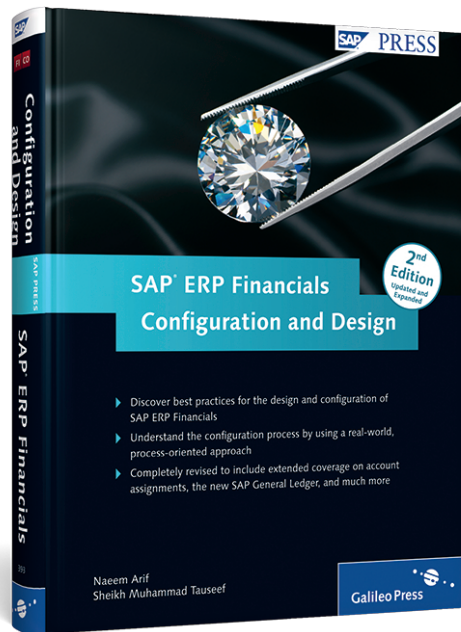


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SAP® ERP Financials: Configuration and Design



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Contents at a Glance

1	Overview	21
2	SAP Enterprise Structure	37
3	Global Settings for Financial Accounting in SAP ERP Financials	85
4	New General Ledger	145
5	Accounts Payable	197
6	Accounts Receivable	281
7	Asset Accounting	349
8	Controlling in SAP ERP Financials	431
9	SAP ERP Financials Integration	487
10	Data Migration	539
11	Period-End Closing	573
12	SAP ERP Financials Reporting	597
13	Implementing and Supporting SAP ERP Financials	633

Contents

Acknowledgments	19
-----------------------	----

1 Overview **21**

1.1 Introduction	21
1.1.1 Approach	22
1.1.2 Versioning	22
1.1.3 Learning Outcomes	23
1.2 Brief History of SAP	23
1.3 Different Types of Projects	24
1.3.1 Fresh Implementation Projects	24
1.3.2 Upgrade Projects	25
1.3.3 Request-Based Support Projects	25
1.3.4 Production-Support Projects	26
1.3.5 Rollout Projects	26
1.4 Points to Consider for a Successful SAP Implementation	27
1.4.1 The Project Team	28
1.4.2 SAP Implementation: More Than an IT Project	28
1.4.3 The Right Resources	28
1.4.4 The Gap Analysis	29
1.4.5 Project Testing	29
1.4.6 Cutover Plans	30
1.4.7 User Training	30
1.4.8 The Change Management Program	30
1.5 SAP Navigation Basics	30
1.5.1 Logging on to the SAP System	31
1.5.2 Screen Structure in the SAP System	32
1.5.3 Creating Your Favorites List	34
1.5.4 Calling Functions in SAP System	34
1.5.5 Accessing the Customization Area	35
1.6 Summary	36

2 SAP Enterprise Structure **37**

2.1 Building an Enterprise Structure	38
2.2 Building a Project's Straw Man	39

2.2.1	Company Code	40
2.2.2	Cost Center	41
2.2.3	Profit Center	41
2.2.4	Chart of Accounts	42
2.2.5	Controlling Area	42
2.2.6	Business Area	42
2.2.7	Chart of Depreciation	43
2.3	Designing the Straw Man	43
2.4	Configuring the Enterprise Structure	44
2.4.1	Countries	44
2.4.2	Currencies	51
2.4.3	Define Company	59
2.4.4	Define Fiscal Year Variant	60
2.4.5	Define Posting Period Variant	62
2.4.6	Define Chart of Accounts	64
2.4.7	Structure of the Chart of Accounts	66
2.4.8	Define Credit Control Area	67
2.4.9	Define Company Code	69
2.4.10	Assign Company Code to a Fiscal Year Variant	71
2.4.11	Define Controlling Area	72
2.4.12	Define Cost Center Group	75
2.4.13	Activate Controlling Area Submodules	76
2.4.14	Functional Area	78
2.4.15	Operating Concern	79
2.4.16	Create a Default Profit Center	80
2.4.17	Check Company Code Global Parameters	82
2.5	Summary	84

3 Global Settings for Financial Accounting in SAP ERP
Financials **85**

3.1	What Is a Document in SAP ERP?	86
3.1.1	Document Header	86
3.1.2	Line Items	88
3.1.3	Master Data	88
3.2	Configuration of Global Settings	89
3.2.1	Define the Retained Earnings Account	89
3.2.2	Field Status Groups	91

3.2.3	GL Account Groups	98
3.2.4	Document Types	105
3.2.5	Document Number Ranges	111
3.2.6	Purpose of Subledger Reconciliation Accounts	114
3.2.7	Document Posting Keys	115
3.2.8	Updating Layout for the Document Entry Screen	118
3.2.9	GL Document Display and Layouts (Default Settings)	119
3.2.10	Document Change Rules	121
3.2.11	Cross-Company Code Settings	123
3.2.12	Employee Tolerances	124
3.2.13	Change Message Control for Posting to GL Accounts	126
3.2.14	Financial Statement Versions	128
3.3	Sales and Purchase Tax	131
3.3.1	Basic Settings	134
3.3.2	Posting	138
3.3.3	Changing Tax Laws in the United Kingdom and Europe ...	142
3.4	Summary	143

4 New General Ledger 145

4.1	Overview of the GL	146
4.1.1	The New GL	146
4.1.2	New Functionality	148
4.1.3	New Tables	149
4.1.4	Document Splitting	149
4.1.5	Parallel Accounting	151
4.1.6	Ongoing Use of Classic GL	151
4.2	Building Your New GL Blueprint	152
4.2.1	New GL or Classic GL?	152
4.2.2	What Object to Split	152
4.2.3	Which Account Assignment Objects to Incorporate into Your Model	152
4.2.4	How Document Splitting Fits in with Other Add-Ons ...	153
4.3	Configuration Steps to Activate the New GL	153
4.3.1	Activation of New GL Accounting	154
4.3.2	Define Ledgers for GL Accounting	154
4.3.3	Segment	160
4.3.4	Integrating the GL with Subcomponents	164
4.3.5	Document Splitting	174

4.3.6	Parallel Accounting	186
4.3.7	Setting Up Additional Ledgers	188
4.3.8	CO Transfer Postings	190
4.3.9	Planning in the New GL	190
4.3.10	Integration with Asset Accounting	191
4.4	IFRS Compliance	192
4.4.1	IFRS 5—Noncurrent Assets Held for Sale or Discontinued Operations	192
4.4.2	IFRS 8—Operating Segments	193
4.4.3	IAS 7—Cash Flow Statements	193
4.4.4	IAS 10—Events after the Balance Sheet Date	193
4.4.5	IAS 16—Property, Plant, and Equipment	194
4.4.6	IAS 19—Employee Benefits	194
4.4.7	IAS 36—Impairment of Assets	194
4.5	Summary	195

5 Accounts Payable 197

5.1	Overview of the P2P cycle	198
5.1.1	Purchase Order	199
5.1.2	Goods Receipt	199
5.1.3	Invoice Verification	200
5.1.4	AP Invoice	200
5.1.5	Outgoing Payment	201
5.2	Building an AP Business Model	201
5.2.1	Design of Vendor Master Records	201
5.2.2	Invoice Processing Control	202
5.2.3	The Payment Process	202
5.3	Master Data	202
5.3.1	Vendor Master Records	203
5.4	Vendor Account Groups	205
5.4.1	General Data View	208
5.4.2	Company Code View	210
5.4.3	Purchasing Data View	211
5.4.4	Vendor Account Group Variations	212
5.5	Vendor Number Ranges	213
5.5.1	Business Decisions	214
5.5.2	Create Vendor Number Ranges	215
5.5.3	Transporting Number Ranges	216

5.5.4	Assign a Number Range to an Account Group	216
5.5.5	Extending Vendors to Additional Company Codes	217
5.6	Accounting Clerks	219
5.7	Define Sensitive Fields for Dual Control	220
5.8	House Banks	222
5.8.1	Configuring the House Bank	223
5.8.2	Bank Master Records	225
5.8.3	Define Number Ranges for Checks	227
5.9	Invoice Processing	228
5.9.1	Nonstock Invoices	228
5.9.2	Invoice Verification (Processing Stock Invoices)	229
5.9.3	Duplication Invoice Check	230
5.10	Document Parking	231
5.11	Configuring Special General Ledger Indicators for AR/AP Down Payment Postings	233
5.12	Posting and Clearing Down Payments	235
5.12.1	Posting Down Payments	235
5.12.2	Clearing Down Payments	238
5.13	Outgoing Payments Processing	239
5.13.1	Processing a Manual (Outgoing) Payment	239
5.13.2	Vendor Tolerances	241
5.13.3	Automatic Posting of Payment Differences	242
5.13.4	Cross-Company Code Manual Payments	244
5.13.5	Payment Block Reasons	244
5.13.6	Automatic Payment Program	248
5.13.7	Running the Automatic Payment Program	254
5.14	Cash Journal	257
5.14.1	Configuring Cash Journals	257
5.14.2	Cash Journal Postings	264
5.15	Electronic Bank Statements	266
5.15.1	Configuring Electronic Bank Statements	267
5.15.2	Importing Electronic Bank Statements into SAP	276
5.16	Summary	279

6 Accounts Receivable 281

6.1	Overview of the Order-to-Cash Process	281
6.1.1	Sales Order	282
6.1.2	Delivery Note	283

6.1.3	Billing Document	283
6.1.4	AR Invoice	283
6.2	Building an Accounts Receivable Business Model	284
6.3	Master Data	285
6.4	Customer Master Records	285
6.4.1	The Nature of the Customer Database	286
6.4.2	Manual or Automatic Creation of Customer Master Records	287
6.4.3	Searching for Existing Customers (Matchcodes)	288
6.4.4	Define Account Groups	290
6.4.5	Company Code or Activity Account Groups	296
6.4.6	Extending Your Customers to Additional Company Codes	298
6.4.7	Customer Number Ranges	299
6.4.8	Accounting Clerks	302
6.5	Finance Documents Global Settings	303
6.5.1	Document Types and Number Ranges	303
6.5.2	Document Posting Keys	303
6.5.3	Payment Terms	303
6.6	Customer Invoice Processing	304
6.7	Configuring Special General Ledger Indicators for AR/AP Down Payment Postings	305
6.7.1	Posting and Clearing Down Payments	308
6.8	Customer Payments	311
6.8.1	Defining Customer Tolerances	313
6.8.2	Write-off Amounts within Tolerance	316
6.8.3	Reason Codes	317
6.9	Debtor Management	319
6.9.1	Credit Limit Business Process	320
6.9.2	Automatic Credit Control	325
6.9.3	Dunning	328
6.9.4	Configuring Interest Calculations	335
6.9.5	Calculating Interest	345
6.9.6	Head Office Functionality	347
6.10	Summary	347

7	Asset Accounting	349
7.1	Overview of Asset Accounting	350
7.1.1	Implementation Considerations	350
7.1.2	Integration	351
7.2	Building Blocks of Asset Accounting	351
7.2.1	Chart of Depreciation	352
7.2.2	Asset Assignment to Organizational Units	353
7.2.3	Integration with the GL	354
7.2.4	Structuring Your Fixed Assets Design	355
7.3	Building an Asset Accounting Business Model	355
7.4	Asset Accounting Configuration	357
7.4.1	Copy Reference Chart of Depreciation	357
7.4.2	Assign Chart of Depreciation to a Company Code	359
7.4.3	Specify a Number Assignment across Company Codes ...	360
7.4.4	Specify Account Determination	361
7.4.5	Create Screen Layout Rules	362
7.4.6	Define Asset Number Range Intervals	364
7.4.7	Define Asset Classes	365
7.4.8	Define Depreciation Areas	366
7.4.9	Specify Transfer of Acquisition and Production Costs Values	368
7.4.10	Specify Transfer of Depreciation Terms	369
7.4.11	Determine Depreciation Areas in the Asset Classes	370
7.4.12	Deactivate Asset Classes for Chart of Depreciation	371
7.4.13	Define how Depreciation Areas Post to the GL	372
7.4.14	Maintain Depreciation Key	373
7.4.15	Define Base Method	374
7.4.16	Define Declining Balance Method	377
7.4.17	Define Multilevel Methods	377
7.4.18	Maintain Period Control Methods	379
7.4.19	Activate Account Assignment Objects	380
7.4.20	Specify Account Assignment Types for Account Assignment Objects	382
7.4.21	Assign GL Accounts	383
7.4.22	Parallel Ledgers in SAP New General Ledger and Integration with Asset Accounting	386

7.4.23	Specify the Document Type for Posting Depreciation	389
7.4.24	Transaction Types	391
7.4.25	Configuring the Asset History Sheet	396
7.4.26	Defining Validations for Asset Master Data	399
7.4.27	Substitutions for Asset Master Data	402
7.5	Asset Transaction Processing	404
7.5.1	Create a New Asset Master Record	404
7.5.2	Post Values to an Asset Using External Acquisition	408
7.5.3	Working with Asset Explorer	411
7.5.4	Post Transfers to Other Assets	415
7.5.5	Post Retirements with Scrapping	418
7.5.6	Post Depreciation Run	420
7.6	Current Asset Valuation	422
7.6.1	Inventory Valuation	422
7.6.2	Accounts Receivables Valuation	425
7.7	Summary	429

8 Controlling in SAP ERP Financials 431

8.1	Overview and Diagram	432
8.2	Subcomponents of the Controlling Component	433
8.2.1	Cost Element Accounting	433
8.2.2	Cost Center Accounting	433
8.2.3	Internal Orders	433
8.2.4	Profit Center Accounting	434
8.3	Building a Controlling Model	434
8.3.1	Concept of Real and Statistical Postings	436
8.4	Configuration Settings in Controlling	437
8.4.1	Basic Controlling Area Settings	437
8.4.2	Cost Element Accounting	443
8.4.3	Cost Center Accounting (CCA)	449
8.4.4	Internal Order Accounting Configuration	456
8.4.5	Profit Center Accounting Configuration	463
8.5	Concepts of Periodic Reposting, Distribution, and Assessment	469
8.5.1	Periodic Reposting	470
8.5.2	Distribution	471
8.5.3	Assessment	473
8.6	Real-Time Integration of Controlling with Financial Accounting ...	476

8.6.1	Configuration Settings	477
8.7	Cost Center Planning	480
8.7.1	Versions in Controlling	480
8.7.2	Planning Layouts and Planner Profiles	480
8.8	Summary	485
9	SAP ERP Financials Integration	487
9.1	Automatic Account Determination	490
9.1.1	Inventory Movement Account Determination	491
9.1.2	Billing: Revenue Account Determination	501
9.1.3	Payment Processing Account Determination	508
9.2	Master Data	510
9.2.1	Account Assignment Objects	511
9.2.2	Document Types and Number Ranges	513
9.2.3	Payment Terms	514
9.2.4	Journal Entry Screen Layouts	518
9.3	Integrating SAP Payroll with SAP ERP Financials	519
9.3.1	Employee Master Records	520
9.3.2	Payroll Process	523
9.3.3	Wage Types	524
9.3.4	Symbolic Accounts	525
9.3.5	Automatic Account Determination	526
9.3.6	Finance Posting Variant	530
9.4	Interfaces	531
9.4.1	Purpose of the Interface	532
9.4.2	Interface Design	533
9.4.3	Interface Testing	536
9.5	The Value of Integration Testing	536
9.6	Summary	537
10	Data Migration	539
10.1	Key Principles of Data Migration	540
10.2	The Six-Step Migration Model	541
10.2.1	Source/Data Cleansing	542
10.2.2	Field Mapping	543
10.2.3	Define Programs	543

10.2.4	Records Mapping	544
10.2.5	Trial Loads	545
10.2.6	Cutover	545
10.3	Inventory Transfer	546
10.4	Open Items Transfer	547
10.5	Upgrade to SAP ERP 6.0	547
10.6	Asset Accounting Legacy Data Transfer	549
10.6.1	Define Asset Transfer Date	549
10.6.2	Create Legacy Assets	551
10.6.3	Transfer Balances	554
10.7	Create Your Own LSMWs to Assist in Data Migration	555
10.7.1	Benefits of LSMW	555
10.7.2	Define the LSMW Name	557
10.7.3	Maintain Object Attributes	558
10.7.4	Maintain Source Structure	561
10.7.5	Maintain Source Fields	561
10.7.6	Maintain Structure Relations	563
10.7.7	Maintain Field Mapping and Conversion Rules	563
10.7.8	Maintain Fixed Values, Translations, and User-Defined Routines	564
10.7.9	Specify Files	564
10.7.10	Assign Files	566
10.7.11	Create Load File	566
10.7.12	Upload Load File Data	567
10.7.13	Create Batch Input Session	569
10.7.14	Run Batch Session	570
10.7.15	Cross Application of LSMW	572
10.8	Summary	572

11 Period-End Closing 573

11.1	Fast Close with the New GL	574
11.2	Key Elements of a Period-End Timetable	575
11.3	Dependent Activities Already Completed	575
11.4	Analysis of Period-End Activities	575
11.5	Foreign Currency Valuation	582
11.5.1	Configuring Foreign Currency Valuations	582
11.5.2	Foreign Currency Valuation Processing	587

11.6	Classic GL versus the New GL	595
11.7	Summary	596

12 SAP ERP Financials Reporting 597

12.1	Building Your Reporting Suite	597
12.2	Reporting Tools	599
12.3	Common Reporting Requirements	600
12.3.1	Accounts Payable (AP)	602
12.3.2	Accounts Receivable (AR)	604
12.3.3	Asset Accounting (AA)	605
12.3.4	General Ledger	606
12.4	Creating Basic Management Accounting Reports with Report Painter	607
12.4.1	Decide on the Report Type	608
12.4.2	Define a Row	611
12.4.3	Define a Column	613
12.4.4	Define Formula Rows and Columns	615
12.4.5	Define your General Data Selection	616
12.4.6	Report Layout	618
12.4.7	Other Report Layout Formatting	621
12.4.8	Assign Report Group	624
12.4.9	Change Report Group	625
12.5	International Financial Reporting Standards (IFRS)	627
12.6	Parallel Accounting Approaches	628
12.6.1	Accounts Approach	629
12.6.2	Special Ledgers Approach	629
12.6.3	Multiple Ledger Approach in the New GL	630
12.7	Summary	631

13 Implementing and Supporting SAP ERP Financials 633

13.1	Implementing SAP	633
13.1.1	Preparation	634
13.1.2	Design Phase	636
13.1.3	Build	641
13.1.4	Final Preparation	645
13.2	Supporting Your SAP ERP Solution	646

Contents

13.2.1	Go-Live Support (Stabilization)	646
13.2.2	Long-Term Support	647
13.3	Summary	650
The Authors		651
Index		653

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

7 Asset Accounting

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

- ▶ The link between the different organizational elements within AA
- ▶ Configuration of asset master records
- ▶ Configuration of depreciation methods and postings to the GL in line with statutory requirements
- ▶ Asset acquisitions, transfers, and retirement transactions processing
- ▶ Asset depreciation processing
- ▶ Substitutions and validations in asset master records
- ▶ Current asset valuation

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

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

7.1 Overview of Asset Accounting

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

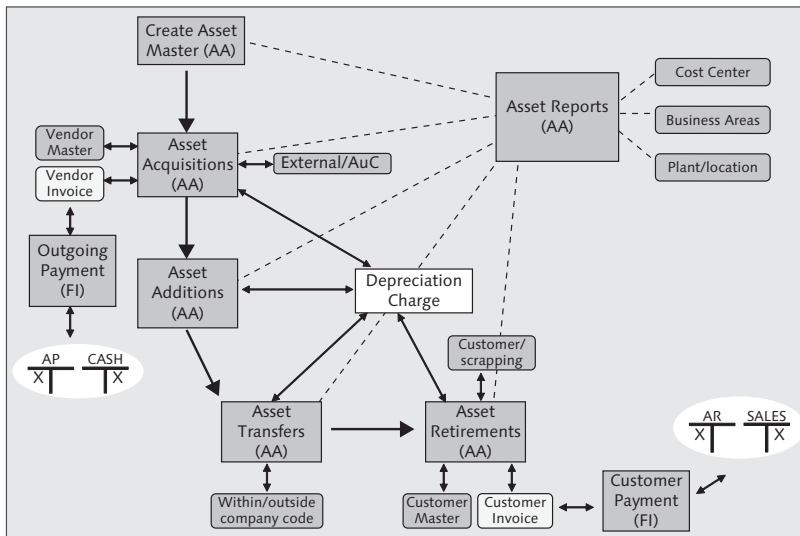


Figure 7.1 Asset Lifecycle

7.1.1 Implementation Considerations

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

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

7.1.2 Integration

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

7.2 Building Blocks of Asset Accounting

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

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

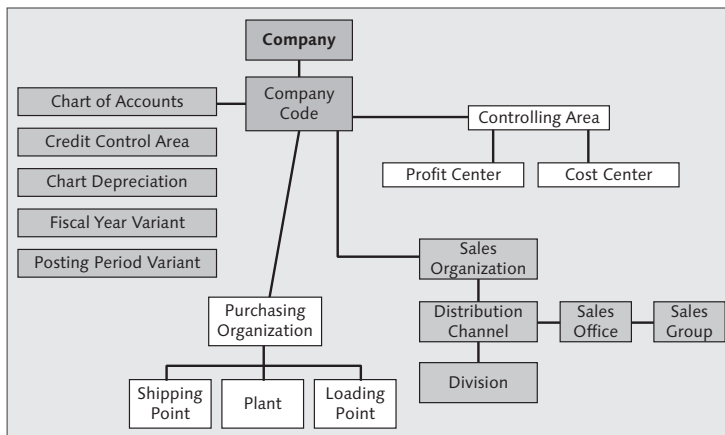


Figure 7.2 Enterprise Structure

7.2.1 Chart of Depreciation

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

Country-Specific Charts of Depreciation

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

- ▶ **Depreciation areas:** Your organization may be subject to statutory reporting constraints that control the rules you must obey. Your organization may be a multinational organization, so you'll also want to report your assets subject to your internal conventions. For this reason, SAP allows you to define depreciation areas, in which you can set up internal and external depreciation rules to provide different analyses.
- ▶ **Depreciation keys:** A depreciation key is the convention under which depreciation is calculated. Your depreciation key holds the calculation method and the period control, which are defined at the client level. You can change and add to the standard calculation keys that are delivered with the system.

Note

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

Integration between Company Code and Chart of Depreciation

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

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

Integration between Chart of Accounts and Chart of Depreciation

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

7.2.2 Asset Assignment to Organizational Units

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

- ▶ **Assignment of company code:** As already mentioned, you must make assignments to company codes based on the information provided regarding charts of depreciation.
- ▶ **Assignment of business area:** This assignment is necessary if your design will deliver business area balance sheets. Assets can be assigned to a business area directly during master record creation, or they can be derived automatically from the cost center that you entered. As long as a fixed asset is assigned to a business area, the system makes account assignment of all postings to this asset to this business area, including depreciation and gain, or loss postings on asset retirement.
- ▶ **Assignment to plant, location, and address:** The definitions of the plant and location organizational units are primarily specified in the SAP logistics components. In AA, plant has no relevance, but it can be used as a sort and selection criterion for reports. You can assign an asset to one plant for a specific period of time in its master record. This assignment can be changed directly in the asset master record.

- ▶ **Assignment to cost center and profit center:** We have already mentioned that GL postings are integrated by asset class. If you think about the account assignment object, you will agree that an asset may belong to a specific department. For this reason, the financial transactions related to an asset must also be assigned to the department it belongs to, which could be a cost center entered on its master record. An asset can only be assigned to one cost center at a time. This assignment enables the following:
 - ▶ Assignment of all costs (depreciation and interest charges) related to the asset to the correct cost center
 - ▶ Planning for future depreciation or interest for the asset
 - ▶ Assignment of gain or loss from the sale of the asset to the correct cost center

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

Note

Assets are not directly assigned to profit centers.

7.2.3 Integration with the GL

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

- ▶ An asset register that provides an analysis of the assets you own, along with their original cost and net book value
- ▶ An accurate financial position in terms of the current gross book value of your assets
 - ▶ The real-time integration with the GL is straightforward because AA is a sub-ledger of the GL.

7.2.4 Structuring Your Fixed Assets Design

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

- ▶ **Balance sheet approach:** If you want to structure assets according to the structure of your balance sheets, you have three options available in the standard system:
 - ▶ Use the financial statement version.
 - ▶ Use balance sheet items.
 - ▶ Use GL accounts.
- ▶ **Asset class approach:** Asset classes can represent the structure of your assets. Every asset you create in the system is created with reference to an asset class. You use the settings of account determination in the asset class to assign each asset to an item in the balance sheet.
- ▶ **Asset approach:** This approach is more practical and may be more relevant for organizations with many assets that can be combined due to the size and nature of the assets. For instance, a laboratory may be an asset as a whole that is made up of many smaller assets. In this scenario, you have the following:
 - ▶ The asset “main number” represents the overall asset.
 - ▶ Below the main asset, you can use asset “subnumbers” to represent the many component parts, and you can depreciate them individually if their acquisition dates are different from the original asset.

Note

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

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

7.3 Building an Asset Accounting Business Model

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

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

▶ **How many different types of assets do you have?**

This will help you determine the number of asset classes you need in the system to represent their current structure within the SAP system.

▶ **Do you want to represent different types of assets with individual balance sheet accounts in your financial statements?**

This will determine if you need to create separate account determinations for every type of asset and also for the same type of assets with different useful lives, or if you can assign the same account determination to an asset, for example, furniture and fixtures, with different useful lives. This means you don't have to create a separate account determination for this asset with different useful lives. Most companies prefer to use one account determination for each type of asset and use the AA reports to view more details about asset types with different useful lives.

▶ **Do you want your different asset types to have unique number ranges?**

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

▶ **How many different types of depreciation calculations are required?**

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

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

7.4 Asset Accounting Configuration

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

7.4.1 Copy Reference Chart of Depreciation

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

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

The IMG path for this configuration step is SPRO • FINANCIAL ACCOUNTING (NEW) • ASSET ACCOUNTING • ORGANIZATIONAL STRUCTURE • COPY REFERENCE CHART OF DEPRECIATION/DEPRECIATION AREAS. A screen with activities, including COPY REFERENCE CHART OF DEPRECIATION, appears as shown in Figure 7.3.

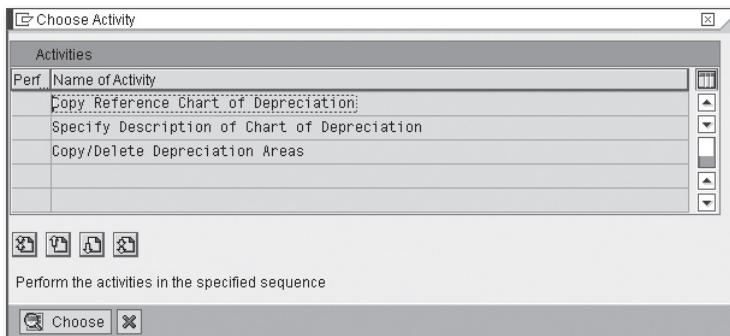


Figure 7.3 Copy Reference Chart of Depreciation

Index

OB57, 125
OBA4, 124
1KEK, 149
3KEH, 164, 469
999 lines
 In a journal, 88

A

ABAP report, 600
ABAVN, 418
ABST2, 594
ABUMN, 415
Access sequences, 136
Account Assignment Groups, 504
Account Assignment Objects, 380
 Activate, 380
Account Determination, 361
 AUA, 498
 AUF, 498
 AUI, 498
 BSA, 498
 BSX, 492
 Configure, 493
 DST, 498
 FR1, 493
 FR3, 493
 GBB-BSA, 492
 GBB-VBR, 492
 GBB-VNG, 492
 INV, 498
 New GL real-time integration, 168
 Specify, 361
 UPF, 493
 VAX, 498
 VAY, 498
 VBR, 498
 VKA, 498
 VKP, 498
 VNG, 498
 WRX, 492
 ZOB, 498
 ZOF, 498
Account group
 Customer, 287, 290
Accounting clerk, 219
 Customer master, 302
Accounts Approach, 629
Accounts Payable (AP), 602
Accounts Receivable (AR), 281, 425, 604
 Calculation of Interest on Arrears, 343
 Valuation, 425
Acquisitions, 393
ACSET, 382
Active splitting, 151
Additional Rows, 622
AFAB, 580
AFAMA, 374
AFAMD, 377
AFAMP, 380
AFAMS, 378
AJAB, 595
AJRW, 589, 593
Alternative reporting hierarchies
 Document splitting, 187
AM05, 372
ANLA, 400
ANLB, 400
AO11, 360
AO71, 389
AO73, 391
AO74, 391
AO76, 391
AO90, 383
AS01, 404
AS02, 402
AS08, 364

AS91, 551
 Assessment, 166, 190, 470, 473
 Asset Accounting (AA), 349, 605
 Building Blocks, 351
 Business Model, 355
 New General Ledger, 386
 New GL integration, 191
 Asset Assignment, 353
 Asset Balance, 554
 Asset Classes, 355, 365, 370
 Define, 365
 Asset Explorer, 411, 605
 Asset History Sheet, 396, 605
 Groups, 396, 397
 Position Allocation, 398
 Version, 397
 Asset Master Record, 404, 405, 406
 Create, 404
 Asset Number Range, 364
 Intervals, 364
 Assets
 Legacy asset migration, 551
 Asset Transaction, 404
 Asset Transfer Date, 549
 Data Migration, 549
 Assign Accounts to Account Symbol, 270
 Assign Bank Accounts to Transaction Types, 268
 Assign External Transaction Types to Posting Rules, 274
 Assign GL accounts, 383
 Assign number range
 Customer account group, 301
 Assign Report Group, 624
 Assign the valuation areas and accounting principles, 582
 Assign the Valuation Areas to the Accounting Principles, 585
 Attribute, 482
 Automatic account assignments
 Maintain, 468
 Automatic Account Determination, 526
 Automatic credit control, 319
 Automatic payment program, 248
 AW01N, 411

B

Balance sheet, 355
 Accounts, 383
 Bank, 222
 Bank master record, 225
 Base method, 374
 Define, 374
 Base value, 378
 Basic controlling area settings, 437
 Batch Input Session, 569
 Business Transactions, 257
 Billing, 282
 Account determination, 501
 Billing document, 283
 Release to accounting, 304
 Bill of exchange payable, 234
 Bill of exchange receivable, 233
 Bill To, 285
 Customer master, 285
 Blocked, 244, 324
 BSX, 493
 Build, 641
 Business Analysis, 637
 Business area
 Definition, 42
 Business Intelligence (BI), 600
 Business Roles, 643
 Business transaction
 Document splitting, 182
 Business transformation, 636

C

Calculating Interest, 345
 Cash Journal, 257
 Cash Journal Postings, 264
 Change Management, 634
 Change message control, 126
 Change Report Group, 625
 Change Report Layout, 618
 Characteristics, 598
 Chart of accounts, 42
 Company code assignment, 89
 Configuration, 64, 66

- Chart of depreciation, 352
 - Asset Classes*, 371
 - Assignment to company code*, 359
 - Chart of Accounts*, 353
 - Company Code*, 359
 - Country-Specific*, 352
 - Define*, 357
 - Definition*, 43
 - Integration*, 352
- Checks, 227
- Clearing
 - incoming payments*, 311
- Clerk ID
 - Accounting clerks*, 302
 - Customer master*, 302
- Close material period, 579
- Close old sales period, 579
- Closing Cockpit, 576
- CO1, 169
- Command field, 33
- Company
 - Configuration*, 59
- Company code, 38, 352
 - Configuration*, 69
 - Definition*, 40
 - Fiscal year assignment*, 71
 - Global parameters*, 82
 - Transfer*, 417
- Comparisons, 414
- Configuration Settings, 477
- Configuration specifications, 642
- Configuring Cash Journals, 257
- Configuring Electronic Bank Statements, 267
- Configuring Foreign Currency Valuations, 582
- Configuring Interest Calculations, 335
- Configuring the Asset History Sheet, 396
- Considerations, 350
- Constants
 - Document splitting*, 176
- Consumables, 423
- Controlling area, 438
 - Activate*, 438
 - Activate components*, 76
 - Configuration*, 72
 - Definition*, 42
- Controlling model, 434
- Control Methods, 379
- Conversion programs, 641
- Conversion Rules, 563
- Converting your bank statement, 276
- Copy Reference, 357
- Cost center, 617
 - Assignment*, 41
 - Create*, 453
 - Definition*, 41
 - Group*, 75
 - Hierarchy*, 75
- Cost Center Accounting (CCA), 449
 - Configuration*, 450
- Cost Center Categories
 - Create*, 451
- Cost Center Planning, 480
- Cost Distribution, 523
- Cost element, 443
- Create Account Symbols, 269
- Create, Change, or Delete Business Transactions, 262
- Create Cost Elements
 - Automatically*, 444
 - Manually*, 447
- Create Keys for Posting Rules, 272
- Create Legacy Assets, 551
 - Data Migration*, 551
- Create report
 - Report Painter*, 609
- Create Transaction Types, 268
- Creating a Transaction Type for Acquisitions, 391
- Creating a Transaction Type for Retirements, 393
- Creating a Transaction Type for Transfers, 394
- Credit control area, 321
 - Configuration*, 67
- Credit exposure, 324
- Credit limit, 324
- Credit master, 321, 323, 324
- Credit representative, 322
- Credit representative group, 324
 - Credit control*, 321
- Currency
 - New GL*, 156
- Current Asset Valuation, 422

Customer
 Master data, 285
 Customer and Vendor Balance Carry Forward,
 591
 Customer invoice, 304
 Layout, 304
 Customer master record, 285
 Customer Relationship Management (CRM),
 281
 Customer tolerance group, 313
 Cutover, 545, 645

D

Data cleansing, 542, 641
 Data migration, 634
 Asset Accounting, 549
 Definition, 539
 Segment, 162
 Strategy, 644
 Data warehouse, 600
 Definition, 600
 Deactivate Asset Class, 372
 Debtors
 Management of, 319
 Decision Making, 639
 Declining balance method
 Define, 377
 Declining Balance Method, 377
 DEFAULT, 176
 Default profit center, 80
 Define a Column, 613
 Define a Row, 611
 Define Automatic Credit Control, 325
 Define Document Types for Cash Journal
 Documents, 259
 Define Formula Rows and Columns, 615
 Define Interest Calculation Types, 336
 Define Posting Rules, 272
 Define Reference Interest Rates, 341
 Define the Valuation Areas, 582, 584
 Define the Valuation Method, 582
 Define Time-Based Terms, 341
 Defining Validations for Asset Master Data,
 399

Delivery note, 283
 Depreciation Accounts, 385
 Depreciation Area, 366, 372
 Define, 366
 Depreciation calculation method, 376
 Depreciation key, 373
 Maintain, 373
 Depreciation run
 Post, 420
 Depreciation Terms, 369
 Depreciation Types, 374
 Design Document, 639
 Design Phase, 636
 Dimension, 598
 Splitting, 152
 Display GL Balances, 606
 Display GL Line Items, 606
 Distribution, 166, 190, 470, 471
 Document
 Default values, 120
 Document change rules, 121
 Document entry screen
 User-defined layout, 118
 Document header Text
 Document type, 110
 Document parking, 231
 Document principle, 86
 Document splitting, 148, 174
 Activate, 178
 Document type, 105, 303
 Actual postings to PCA, 464
 Customer, 303
 Splitting classification, 185
 Down payment made, 234
 Down Payment Postings, 233
 Down payment received, 233, 306
 Dunning, 319, 328
 Charges, 332
 Interval, 330
 Program, 328
 Recipient, 334
 Dunning area
 Configure, 329
 Customer master, 296
 Dunning blocks
 Configure, 329

Dunning procedure
 Assignment to a customer, 334
 Customer master, 296
 Maintain, 330
 Duplicate invoice, 231
 Dynamic Selections, 601

E

Electronic Bank Statements, 266
 Employee Bank Details, 522
 Employee Basic Pay, 521
 Employee Master, 520
 Employee Master Records, 520
 Employee Organizational Assignment, 521
 Employee tolerances, 124
 Assignment, 125
 End-user training, 642, 645
 Engagement, 638
 Enhancements, 640
 Enterprise structure, 37
 Configuraton, 57
 Purpose, 40
 Enterprise Structure, 351
 ERP system, 487
 Exempt
 Tax, 133
 Extended data structure, 148
 Extending
 Customer master records into additional
 company codes, 298
 External Acquisition, 408
 External number range
 Documents, 113

F

F.05, 587
 F.07, 592
 F-29, 308
 F-39, 310
 F-48, 235
 F-53, 239

F-54, 238
 F.65, 589
 F.80, 580
 F-90, 408
 F110, 576, 577
 F150, 334, 576
 FAGL_ACTIVATION, 154
 FAGLB03, 577, 606, 626
 Period-end timetable, 577
 FAGLCOFITRACEADMIN, 167, 478
 FAGL_FC_VAL, 580, 587
 FAGLFLEXA, 149
 FAGLGVTR, 590
 FAGLL03, 577, 601, 606, 626
 Period-end timetable, 577
 FAGLTFLEX, 149
 Fast close, 148
 Activity, 574
 New GL, 152
 Favorites list, 34
 FB02, 245
 FBCJ, 264
 FBCJC0, 261
 FBCJC1, 260
 FBCJC2, 262
 FBL1N, 237
 FBL3N, 606
 FBL5N, 310
 FD11, 605
 FD15, 298
 FD16, 299
 FD23, 323
 FD32, 307
 FD32 , 234
 FD33, 307
 FEBC, 276
 FF_5, 277
 Field Mapping, 543, 563
 Data Migration, 543
 Field status
 Customer master data, 291
 Segment, 163
 Field status group
 Configuration, 91
 Customer master, 291

Field status variant
 Assignment to company code, 97
 Customer master, 303
 FIFO, 424
 Final Preparation, 645
 Finance Payroll Posting Variant, 531
 Financial ledger, 146
 Financial reporting
 External, 40
 SOX, 147
 Financial statement version, 128
 FIN_CCA, 157
 FIN_GSBER, 157
 FIN_PCA, 157
 FIN_SEGM, 157
 FINT/FINTSHOW, 345
 Fiscal Year, 617
 Change, 592, 593
 Fiscal year variant, 575
 Configuration, 60
 Fixed Assets Design, 355
 Fixed Values, 564
 Flat-Rate Individual Value Adjustment, 425
 Flexible dimensions
 Report Painter, 621
 Flexible Dimensions within the Report, 621
 Foreign Currency Update, 580
 Foreign Currency Valuation, 582
 Processing, 587
 Formula, 482
 Report Painter, 615
 FS00 , 257
 FS10, 606
 FS10N, 606
 FTXP, 139
 Functional specifications, 642
 FV50, 86, 576

G

GCBX, 464
 General Data Selection, 616
 General Ledger, 606
 German Commercial Code, 186
 GL account, 383
 Classification for splitting, 183

GL account group, 98
 GLT0, 154
 Go-Live Support, 646
 Go no-go decision, 645
 Goods receipt, 199
 GR52, 624, 625
 Grace periods, 330
 GRR1, 607

H

Head office
 Customer master, 295, 347

I

IFRS, 147, 627
 Implementation Guide (IMG), 35
 Implementation projects, 24
 Implementing SAP, 633
 Importing Bank Statements, 277
 Importing Electronic Bank Statements , 276
 Industry
 Customer master, 293
 Infotype 0001, 521
 Infotype 0008, 521
 Infotype 0009, 522
 Infotype 0014, 522
 Infotype 0027, 523
 Integrate, 487
 GL with subcomponents, 164
 Integration testing, 536, 642
 Intercompany
 New GL clearing, 172
 Postings, 172
 Interface, 531
 Interface programs, 641
 Interfaces, 39
 Internal, 159
 Internal Order
 Create, 459
 Internal Order Accounting
 Configuration, 456
 International Financial Reporting Standards,
 627

Inventory Transfer, 546
 Data Migration, 546
 Inventory Valuation, 422
 Invoice Verification, 200

J

Journal entry
 Screen, 86

K

KA01, 447
 KA06, 447
 KANK, 439
 KCH1, 80
 KDH1, 187
 KE52, 162
 Key Figure, 482
 Kick-off meeting, 636
 KO01, 460
 KOFI
 Account Determination, 503
 KOT2, 456
 KP06, 483
 KS01, 453
 KSH1, 75
 KSH2, 450

L

Last Dunned, 335
 Leading ledger, 154
 Ledger, 617
 New GL, 146
 Ledger group, 159
 Ledger-specific lines table, 149
 Legacy System Migration Workbench
 (LSMW), 544, 555
 Cross Application, 572
 Data migration, 543
 Legacy systems
 Data migration, 540
 LIFO, 424

Line Item , 238
 Logon pad, 31
 Long-Term Support, 647

M

Maintain Number Range Intervals
 Customer master, 300
 Maintain Terms of Payment, 515
 Manual configuration log, 643
 Manual outgoing payment, 239
 MASS, 402
 Master data
 Operational, 285
 Static, 285
 Matchcode, 203
 Customer, 288
 Material masters
 Migration, 546
 Materials Management
 Account Determination, 490
 Menu bar, 33
 Messages
 Customization, 126
 Migration service
 New GL, 548
 Minimum amounts
 Dunning procedure, 333
 MMPV, 578
 Period-end timetable, 578
 Movement Type
 Account Determination, 493
 MR11, 580
 Period-end timetable, 580
 Multicash, 267
 Multilevel method
 Define, 377
 Multilevel Methods, 377
 Multiple Ledger Approach, 630
 Multiple ledgers, 38
 MWAS, 136
 MWST, 136
 MWVS, 136

N

Netting, 295
 New GL, 25
 New Totals Table, 149
 Non-leading ledger, 186
 Nonstock invoice, 228
 Number range, 216
 Customer, 299, 300
 Document type, 112
 GL master record, 111

O

OA77, 362
 OA79, 396
 OAAQ, 594
 OAAAR, 594
 OAB1, 359
 OABC, 368
 OABD, 370
 OACS, 402
 OACV, 400
 OAOA, 365
 OAP1, 357
 OASV, 554
 OAV9, 396
 OAYZ, 370
 OB01
 Risk category, 322
 OB02, 323
 OB13, 65
 OB37, 71
 OB41, 115
 OB46, 336
 OB52, 578, 580
 Period-end timetable, 578
 OB53, 90
 OB58, 129
 OB82, 337
 OB83, 343
 OBA1, 585, 586
 OBA7, 107, 112, 259
 OBBG, 138
 OBBP, 64
 OBC4, 92

OBC5, 97
 OBD4, 98
 Object Attributes, 558
 OBLC, 133
 OBU1, 120
 OBV1, 343
 OBXR, 233, 306
 OBY6, 82
 OBYC, 493
 OBYR, 233, 306
 OBYZ, 134
 OK17, 479
 OKB2, 445
 OKB3, 446
 OKB9, 468, 512
 OKE5, 81
 OKEQ, 440
 OKKP, 76, 438
 Open item
 Customer invoices, 311
 Migraton, 547
 Management, 105
 Open Item Transfer, 547
 Data Migration, 547
 Open new period, 579
 Operational
 Master data, 285
 Order number range
 Assignment, 458
 Order-to-cash, 281
 Process, 281
 Order type, 456
 OSS
 Online SAP Support, 51
 Outgoing payment, 201
 Output determination procedure
 Customer master, 290
 Customer master records, 290
 OVA8, 325
 Overpayment
 Customer, 316
 OX02, 69
 OX06, 438
 OX15, 68

P

PA30, 520
 Parallel Accounting, 186
 Approaches, 628
 Parallel ledger, 148
 Parameters, 414
 Parking lot, 640
 Partial payment, 313
 Customer payment, 313
 Partner field
 Document splitting, 174
 Partner functions, 212
 Passive splitting, 151
 Password, 31
 Payables
 Integration with GL, 164
 Payer, 286
 Customer master, 286
 Payment difference, 243
 Payment on account
 Customer payment, 313
 Payment program, 200
 Payment term, 515
 Payroll Posting Variant, 530
 Period, 617
 Period control method
 Maintain, 379
 Period Controls, 380
 Period end
 Closing, 573
 Definition, 573
 Timetable, 575
 Periodic reposting, 470
 Permitted Payment Differences, 314
 Planned Values, 412
 Planning, 38
 Planning Layouts and Planner Profiles, 480
 PMO, 635
 Posted Values, 413
 Post final adjustments, 581
 Posting Depreciation, 389
 Posting Down Payments, 235, 308
 Posting keys
 Customer, 303
 Customer master record, 303
 Document, 115

Posting period variant, 575
 Configuration, 62
 Post transfers
 Assets, 415
 Post values to an asset, 408
 Preparation, 634
 Prepare Automatic Postings for Foreign
 Currency Valuation, 585
 Prepare Interest on Arrears Calculation, 337
 Prepare Item Interest Calculation, 338
 Pricing, 503
 Primary cost element, 443
 PRINCE, 633
 Process down pmnts, 238
 Process Flows, 639
 Production support projects, 24
 Production system preparation, 645
 Profit Center
 Accounting, 463
 Create, 80, 466
 Create default, 80
 Definition, 41
 Determination, 467
 Segment, 162
 Project Management Office, 635
 Purchase order, 199
 Purchase price variance, 230
 Purchasing view, 211

Q

Quality check sign off, 644

R

Rationalization
 Data migration, 542
 Real and statistical postings, 436
 Realization phase, 641
 Real postings, 436
 Real-Time Integration, 476
 CO to New GL, 165
 Reason code, 242
 Document type, 117

- Receivables
 - Integration*, 164
 - Reconciliation
 - Data migration*, 540
 - FI to CO*, 190
 - Interfaces*, 535
 - Reconciliation account
 - Customer master*, 294
 - Customer master record*, 294
 - GL Master record*, 104
 - Records mapping
 - Data migration*, 544
 - Record Type, 614
 - Recurring Payments and Deductions, 522
 - Reference Number
 - Document type*, 109
 - Release invoices blocked, 247
 - Release to accounting
 - Billing*, 304
 - Report group
 - Report Painter*, 624
 - Reporting requirements, 38
 - Reporting Suite, 597
 - Reporting Tools, 599
 - Report Layout, 618
 - Report Painter*, 618
 - Report Painter
 - Create*, 607
 - Report Definition*, 600
 - Report Texts, 622
 - Report Type, 608
 - Report Variants, 602
 - Creation*, 602
 - Request-based support projects, 24
 - Residual item
 - Customer payment*, 313
 - Retained earnings account, 89
 - Retiring assets
 - By scrapping*, 418
 - Revenue Account Determination, 502
 - CEX*, 509
 - ERF*, 504
 - ERL*, 504
 - ERS*, 504
 - EVV*, 504
 - KOFI*, 503
 - MWS*, 504
 - RDF*, 509
 - SKE*, 509
 - VKOA*, 505
 - ZDI*, 509
 - RFBIDE10, 299
 - Extending customer master data*, 299
 - RFEBDK00, 276
 - Risk category, 322, 324
 - Credit control*, 321
 - Roll-out projects, 24, 26
 - Run all settlements, 579
 - Run customer billing, 577
 - Run depreciation, 580, 581
 - Run GR/IR, 580
-
- S**
-
- Sales and Distribution (SD), 281
 - Sales order, 282
 - S_ALR_87012277, 580
 - S_ALR_87012291, 576, 577
 - S_ALR_87012347, 576, 577
 - SAP, 23
 - SAP ERP Central Component (ECC), 22
 - SAP knowledge, 648
 - SAP Lifecycle, 650
 - saplogin.ini, 31
 - SAP navigation
 - Basics*, 30
 - SAP Payroll, 525
 - SAP Query, 600
 - Definition*, 600
 - SAP R/3, 23
 - SAP report
 - Definition*, 600
 - Standard*, 599
 - SAP Support Model, 649
 - Sarbanes-Oxley (SOX), 147, 220
 - S_BCE_68000174, 580
 - Scenarios
 - New GL*, 157
 - Schedule Manager, 576
 - Scrapping, 418
 - Screen Layout, 362
 - Create*, 362
 - Search term

- Customer master*, 293
- Secondary cost element, 444
- Segment, 148, 160
 - Dimension*, 152
- Segment Reporting, 148
- Set the account determination, 582
- Set the Amount Limit, 258
- Settlements, 166
- Set up payment methods, 252
- Set Up the Cash Journal, 257, 260
- Ship To, 285
 - Customer master*, 285
- Sign off, 640
- Simulate the transaction, 411
- Six-step data migration model, 541
- SM35, 447
- Sold To, 285
 - Customer master*, 285
- Sort key
 - GL master record*, 103
- Source Fields, 561
- Source Structure, 561
- Special General Ledger Indicators, 233, 305
- Special ledger, 146
- Special Ledgers Approach, 629
- Splitting, 150
 - Activate method*, 182
 - Active*, 151
 - Method*, 178, 180
 - Passive*, 151
 - Rules*, 178
- Stabilization, 646
- Standard hierarchy
 - Cost centers*, 450
 - Profit Center Accounting (PCA)*, 463
- Standard toolbar, 33
- Static
 - Master data*, 285
- Statistical postings, 436
- Status bar, 34
- Straw man, 39
 - Design*, 43
- Structure Relations, 563
- Substitutions for Asset Master Data, 402
- SWIFT, 267
- Symbolic Accounts, 525, 526

T

- Target special general ledgerGL , 234
- Tax
 - Account*, 140
 - Calculation procedure*, 134
 - Condition type*, 136
 - Definition*, 131
 - United States*, 131
- Tax post, 138
- Terms of payment
 - Customer master*, 295
- Testing strategy, 643
- Tolerance groups
 - Customer*, 313
- Tolerances
 - GL posting*, 124
- Trace Active, 478
- Training strategy, 644
- Transaction
 - Simulate the*, 411
- Transaction KDF, 586
- Transaction Types, 391
 - for acquisitions*, 391
 - for retirements*, 391
 - for transfers*, 391
- Transfer of APC values
 - Specify*, 368
- Transfer of depreciation terms
 - Specify*, 370
- Transfer postings
 - Aset migration*, 555
- Transfers, 394
- Transporting
 - Customer number range*, 301
- Trial Load, 545
 - Data Migration*, 545
- Trial loads
 - Data migration*, 545

U

- Underpayment
 - Customer*, 316
- Upgrade
 - Activate New GL*, 153

Data migration, 547
Projects, 24
User acceptance testing, 642
User-Defined Routines, 564
User name, 31
U.S. GAAP, 147
U.S. Securities and Exchange Commission,
574
U.S. tax laws, 137

V

Valuation class
account determination, 494
Valuation modifier
account determination, 494
Value Adjustment Key, 426
Vendor account group, 205
Vendor account number, 213
Vendor master record, 203
Vendor tolerance, 241
Versions, 440, 625
Controlling, 480
Maintain, 440

Void, 227
VST, 140

W

Wage Type, 524, 526
Work package, 634
Workshops, 638

Y

Year end
Definition, 573
Year-end closing, 592

Z

Z-CCTR1, 598
ZDI, 316
Zero-balancing, 151, 174
Document splitting, 175