

Business Blue Print Document

Financial Accounting - FI



ElectroTrade

Ltd. Company

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SAP RECORD-TO-REPORT BUSINESS BLUEPRINT (V1.0)

Project: SAP R2R Mini Implementation – ElectroTrade Ltd.

Process Area: FI/CO (Record-to-Report)

Scope: Single Company Code, Simplified Chart of Accounts, Month-End Closing

1. INTRODUCTION

1.1. Purpose

This document describes the **To-Be Record-to-Report (R2R) process** for ElectroTrade Ltd. It will be used as a baseline for:

- SAP FI/CO configuration (mainly FI-GL and basic CO).
- Definition of posting logic for key business events.
- Month-end closing and reporting activities.
- Testing (unit, integration, UAT) and end-user training.

1.2. Scope

1.2.1. *In-Scope:*

FI-GL:

- Company Code, Fiscal Year Variant, Posting Periods.
- Chart of Accounts, G/L master data.

Basic CO:

- Cost Center and (optionally) Profit Center structure.

Key postings:

- Sales, purchases, operating expenses, salary accrual.

Month-end:

- Accruals/deferrals (simple), reconciliations, Trial Balance.

Reporting:

- Trial Balance, P&L, Balance Sheet (standard SAP).
- Simple P&L by Cost Center (via custom report – separate FS).

1.2.2. *Out-of-Scope:*

- Advanced CO functionality (CO-PA, product costing, internal orders).
- Consolidation / group reporting.
- Complex tax, local statutory e-invoicing, and multi-GAAP.
- Multi-company, multi-currency scenario (single company code only).

1.3. Assumptions & Dependencies

- SAP S/4HANA FI/CO will be used as the target solution
- Standard SAP postings and reporting will be used where possible
- Integration with SD (Order-to-Cash) and MM (Procure-to-Pay) at high level
- Single company code: (TRCO)
 - Single controlling area for cost tracking
 - Chart of Accounts will use 4-digit numbering

1.4. References

- Company accounting policies.
- Local GAAP/IFRS (high-level only).

2. ELECTROTRADE LTD. COMPANY & FI/CO ORGANIZATIONAL STRUCTURE

2.1. Company Overview

ElectroTrade Ltd. is a **mid-sized B2B trading company** that purchases finished goods from suppliers and sells them to retail customers. The company requires a structured financial accounting system to:

- Record daily operational transactions (sales, purchases, expenses)
- Perform timely month-end closings
- Generate management and statutory financial reports
- Track costs by business function/department

2.2. FI/CO Organization Structure

Element	Code	Description
Company Code	TRCO	Trading Company
Controlling Area	CTRL1	Central Cost Control
Chart of Accounts	TRCO	Operating Chart of Accounts
Cost Centers	CC001, CC002, CC003	Sales, Operations, Administration
Profit Centers	PC001	Main Business Line
Fiscal Year Variant	Z1	Apr–Mar (12 periods + 4 special periods)

2.3. Cost Centers

Cost Center	Description	Department
CC001	Sales & Distribution	Sales/Marketing
CC002	Operations & Warehouse	Logistics
CC003	Administration & Finance	Corporate Functions

2.4. Reporting Requirements (High-Level)

- **Monthly Financial Statements:** P&L and Balance Sheet for management review
- **Cost Center Performance:** Monthly expense analysis by cost center
- **Trial Balance:** Period-end reconciliation
- **Comparison:** Actual vs. Prior Year (optional, Phase 2)

3. CHART OF ACCOUNTS (CoA)

3.1. CoA Structure

A simplified 4-digit structure organized by balance sheet and P&L categories:

- **1xxx** – Assets
- **2xxx** – Liabilities & Equity
- **3xxx** – Revenue
- **4xxx** – Cost of Goods Sold (COGS)
- **5xxx** – Operating Expenses
- **6xxx** – Other Income/Expense

3.2. Key Accounts (Master List)

Account No	Account Name	Type	FS Item	Notes
1100	Cash at Bank	Asset	Balance Sheet	Main operating bank
1200	Accounts Receivable	Asset	Balance Sheet	Trade receivables
1300	Inventory – Goods	Asset	Balance Sheet	Trading stock
2100	Accounts	Liabilit	Balance	Trade payables

	Payable	y	Sheet	
2200	Accrued Expenses	Liability	Balance Sheet	Accruals, utilities
2300	Shareholders' Equity	Equity	Balance Sheet	Opening balance
3000	Sales Revenue	Revenue	P&L	Net sales
4000	Cost of Goods Sold	Expense	P&L	COGS

Account No	Account Name	Type	FS Item	Notes
5100	Salaries & Wages	Expense	P&L	Operating expense
5200	Rent Expense	Expense	P&L	Operating expense
5300	Utilities & Office	Expense	P&L	General admin
5400	Depreciation (if any)	Expense	P&L	Fixed assets
6100	Other Income	Revenue	P&L	Interest, misc.
6200	Other Expense	Expense	P&L	Loss on disposal, etc.

4. BUSINESS EVENTS & POSTING LOGIC

4.1. Overview

This section defines the main recurring business events and their corresponding **FI postings (Dr/Cr entries)**.

4.2. Event List & Posting Rules

4.2.1. Event R2R-01: Sales of goods (from Order-to-Cash)

➤ **Description:** Revenue recognition and AR posting upon invoice

➤ **Posting:**

- Dr Accounts Receivable (1200)
- Cr Sales Revenue (3000)

4.2.2. Event R2R-02: Cost of goods sold (Goods Issue)

➤ **Description:** Recognition of COGS and inventory reduction when goods are delivered

➤ **Posting:**

- Dr Cost of Goods Sold (4000)
- Cr Inventory (1300)

4.2.3. Event R2R-03: Purchase of goods (from Procure-to-Pay)

➤ **Description:** Receipt of goods and liability creation

➤ **Posting:**

- Dr Inventory (1300)
- Cr Accounts Payable (2100)

4.2.4. Event R2R-04: Payment to supplier

➤ **Description:** Pay supplier and clear AP open item.

➤ **Posting:**

- Dr Accounts Payable (2100)
- Cr Cash at Bank (1100)

4.2.5. Event R2R-05: Cash received from customer

➤ **Posting:**

- Dr Cash at Bank (1100)
- Cr Accounts Receivable (1200)

4.2.6. Event R2R-06: Operating expense (e.g., rent)

❖ **Posting:**

- Dr Rent Expense (5200) [Cost Center: CC003]
- Cr Cash at Bank (1100)

4.2.7. Event R2R-07: Salary expense & accrual (month-end)

➤ **Posting:**

- Dr Salaries Expense (5100) [Cost Center: CC003]
- Cr Accrued Expenses (2200)

4.2.8. Event R2R-08: Accrual reversal (start of next period)

➤ **Posting:**

- Dr Accrued Expenses (2200)
- Cr Salaries Expense (5100)

5. RECORD-TO-REPORT PROCESS OVERVIEW

5.1. High-Level R2R Flow

- 5.1.1. Daily Recording:** Operational postings from SD, MM, HR modules
- 5.1.2. Period-End Adjustments:** Accruals, deferrals, reclassifications
- 5.1.3. Reconciliation:** AR, AP, Bank, GL sub-ledgers reconciled to G/L
- 5.1.4. Trial Balance:** Run and review for differences
- 5.1.5. Financial Statements:** Prepare P&L and Balance Sheet
- 5.1.6. Approval & Close:** CFO review and period close

5.2. Key Process Participants

Role	Responsibility
Finance Coordinator	Daily posting, AR/AP reconciliation
Finance Manager	Month-end closing, accruals, approvals
CFO	Final review and authorization

6. DETAILED TO-BE PROCESS DESIGN

6.1. Daily Operations

6.1.1. Daily Postings:

- Source: SD (invoices), MM (goods receipts/issues), HR (payroll), Manual journal entries
- Validation: All postings must balance (Dr = Cr)
- Approval: Finance Manager spot-check high-value items

6.1.2. Key Controls:

- Cost center/profit center assignment verified
- GL account coding checked for accuracy
- Bank transactions matched with statements weekly

6.2. Month-End Closing Activities

Overview Timeline: Closing occurs T (last day of month) through T+5 (5 business days into next month)

Step	Activity	Responsible	Due Date	Notes
1	Ensure all invoices (sales/purchases) posted	Finance Coord.	T-2	Check AR/AP aging reports
2	Post salary accruals for month	Finance Mgr.	T-1	Based on payroll run
3	Post utilities, rent, other accruals	Finance Coord.	T	Accrual worksheets prepared
4	Reconcile AR/AP sub-ledgers with G/L	Finance Mgr.	T+1	Investigate differences >threshold
5	Bank reconciliation	Finance Coord.	T+1	Clear outstanding items
6	Run Trial Balance & validate	Finance Mgr.	T+2	Dr/Cr balances must match
7	Run P&L and Balance Sheet	Finance Mgr.	T+3	Sanity check vs. prior month
8	Final review and approval	CFO	T+4	Sign off and close period
9	Post accrual reversals (next period)	Finance Coord.	T+5	Prepare for new month postings

6.3. Month-End Closing Checklist

- ☐ **All Invoices Posted:** Verify no pending AR/AP
- ☐ **Salary Accrual Posted:** Month's salary liability recorded
- ☐ **Utilities/Rent Accrual Posted:** Month-end adjustments completed
- ☐ **Sub-Ledger Reconciliation:** AR/AP/Bank match G/L
- ☐ **Trial Balance Generated:** All differences resolved
- ☐ **P&L Generated:** Revenue and expenses finalized
- ☐ **Balance Sheet Generated:** Assets, Liabilities, Equity verified
- ☐ **Management Review:** Finance Manager approval sign-off
- ☐ **CFO Sign-Off:** Final authorization
- ☐ **Period Closed in SAP:** No further postings allowed for closed period

- [] **Next Month Setup:** Accrual reversals posted, new period opened

7. FINANCIAL REPORTING

7.1. Standard Reports to Be Generated (Manually or SAP Standard)

- **Trial Balance** (FBL3N or equivalent)
- **G/L Line Item Report** (FAGLL03 or equivalent)
- **Balance Sheet** (User-defined layout)
- **Profit & Loss Statement** (User-defined layout)
- **Cost Center Expense Summary** (FMCG01 or manual)

7.2. Report Frequency & Distribution

- **Monthly:** Trial Balance, P&L, Balance Sheet (to Management)
- **Quarterly:** YTD comparison vs. budget (optional, Phase 2)
- **Ad-hoc:** Sub-ledger reports for variance analysis

8. INTEGRATION POINTS

8.1. Integration with Order-to-Cash (SD)

- Customer invoices → AR posting + Revenue posting to G/L
- Goods issue → COGS posting + Inventory reduction
- Customer payments → Cash and AR clearing

8.2. Integration with Procure-to-Pay (MM)

- Goods receipts → Inventory posting + Payable to AP
- Vendor invoices → AP posting (3-way match with PO/GR)
- Vendor payments → AP clearing + Cash reduction

8.3. Payroll Integration (HR)

- Monthly salary data → Salary Expense posting + Payable accrual
- Tax/deduction details → Liability accounts

9. TESTING STRATEGY (HIGH-LEVEL)

9.1. Key Test Scenarios

9.1.1. *T001 – Sample Sales Transaction*

- Create sales invoice → AR and Revenue postings verified

9.1.2. T002 – Sample Purchase Transaction

- Create PO, GR, Invoice → Inventory and AP postings verified

9.1.3. T003 – Month-End Accruals

- Post salary and rent accruals → Verify GL impact

9.1.4. T004 – Trial Balance & Reconciliation

- Run TB, verify AR/AP/Bank reconcile

9.1.5. T005 – P&L & Balance Sheet

- Verify financial statements match GL balances

9.2. Sign-Off Criteria

- All test cases pass with zero critical defects
- Trial Balance equals zero
- P&L and Balance Sheet approved by Finance Manager

10. RISKS & MITIGATION

Risk	Likelihood	Mitigation
Posting errors due to incorrect GL coding	Medium	Training + sample posting guide + validation rules
Missed accruals at month-end	Medium	Checklist + pre-prepared accrual templates
Reconciliation differences not cleared	Low	Daily bank reconciliation + weekly AR/AP review
Period not closed on time	Low	Clear timeline + escalation path for blockers

11. ASSUMPTIONS & LIMITATIONS

- **Single Currency:** All postings in INR (or local currency)
- **Single Company Code:** No inter-company transactions in Phase 1
- **Manual Closing:** No automated workflows; Finance Manager directs each step
- **No Consolidation:** Subsidiary data not included
- **Simplified Tax:** Basic tax postings; detailed statutory reporting deferred to Phase 2

APPENDIX A: CHART OF ACCOUNTS (Full List)

ASSETS (1xxx)

- 1100 Cash at Bank
- 1200 Accounts Receivable 1300 Inventory – Goods
- 1400 Prepaid Expenses

LIABILITIES & EQUITY (2xxx)

- 2100 Accounts Payable
- 2200 Accrued Expenses
- 2300 Shareholders' Equity
- 2400 Retained Earnings

REVENUE (3xxx)

- 3000 Sales Revenue

COGS (4xxx)

- 4000 Cost of Goods Sold

OPERATING EXPENSES (5xxx)

- 5100 Salaries & Wages 5200 Rent Expense
- 5300 Utilities & Office Supplies 5400 Depreciation
- 5500 Insurance

OTHER INCOME/EXPENSE (6xxx)

- 6100 Other Income
- 6200 Other Expense

APPENDIX B: SAMPLE ACCRUAL WORKSHEET

Month: _____				
Accrual Item	Amount	GL Account Dr.	GL Account Cr.	Cost Center
Salary Accrual	\$XXX	5100	2200	CC003
Rent Accrual	\$XXX	5200	2200	CC003
Utilities Accrual	\$XXX	5300	2200	CC003
Total	\$XXX			