial Management](#).

i If you run this report from the [Managing My Area](#) work center and you are not the manager of the financial department, the system only reports on the costs and revenues of projects for which you are responsible and further projects for which you are authorized.

Analyzing the Report

The default view of the report shows basic key figures for the project, such as planned and incurred costs since the start of the project and for the current period.

i ITD stands for Inception to Date, which means from the start of the project to the selected period.

Depending on the view, the report shows the following key figures:

- Total Planned Cost
The total planned cost for the project (without a time restriction)
- Total Planned Margin
Total Planned Revenue – Total Planned Cost
- Total Planned Margin %
(Total Planned Revenue – Total Planned Cost) ÷ Total Planned Revenue x 100
- Total Planned Revenue
Total revenue planned for the project
- ITD Cost of Sales
Cost posted on the project since the start of the project
- ITD Deferred Cost
Deferred costs since the start of the project
- ITD Deferred Revenue
Deferred revenue since the start of the project
- ITD Planned Cost

- Planned cost since the start of the project
- ITD Planned Revenue
Planned revenue on the project since the start of the project
- ITD Incurred Cost
Total cost incurred on the project (COGS + Deferred) since the start of the project
- ITD Incurred Cost Variance
ITD Planned Cost – ITD Incurred Cost
- ITD Incurred Cost Variance %
 $(\text{ITD Planned Cost} - \text{ITD Incurred Cost}) \div \text{ITD Planned Cost} \times 100$
- ITD Invoiced Revenue
Total Revenue (Net Revenue + Deferred) since the start of the project
- ITD Invoiced Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Invoiced Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Revenue
Net revenue since the start of the project
- ITD Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Incurred Margin
ITD Invoiced Revenue – ITD Incurred Cost
- ITD Incurred Margin %
 $(\text{ITD Invoiced Revenue} - \text{ITD Incurred Cost}) \div \text{ITD Invoiced Revenue} \times 100$
- Incurred Margin Variance %
Total Planned Margin % – ITD Incurred Margin %
- Period Planned Revenue
Planned revenue on project in current period
- Period Planned Cost
Planned cost on project in current period
- Period Cost of Sales
Cost posted on project in current period
- Period Deferred Revenue
Deferred revenue in current period
- Period Incurred Cost
Total cost incurred on project (COGS + Deferred) in current period
- Period Incurred Cost Variance
Period Planned Cost – Period Incurred Cost
- Period Invoiced Revenue
Total revenue (Net Revenue + Deferred) in current period
- Period Revenue
Net revenue in current period
- Period Invoiced Revenue Variance %
 $(\text{Period Planned Revenue} - \text{Period Invoiced Revenue}) \div \text{Period Planned Revenue} \times 100$
- Sales Order Cost Estimate
Cost estimate defined for sales order item
- Sales Order Net Value
Net value from the sales order

The report shows the following characteristics:

- Accounting Period/Year
- Company
- Country
- Customer
- Customer Group
- Functional Area
- G/L Account
- G/L Account (Origin)
- Person Responsible
- Primary Cost Object Type
- Product
- Product Category
- Profit Center
- Program
- Project
- Project Status
- Project Type
- Project Task
- Region
- Requesting Unit
- Responsible Unit
- Sales Order
- Sales Order (Item)
- Sales Unit
- Segment

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- **Project Task Overview**
- **Project Plan Values**
- **Projects – Line Items**
- **Sales Accrual**



Navigation to Sales Accrual is enabled only for Deferred Cost/Revenue.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.14 Project Cost and Revenue by Project

Overview

Shows the planned and incurred costs and revenues, margins, and variances for multiple projects. For customer projects, it also shows the estimated costs and the net revenue in the sales order.

Views

The following views are available with this report:

- [Cost Overview](#)
Shows basic cost information including planned and incurred costs and cost variances since the start of the project and for the current period.
- [Profit Totals](#)
Shows profit information including planned and incurred margins.
- [Revenue Overview](#)
Shows an overview of the revenue, including variances.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- [Project](#)
You can enter one or more projects, or leave this variable blank to see all projects that match your other selection values.
- [Person Responsible](#)
You can enter one or more employee IDs of the persons responsible for the projects.
- [Project Status](#)
The project status is defaulted to Released, In Planning, and Started.
- [Responsible Unit](#)
The cost center in charge of fulfilling the project. You can enter one or more responsible units.
- [Requesting Unit](#)
The cost center that requested the project. You can enter one or more requesting units.

For more information about common variables, see [Overview of Reports in Financial Management](#).

- i** If you run this report from the [Managing My Area](#) work center and you are not the manager of the financial department, the system only reports on the costs and revenues of projects for which you are responsible and further projects for which you are authorized.

Analyzing the Report

The default view of the report shows basic key figures for the projects, such as planned and incurred costs since the start of the project and for the current period.

i ITD stands for Inception to Date, which means from the start of the project to the selected period.

Depending on the view, the report shows the following key figures:

- Total Planned Cost
The total planned cost for the project (without a time restriction)
- Total Planned Margin
Total Planned Revenue – Total Planned Cost
- Total Planned Margin %
 $(\text{Total Planned Revenue} - \text{Total Planned Cost}) \div \text{Total Planned Revenue} \times 100$
- Total Planned Revenue
Total revenue planned for the project
- ITD Cost of Sales
Cost posted on the project since the start of the project
- ITD Deferred Cost
Deferred costs since the start of the project
- ITD Deferred Revenue
Deferred revenue since the start of the project
- ITD Planned Cost
Planned cost since the start of the project
- ITD Planned Revenue
Planned revenue on the project since the start of the project
- ITD Incurred Cost
Total cost incurred on the project (COGS + Deferred) since the start of the project
- ITD Incurred Cost Variance
ITD Planned Cost – ITD Incurred Cost
- ITD Incurred Cost Variance %
 $(\text{ITD Planned Cost} - \text{ITD Incurred Cost}) \div \text{ITD Planned Cost} \times 100$
- ITD Invoiced Revenue
Total Revenue (Net Revenue + Deferred) since the start of the project
- ITD Invoiced Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Invoiced Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Revenue
Net revenue since the start of the project
- ITD Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Incurred Margin
ITD Invoiced Revenue – ITD Incurred Cost
- ITD Incurred Margin %
 $(\text{ITD Invoiced Revenue} - \text{ITD Incurred Cost}) \div \text{ITD Invoiced Revenue} \times 100$
- Incurred Margin Variance %
Total Planned Margin % – ITD Incurred Margin %

- Period Planned Revenue
Planned revenue on project in current period
- Period Planned Cost
Planned cost on project in current period
- Period Cost of Sales
Cost posted on project in current period
- Period Deferred Revenue
Deferred revenue in current period
- Period Incurred Cost
Total cost incurred on project (COGS + Deferred) in current period
- Period Incurred Cost Variance
Period Planned Cost – Period Incurred Cost
- Period Invoiced Revenue
Total revenue (Net Revenue + Deferred) in current period
- Period Revenue
Net revenue in current period
- Period Invoiced Revenue Variance %
(Period Planned Revenue – Period Invoiced Revenue) ÷ Period Planned Revenue x 100
- Sales Order Cost Estimate
Cost estimate defined for sales order item
- Sales Order Net Value
Net value from the sales order

The report shows the following characteristics:

- Accounting Period/Year
- Company
- Country
- Customer
- Customer Group
- Functional Area
- G/L Account
- G/L Account (Origin)
- Person Responsible
- Primary Cost Object Type
- Product
- Product Category
- Profit Center
- Program
- Project
- Project Status
- Project Type
- Project Task
- Region
- Requesting Unit
- Responsible Unit

- Sales Order
- Sales Order (Item)
- Sales Unit
- Segment

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [Projects – Line Items](#)
- [Project Plan Values](#)
- [Project Overview](#)
- [Project Cost and Revenue Details by Project Structure](#)

See Also

- [Reports View](#)
- [Overview of Reports in Financial Management](#)
- [Overview of Data Sources in Financial Management](#)

6.9.15 Project Cost and Revenue by Project Structure

Overview

Shows the planned and incurred costs and revenues, margins, and variances for the project tasks of a single project displayed as a hierarchical structure. For customer projects, it also shows the estimated costs and the net revenue in the sales order.

Views

The following views are available with this report:

- Cost Overview
 - Shows basic cost information including planned and incurred costs and cost variances since the start of the project and for the current period.
- Plan/Actual Costs and Revenue
 - Shows the total planned cost, the total planned revenue, the total incurred cost, and the total invoiced revenue on the project.
- Profit Totals
 - Shows profit information including planned and incurred margins.
- Revenue Overview
 - Shows an overview of the revenue, including variances.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

For more information about common variables, see Overview of Reports in Financial Management.

- i** If you run this report from the *Managing My Area* work center and you are not the manager of the financial department, the system only reports on the costs and revenues of projects for which you are responsible and further projects for which you are authorized.

Analyzing the Report

The default view of the report shows basic key figures for the project, such as planned and incurred costs since the start of the project and for the current period.

- i** ITD stands for Inception to Date, which means from the start of the project to the selected period.

Depending on the view, the report shows the following key figures:

- Total Planned Cost
The total planned cost for the project (without a time restriction)
- Total Planned Margin
Total Planned Revenue – Total Planned Cost
- Total Planned Margin %
(Total Planned Revenue – Total Planned Cost) ÷ Total Planned Revenue x 100
- Total Planned Revenue
Total revenue planned for the project
- ITD Cost of Sales
Cost posted on the project since the start of the project
- ITD Deferred Cost
Deferred costs since the start of the project
- ITD Deferred Revenue
Deferred revenue since the start of the project
- ITD Planned Cost
Planned cost since the start of the project
- ITD Planned Revenue
Planned revenue on the project since the start of the project
- ITD Incurred Cost
Total cost incurred on the project (COGS + Deferred) since the start of the project
- ITD Incurred Cost Variance
ITD Planned Cost – ITD Incurred Cost
- ITD Incurred Cost Variance %
(ITD Planned Cost – ITD Incurred Cost) ÷ ITD Planned Cost x 100
- ITD Invoiced Revenue

- Total Revenue (Net Revenue + Deferred) since the start of the project
- ITD Invoiced Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Invoiced Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Revenue
 Net revenue since the start of the project
- ITD Revenue Variance %
 $(\text{ITD Planned Revenue} - \text{ITD Revenue}) \div \text{ITD Planned Revenue} \times 100$
- ITD Incurred Margin
 $\text{ITD Invoiced Revenue} - \text{ITD Incurred Cost}$
- ITD Incurred Margin %
 $(\text{ITD Invoiced Revenue} - \text{ITD Incurred Cost}) \div \text{ITD Invoiced Revenue} \times 100$
- Incurred Margin Variance %
 $\text{Total Planned Margin \%} - \text{ITD Incurred Margin \%}$
- Period Planned Revenue
 Planned revenue on project in current period
- Period Planned Cost
 Planned cost on project in current period
- Period Cost of Sales
 Cost posted on project in current period
- Period Deferred Revenue
 Deferred revenue in current period
- Period Incurred Cost
 $\text{Total cost incurred on project (COGS + Deferred) in current period}$
- Period Incurred Cost Variance
 $\text{Period Planned Cost} - \text{Period Incurred Cost}$
- Period Invoiced Revenue
 $\text{Total revenue (Net Revenue + Deferred) in current period}$
- Period Revenue
 Net revenue in current period
- Period Invoiced Revenue Variance %
 $(\text{Period Planned Revenue} - \text{Period Invoiced Revenue}) \div \text{Period Planned Revenue} \times 100$
- Sales Order Cost Estimate
 Cost estimate defined for sales order item
- Sales Order Net Value
 Net value from the sales order

The report shows the following characteristics:

- Accounting Period/Year
- Company
- Country
- Customer
- Customer Group
- Functional Area
- G/L Account
- G/L Account (Origin)
- Person Responsible

- Primary Cost Object Type
- Product
- Product Category
- Profit Center
- Program
- Project
- Project Status
- Project Type
- Project Task
- Region
- Requesting Unit
- Responsible Unit
- Sales Order
- Sales Order (Item)
- Sales Unit
- Segment

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [Project Overview](#)
- [Project Cost and Revenue Details by Project Structure](#)
- [Project Plan Values](#)
- [Projects – Line Items](#)
- [Sales Accrual](#)



Navigation to Sales Accrual is enabled only for Deferred Cost/Revenue.

See Also

- [Reports View](#)
- [Overview of Reports in Financial Management](#)
- [Overview of Data Sources in Financial Management](#)

6.9.16 Total Costs by Cost Center and Assigned Projects

6.9.16 Total Costs by Cost Center and Assigned Projects – My Area

i There are two versions of this report:

- The version entitled *Total Costs by Cost Center and Assigned Projects* displays all cost centers.
- The version entitled *Total Costs by Cost Center and Assigned Projects – My Area* only displays the cost centers for which you are responsible. This version is available in the *Managing My Area* work center under the report category *Manager – Departmental – Budget*.

Overview

This report displays the totals of actual charges, actual allocations, and their balances for cost centers and their assigned projects for selected reporting periods.

Views

The following views are available with both versions of this report:

- **Total Costs by Cost Center and Assigned Projects (Default)**
Shows the totals of actual charges, actual allocations, and their balances posted to your cost centers. The report displays the cost centers within the organizational hierarchy and totals the key figures for every hierarchy node.
- **G/L Accounts (Origin) – Period Comparison**
Shows the totals of actual charges, actual allocations, and their balances per G/L account (origin) and accounting period. This allows you to compare the totals between accounting periods.
- **G/L Accounts (Origin) – Cost Center Comparison**
Shows the totals of actual charges, actual allocations, and their balances per G/L account (origin) and cost center. This allows you to compare the totals between cost centers.
- **Actual Costs (Debits) – Breakdown by Overhead Cost Project**
Shows the totals of actual charges, actual allocations, and their balances per cost center and their assigned overhead projects.

The following views are only available in the *Total Costs by Cost Center and Assigned Projects* report but not in the *Total Costs by Cost Center and Assigned Projects – My Area* report:

- **Elimination of Internal Business Volume**
Shows the totals of actual charges, actual allocations, and their balances posted to your cost centers after eliminating any internal business volume. The report displays the cost centers within the organizational hierarchy and totals the key figures for every hierarchy node.
- **Internal Business Volume**
Shows the internal business volume and the actual totals before and after its elimination. The report displays the costs center within the organizational hierarchy and totals the key figures for every hierarchy node.

 The system only aggregates and eliminates values correctly if you keep the cost center hierarchy displayed.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- *Cost Center Group*

Any organizational unit with cost centers assigned to it can act as a cost center group. You can enter one or more organizational units. The system displays the cost centers below the organizational units that you have entered.

 With the **My Area** version of this report, it is not possible to select specific cost centers. This version shows only the cost centers you are responsible for.

- *Reporting Structure*

G/L accounts (origin) can be arranged in a hierarchical structure for reporting purposes. If you want to use this reporting tool, enter a structure that contains the G/L accounts (origin) on which you want to report.

- *G/L Account (Origin)*

Enter the G/L accounts (Origin) for which you want to display the line items. Ensure that you have entered a chart of accounts (origin) before entering G/L accounts (origin).

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- The **Cost Center Overview** or the **Project Overview** of an individual cost center or project
- The **Cost Centers – Line Items** report

 With the **My Area** version of this report, you can only navigate to the **Cost Centers – Line Items – My Area** report which shows only the cost centers you are responsible for.

- **Financial Reporting Structure**

See also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.17 Sales Accruals

Overview

This report covers the quantities, costs, and revenues that have automatically or manually been accrued or deferred for different characteristics.

Views

This report offers you the following views:

Sales Accruals by Region

Shows the costs and revenues that have been accrued or deferred per country and region.

Sales Accruals by Sales Unit

Shows the costs and revenues that have been accrued or deferred per sales unit.

Sales Accruals by Product

Shows the costs and revenues that have been accrued or deferred per product and product category.

Sales Accruals by Customer

Shows the costs and revenues that have been accrued or deferred per customer.

Sales Accruals by G/L Account

Shows the balances that have been posted to the accrual accounts and the deferral accounts.

Sales Accruals by Sales Order

Shows the quantities, costs, and revenues that have been deferred or accrued per sales order.

Prerequisites

Make sure that you have assigned an accrual method to your sales orders and sales returns that require sales accruals. You must have successfully executed the revenue recognition run for the desired accounting period to post the automatic sales accruals.

Features

Running the Report

Before running the report, you can specify the data you want to see by selecting specific variables. You must specify a value for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

The most important variables are explained below.

- **Sales Document Type**
Select the sales document types for which you want to display the accruals and deferrals.
- **Sales Document ID**
Select the IDs of the sales documents for which you want to display the accruals and deferrals.
- **Associated Sales Order**
Select the IDs of the sales orders for which you want to display the accruals and deferrals. The report displays the line items of the selected sales orders and their associated sales returns.

- **Product Category**
Select the product categories for which you want to display the accruals and deferrals.
- **Product**
Select the products for which you want to display the accruals and deferrals.
- **Country**
Select the countries for which you want to display the accruals and deferrals.
- **Region**
Select the regions for which you want to display the accruals and deferrals.
- **Key Date**
Select the posting date up to which you want to display the accruals and deferrals.
- **Invoice Request Type**
You can choose to display the invoice request types for each of the items. To do so, click **Add Fields**. Expand **Dimension: Sales Documents**, and select **Invoice Request Type**. You can choose to display the characteristic in the report or be available in the list of **Not Currently Shown** variables.
When selected for display, the report shows invoice request type for each item as **Manual Invoice Request** or **Over-the-Counter Sale Request**. If the invoice request type for an item is not specified, the system displays the invoice request type as **Not Assigned**.

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

The initial view for this report is the **Sales Accruals by Region** view. You can switch between the different views as desired.

The **Sales Accruals by G/L Account** view displays the balances that have been posted to the accrual or deferral accounts regardless whether it has been posted automatically or manually. All other views only display the accruals or deferrals posted automatically.

The data in all views is initially displayed in table format. You can also display the data as a chart.

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- The **Journal Entry** or the **Sales Order**
- The **General Ledger — Line Items** report or the **Sales Documents — Line Items** report

See also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.18 Projects – Line Items

Overview

Shows the line items for projects of all project types. For customer projects the report also lists the line items of assigned sales order items.

You use this report to analyze project costs and revenues at the level of individual journal entries.

The entries in the report include:

- Distributions
- Service Cost Allocations
- Time or expense recordings
- Supplier invoices
- Overhead
- Revenue

You can choose to display the accounts structured on an open item basis only or all accounts with project costs or revenues.

Views

The following views are available with this report:

- *Project – Line Items*
Shows the basic line item details.
- *Distribution, Absorption, Resources*
Shows the line item details including the offset cost center and offset resource.
- *Materials and Services*
Shows the line item details including the offset business residence and offset material.
- *Offsetting Objects*
Shows the line item details including the offset cost center and offset project.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- *Project*
You can select multiple projects to see the details for those projects.
- *G/L Account (Origin)*
You can specify a G/L account for the origin of the costs.

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

The report shows the following key figures:

- *Valuation Quantity*
- *Amount in Company Currency*
- *Amount in Transaction Currency*
- *Actual Cost*
- *Actual Revenue*
- *Margin*
- *Margin %*

- *Actual Entry Quantity*
Actual quantity entered for a project

The report shows the following characteristics:

- Debit/Credit
- G/L Account (Origin)
- Business Transaction
- Posting Date
- Journal Entry ID
- Source Document ID
- Accounting Period/Year
- Created By
- G/L Account
- Offset Business Residence
- Offset Cost Center
- Offset Material
- Offset Project
- Offset Resource
- Person Responsible
- Profit Center
- Project
- Project Task
- Requesting Cost Center
- Responsible Cost Center
- Segment
- Service
- Transaction Currency
- Valuation Quantity Type

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- [G/L Accounts – Line Items](#)
- [Journal](#)
- [Cost Center Overview](#)
- [Source Document](#)

i By default, the **Projects – Line Items** report is always executed for the **current accounting period only**. This will also be the case if you navigate to this report from any of the project overview reports without specifying an accounting period.

This may result in an apparent discrepancy between the **Projects – Line Items** report and the overview report if the data in the two reports is based on different periods.

To ensure that the **Projects – Line Items** report is based on the same accounting period as the overview report from which you are navigating, do **either** of the following:

- Add the **Accounting Period/Year** characteristic to the rows and columns in the overview report before navigating to the **Projects – Line Items** report.
- Go to the variable screen of the **Projects – Line Items** report and change the value of the **Accounting Period/Year** variable there.

See Also

- Reports View
- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.9.19 Sales Documents – Line Items

Overview

This report displays the quantities and amounts from sales document line items grouped by G/L account, G/L account (origin), transaction type, and posting date.

Views

The following views are available with this report:

- **Sales Documents – Line Items**
Shows the quantities and amounts from sales document line items for all G/L accounts.
- **Profit and Loss Items**
Shows the quantities and amounts from sales document line items for all profit and loss accounts.
- **Accruals Items**
Shows the quantities and amounts from sales document line items for all accrual accounts.

Features

Running the Report

Before running the report, you can specify the data you want to see by making value selections for variables. You must make a value selection for all mandatory variables. In the system, mandatory variables are indicated by an asterisk (*).

Additional information is available for the following selected variables:

- **G/L Account (Origin)**

Select the same entries that you have entered as G/L accounts. Ensure that you have entered a chart of accounts (origin) before entering G/L accounts (origin).

- **Functional Area**

Enter the functional areas for which you want to display the line items.

- **Sales Document Type**

Select the sales document types for which you want to display the line items.

- **Sales Document ID**

Select the IDs of the sales documents for which you want to display the line items.

- **Associated Sales Order**

Select the IDs of the sales orders for which you want to display the line items. The report displays the line items of the selected sales orders and their associated sales returns.

- **Associated Sales Kit Parent Item ID**

Select the sales kit parent item ID for which you want to display the line items.

- **Associated Sales Kit Product**

Select the sales kit product for which want to display the line items.

- **Associated Service Order**

Select the IDs of the service orders for which you want to display the line items. The report displays the line items of the selected service orders and their associated service confirmations.

- **Product Category**

Select the product category for which you want to display the line items.

- **Product**

Select the products for which you want to display the line items.

- **Project**

Select the projects for which you want to display the line items.

- **Project Responsible**

Select the persons responsible for which you want to display the line items.

- **Invoice Request Type**

You can choose to display the invoice request types for each of the items. To do so, click **Add Fields**. Expand **Dimension: Sales Documents**, and select **Invoice Request Type**. You can choose to display the characteristic in the report or be available in the list of **Not Currently Shown** variables.

When selected for display, the report shows invoice request type for each item as **Manual Invoice Request** or **Over-the-Counter Sale Request**. If the invoice request type for an item is not specified, the system displays the invoice request type as **Not Assigned**.

For more information on common variables, see Overview of Reports in Financial Management.

Analyzing the Report

To further analyze data in this report, you can drag characteristics to rows and columns.

From this report, you can navigate to:

- The **Customer Overview**, the **Product Overview**, or the **Project Overview** of an individual customer, product, or project.
- The **Sales Order**, the **Service Order**, or the **Journal Entry**
- The **G/L Account – Line Items** report or the **Sales Accruals** report

See Also

- Reports View

- Overview of Reports in Financial Management
- Overview of Data Sources in Financial Management

6.10 Tasks

6.10.1 Maintain Projects Quick Guide

You can access the *Maintain Project* editor from the *Project Management* work center, in the *Projects* view. You can create new projects and edit existing ones using the following tabs: *Project Plan*, *Team and Staffing*, *Products and Purchasing*, *Sales Tracking*, and *Project Overview*. You can open and edit a project by selecting the project ID in the *Projects* view, and click **View All**. You can also open and edit a project by selecting the project in the worklist, choosing **Edit**, and choosing an option from the dropdown list. If, for example, you choose *Project Plan*, the project automatically opens in the *Project Plan* view within the editor, where you can make changes to the project plan. For more information about the *Projects* view, see Projects Quick Guide.

Business Background

Maintaining Projects - Project Plan

Within the *Maintain Project* editor, you can use the *Project Plan* tab page to maintain your projects by using different interactive graphical subtabs. These graphical subtabs are as follows: *Gantt Chart*, *Work Breakdown Structure*, and *Network Diagram*. Depending on your personal preference and the activities you want to perform, you can choose between these interactive graphical subtabs, each of which offer different benefits. You can access all project details in the various tabs in the *Details* area, such as *Basic Data*, *Work*, or *Scheduling*. The *Project Plan* tab page allows you to modify the schedule and the structure of a project in a visual way, and to edit the project data quickly and easily.

For more information, see Maintaining Projects - Project Plan.

Maintaining Projects - Gantt Chart

Within the *Maintain Project* editor, you can use the *Gantt Chart* to maintain your projects. When you open the *Maintain Project* editor and the *Project Plan* view, the *Gantt Chart* is displayed by default. Using the *Gantt Chart* enables you to view and maintain the project schedule and structure, with an emphasis on the timelines and progress of the project.

For more information, see Maintaining Projects - Gantt Chart.

Maintaining Projects - Team and Staffing

Within the *Maintain Project* editor, you can use the *Team and Staffing* view to choose your project team and assign the team members to work packages that belong to a particular phase or task. There are three subviews within the *Team and Staffing* view: *Team*, *Staff by Structure*, and *Staff by Team Member*. In the *Team* subview, you can assign the team members you want to work on your project. These team members will be available in the *Staff by Structure* and the *Staff by Team Member* subviews, where you can plan your project on a more detailed level. In each of the subviews, you can view important information for each team member, such as the planned, actual, and remaining work.

For more information, see Maintaining Projects - Team and Staffing.

Maintaining Projects - Product Procurement

Within the *Maintain Project* screen, you can view the overall project by products, on the *Products and Purchasing* tab. You may have planned services for the project that need to be completed but for which you do not have the staff, either in the project team or in the organization. You can select a service in this view and conveniently create a purchase request for a service agent to complete the work. In the same way, you can plan and request necessary materials for the project. You can choose a preferred supplier and you can also make notes or add attachments to the purchase request. On the *Purchase Requests* subtab, under the *Products and Purchasing* tab, you can subsequently view the status of your purchase request. You can also view all other existing purchase requests and purchase orders for the project, including the details and document flow. The document flow shows the complete purchasing process, including purchase requests, purchase orders, goods and service acknowledgments, and invoices.

For more information, see Maintaining Projects - Product Procurement.

Maintaining Projects - Sales Tracking

In the project editor, the project manager can access the complete document flow for billable projects, including all predecessor and successor documents. The corresponding fact sheets and journal entry vouchers can also be accessed, and in the extended view, the payment information is shown.

For more information, see Sales Order Processing.

Maintaining Projects - Project Overview

Within the *Maintain Project* editor, you can use the *Project Overview* view to get a quick summary of your projects, using the following subviews: *Reports*, *Checklists*, *Changes*, *Attachments*, and *References*. The *Reports* subview contains a graphical visualization of the planned and actual costs and revenues, and the planned and actual work for the current project. The subview also provides direct access to selected reports, including financial and project management reports, as well as trend analysis and procurement-related reports. This subview enables you to access your report information quickly and easily for analysis purposes.

For more information, see Maintaining Projects - Project Overview.



Tasks

Edit and Schedule a Project

1. In the *Projects* worklist, select the project you want to edit. Choose **Edit** and choose *Project Plan* from the dropdown list to open the *Maintain Project* editor.
2. Choose **Expand** to show the entire project structure in the *Gantt Chart* subview of the *Project Plan* view. You can add a project task by directly entering the name, duration, and the person responsible in the table section of the chart. If you enter a person responsible, the system automatically processes the data. If you enter a project task name and duration without entering a person responsible, press the **Enter** key so that the system will process the data.
3. In the graph section, drag a project task to the right or left to change its start and finish dates. You can also enlarge the task bar to increase the duration of the project task. Choose **Save** and then **Close** to save your changes and return to the *Projects* subview.

Add a Work Package to a Task

1. In the [Projects](#) worklist, select the relevant project and choose [Edit](#), then choose [Project Plan](#) to open the [Maintain Project](#) editor.
2. Choose [Expand](#) to see the full project structure in the Gantt chart and select the relevant task in the project structure.
3. Choose the [Work](#) tab and then choose [Add Row](#) to add a work package.
4. Enter details in the fields provided, such as the service and an amount of planned work. You can enter the team member who will perform the work, or this can be done at a later stage.
5. Choose [Save](#) and [Close](#) to return to the worklist in the [Projects](#) view.

The work package is added to the task and the details are saved to the system. To access these details, select the relevant project in the worklist of the [Projects](#) view, and choose [Edit](#), then choose [Project Plan](#).

Assign a Team Member to a Work Package

1. In the [Projects](#) worklist, select the relevant project and choose [Edit](#), then choose [Team and Staffing](#) to open the [Maintain Project](#) editor.
2. Choose [Team](#), then choose [Add Row](#) to enter the name of the team member you want to add to the project.



You can display and monitor an employee's availability by choosing [Show Availability](#). You can search for team members based on their skills and availability using the [Resource Search](#) subview in the [Resources](#) view, and from there, assign them to your project.

3. Choose [Staff by Structure](#), then choose [Expand](#) to see the full project structure including staffed and unstaffed work packages.
4. Select the relevant task, and choose your team member from the dropdown list in the [Staff with Team Member](#) field. A new work package is added to this task which is staffed by the team member you selected.
5. Select a service to correspond with the task, and enter an estimated amount of planned work for the work package.
6. Choose [Save](#) and [Close](#) to return to the [Projects](#) view.

The team member is assigned to the work package for the task and the details are saved to the system. To access the work package details, choose the relevant project in the worklist of the [Projects](#) view, and choose [Edit](#), then choose [Team and Staffing](#).

Procure a Service Agent

1. In the [Projects](#) worklist, select the relevant project and choose [Edit](#), then choose [Products and Purchasing](#) to open the [Maintain Project](#) editor.
2. Choose the [Product Overview](#) subtab.
3. Select the relevant product, choose [Create Purchase Request](#), and then either [For Whole Project](#) or [For Released Project Tasks](#).
4. On the [New Purchase Request](#) screen:

1. Enter a preferred service agent or supplier (if known), the requested amount of work, and the *Delivery From/To* dates.
2. You can specify additional information, such as the service location and notes, if necessary.
5. Choose **Finish**, **Save**, and then **Close** to return to the *Projects* worklist.

The purchase request is saved to the system and added to the list in the **Products and Purchasing** view of the project editor. To view the purchase request in this list, choose **Purchase Requests** and select the relevant row to display the details. The purchase request can also be accessed in the **Purchase Requests and Orders** work center.



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