Narayanan Veeriah

Customizing Financial Accounting in SAP®

Customizing
**Financial Accounting
in SAP**®

▸ Understand business processes, functions, and
customizing options
▸ Find real-world, practical examples to illustrate
configuration concepts and processes
▸ Benefit from detailed, step-by-step instructions and
tips and tricks based on expert knowledge

Narayanan Veeriah

Galileo Press

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Preface

What you have in your hands is a unique book. You may have seen several books on SAP Financial Accounting (FI) that are available in the market, but none of them are as comprehensive as this, covering the gamut of Financial Accounting in SAP Financials including—besides the regular topics—FI-CA (Contract Accounts Receivable and Payable), Consolidation (New), FI-LA (Lease Accounting), FI-TV (Travel Management), and much more. The book is also unique in another sense: It gives you much more than information on SAP FI, because it enables you to get started in any SAP implementation project with all the knowledge you need to understand the methods behind creating a project before you actually jump into customizing SAP FI. In addition, this book also provides you with insight into technical and functional upgrades.

For an easy understanding of the concepts and customizing steps discussed across the chapters, we have followed a story-board approach with the case studies *Mercury* and *Orion*. As you read through, you will notice that a story is being built to configure these two corporations for SAP FI. Though these corporations are fictitious, we are certain that you will feel as if *you* are actually configuring a real-world situation in SAP when you see how the business requirements for these cases are translated into FI settings. This information is supported in an easy-to-read walk-through of concepts and customizing steps, and supported by numerous screen shots from SAP ERP 6.0 and illustrations. You will also see that, in each of the 18 chapters, several tips and tricks are included to provide you with additional insights relevant for those unique situations. Besides the IMG menu path for customizing, you will also see the relevant transactions listed, which will help you to access the configuration screens faster.

Structure and Content

The book starts with an introduction to SAP ERP Financials Financial Accounting in **Chapter 1**, outlining the key functionalities of SAP ERP 6.0 in general and FI in particular, and the benefits you can reap from this application when correctly

implemented. You will learn what is new or enhanced that was not available in the earlier versions of SAP.

You will learn all that is required to understand the New General Ledger in **Chapter 2**. Besides looking at the New G/L architecture, you will learn about the ledger concept and the new functionalities, including parallel accounting, document splitting, segment reporting, enhanced integration, and fast close.

Chapter 3 will explain what you need to do to start customizing FI in SAP ERP. Besides explaining the Implementation Guide (IMG) and its variants, this chapter will help you with the first steps in defining a project for proceeding further. This is where you are introduced to the project Mercury.

You will see how to represent your FI organizational units in SAP in **Chapter 4**. Besides the FI organizational structure, you will understand other structures in Controlling (CO), including CO area, profit center, and more. You will learn the required interdependencies between all these units for integration between FI and CO.

Chapters 5, **6**, and **7** are devoted to FI global settings. All the New G/L-related settings including its activation, fields and ledger definition, fiscal year, chart of accounts, and company code global parameters are discussed in **Chapter 5**. Documents—components, types, number ranges, tolerance, storage, archiving, validation and substitution, default values, etc.—are discussed in **Chapter 6**. The major part of **Chapter 7** is devoted to taxes, including tax on sales and purchases, and extended withholding tax; the chapter also has a section dealing with correspondence.

You will see very detailed instructions on setting up New G/L accounting in **Chapter 8**. This chapter covers G/L account master data, setting up of retained earnings accounts, denoting G/L accounts as profit and loss or balance sheet accounts, and settings for various business transactions, including adjustment, reversal and negative postings, and cross-company code transactions. There are also separate sections dealing with bank interest calculation, document splitting, manual accrual, open-item clearing, and periodic processing.

Accounts Payable (FI-A/P) is covered in **Chapter 9**. Here, you will be exposed to vendor master data, vendor account groups, terms of payment, discounts, handling vendor payments through tolerances, and so on. You will see separate sections dealing with manual and automatic payments. You will have a very comprehensive understanding of how to set up the automatic payments.

Chapter 10 discusses Accounts Receivable (FI-A/R). Besides customer master data, you will see separate sections on business transactions, incoming payments (including payment cards), interest, and down payments. In the section on credit management, you will see different forms of credit management with static and dynamic credit checks covered in detail. The section on dunning gives you the A-Z of dunning process, the settings you need to make in the system and the forms you may need to use for dunning your business partners.

Contract Account Receivable and Payable (FI-CA) is discussed in **Chapter 11**. After reading this, you will understand in what circumstances you will choose FI-CA instead of the normal FI-A/R and A/P. The case study Orion is specially prepared to enhance your understanding of this subledger within FI.

You will get to know about Bank Accounting in **Chapter 12**. Here, you will learn and understand about bank directory, house banks, bank chains, cash journal, and manual and electronic bank statements. There is also a separate section dealing with lockbox processing.

In **Chapter 13**, we will cover Asset Accounting. While many books on the market leave this crucial area out or only cover it partially, you will notice that we have covered this very important area comprehensively. The coverage includes asset accounting organization structure, fixed assets structuring, asset classes (both manual and automatic creation), valuation, integration with FI-G/L, depreciation, interest, asset revaluation, asset master data, business transactions, asset data transfer (automatic and manual), and production setup.

Chapter 14 is devoted to Consolidation Preparation (New). In this chapter, we bring you the essential specifications you need to know, including consolidation of a chart of accounts and its mapping to the operational chart of accounts, the transaction types that you may need for consolidation, and master data assignments for company consolidation.

We cover Lease Accounting (FI-LA) in **Chapter 15**. Here, you will learn about types of lease, lease accounting engine (LAE), the basic settings required for customizing FI-LA for your company, and value determination for processing leases.

Chapter 16 deals with Travel Management (FI-TV). From this chapter, you will understand the entire process flow of travel management as it happens in FI-TV. You will know what alternatives you can use for setting up travel management for your company. You will see detailed discussion on travel request, travel planning

(master data, rates and discounts, trip rules and profiles, travel policy, etc.), and travel expenses in various sections. You will also understand how FI-TV is integrated with accounting and payroll.

Chapter 17 is all about how to upgrade your SAP system and migration. Here, you will understand the difference between upgrade and migration, technical and functional upgrades. You will know what kind of upgrade strategy you may need to follow in your upgrade projects, the tools that are available, and the tools that you may require, the upgrade process, the best practices you may follow, and the pitfalls and issues you should be aware of. In migration section you will learn, in brief, how to migrate from classic G/L to New G/L.

Chapter 18 is the last chapter in this book and covers miscellaneous topics, discussing tools such as the Schedule Manager and Closing Cockpit. You will also see a section dealing with the factory calendar in this chapter.

Besides what has been described for the chapters, you will also see a section devoted to the reporting or information system in each of these chapters, which will outline the standard reports available in the system, as well as mention what may need to be done to enhance some of the standard reporting.

All in all, you will see that this book provides you with a complete package in a comprehensive way, of all that you need to know to successfully configure your SAP system to implement Financial Accounting in SAP ERP Financials.

Some of you may use this book as a desktop reference for troubleshooting your existing customizing settings, should you run into a problem. You may also find this as a handy guide to refer to, whenever required, even if you are not actively involved with the configuration role. In whatever way you look at it, we are sure that this book is going to be your long-time companion to improve your SAP Financial Accounting knowledge and expertise, no matter your role or experience.

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The Implementation Guide (IMG) helps you to customize the SAP application for your company's specific business and processing requirements. By customizing the application, you can implement, enhance, and upgrade your SAP system.

3   Customizing SAP

Before you can start using the SAP application, you need to tailor it to match your company's business requirements. The standard application delivery comes replete with most of the common processes and scenarios that address almost all the business processes and requirements used by businesses across the globe. Because the software is a tightly integrated all-in-one application, made up of several components and sub-components, you need to customize it by making the appropriate adjustments or settings so that the software is tuned to meet your specific needs. When you make the adjustments, what you're actually doing is adjusting the underlying parameters or values of the application tables by selecting from a list of options or providing your own values.

Customizing provides you with a structured plan for SAP implementation and enhancement. It also provides the necessary administrative tools (in the form of *customizing projects*) for managing, processing, and evaluating your implementation or enhancement projects. It also helps you to transfer your system configuration from the development environment into the production environment.

SAP's Implementation Guide, typically referred to as IMG, helps you carry out the customizing tasks in a structured way. In this chapter, you'll learn about:

▸ IMG and its structure

▸ IMG variants

▸ Logical components (such as the general settings, cross-application components, and functional application) within the IMG

▸ How to define a new project before carrying out the customizing activities

▸ Alternatives for customizing by using SAP tables directly (direct table maintenance)

Let's get started.

3.1 The Implementation Guide

The IMG is a hierarchical structure of the application areas in the component hierarchy. It contains the documentation and customizing tasks that can help you to structure and organize the implementation of the SAP system for your company. It comes with all the work steps and tasks required for the implementation, together with the necessary documentation to guide you through the activities. You can also attach your company-specific customizing documentation to any of these steps, which will give you a reference to fall back on. You can perform the following activities in an IMG:

▸ Change documents in the implementation guide without changing the original: select DISPLAY TEXT WITH SAPSCRIPT.

▸ Read the description of the nodes in the IMG structure. To do this, double-click the structure title or click the DOCUMENTATION symbol (for the IMG activity) beside the structure title.

▸ Make customizing settings: Click the PERFORM IMG ACTIVITY symbol beside the structure title, and go to the associated customizing transaction.

▸ Activate or deactivate business add-ins (BAdIs) in your system. Choose EXECUTE in front of the name of the BAdI implementation.

▸ Enter status or project information in EXECUTE PROJECT.

▸ Print the structure of the entire IMG, or print the IMG documentation or the project documentation for individual structure nodes.

3.1.1 IMG Settings

There are several settings for the display and editing functions in customizing, which can be grouped into user-specific settings and cross-project settings.

User-Specific Settings

Choose SETTINGS • USER-SPECIFIC in the customizing menu to make or change user-specific settings. SAP provides you with two major controls:

▶ **Display with controls:** In the standard system, structures and lists are displayed using *controls*. If you want to disable controls-based display, de-select appropriate flags on the GENERAL (CUSTOMIZING PROJECTS) tab.

▶ **Additional display options:** You can change the display options on the IMG STRUCT. tab as shown Figure 3.1.
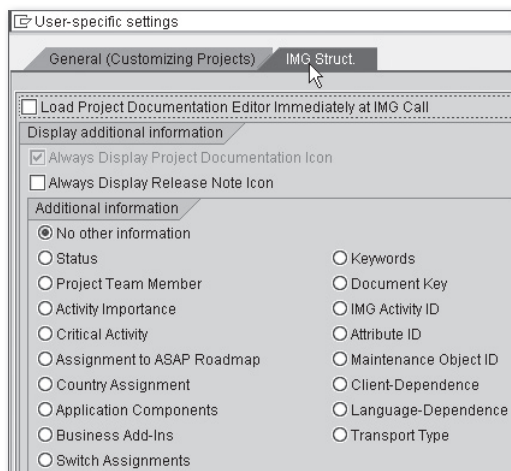
Figure 3.1   User-Specific Settings for IMG Structure

Tips & Tricks

When you use controls, you have a wider variety of display options available than you would have if you were using the standard display format without controls. If you display an IMG structure in a *tree control*, you can move the additional information column displayed to the right of the structure and change the display width. Combining the tree-control display with a split screen gives you a major advantage: If active, the screen is divided into several areas to display IMG structure (left), status maintenance (upper right), and project documentation (lower right). You can enter the status and the project documentation for the relevant IMG activity while simultaneously resizing the individual screen areas with the mouse. You can toggle between full screen and split screen IMG structure display with the FULL SCREEN ON/OFF button. This is useful if the IMG structure is very deep and the node texts are very long. The system records your screen layout and returns to it when returning from full screen. You can also go back to the split screen from the full screen with the status or document icons of an IMG activity.

Cross-Project Settings

To make or change cross-project settings, choose SETTINGS • CROSS-PROJECT SET-TINGS… in the customizing menu of EXECUTE PROJECT OR PROJECT MANAGEMENT. You can hide the completed projects with these settings, and you can select the project documentation editor (SAPscript, simple text input control, or PC editor: Microsoft Word or WordPro). Note that all these settings apply to all projects and are not user-specific.

3.1.2   IMG Variants

There are three variants of IMG serving three different purposes in customizing, which we will discuss in the following subsections.

SAP Reference IMG

The SAP Reference IMG is the default IMG delivered by SAP, containing full functionality for all possible customizing settings across all countries and application components. Structured according to the core SAP R/3 component hierarchy, all customizing activities are assigned to one or more components within the hierarchy. You can display the SAP Reference IMG by going to TOOLS • CUSTOMIZING • IMG • EXECUTE PROJECT (or Transaction SPRO) on the sap menu on the SAP Easy Access screen. Alternatively, you can use Transaction SPRO_ADMIN, then use the menu GOTO • SAP REFERENCE IMG or use the SAP REFERENCE IMG pushbutton on the Customizing: Project Administration screen.

Project IMG

Use Project IMG to customize your own project. It contains all the activities that can be performed in a particular project, including project scope by countries, components, or customizing activities. As you can see in Figure 3.2, it is a sub-set of SAP Reference IMG, and is reduced by the project scope for select countries and components.

> **Tips & Tricks**
>
> To reduce the complexity of the configuration, we recommend creating separate implementation projects and choose only those functions that you need for the processes in your project. You will generate separate Project IMGs for each implementation project and for release updates.
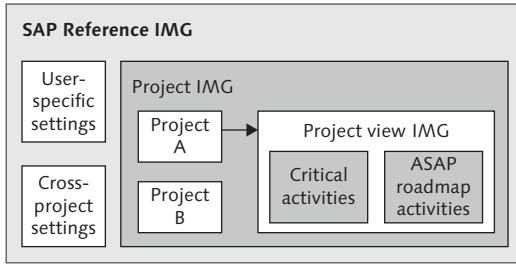
Figure 3.2 IMG Variants

Project View IMG

A sub-set of Project IMG, the Project View IMG is made of up attributes selected from a Project IMG. By using the Project View IMG, you can generate views to structure your project activities by specified criteria. For example, the Mandatory Activities view contains only the activities that are required. By assigning project team members a view, you will ensure that the team members get lists with views of all projects to which they have been assigned. The project views are useful in implementation projects, release and system upgrades, and for legal changes.

> **Tips & Tricks**
>
> You can use release-specific project views for customizing upgrade activities and for carrying out delta customizing activities, which include all customizing activities necessary to enable new functions to be used in the previously used application areas after a system or release upgrade.

3.1.3   Logical Components of IMG

The IMG is made up of several logical components: SAP NetWeaver, enterprise structure, cross-application components, and functional applications.

SAP NetWeaver

You will find all the general settings—relating to country, currency, calendar, time zone, units of measurement (UOM), etc.—and settings for mobile infrastructure, business intelligence, application server, and knowledge management under this group in SAP Reference IMG.

Enterprise Structure

You will see several tasks structured in this group to carry out the definition and assignment of various organizational elements relating to FI, CO, Logistics (General), Sales and Distribution, Materials Management, Logistics Execution, Plant Maintenance, and Human Resources Management.

Cross-Application Components

About 25 categories are included in this logical group (see Figure 3.3), with tasks and functions used across applications. Among other things, the documentation and settings apply to enterprise services, notification, document management, engineering change management, CAD integration, plant data collection, payment cards, bank directory, time-sheet, self-services, audit management, financial conditions, open information warehouse (OIW), SAP business partner, and SAP product.
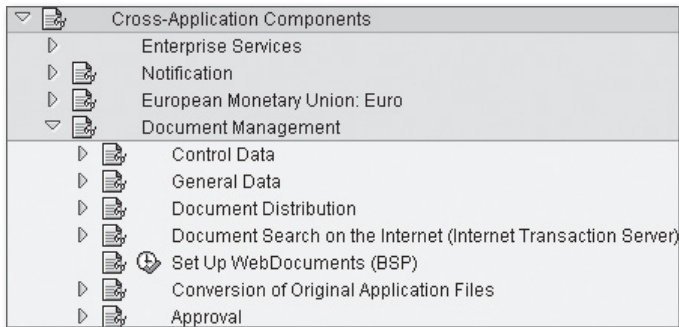
Figure 3.3 Cross-Application Components in IMG

Functional Applications

This grouping contains a number of functional application areas, including FI, FSCM, Investment Management (IM), CO, Enterprise Controlling (EC), Strategic Enterprise Management (SEM), Logistics (General & Execution), EH&S, SD, MM, QM, PM and CS, PP, PS, Time Management, Payroll, Public Sector Management, and SAP Global Trade Services.

This completes our discussion of IMG. Let's move on to create a customizing project in the SAP system.

3.2   Creating a Customizing Project

The first step in customizing the SAP system is to create your customizing project to outline the scope of implementation in terms of applications, functions, countries, and so on.

Tips & Tricks

Do not change SAP Reference IMG to customize your implementation. Always make a copy and make changes in the copy. Generate the necessary elements of SAP Reference IMG by creating your Project IMG and customize that to meet you specific business requirements.

You can create a customizing project with the following steps:

1. From the Customizing: Execute Project initial screen, use the menu path GOTO • PROJECT MANAGEMENT. On the Customizing: Project Administration screen, follow the menu path PROJECT • CREATE or click on the CREATE icon, or press F5 . On the resulting pop-up screen, enter the name of the customizing project (Mercury, in our case).

Case Study: Mercury

In this book, we will refer to an SAP implementation project, code-named *Mercury* throughout this book, providing the details of business requirements and the associated customizing settings that are to be completed in the SAP system. This project is all about implementing Financial Accounting in SAP Financials, which we'll refer to as FI, for a fictitious corporation called BellSmith.

2. On the Create Project screen, enter a short description about the project in the TITLE field, and maintain all the relevant details on the various tabs.

   ▸ **General Data tab**
   Enter the general information (person responsible and project language) and project status (select from the dropdown list: open, in-progress, etc.) as shown in Figure 3.4. You also can maintain the data relating to person days (PD) planned and actual with details on start and end dates. The RESOURCE and REM. RESOUR fields are used to maintain the effort in PDs. The RESOURCE in the ACTUAL DATA section refers to the effort already made on the project. Based on the values in the RESOURCE and REM. RESOUR fields, the system

calculates the COMPLETED value, which is simply the work completed in percentages.

**Figure 3.4** Create Customizing Project: General Data

> **Example**
>
> If your RESOURCE value (say, 100 PD) in PLAN DATA is equal to the sum of RESOUR (40 PD) and REM. RESOUR (60 PD) in ACTUAL DATA, then COMPLETED will be 40%. In cases where the actual values (RESOURCE and REM. RESOUR) don't add up to the planned person days (because of over- or under-achievement of schedule at any point of time), the system will adjust the planned value and the COMPLETED will also be recalculated accordingly.

► **Scope tab**
  Use either of these options to specify the current scope of the customizing project: Manually select the required activities from the SAP Reference IMG or the required application components and countries (shown in Figure 3.5).

  To select the applications, press the CHANGE SELECTION… button, and select the appropriate application components on the resulting pop-up screen. Use

DISPLAY SELECTION button to display and make sure that you have included all the application components required for your customizing project. You can restrict the countries to be included in the project by adding the required countries from POSSIBLE COUNTRIES list on the right to the SELECTED COUNTRIES list on the left under COUNTRIES area in the screen, or you can include all the countries in the scope. When completed, generate the Project IMG using the GENERATE PROJECT IMG button. The system generates the Project IMG in the background, and you will see a notification once this is completed.
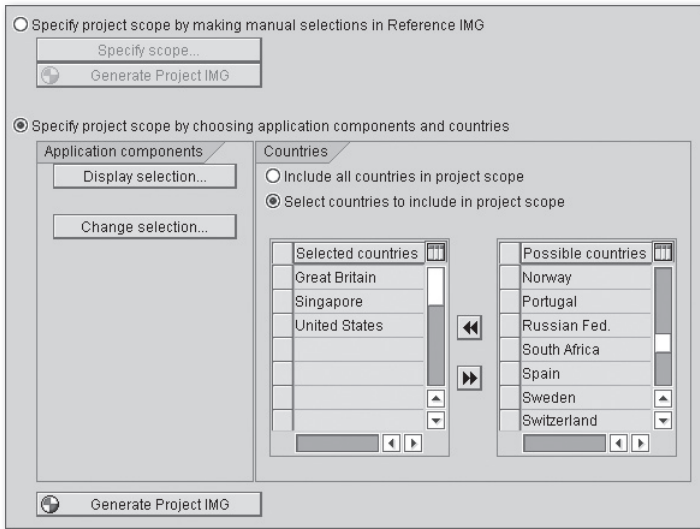
Figure 3.5 Maintaining Scope for Customizing Project

▶ **Project Views tab**
Customize Project View IMGs using the PROJECT VIEWS tab. Because you are just starting, you will not see any project views under the EXISTING VIEWS pane on the left of the tab, as shown in Figure 3.6.

Use the CREATE button at the bottom left of the tab, and then select the required view (from the five options: Activity Necessity, Manual Selection in Project IMG, Release Customizing, Legal Changes, and Selection by Transport Request) on the resulting pop-up screen and enter a name for the view to be defined.

Tips & Tricks

In case you want a Project View IMG by activity necessity, you will make further selections as to critical/non-critical activities among mandatory, optional, and non-required activities.
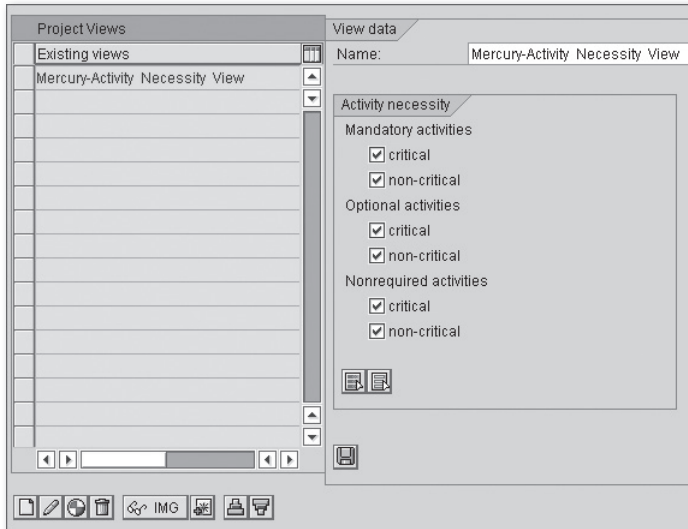
Figure 3.6 Creating Project View

You can now save and generate the Project View IMG using the Generate View IMG button. Once done, you will see a new entry—Mercury-Activity Necessity View—under the Existing Views pane. Use the Display View IMG button to see the items included under a selected view (shown in Figure 3.7). Use the Assign View to Users icon (indicated with a plus sign) at the bottom of the tab to assign the view(s) to the appropriate user(s).

Use the remaining tabs to include all other relevant information for the project: Add the members of project team in the Proj. Team Member tab, cross-reference an already available customizing project to the newly created project especially in the case of upgrades or legal changes (Cross-ref tab), use the Transp. Requests tab to activate the Change and Transport System (CTS) functionality in the current client for the proposed customizing project, create and maintain the entries for the customizing project using the Keywords and

DOCUMENTATION TYPES tabs, and use the STATUS VALS tab to track/report the project status.
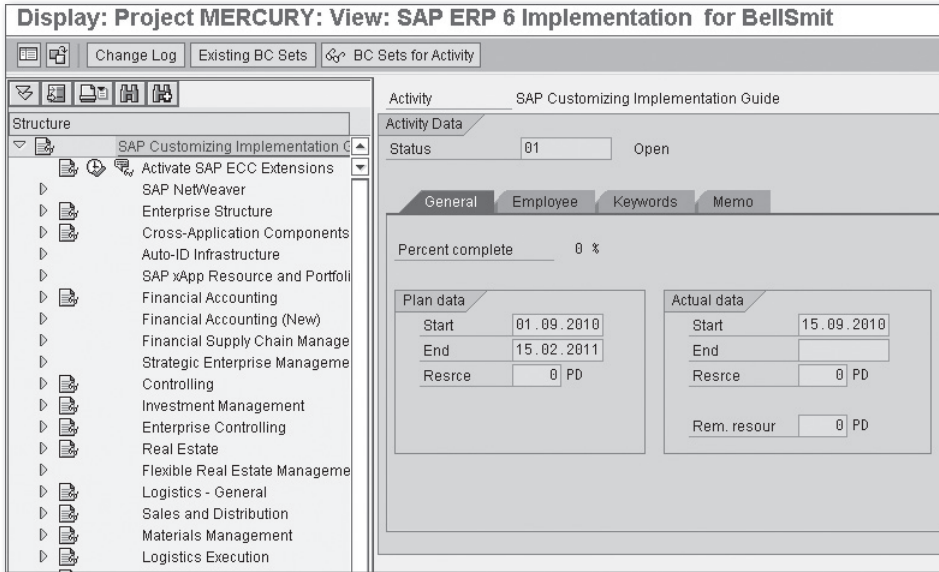
Figure 3.7   Project IMG for Customizing Project Mercury

3. When done, add the newly created customizing project by clicking on ADD TO WORKLIST and selecting the newly defined Mercury customizing project from the pop-up screen. Now you can see all your customizing projects and views on the initial screen and select the appropriate project or view for carrying out the project administration or implementation (see Figure 3.8).
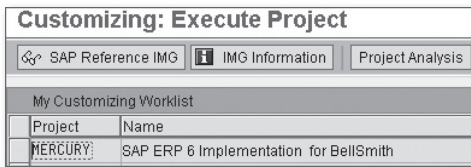
Figure 3.8   New Customizing Project Added in the Worklist

4. At any time during implementation, you can see or generate a report for analyzing the project (see Figure 3.9); for example by status, by completion, or by project team member. Use Transaction SST0 to get the information for selected projects or views.

Figure 3.9 IMG Activity Analysis by Project or View

So far, we have been discussing how to create a customizing project using the IMG. There is another way of customizing, which we will describe next.

3.3 Alternate Method to Customize Through IMG

You can also customize the SAP system using *(extended) direct table maintenance* as an alternative to IMG. This is more often used as a quick fix and not as the normal approach. Note that this alternate route is not simple, as you need to know the table(s) underlying a customizing task, and you will also not receive any guidance in the way of related documentation that otherwise would be available in IMG.

In this method, you will find the SAP table where the relevant values are stored in the system, use the table maintenance transaction (say, Transaction SM31) to reach the particular table and use the Maintain button to add new values to the table.

Tips & Tricks

If you know the table or view, but do not want to change the values directly, then use the following procedure to reach the IMG step for customizing:

▸ Use Transaction SM31 and enter the name of the table or view in the Table/View field on the Maintain Table Views: Initial screen.

▶ Click on the Customizing button at the right-hand bottom of the screen.

▶ Enter a project name or press the Continue w/o Specifying Project button on the pop-up screen. If there are multiple IMG paths, then you will see the IMG Activities: Overview pop-up, from which you will double-click on the appropriate IMG Activity to reach the specific customizing step. Otherwise, the system will directly take you to the customizing step on the IMG.

Warning!

During direct table maintenance, you need to be especially careful not to change any of the SAP-delivered default or standard values. Any such change may result in irreparable damage across components, because you may not fully understand the end-to-end linkages and integration.

3.4 Summary

In this chapter, you've learned that you need to customize the SAP application to suit your own business and transaction requirements before using it. IMG in SAP is a hierarchical structure of application areas containing the documentation and customizing tasks that can help you to structure and organize the implementation of the SAP system for your company. You also learned that there are three variants of IMG namely, SAP Reference IMG, Project IMG, and Project View IMG, which all serve different purposes in Customizing.

We demonstrated that through user-specific and cross-project settings you can change or modify the IMG defaults relating to display, assignments, documentation, etc. You saw that the entire customizing activities are logically grouped into NetWeaver, Enterprise Structure, Cross-application Components, and Functional Applications.

You learned that you need to create a new customizing project to suit your implementation needs. You further learned how to define the scope by selecting the required application components and relevant countries, how to assign project team to the project, how to define project views, and how to generate the Project IMG. Additionally, we gave an alternate way of customizing through direct table maintenance.

This completes our discussion of customizing SAP applications. We have created the Mercury customizing project to reflect the case study, which we will be discussing throughout this book.

Let's move on to Chapter 4 to learn how to create the enterprise structure in SAP that will reflect your business organization in the SAP system.

Defining your enterprise structure in the SAP system is the most critical setup in an implementation. You can localize the SAP-supplied sample organizational units for the required countries, define your own organizational units, and make assignments among them for automatic data transfer.

4   Enterprise Structure

You need to portray your organization's structure as an *enterprise structure* in the SAP system. You do so by defining the required organizational units (or elements) and specifying interdependencies by assigning them to each other. Look at your current structure, visualize what you will need in future, and try defining only the units that would be absolutely required: Nothing more, nothing less. This is important because it can be extremely difficult to correct a structure that is already operational.

SAP ERP comes delivered with a number of standard organizational units to reflect the requirements of an enterprise in such areas as accounting and logistics. Study these sample units, determine which ones you can use as-is (by copying), which ones you need to extend to suit your needs, and which new units you need to define. Then, start mapping your required structure into these organizational units and arrive at the enterprise structure reflecting your business. Because this is the most critical step in the entire implementation, be sure to lock the customizing access after the definition or assignment to prevent any unauthorized changes.

An enterprise structure will consist of organizational units pertaining to FI, SD, MM, CO, and so on, since values flow across all these applications. But, for the purposes of this book, we'll mostly stick to FI enterprise structure, with minimal references to CO.

In this chapter, you will learn about:

▶ Localizing the SAP supplied sample organizational units to suit the countries in which you are operating.

▶ Defining the various FI organizational units.

▶ Assigning various organizational units to one another to define the interdependencies and relationships between them.

Let's get started.

4.1 Organizational Units in Financial Accounting (FI)

Before discussing organizational units, we first need to clarify the concept of a client. An obligatory organizational unit, a client (field name: MANDT) is a commercially, organizationally, and technically self-contained unit within the SAP system, having its own master records and tables. You can have more than one client defined in the SAP system. The standard SAP system comes delivered with clients 000 and 001.

Because the client sits at the top of the SAP system hierarchy, any specification that you make or data that you enter at this level is valid for all company codes and for all other organizational structures within that client. This ensures that the data is consistent, since you need to make specifications or enter data only once. You need to enter a *client key* (three-digit identifier) when you log on to the SAP system. The data entry, processing, and analysis are all saved for each client.

Used for external reporting purposes, the organizational units of FI are designed to fulfill your business requirements and meet the legal or statutory regulations of external parties. You will assign these organizational units to each other in order to build the framework for processing business transactions by transferring data automatically between the individual components. Table 4.1 shows the obligatory and optional organizational units in FI.

Obligatory	Optional
▶ Client	▶ Company
▶ Company code	▶ Business area
▶ Credit control area	▶ Functional area
	▶ Financial management area
	▶ Profit center
	▶ Segment

Table 4.1 FI Organizational Units

Before you start defining the required organizational units, you need to meet the country-specific requirements by completing the localization of sample organizational units supplied by SAP.

4.2 Localize Sample Organizational Units

The SAP-supplied sample organizational units are country-independent. These units, such as company code and plant, are numbered as "0001" in the standard SAP system. Before you copy these units to define your own organization structure, you need to localize them in client 001, using the country installation program and selecting the appropriate country template. The country installation program makes changes in the chart of accounts, account determination, financial statement version, tax procedures, payment methods, and others, to the standard organizational units and creates sample organization units for a particular country. If you want to localize for more than one country, you can simply repeat the country installation using other country templates.

Country Template and Country Version

Supplied with each of the standard country versions, the country template is a customizing tool that contains a series of customizing settings to reflect the legal requirements (i.e., taxes, charts of accounts, charts of depreciation, etc.) and typical business practices of a particular country.

The standard SAP system includes a country template for each of the 40 country versions. Each country version consists of generic system functions, country-specific functions, and a country template. The country versions do not constitute separate application components; rather, the country-specific functions are contained in the various application components.

Let's take a look at completing the customizing of country installation for our case study Mercury.

Case Study: Mercury

The SAP ERP 6.0 implementation project for the fictitious company BellSmith (BS) is code-named *Mercury*. Though BS operates worldwide, the case study is restricted to its business operations in the United States of America (US), Great Britain (GB), and Singapore (SG). We therefore must carry out country localization before defining the organizational units.

Though the implementation encompasses many application areas (FI, SD, MM, PP, etc.), we'll restrict our discussions to FI implementation only; however, we'll briefly touch upon CO to make things clearer.

1. Follow the menu path SAP Customizing Implementation Guide • Enterprise Structure • Localize Sample Organizational Units or use Transaction O035.

2. Click on the Country Version button, and select the desired Country To Install on the screen for customizing country version. Select "US" from the dropdown list. Note that SAP uses a two-character ISO code to represent a country (field name Land1; Table T005) in the system, even though the field length is actually three characters.

3. Before you click on the Execute button, don't forget to select the Test run checkbox (shown in Figure 4.1); once you are satisfied with the results of the test run, you can deselect that box and make the final run (also known as the production run).

Customizing: Country Version

Country to install   `US`
☑ Test run
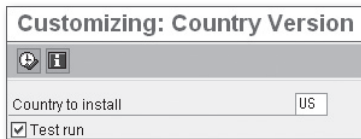
Figure 4.1   Customizing Country Version

4. This will bring you to the screen showing the results log for the cutomizing country version. Some of the important changes proposed at this stage include:

   ▶ **Company code**
   Most of the default settings of the global company code 0001 are changed by the SAP system into a new sample company code, corresponding to the country you have selected. The system also attaches the relevant document entry screen variant, field status variant, tax codes for non-taxable transactions, currency, etc., to the newly created company code.

Tips & Tricks

Do NOT directly customize any localized sample company code. Instead, copy and create a new company code and work with that.

▶ **Controlling area**
The country installation program assigns controlling area 0001 to countries working with the generic chart of accounts (INT); for others (working with their own chart of accounts), their own controlling areas are assigned. For example, in the case of Germany, two controlling areas are provided: DE01 for the Joint Standard Accounting System and DE02 for the Industry Standard Accounting System.

Tips & Tricks

Unlike other organizational units (such as company code), you do not normally need to copy the sample controlling area, but can work directly with the area that is localized. You only need to copy a controlling area if you need more than one. For example, if you have two companies in the US and want them to use separate controlling areas, you can use a copy of the localized area for one company and the original for the other.

▶ **Credit control area**
The only change the country installation program makes is changing the currency of the default credit control area (0001) to the currency of the localized country.

▶ **Financial management area**
The country installation program changes the default language, currency, and the fiscal-year variant.

▶ **Storage location or purchasing organization**
Only the description is changed.

▶ **Plant**
The changes include calendar, address, and currency.

▶ **Shipping point**
The changes made to the sample shipping point 0001 include calendar, country, and currency.

▶ **Sales organization**
The changes made to the default sales organization 0001 are calendar and currency.

▶ **Transportation planning point**
The country installation program changes the calendar to match the localized country.

You'll notice that the organizational units have not yet been localized, but a list of changes is shown, indicating what would be converted or not converted later during the production run. Text marked in red (shown at the bottom of Figure 4.2) means that there is an error and that particular element will not be localized. Your SAP Basis system administrator can help in restoring the original settings from the default client 001, before you can run the country localization program again.

```
Customizing: Country Version, Results Log

44. Table:  T093C  Company codes in Asset Accounting

  Key field         Field contents

  BUKRS             0001

  Co. code for Asset Mgmt missing, depreciation chart cannot be converted;;
```

Figure 4.2   Customizing Country Version: Results Log

Once you're satisfied with the results of test run, go back and deselect the check-box in TEST RUN, and press EXECUTE again. You can see the country conversion details on the results-log screen shown in Figure 4.2.

Repeat steps for all other countries for which you want to localize the sample units. For our case study, we will repeat the steps for Great Britain and Singapore.

Country Version: US

The country-specific functions for the United States relate mostly to Financials and Human Resources, including:

▶ Asset accounting

▶ Bank accounting, including check management and lockbox procedure

▶ Localized version of Payroll (PY) component, Payroll United States (PY-US)

▶ Sales and use tax

▶ Withholding tax (including reporting)

Warning!

The country installation program is very powerful and can overwrite a lot of important data if it's not used correctly. Take care to run this only in clients that are exact copies of the delivery client. If you have already changed any customizing settings in the delivery client or in the copied client, do NOT run the program. Even if you run it, note that it will not function correctly!

> NEVER run the program in your production client, because it will overwrite the settings for all the organizational units named 0001.

With the country installation completed, let's define the necessary FI organizational units to complete the enterprise structure relating to our case study. We'll start with the process of how to define a company.

4.3   Define Company

A *company* is the organizational unit in SAP for which you can draw individual financial statements according to the legal requirements of the country where it is incorporated. You can designate legally dependent branches as companies and join them together as legal units by consolidation. We recommend using the SAP-supplied default company, G00000, if you need only one company.

Arranged just below the client, a company includes one or more company codes. If a company consists of more than one company code, all company codes need to be assigned with the same operative chart of accounts and fiscal year variant even though they can have different local currencies for the day-to-day transactions.

Case Study: Mercury

BellSmith (BS), a leading corporation headquartered in the US, is in the business of manufacturing and distribution of consumer products and transportation systems. The consumer products business for BS is handled by a company called BS Consumer Products (BSCP), established in Sacramento, CA. Starting with the manufacturing and distribution of sanitary ware and sanitary fixtures in 1960, BSCP diversified into consumer appliances (in the 1980s), and consumer lighting systems (in the 1990s).

Not content with the related diversification in consumer products business, BS acquired the East-West Transportation Services (EWTS; later renamed as BSTS) in 1992, to cash in on the boom in the transport sector. BSTS manufactures elevators, escalators, and several brands of diesel engines from the EWTS stable.

The Mercury project team has decided to represent the above structure in the SAP system as detailed in Figure 4.3. The two companies (both in the US) BSCP and BSTS will be denoted as BS1000 and BS2000, respectively.

Figure 4.3 Case Study—Mercury: Company
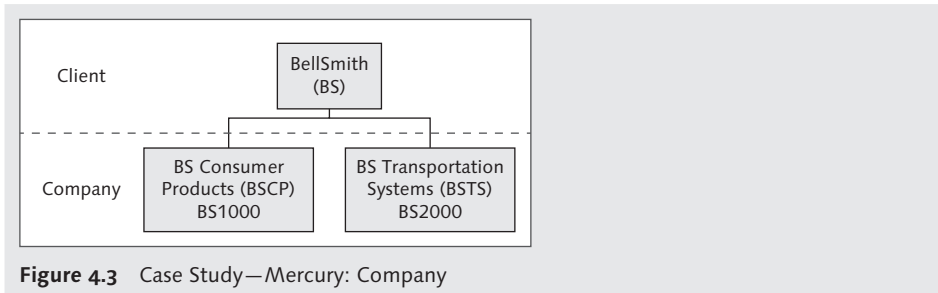
Let's follow the steps listed next in order to define the companies required:

1. Use Transaction OX15 or go to the IMG path Enterprise Structure • Definition • Financial Accounting • Define Company.

2. On the resulting overview screen, click on the New Entries button, and maintain the values for the fields. All these values relating to a company are stored in Table T880. Let's look at some of the important fields shown in Figure 4.4:

   ▶ Company (rcomp): SAP uses a six-character company ID to denote the company. As outlined in the case study, this will be BS1000 for BS Consumer Products (BSCP).

   ▶ Company name: You can enter a name up to 30 characters long. In this example, we'll use "BS Consumer Products."

   ▶ Name 2: You may, if required, maintain an alias name.

Figure 4.4 Case Study—Mercury: Company BS1000

- ▶ Maintain the address information, including Street, PO box, City.

- ▶ Postal code: It is a best practice to maintain this field—it helps speed mail delivery.

- ▶ Country: This is the only required field among others on the screen. Select a two-character country code from the dropdown list. In this example, we'll use US, since the company is incorporated there.

- ▶ Language key: This key helps the system to select the appropriate language for display. Internally, this is stored as a one-character data of type Lang, even though you see a two-character key indicating a language. English will be the business language for BS1000, so select "EN" from the dropdown list.

- ▶ Currency: This is the local currency of the company. All the transactions for the company will be updated in this currency only. This is also known as the company code currency or country currency. With the ledger concept in place in New G/L, all the local ledgers are maintained using this currency. Select "USD" as the local currency for BS1000. Note that the local currency must be translated into the group currency, if the local currency is not the same as the group currency.

Currency in SAP ERP

The currencies are defined as per the international ISO standard. Each currency is represented by a three-character ISO code (USD, INR, etc.), and stored in Table TCURC as data type CUKY (currency key). The currency fields (data type CURR) are stored as data type DEC (counter or amount field with comma and sign). The decimal places are defined in Table TCURX for each of the currency keys. The currency fields always refer to currency key fields; as a result, the decimal places are not taken into account until processing for display or printing.

Suppose, for example, that you have defined the currency GBP with two decimal places. Now, when you post an amount of 100 GBP, this amount is actually stored as 10000 GBP in the currency field in the database. Only during transaction processing does the system (using the currency key GBP) interpret the value as GBP100.00.

So, if you change decimal places of a currency that is in use in different periods, then the system will convert all the amounts according to the new decimal places and the data integrity will be lost. To change the number of decimal places for a currency already in use, you must convert all the tables in the system containing currency fields. However, never attempt to change decimal places of a currency or delete an existing currency in a production system, because you may risk making the amounts (already posted in documents) incorrect or invalid.

3. When completed, save the details. The company BSCP (BS1000) has now been created as shown in Figure 4.5.

4. Repeat the steps to create the other company, BSTS (BS2000), and press SAVE.

Company	Company name	Name of company 2
BS1000	BS Consumer Products	BSCP
BS2000	BS Transport Systems	BSTS

Figure 4.5   Case Study—Mercury: Company

Now that we've defined the companies for BS, we'll define the company codes.

4.4   Define Company Code

In SAP, a *company code* is the smallest organizational unit of external accounting for which you can create a complete and self-contained set of accounts for transaction posting, besides the statutory financial statements (i.e., the balance sheet (B/S) and the profit and loss (P&L) statement). You should create a company code according to tax law, commercial law, and other financial accounting criteria representing a legally independent company. You can also use a company code to represent a legally dependent operating unit abroad (commercial place of work) if there are external reporting requirements, including segment reporting, for that unit in the local currency of that country. All the FI-related business transactions and evaluations are represented at the company-code level.

Because company codes are the central organizational units of external accounting in the system, you must define at least one company code (per client) to implement the FI component in SAP ERP Financials for your organization. If you want to manage the accounting for several independent companies simultaneously, you can set up several company codes in the same client. Use a four-character alphanumeric key to denote your company code. All the company code data are stored in Table T001 in the SAP system.

Tips & Tricks

Company code 0001 is already defined in clients 000 and 001 for the country DE (Germany). All country-specific information (parameters) that are typical for this country (including payment methods, tax calculation procedures, and chart of accounts) is preset for this company code.

If, for example, you want to create a company code for the US to meet its legal requirements, you must first run the country installation program in client 001 so that all the country-specific parameters are set to US (we have already done this, as explained in Section 4.2). It's best to use the preset company code 0001 if you require only one company code. By doing this, you can minimize the number of tables set up in the system.

When you implement other components of SAP, along with FI, you need to create assignments between the company codes and other organizational units to ensure data transfer between them. For example, one or more company codes need to be assigned to a company, a credit control area, a controlling area, etc. A business area can be assigned to one or more company codes; one or more plants can be assigned to a company code through a purchasing organization, and so on.

Case Study: Mercury

The company BS1000 is made up of three independent legal units (illustrated in Figure 4.6), each with its own company code: BS Sanitary Fixtures (BS11), BS Lighting Systems (BS12), and BS Appliances (BS13). While company codes BS11 and BS12 are in the US, the company code involved appliances business (BS13) is in Singapore.
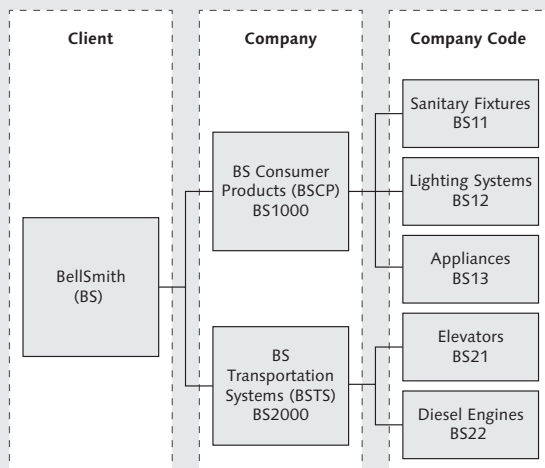
Figure 4.6 Arrangement of Company Codes

The second company, BS2000, consists of two company codes. Company code BS21 is in the US, and is involved in the manufacturing of elevators and escalators (both industrial and domestic); company code BS22 (incorporated in Bradford, UK) is in the business of manufacturing, selling, and servicing diesel engines for a variety of applications including diesel generators, marine diesel engines, and earth-moving equipment.

These company codes will be using English as the business language. All the company codes of BS Group will be using CAUS as the operating chart of accounts. The company codes in the UK and Singapore will be using a local (country) chart of accounts to meet the respective country requirements: CAGB for UK and CASG for Singapore. In the case of US-based company codes, both the operating and country chart of accounts will be the same. All these company codes will be using their respective country currencies as the local currency.

We recommend creating a new company code from an existing company code, as it is less time-consuming and allows you to copy existing company code-specific parameters, which can then be changed to suit your specific needs. However, in this chapter, we will discuss creating a new company code using both options:

▶ Creating without copying from an existing company code

▶ Copying from an existing company code

4.4.1 Create Company Code without Copying from an Existing Company Code

In project Mercury, we have two company codes operating in two different countries: BS13 in Singapore and BS22 in the UK. Because both of them will have different local currency, country chart of accounts, and so forth, we'll create these company codes by defining them from scratch. When you create a company code without copying from an existing one, you need to define all the settings (company code key, company code name, address, country key, country currency, language key, etc.) by yourself. Follow these steps:

1. Go to IMG • ENTERPRISE STRUCTURE • DEFINITION • FINANCIAL ACCOUNTING • EDIT COMPANY CODE DATA. On the pop-up screen, double-click on EDIT COMPANY CODE DATA, or use Transaction OX02. This will bring you to the Change Company Code—Overview screen.

2. Press the NEW ENTRIES button, and on the resulting screen maintain the details for the new company code, as shown in Figure 4.7.

Figure 4.7 Case Study—Mercury: Company Code BS13

▶ COMPANY CODE: Enter a four-character alphanumeric identifier for the company code. In this example, we've used BS13.

▶ COMPANY NAME: Enter the name of the company code (here, BS Appliances).

▶ CITY: Enter the city wherein the company code is situated (Singapore for BS13).

▶ COUNTRY: Select the country key (SG) from the dropdown list.

▶ CURRENCY: Enter the currency key from the dropdown list, corresponding to the local currency of the country (SGD).

▶ LANGUAGE: Select the language key (EN) from the dropdown list.

3. When completed, save the details. You will be prompted with a pop-up screen to maintain the address details (expand the sections by pressing the MORE FIELDS button at the bottom right of each section):

▶ TITLE: Select the appropriate title (i.e., Company for BS13) from the dropdown list.

▶ NAME: You may enter up to four lines (of 40 characters each). In this example, enter "BellSmith—Consumer Products (BSCP)—BS Appliances."

▶ SEARCH TERM 1 or 2: These two fields (SEARCH TERM 1 and SEARCH TERM 2) are the short description(s) used for search helps. All entries in these fields are automatically converted into capital letters. Both fields can be used independently of each other.

▶ Maintain the STREET ADDRESS details. You'll notice that you are required to enter the country again. If you want, you may maintain the county, state, or province in the REGION field.

▸ TIME ZONE: The system can determines the relevant time zone based on the COUNTRY and REGION fields.

▸ JURISDICT.CODE (TAXJURCODE): This represents the tax jurisdiction, and is used in a country like the US.

▸ TRANSPORTATION CODE (TRANSPZONE): This can be the regional zone of a goods recipient (in SD) or goods supplier (in MM).

Tips & Tricks

When you maintain an entry in the TRANSPORTATION CODE field, the system can, for example, automatically propose a suitable route by using the transportation zone of the goods recipient in combination with other information about the delivery, such as the country of origin and destination, shipping conditions and transportation group. This is useful in a large country like the US.

▸ PO BOX: The system will prefix the text "PO Box" in recipients' languages to this number while printing the correspondence.

▸ POSTAL CODE: This is different from the normal postal code linked to a street address. You will use this field for a country where a different postal code applies to mail that is sent to the PO box, rather than to the street address of a particular business partner.

▸ TELEPHONE: Enter the telephone number without country code and extension, but with a dialing code. The system will prefix this number with the country dialing code.

▸ Maintain the TELEPHONE, MOBILE PHONE, FAX, E-MAIL etc., by clicking on the OTHER COMMUNICATION… button and selecting the required entry on pop-up screen (shown in Figure 4.8). You can maintain more than one entry for each of these fields.

▸ STANDARD COMM. METHOD (DEFLT_COMM): After you have defined all possible communication methods, use this field to set the default communication method.

4. When done, select the COPY button, which will take you to the new entries details screen.

You have now successfully created the company code BS13 in the system. At any time you can click on the ADDRESS button to edit the address information.
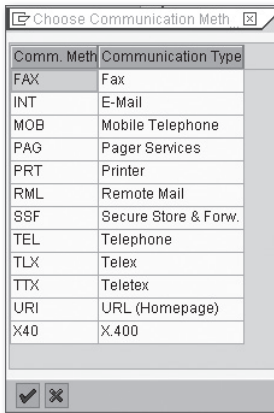
Figure 4.8 Choose Communication Method Pop-Up Screen

Repeat the prior steps to define the other company code (BS22). Select the country key GB and currency key as GBP besides maintaining the relevant information such as company code name (BS Diesel Engines), city (Bradford), and so on.

> **Note**
>
> We've created the new company codes only with the basic details. There are several others settings (company code global parameters), which we will maintain later. For the moment, let's continue with the creation of the remaining company codes (BS11, BS12, and BS21) using the second option of creating a new company code by copying from an existing one.

4.4.2   Create Company Code by Copying an Existing Company Code

You should only use this option when you have a suitable company code already defined in the system. Because we have already localized the company code 0001 for the US, we can use this to create one of the US-based company codes (i.e., BS11). Then, we'll create the other company codes for US (BS12 and BS21) by copying from BS11.

The customizing steps include:

1. Go to the IMG path ENTERPRISE STRUCTURE • DEFINITION • FINANCIAL ACCOUNT-
   ING • EDIT, COPY, DELETE, CHECK COMPANY CODE. On the Choose Activity pop-up
   screen, double-click on COPY, DELETE, CHECK COMPANY CODE, which will take

you to the next required screen. You may also use Transaction EC01 to reach this screen directly.

2. Press the COPY ORG. OBJECT button, or press ⎡F6⎤. The system brings up the Copy pop-up screen after reading all the associated tables (this may take some time). Enter the source company code in the FROM COMPANY CODE field (0001), and maintain the target company code in the TO COMPANY CODE field (BS11), as shown in Figure 4.9.
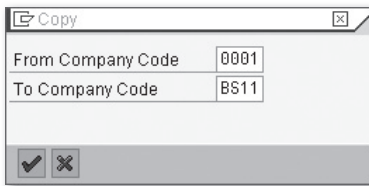
Figure 4.9 Copy Pop-Up Screen

Tips & Tricks

Both SOURCE and TARGET COMPANY fields are required entries. You shouldn't have defined the target company code earlier in the system if you planned to use this route of copying an existing company code.

3. Click on CONTINUE or press ⎡Enter⎤, and the system delivers a pop-up screen with information on copying the existing G/L accounts from the source company code: Click YES to copy all the G/L accounts from the source company code to the "company code data" of the target company code (BS11). If necessary, you may change the G/L master records later, using collective processing. We will explain this further when we discuss G/L master creation in Chapter 8, Section 8.1.2.

Structure of G/L Master Record in SAP

The data in a G/L master record are created in two areas: Chart of accounts data and company code data, as follows:

▶ Common to all company codes, the chart of accounts data is typically made up of a chart of accounts name, G/L account number, account name, balance sheet or profit-and-loss indicator, account group, fields status group, and so on.

▶ The company code data includes the information on company code, tax code, currency, open item management, sort key, etc., and is specific to a company code.

4. You will also be presented with another pop-up screen asking if you want to allocate a different local currency to the target company code. Since we want the same currency (USD) of the source to be allocated to the target, click the No button and continue. You'll also be provided with the details of what is not copied, and if the system encounters any inconsistencies or other problems during copying.

> **Tips & Tricks**
>
> Press the Yes button if you don't want the source company code's local currency to be copied to the target. In this case, you need to input the desired Currency in the pop-up screen.

5. When copying is completed, you can see the results under the Completed Activities tab on the screen shown in Figure 4.10.
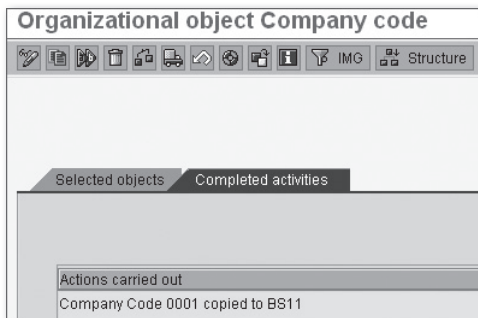
Figure 4.10 Case Study—Mercury: Company Code BS11 Created by Copying from 0001

6. Press the Check button, and the system checks for completeness (including foreign key dependency) and logs all the details in an error log. You may display the details or continue. You may also access the log through the menu path Extras • Technical Logs • Results: Copy.

Because we copied an existing company code to create BS11, this new company code still retains the name of the source company code. You can change by taking the following steps:

1. Use Transaction OX02 (or use the Back button; on the resulting pop-up screen, double-click on Edit Company Code Data) to reach the company code overview screen.

2. Select and double-click on the row containing the company code BS11. Change the name of the company code to "BS Sanitary Fixtures".

This completes the creation of the new company code BS11. We have created company codes BS11, BS13, and BS22 (shown in Figure 4.11), but won't yet create the remaining US company codes, BS12 and BS21. When we complete all the company code global parameters for BS11, we'll use this as the source company to create them.
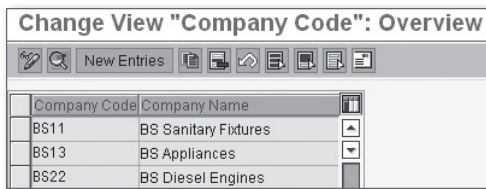
Figure 4.11   Case Study—Mercury: Company Codes BS11, 13, and 22 Defined

4.4.3   Assign Company Code to Company

You need to assign all the company codes that you want to include in the group accounting to a company. As you already saw in Figure 4.6, we know that the company codes BS11, BS12, and BS13 need to be assigned to the company BS1000, and the company codes BS21 and BS22 assigned to BS2000.

Before you can assign the company codes to company, you need to make some additional settings for the company codes, since we have not yet maintained any of the company code global parameters. Unless this is done, you will not see any of these company codes (BS11, BS13, BS22) in the dropdown value list for assignment to the company. Use Transaction OBY6, input K4 as the FISCAL YEAR VARIANT, and CAUS as the CHART OF ACCTS. With these settings, we are now ready to assign the company codes to the company:

1. Use Transaction OX16 or go to the IMG path ENTERPRISE STRUCTURE • ASSIGNMENT • FINANCIAL ACCOUNTING • ASSIGN COMPANY CODE TO COMPANY.

2. On the resulting overview screen, enter the company against the CO.CD and save. Note that at this point, we can assign only BS11and BS13 to BS1000, and BS22 to BS2000 (see Figure 4.12), since we haven't yet created the other two company codes. We'll get to this once they're also defined in the system.

Figure 4.12 Case Study—Mercury: Company Code–Company Assignment

Now that the company codes are defined and assigned to the companies, our next task is to define the credit control areas for BS.

4.5 Define Credit Control Area

Used both in SAP FI-A/R (Accounts Receivable) and SD functional areas, the *credit control area* provides a method of granting and monitoring credit for a customer. As shown Figure 4.13, a client can contain one or more credit control areas—which in turn can be attached to one or more company codes—but no company code can be allocated to more than one credit control area. SAP comes delivered with the sample credit control area 0001. You will use a four-character alphanumeric code to denote a credit control area.
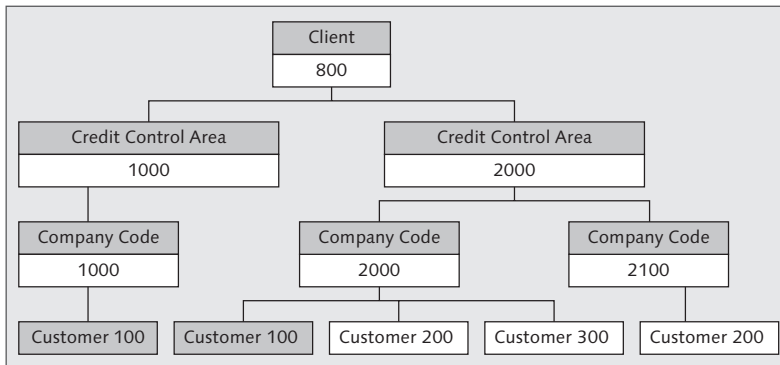
Figure 4.13 Client-Credit Control Area—Company Code-Customer

The credit limits are normally specified in customer master records. If you have a customer with multiple company codes, with the company codes assigned to different credit control areas, you need to provide separate credit limits in each of these areas for the same customer. The credit limits and credit exposure are managed both in the credit control area and at the customer level.

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