Data Migration Tools:
Opening Balances

SAP Business One
Release 9.0

Welcome to the topic on Opening Balances.

Objectives

Objectives:

■ Enter beginning balances for business partners, inventory, and G/L accounts in SAP Business One

In this topic, you will learn the various options for entering beginning balances for business partners, inventory, and G/L accounts. You will also learn how to enter the item quantities held in stock, with the costs.
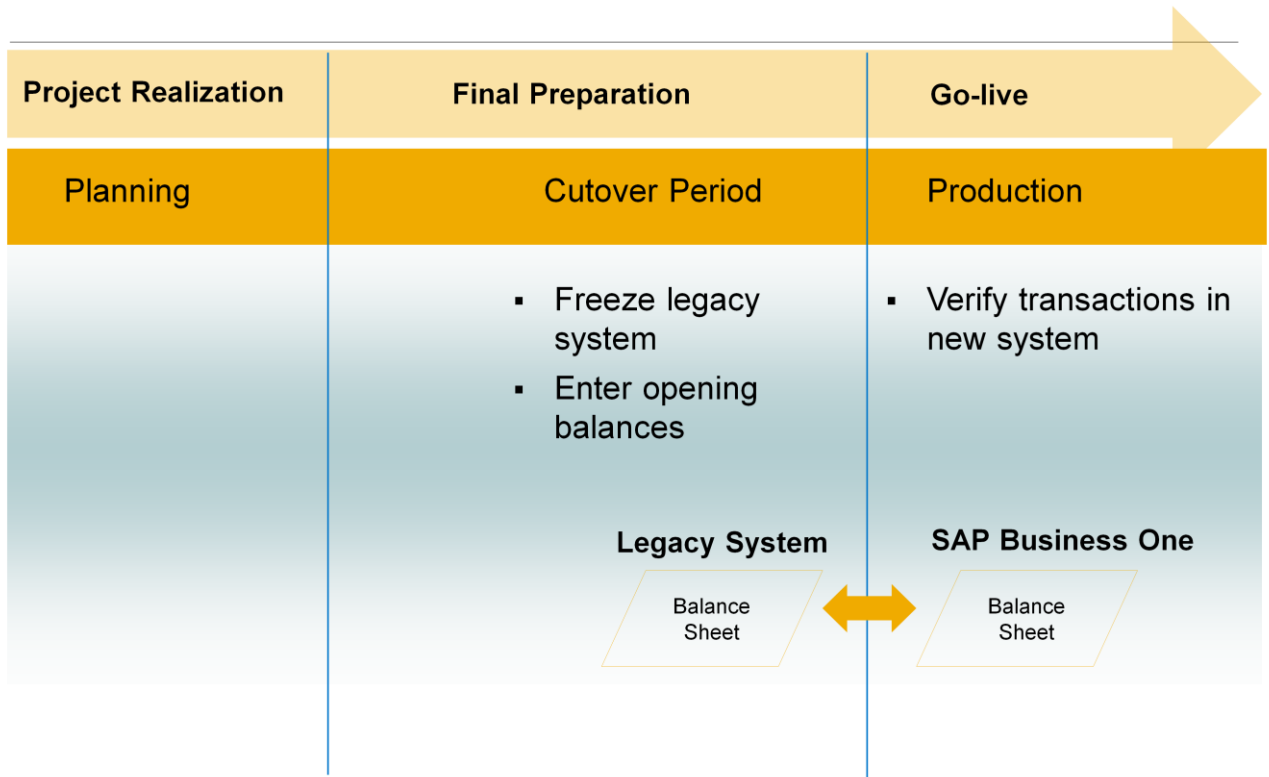
Business Scenario

- The customer will go live in two days. Once the legacy system is closed down, you need to balance the accounts from the legacy system with the account balances in SAP Business One

- To accomplish this, you need to enter the balances for G/L accounts and business partners, and enter item quantities and costs, so that the financial reports match

Balance Sheet

Profit and Loss Statement
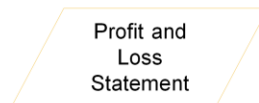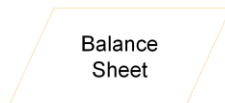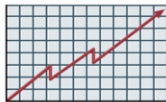
Just before go-live, you have a short timeframe where you must enter the G/L account balances from the legacy system, including the balances for business partner accounts. You also need to enter the item quantities and costs. At the end of this effort, the financial reports in the new SAP Business One system match the legacy reports.

Cutover

Project Realization	Final Preparation	Go-live
Planning	Cutover Period	Production
	▪ Freeze legacy system ▪ Enter opening balances	▪ Verify transactions in new system

Legacy System   **SAP Business One**

Balance Sheet ⟷ Balance Sheet

- The period immediately before go-live is called cutover. This period can be as short as a few hours, or can last a few days, such as over a weekend.

- However, you should conduct the planning for the cutover much earlier on in the implementation project, in phase 3 Project Realization.

- There are many things to consider. Will there be a period of running the SAP Business One system in parallel to the legacy system? Can the go-live take place at the start of a fiscal year? Can open transactions in the legacy systems be closed before the cutover?

- During the cutover period, the final opening balances are entered in the new SAP Business One system.

- At go-live, financial information in the SAP Business One system must match the legacy system balance sheet accounts.

Data Migration Order for Opening Balances

1. **Master Data**

2. **Item Quantities and Costs (after stock count)**

3. **Open Transactions that do not impact inventory*:**
   - Sales and Purchase Orders
   - A/R and A/P Invoices**
   - Payments
   - Production orders

   Reference: Data Migration Guide

4. **Final Opening Balances:**
   - Business Partner Balances***
   - G/L Account Balances
   - Bank Transactions

- The cutover period is a critical period and there are many elements to consider. Each customer will have slightly different requirements; but in general you should follow a recommended order for entering the opening balances.

- In this topic, we cover the procedure for opening balances at a high level. For a step-by-step guide to opening balances, refer to the *Data Migration Guide* from the AIP methodology.

Data Migration Order for Opening Balances

1. **Master Data**

2. **Item Quantities and Costs (after stock count)**

3. **Open Transactions that do not impact inventory*:**
   - Sales and Purchase Orders
   - A/R and A/P Invoices**
   - Payments (not based on invoice)
   - Production orders

   Reference: Data Migration Guide

4. **Final Opening Balances:**
   - Business Partner Balances***
   - G/L Account Balances
   - Bank Transactions

First, you need to complete the migration of master data. Master data is usually migrated in the Project Realization phase of the implementation project; however, there may be a need to migrate new master data created in the legacy system after the main migration ends.

Data Migration Order for Opening Balances

1. Master Data

2. Item Quantities and Costs (after stock count)

3. Open Transactions that do not impact inventory*:

- Sales and Purchase Orders
- A/R and A/P Invoices**
- Payments (not based on invoice)
- Production orders

Reference: Data Migration Guide

4. Final Opening Balances:

- Business Partner Balances***
- G/L Account Balances
- Bank Transactions

- The customer should freeze operations on the legacy system, and perform a stock count, so that item quantities and costs can be entered into SAP Business One.
- If the system uses perpetual inventory, the inventory G/L account will be updated.

Data Migration Order for Opening Balances

1. **Master Data**

2. **Item Quantities and Costs (after stock count)**

3. **Open Transactions that do not impact inventory*:**
   - Sales and Purchase Orders
   - A/R and A/P Invoices**
   - Payments (not based on invoice)
   - Production orders

   Reference: Data Migration Guide

4. **Final Opening Balances:**
   - Business Partner Balances***
   - G/L Account Balances
   - Bank Transactions

- Open transactions from the legacy system should be imported next.

- Open sales quotations, sales orders not linked to deliveries, purchase quotations, and purchase orders not linked to goods receipts, do not affect accounting or inventory levels, so can be imported as well as production orders.

- ***Note:** SAP recommends that open documents that affect inventory, such as deliveries, are not migrated. Instead the customer should try to invoice or close these documents on the legacy system. If it is not possible, the customer should retain these documents and process them on the legacy system until they are closed.

  - In the frozen legacy system, business partner accounts should be reconciled so that only open invoice balances and prepayments that are not based on an invoice need to be transferred. Where possible, the customer should pay outstanding vendor balances, and enter payments received from customers, to minimize the number of business partner balances.

  - ****Note:** SAP recommends that A/R and A/P invoices are imported as *service type* invoices. If an item type invoice is migrated, and there are no preceding documents, the invoice will assume the role of the delivery or goods receipt and will impact inventory quantity levels. If perpetual inventory is in use, there will also be an automatic posting to the inventory account.

Data Migration Order for Opening Balances (Cont.)

1. **Master Data**

2. **Item Quantities and Costs (after stock count)**

3. **Open Transactions that do not impact inventory*:**
   - Sales and Purchase Orders
   - A/R and A/P Invoices**
   - Payments (not based on invoice)
   - Production orders

   Reference: Data Migration Guide

4. **Final Opening Balances:**
   - Business Partner Balances***
   - G/L Account Balances
   - Bank Transactions

- Lastly, enter the final opening balances for business partners, G/L accounts and bank transactions.

- ***Note:** If all open A/R and A/P documents have been imported in step 3, the final balances for business partners should already be correct and should not be duplicated.

- The customer should attempt to reconcile bank accounts before these accounts are transferred. If the account can be fully reconciled, you can transfer the balance. If there are unreconciled transactions in the account, you need to post these transactions individually in SAP Business One.

- A trial balance report should be produced from the legacy system so that G/L account balances can be entered into SAP Business One.

- If the go-live takes place during the fiscal year, the P&L account balances are also entered from the legacy system.

Migrating Business Partner Balances

■ Recommended methods for importing business partner account balances from the legacy system

Data Transfer Workbench	• Import original A/R and A/P invoices as service type invoices to avoid impact on inventory
Opening Balance transaction in SAP Business One	• Enter balance for multiple business partners using single screen

Note: If there are multiple transactions in the business partner account, decide with the customer whether to import the balance total as one flat amount, or as individual transactions

■ Two methods are recommended for importing business partner account balances.

  ■ One option is to import the original A/R and A/P invoices for each business partner using the Data Transfer Workbench. SAP recommends using the service type document so there is no impact on inventory quantities or accounts.

  ■ The second option is to use the Business Partners Opening Balance transaction in the SAP Business One application. You can enter the balance for multiple business partners in one screen.

■ If there are multiple transactions in a business partner account, you need to decide with the customer whether to import the balance total as one flat amount, or whether to import each individual transaction for the business partner account.

Business Partner Balances

- You need to advise the customer on the implications of the different methods
- Make sure posting periods are defined for posting to original dates

DTW	Opening Balance Transaction
• Document as source for original invoice - can be matched to payment	• No document as source, but journal entry can be matched to payment
• Can import down payments and payments on account using DTW templates or as opening balances	• Can enter balances for down payments and payments on account
• Use original dates from legacy invoice to maintain correct aging	• Enter each transaction balance separately with original due date to maintain correct aging
• Journal entry posted (origin IN)	• Journal entry posted (origin OB)
• Keep original document numbers	

Note: The linked A/R and A/P control accounts are updated simultaneously

- You should understand the implications of each method so you can advise the customer.

- If you import the account balances as service type invoices, as a result you have a *document* as a source for the original invoice, that can be matched when a payment is received. You should import the original posting dates from the legacy system to maintain correct aging. Any down payments and payments on account posted to the business partner account can be imported using DTW templates, or entered as opening balances as described below. You can keep the original document numbers from the legacy invoices.

- If you use the Business Partners Opening Balance transaction, a *journal entry* is posted to the business partner account. The journal entry has the origin code OB so it can be identified as an opening balance transaction. There is no document as a source, but when processing a payment, the user can match the payment to the journal entry in the account. It is easier if you enter each transaction for a business partner separately rather than in one consolidated amount. Additionally, you can enter the legacy due date for each transaction, to maintain correct aging. You can also enter balances for down payments and prepayments that were posted to the business partner account.

- Regardless of the method used, you should make sure that you have defined posting periods in SAP Business One so that postings can be made with the original dates from the legacy system. You should make sure these periods are not locked.

Effect of Migrating Business Partner Balances

- In the balance sheet, the linked A/R and A/P control accounts are updated simultaneously, therefore these accounts should match to the legacy system

- To avoid updating the revenues and expenses accounts in the profit and loss section, use an opening balances account as the offsetting account

Balance Sheet

Profit and Loss Statement

- After you have imported or entered the business partner transactions, the linked A/R and A/P control accounts are updated simultaneously, so these account values should match to the legacy system. If there are discrepancies, you need to investigate and make any corrections in SAP Business One using manual journal entries.

- As a result of importing invoices, the revenues and expenses accounts will be updated in the Profit and Loss section. These accounts will not be updated if you use the opening balances transaction.

DTW Templates for Business Partner Balances

■ Data Transfer Workbench - Import open A/R and A/P invoices as service type

Templates > Sales > AR Invoice	*Templates > Purchasing > AP Invoice*
OINV – Documents	OPCH – Documents
INV1 – Document_Lines	PCH1 – Document_Lines

	A	B	C	D	E	F	G	M	N
1	**DocNum**	**DocType**	**HandWritt**	**Printed**	**DocDate**	**DocDueDate**	**CardCode**	**DocTotal**	**Reference1**
2	DocNum	DocType	Handwrtten	Printed	DocDate	DocDueDate	CardCode	DocTotal	Ref1
3	456	dDocument_Service	tYES	psYES	20130301	20130401	C001	2500.00	Opening balance
4	457	dDocument_Service	tYES	psYES	20130302	20130402	C025	1460.50	Opening balance
5	458	dDocument_Service	tYES	psYES	20130315	20130415	C042	3780.59	Opening balance

Service Type

Manual document numbering

■ If you decide to import the invoices using DTW, you can find the DTW templates in the Sales or Purchasing folders:

  ■ OINV – Documents

  ■ INV1 – DocumentLines

  ■ OPCH – Documents

  ■ PCH1 – Document Lines

■ You can import the original legacy document number, if desired, by using manual document numbering.

Opening Balances Transaction

Administration → System Initialization → Opening Balances → Business Partners Opening Balance

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- If you decide to use the opening balances transaction in SAP Business One, choose *Administration → System Initialization → Opening Balances → Business Partners Opening Balance*.

- In the opening balances screen, you should select an opening balances account as the offsetting account for the journal entry. This avoids a posting to the revenue or expenses account.

- To support aging in the new system, you should specify the relevant due date for the balance. This might necessitate entering multiple balances for a business partner, with a different due date.

- You can also use the opening balances transaction for recording any open business partner balances outside of the open invoices total (for example prepayments).

- **Note:** If the *Display Credit Balance with Negative Sign* checkbox is enabled, enter a minus sign for credit balances.

Item Quantities and Costs

Stock Count ▶ Item Quantities ▶ Item Costs

- Need to consider the physical quantity and the item cost
- If perpetual inventory in use, item cost depends on valuation method:
  - Standard cost
  - Moving average
  - FIFO

- Item quantities and costs must be entered before open transactions that release inventory can be imported. There are two things to consider: the physical in stock quantity for the item, and the item cost.

- The client should conduct a physical inventory or stock count before the item quantities are transferred.

- The item cost is used for calculation of inventory valuation if perpetual inventory is used:
  - For moving average price, the item cost for an item will be recalculated each time a receipt document is imported, therefore you need to match the item cost closely to the legacy system.
  - For FIFO pricing, you can enter the item cost multiple times with different quantities at different cost prices, to represent the FIFO layers in the legacy system.
  - For standard price, you can enter the standard prices in the item master data. Use the item's last purchase price from the legacy system.

- After you have entered the item costs you should reconcile the value with the legacy system. You may have to create manual journal entries to correct any differences, especially if moving average is the management method.

Migrating Item Quantities and Costs

■ Recommended methods for importing item quantities and costs from the legacy system

■ All methods support batch and serial number information

Inventory Opening Balance transaction in SAP Business One	• Enter quantity and cost from single screen.
Data Transfer Workbench (goods receipts without PO template)	• Enter quantity and cost from template spreadsheet.
Manual document (using goods receipts without PO document)	• Easiest option if low number of items.

There are several methods recommended for importing item quantities and costs, including:

■ The inventory opening balances transaction in SAP Business One. This allows you to enter the quantity and the item cost for each item, from a single screen.

■ Data Transfer Workbench using the inventory goods receipt template *OIGN – Documents*. The import of a goods receipt using DTW is covered in a companion topic.

■ If there is a low number of items, you can enter them manually using a *Goods Receipt* document.

■ You can enter batch or serial numbers for the items using any of the methods.

■ Note: If perpetual inventory is in use, the inventory account is updated in value.

Opening Balance Transaction

Inventory > Inventory Transactions > Inventory Opening Balance

- The inventory opening balance transaction allows you to enter quantity and unit price

- You can select the price source as a price list, if desired

Stock Opening Balance								
Posting Date	01.04.13			No.	Primary ▼	1		
Document Date	01.04.13			Ref. 2				
Price Source for Whse Stock Posting		Item Cost ▼						

#	Item No.	Item Description	Whse	Bin Location	In Warehouse	Opening Balance	Unit Price	Total	Account...
1	843	Laptop Case	01			21	GBP 8.00	GBP 168.00	360000
2	844	Fan	01			100	GBP 2.50	GBP 250.00	360000
3	845	USB Port	01			44	GBP 12.00	GBP 528.00	360000
4	Z00001	Tablet PC 64GB Black	01			15	GBP 56.00	GBP 840.00	360000
5	847	Flash Memory Device	01			200	GBP 48.00	GBP 9,600.00	360000
6									

GBP 11,386.00

Remarks

Journal Remark Stock Opening Balances

Add   Cancel   Add Items

- If you decide to use the Inventory Opening Balance transaction, you enter the item quantity at opening, and the unit price. You can select the price source as the item cost or as a price list. This gives you an opportunity to take the unit prices from a predefined price list.

- If you are working with perpetual inventory, the opening balances transaction posts a journal entry. The journal entry has origin code OB. The journal entry debits the inventory account defined in the G/L account determination, and credits an offsetting account that you specify. SAP recommends you create an opening balances G/L account and use this as the offsetting account to ensure there is no effect on other general ledger accounts. The offsetting account can be selected on each item row.

- If perpetual inventory is used, make sure you enter the item cost appropriately, according to the valuation method for the item. If moving average valuation is used, a recommendation is to create a price list with the latest moving average price for each item from the legacy system. In the opening balance transaction, select this price list as the source for the item cost.

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Opening Balance Transaction (Cont.)

Inventory > Inventory Transactions > Inventory Opening Balance

- If item is managed by batch or serial number, right-mouse click item row to enter applicable batch or serial information

If the item is set to be managed with batch or serial numbers, you can right-mouse click the item row and select serial or batch from the context menu to enter the applicable serial numbers or batch information.

G/L Account Balances

Account Name	Debit	Credit
Assets:		
Cash	5.000	
Inventory	500	
Receivables	1.500	
Liabilities:		
Loans		2.000
Employees		1.500
Payables		700
Equity:		
Equity		200
Revenues		5.100
Cost of Sales	1.500	
Expenses	1.000	
Total:	9.500	9.500

- If go-live is at start of fiscal year, only balance sheet accounts are transferred
- If go-live is during fiscal year, balances must also be transferred from P&L
- Conduct Period End closing

- The remaining final opening balances for the general ledger accounts need to be recorded last, just before the cutover.

- If the go-live occurs at the start of a fiscal year, you can enter the G/L account balances from the trial balance report from the legacy system.

- If the go-live occurs during the fiscal year, you need to transfer the P&L balances in addition. If you need to transfer P&L balances, the client should run the P&L report for each period since the start of the financial year. This will allow you to enter the balances for each period. When entering P&L balances, you need to subtract the value of the expense and revenues accounts if you imported A/R and A/P invoices.

- Conduct the *Period-End Closing* process in the current go live period, in order to transfer the P&L balances. To run the Period-End Closing utility, choose *Administration > Utilities > Period-End Closing*.

Migrating G/L Account Balances

- Recommended options for importing G/L account balances from the legacy system

- Do not enter balance twice for A/R and A/P control accounts, or for inventory accounts

Journal Entry	• Enter multiple accounts. Origin is manual journal entry
G/L Accounts Opening Balance transaction	• Enter G/L account values from single screen. Origin is Opening Balance (OB)

- SAP recommends the following options for importing the final G/L account balances from the legacy trial balance report:

- Manual journal entry. You can enter multiple accounts in one journal entry. Use the opening balance account as the offsetting account. You should enter reference fields to indicate the journal entry is an opening balance.

- The G/L Accounts Opening Balance transaction in SAP Business One. You can enter the balance for each G/L account in a single screen. A journal entry is posted by the transaction with the origin code OB, so this can be easily tracked and reported as an opening balance.

- Make sure you do not enter a balance twice, for example the A/R and A/P control account balances, or the inventory account balance if perpetual inventory is in use.

Opening Balances Transaction

Administration → System Initialization → Opening Balances → G/L Accounts Opening Balance

- Separate journal entry posted for each G/L account, with same posting date is same

- To spread balances over a fiscal year, post balances for each period

If *Display Credit Balance with Negative Sign* checkbox is enabled, enter a minus sign for credit balances.

- The opening balances transaction in SAP Business One allows you to enter the final balance for each G/L account from a single screen. Select an opening balance account as the offsetting account.

- Although a separate journal entry is posted for each account, the posting date is the same. Therefore you need to decide whether to enter the balances spread over a fiscal year, for example, you can divide the balances by posting period, and post for each period with the posting date set to the end of the month.

- When entering opening balances, you must enter the minus sign for credit balances if the *Display Credit Balance with Negative Sign* checkbox is set in *Administration → System Initialization → Company Details*.

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Bank Transactions

- Reconcile cash and bank accounts before entering the balances

- Enter unreconciled transactions separately

Fully reconciled accounts	• Enter balances using opening balances transaction in SAP Business One	Bank Statement
Open bank transactions (not reconciled)	• Import each transaction as a journal entry using DTW	Reconciliation

- SAP recommends that you separate cleared (reconciled) and open (unreconciled) cash and bank transactions. This will make it easier to reconcile these accounts later in SAP Business One:

- You can enter fully reconciled transactions using the *G/L Accounts Opening Balance* transaction. Alternatively, you can import the transactions as journal entries using the Data Transfer Workbench. In both cases, the offsetting account should be the opening balance account.

- Open transactions contain un-cleared checks, bank transfers and other transactions that have been recorded in the books but not yet reconciled with the bank statement. You can import these transactions using the Data Transfer Workbench as individual journal entries or as one large journal entry with multiple rows. In both cases, record one line per open transaction. This will make it easier to reconcile these transactions later. The offsetting account should be the opening balance account.

- If Bank Statement Processing (BSP) is to be implemented, when creating the first bank statement for the bank account the field 'Starting Balance' can be set manually. Thereafter, for all subsequent bank statements, the starting balance field must be equal to the ending balance of the previous bank statement.

Reconciliation Reports

Legacy System	SAP Business One
◼ Inventory quantities and values	◼ Inventory Audit Report
◼ Business partner balances	◼ Aging Reports
◼ G/L Account balances	◼ Balance Sheet / Profit & Loss
◼ Open orders	◼ Open Items List

◼ Regardless of how you perform the migration of open items and balances, you need to reconcile the accounts between SAP Business One and the legacy system. Print and retain a hard copy of all reconciliation reports from SAP Business One and the legacy system to prove the migration correctness:

◼ To reconcile inventory quantities and values, run the *Stock Audit Report.* Match the item quantities in SAP Business One with the quantities in the legacy system. Make sure the stock account balances in SAP Business One match the stock account balances in the legacy system.

◼ To reconcile business partner balances, run the *Customer Receivables* and *Vendor Liabilities Aging* reports with a posting date range until the start of the current fiscal year. You must ensure that the business partner opening balances migrated to SAP Business One align with the legacy system.

◼ To reconcile G/L account balances, run the *Balance Sheet* as per the first day of the current fiscal year. You must ensure that the G/L opening balances migrated to SAP Business One align with the legacy system.

◼ If you migrated other open items such as sales orders and purchase orders, you need to match the total balance migrated to SAP Business One with the legacy system. Run the *Open Items List* report in SAP Business One and compare the total with the total balance of the corresponding item in the legacy system.

Key Points
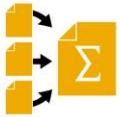
Key points from this topic:
- The goal of entering opening balances is to match the financial reports of the legacy system and the SAP Business One system.
- There are multiple ways to enter opening balances. You must plan carefully with the customer.
- SAP recommends that you migrate legacy master data and transactions in a certain order:
  1. Master data
  2. Item quantities and costs
  3. Open transactions
  4. Final opening balances for business partners, items, G/L accounts and bank transactions
- During cutover, the legacy system is frozen and stock is counted. Open transactions should be closed if possible. Business partner and bank accounts should be reconciled before opening balances are entered.
- For a structured approach to entering opening balances, refer to the Data Migration Guide.

- Here are some key points to take away from this topic.

- The goal of entering opening balances is to match the balance sheet and the Profit & Loss reports of the legacy system and the SAP Business One system.

- There are multiple ways to enter opening balances. You must plan the process carefully with the customer.

- SAP recommends that you migrate legacy master data and transactions in a certain order:

  - Master data, such as the chart of accounts, business partners, items and price lists

  - Item quantities and costs, based on an inventory stock take

  - Open transactions such as sales and purchase orders, A/R and A/P invoices, production orders, bills of materials, etc.

  - Final opening balances for business partners, items, G/L accounts and lastly, bank transactions

- During the cutover period, the legacy system is frozen and stock is counted. In the legacy system, the client should close as many open existing transactions as possible, and business partner accounts should be reconciled so that only open invoice balances and prepayments that are not based on an invoice need to be transferred. Item quantities and costs must be entered before open transactions that release inventory can be imported.

- For more details on a structured approach to entering opening balances, refer to the *Data Migration Guide* from the AIP methodology.

Thanks!

You have completed the topic for Opening Balances.

Thank you for your time!

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