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SAP® ERP Financials: Configuration and Design

SAP PRESS

SAP® ERP Financials
Configuration and Design

2nd Edition
Updated and Expanded

- ▶ Discover best practices for the design and configuration of SAP ERP Financials
- ▶ Understand the configuration process by using a real-world, process-oriented approach
- ▶ Completely revised to include extended coverage on account assignments, the new SAP General Ledger, and much more

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Galileo Press

Contents at a Glance

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This chapter explains the mysteries of Asset Accounting, which many FI consultants struggle to cope with. Asset Accounting is very different from the other FI subledgers, and good process and configuration knowledge in this area is a valuable asset.

7   Asset Accounting

The objective of this chapter is to explain the functionality of the Asset Accounting (from this point on referred to as AA) submodule (often referred to as fixed assets). AA functionality is designed for the management and supervision of an organization's fixed assets and is a GL subledger. AA is sometimes considered a specialist topic because many SAP professionals do not understand the processes within this submodule from a company or a statutory point of view. For this reason, this chapter provides a lot of information to help explain this area to beginning users, including the following topics:

▶ The link between the different organizational elements within AA

▶ Configuration of asset master records

▶ Configuration of depreciation methods and postings to the GL in line with statutory requirements

▶ Asset acquisitions, transfers, and retirement transactions processing

▶ Asset depreciation processing

▶ Substitutions and validations in asset master records

▶ Current asset valuation

This chapter's order is important because it follows the IMG, which is organized by type of activity. Following this order (which is also the order in which steps are processed) ensures that you complete the configuration in the order required by SAP ERP to take into account the dependencies between the different objects. This also ensures that less experienced users do not miss any steps or get confused with the different dependencies.

The chapter begins by presenting the main concepts of AA. We then look at the key points that should form part of your workshops with your business partners when creating a design for your AA solution in your business blueprint. After that, we take a detailed look at configuring AA.

7.1   Overview of Asset Accounting

Asset Accounting in SAP ERP covers the complete lifecycle of an asset, which may start when the purchase order is created or when the asset is capitalized, to its retirement at the end of its useful life. During this time, the system calculates appropriate depreciation values and interest amounts and presents this information in many different reports. The asset lifecycle is shown in Figure 7.1.
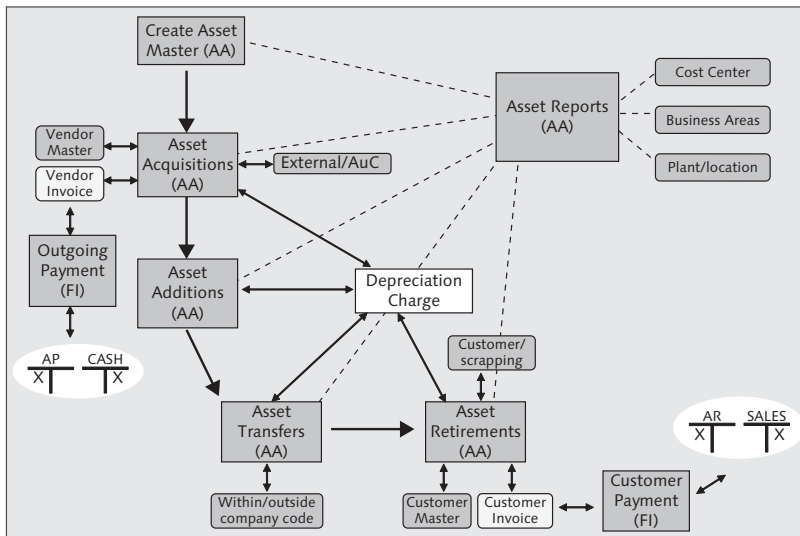
Figure 7.1   Asset Lifecycle

7.1.1   Implementation Considerations

As with any submodule in SAP ERP Financials, you should always be clear on what aspects of functionality you want to implement before you start the configuration. This is certainly true for AA because this submodule is designed to be used internationally. The changes in statutory requirements in different countries require the submodule to be flexible enough to mold to your country- or industry-specific requirements.

You should also ensure that no country-specific settings are hard-coded when you configure your system. Where appropriate, the SAP system delivers many country-specific settings that can be copied to reduce the effort required in implementations.

7.1.2 Integration

AA is fully integrated with other components, as indicated in Figure 7.1. At all times, postings to assets are integrated with the GL, so the value of your assets is reflected correctly in your balance sheet.

7.2 Building Blocks of Asset Accounting

In Chapter 2, we defined the enterprise structure for your SAP solution design, which outlined the basic building blocks needed to build your solution. Let's first refresh your memory of this diagram, shown in Figure 7.2, before we look at the AA-specific objects.

In Chapter 2, we decided not to include the AA elements because they would be explained better in this chapter. You will see that the setup of AA is based on its own mini-organizational structure, which is in turn influenced by your organizational design as well as your statutory reporting requirements. This section provides you with a basic definition of how AA is built and structured, which you'll need to design your AA blueprint.
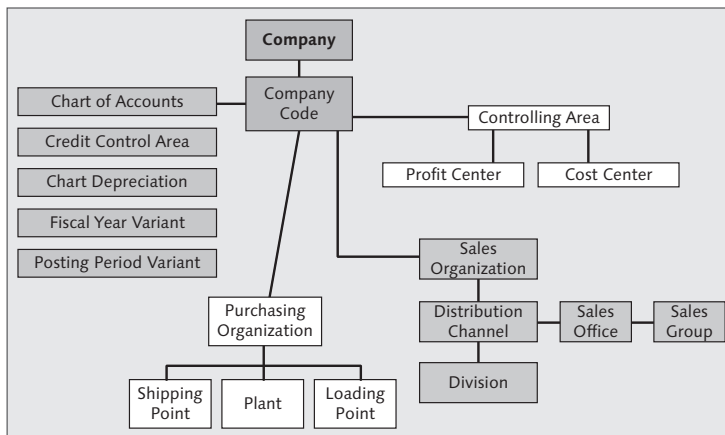
Figure 7.2 Enterprise Structure

7.2.1 Chart of Depreciation

The chart of depreciation is the organizational element used to manage various legal requirements for the depreciation and valuation of assets. Like company codes, these are usually country-specific but do not need to be aligned with any other organizational units. A chart of depreciation, for example, can be used for all of the company codes in a given country.

Country-Specific Charts of Depreciation

In a simple scenario, you may have one or more company codes in the same country. These can be assigned to the same chart of depreciation because they are all governed by the same legal requirements for asset valuation. Within your chart of depreciation, you need to define the following two settings, which are both discussed in more detail later in the chapter:

▶ **Depreciation areas:** Your organization may be subject to statutory reporting constraints that control the rules you must obey. Your organization may be a multinational organization, so you'll also want to report your assets subject to your internal conventions. For this reason, SAP allows you to define depreciation areas, in which you can set up internal and external depreciation rules to provide different analyses.

▶ **Depreciation keys:** A depreciation key is the convention under which depreciation is calculated. Your depreciation key holds the calculation method and the period control, which are defined at the client level. You can change and add to the standard calculation keys that are delivered with the system.

> **Note**
>
> SAP supplies a number of charts of depreciation relating to different countries, which you can copy; however, you can't use them directly. Be sure to make a copy of the appropriate chart of depreciation for your country because the chart contains all of your statutory requirements and provides you with a good base from which to start.

Integration between Company Code and Chart of Depreciation

In AA, you are required to assign company codes to exactly one chart of depreciation. For your company, you should keep the number of charts of depreciation to a minimum to keep your asset values uniform. Country-specific company codes

with similar AA requirements use the same chart of depreciation, and the same applies for industry-specific company codes.

Integration between Chart of Accounts and Chart of Depreciation

The assignment of a company code to a chart of accounts is independent from its assignment to a chart of depreciation. This means that several company codes can use the same chart of accounts, although they have different charts of depreciation (and vice versa). This link passes financial information from AA to GL accounts. The GL account assignment is controlled by means of the asset class in AA. You have to specify an account determination in each asset class. In this account determination, you specify the GL accounts in which automatic posting takes place for different transactions.

7.2.2 Asset Assignment to Organizational Units

In AA, the asset master record serves as a basis for assignments of assets to different organizational units. These assignments are not only important from an AA point of view because they can be used in many reports but also for other applications for detailed analysis. The following assignments are possible:

▶ **Assignment of company code:** As already mentioned, you must make assignments to company codes based on the information provided regarding charts of depreciation.

▶ **Assignment of business area:** This assignment is necessary if your design will deliver business area balance sheets. Assets can be assigned to a business area directly during master record creation, or they can be derived automatically from the cost center that you entered. As long as a fixed asset is assigned to a business area, the system makes account assignment of all postings to this asset to this business area, including depreciation and gain, or loss postings on asset retirement.

▶ **Assignment to plant, location, and address:** The definitions of the plant and location organizational units are primarily specified in the SAP logistics components. In AA, plant has no relevance, but it can be used as a sort and selection criterion for reports. You can assign an asset to one plant for a specific period of time in its master record. This assignment can be changed directly in the asset master record.

▶ **Assignment to cost center and profit center:** We have already mentioned that GL postings are integrated by asset class. If you think about the account assignment object, you will agree that an asset may belong to a specific department. For this reason, the financial transactions related to an asset must also be assigned to the department it belongs to, which could be a cost center entered on its master record. An asset can only be assigned to one cost center at a time. This assignment enables the following:

  ▶ Assignment of all costs (depreciation and interest charges) related to the asset to the correct cost center

  ▶ Planning for future depreciation or interest for the asset

  ▶ Assignment of gain or loss from the sale of the asset to the correct cost center

You can assign fixed assets to a cost center from a specific point in time, and if the assignment changes, the system is smart enough to distribute the depreciation or interest amount to the subsequent cost center. Profit center assignment is achieved through the cost center–profit center assignment in the cost center master record.

> **Note**
>
> Assets are not directly assigned to profit centers.

7.2.3   Integration with the GL

From a high-level point of view, your AA solution needs to provide you with two pieces of information:

▶ An asset register that provides an analysis of the assets you own, along with their original cost and net book value

▶ An accurate financial position in terms of the current gross book value of your assets

  ▶ The real-time integration with the GL is straightforward because AA is a subledger of the GL.

7.2.4 Structuring Your Fixed Assets Design

Different options are available concerning how you want to see figures reported on your asset statements. You should consider the current conventions in place at your organization before making a decision. The following are common approaches:

▶ **Balance sheet approach:** If you want to structure assets according to the structure of your balance sheets, you have three options available in the standard system:

  ▶ Use the financial statement version.

  ▶ Use balance sheet items.

  ▶ Use GL accounts.

▶ **Asset class approach:** Asset classes can represent the structure of your assets. Every asset you create in the system is created with reference to an asset class. You use the settings of account determination in the asset class to assign each asset to an item in the balance sheet.

▶ **Asset approach:** This approach is more practical and may be more relevant for organizations with many assets that can be combined due to the size and nature of the assets. For instance, a laboratory may be an asset as a whole that is made up of many smaller assets. In this scenario, you have the following:

  ▶ The asset "main number" represents the overall asset.

  ▶ Below the main asset, you can use asset "subnumbers" to represent the many component parts, and you can depreciate them individually if their acquisition dates are different from the original asset.

> **Note**
>
> You can use an asset main number to represent a fixed asset if your requirements are simple.

In the next section, we'll look at how to build an AA business model.

7.3 Building an Asset Accounting Business Model

After you understand the main concepts in AA, you should think about the questions you need to ask your business partners as part of your workshops to understand

their requirements from an AA point of view. The answers to these questions will help you build an AA model according to the exact requirements of your business partners. Examples of the questions could include:

▶ **How many different types of assets do you have?**
This will help you determine the number of asset classes you need in the system to represent their current structure within the SAP system.

▶ **Do you want to represent different types of assets with individual balance sheet accounts in your financial statements?**
This will determine if you need to create separate account determinations for every type of asset and also for the same type of assets with different useful lives, or if you can assign the same account determination to an asset, for example, furniture and fixtures, with different useful lives. This means you don't have to create a separate account determination for this asset with different useful lives. Most companies prefer to use one account determination for each type of asset and use the AA reports to view more details about asset types with different useful lives.

▶ **Do you want your different asset types to have unique number ranges?**
This will help you to determine if you need to add more number ranges so they can be assigned to different types of assets using their respective asset classes. Most of the time, companies want to assign a different number range to different types of assets so that they can be easily identified.

▶ **How many different types of depreciation calculations are required?**
This will help you determine how many different depreciation areas are required within your chart of depreciation and which of these will post to the GL and which will post, for example, only to the Controlling component (CO) for cost accounting purposes. Remember that the settings required for straight-line depreciation as well as for declining methods and so on are also connected to the depreciation area through the depreciation key. Settings such as when to start or stop depreciating assets (when they are acquired, transferred in or out, or retired) are also linked to the depreciation key. These settings are also determined at this stage so that the same can be reflected when the configuration of depreciation keys are done.

We have now spent some time explaining the concepts of AA to provide you with a solid understanding of the key elements involved. AA is sometimes seen as a specialist subject that will start making sense as we begin our configuration activities.

7.4   Asset Accounting Configuration

In this section, we'll look at the important AA configuration steps, following a logical sequence. This ensures that you don't miss any important steps while also making sure that after following these steps, your AA submodule is fully functional. We'll start by copying a reference chart of depreciation to define your own chart of depreciation.

7.4.1   Copy Reference Chart of Depreciation

To define your chart of depreciation, you copy a reference chart of depreciation, including all of the depreciation areas from the reference chart. As already explained in the previous section, your chart of depreciation is a directory of depreciation areas arranged according to your business and legal requirements. You can use the chart of depreciation to manage all different types of valuation rules for your assets in a specific country or economic region.

If necessary, you can delete any depreciation areas that you do not need in your copied chart of depreciation.

The IMG path for this configuration step is SPRO • Financial Accounting (New) • Asset Accounting • Organizational Structure • Copy Reference Chart of Depreciation/Depreciation Areas. A screen with activities, including Copy Reference Chart of Depreciation, appears as shown in Figure 7.3.
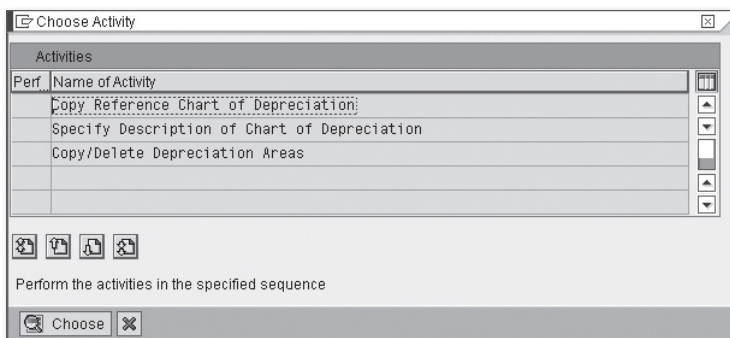
Figure 7.3   Copy Reference Chart of Depreciation

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