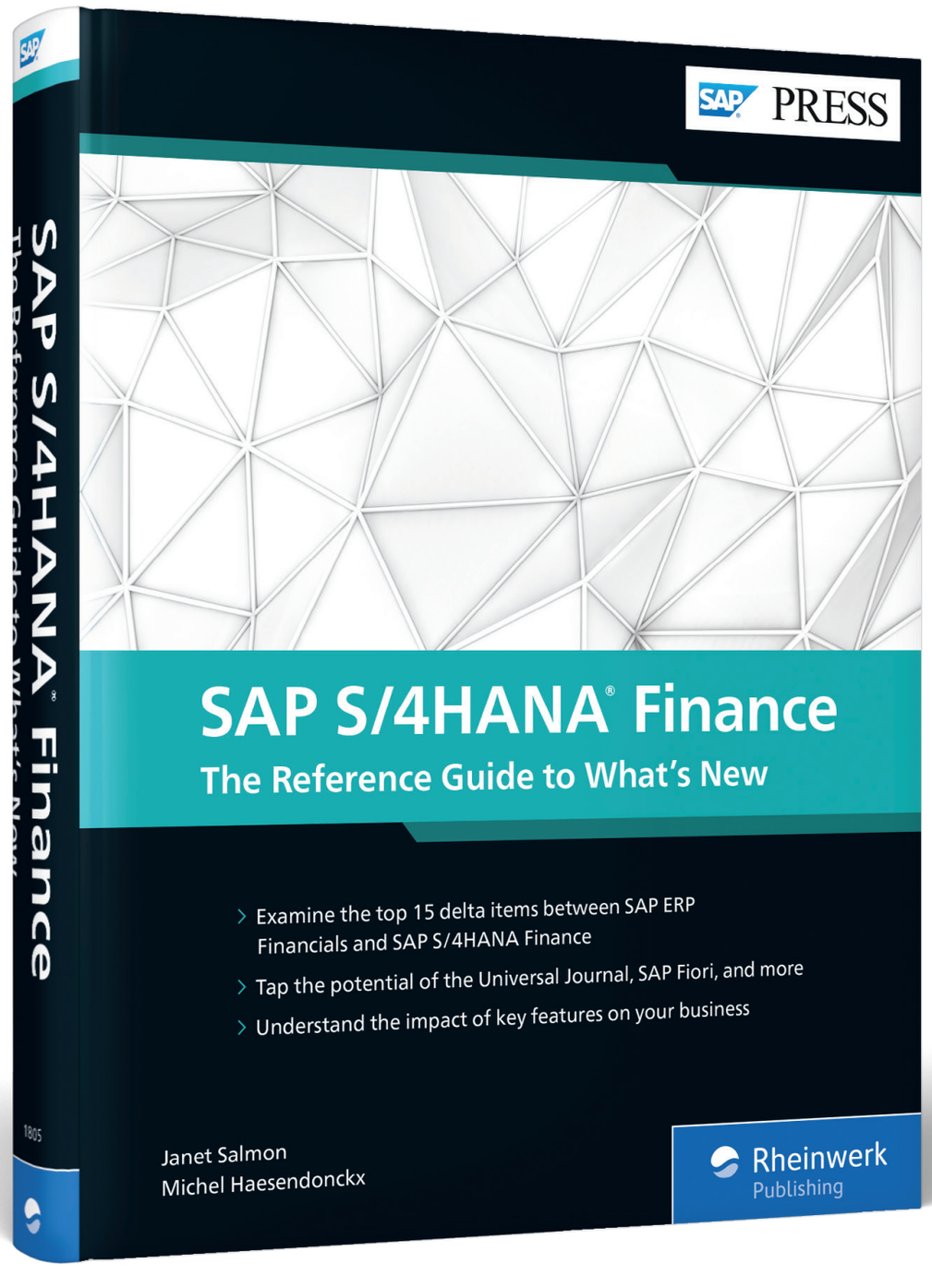

Browse the Book

In this chapter, discover how predictive accounting uses existing forward-looking contractual information in the SAP S/4HANA Finance system to steer the business. Consider specific examples of predictive accounting by looking at accounting for incoming sales orders, statistical sales conditions, and purchasing commitments.

"Predictive Accounting: Providing Forward-Looking Insights"

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SAP S/4HANA Finance: The Reference Guide to What's New

505 Pages, 2019, $79.95
ISBN 978-1-4932-1805-9

www.sap-press.com/4838

Chapter 8

Predictive Accounting: Providing Forward-Looking Insights

This chapter introduces predictive accounting and explains how journal entries can be created in SAP S/4HANA to reflect anticipated revenue and costs, using contractual information already in the system to provide forward-looking information to steer the business.

In the previous chapter on the financial close, we discussed how the time when decision-makers could content themselves with periodic information delivered after the month-end close is well behind us. Finance can no longer afford to keep looking backward. These days, continuous delivery of relevant information is the minimum requirement—and insight into what the future will or might bring is often requested.

Nevertheless, accountants are naturally cautious as a profession, so the idea of accounting entries that aren't yet GAAP-relevant appearing in the books is likely to raise a few eyebrows. If you work in the public sector, then you are probably already familiar with the idea of *commitment accounting*; this approach ensures that committed (or encumbered) funds are recorded and can't be used for another purpose, to ensure that organizations stay within budget.

The idea of accounting for commitments is nothing new for controllers. What changes is that in *predictive accounting*, we are treating these anticipated costs as early (or predictive) accounting documents, even though they are not yet GAAP-relevant, and showing them in *all* reports that reference the ledger rather than just in the controlling reports. This will allow us to view actual costs, commitments, and budgeted or planned costs in a single report based on the Universal Journal.

But as you'll see in this chapter, this is not the only way in which forward-looking insights can be generated. We can use the same approach to look at the predicted revenues associated with a sales order. These revenues and the associated cost of goods sold (COGS) are determined based on the incoming sales orders and used together with the planned delivery data to predict what will happen and better prepare for that outcome.

Predictive accounting uses the data already available in contractual information, such as sales orders and purchase orders, to predict when these orders will be fulfilled and create journal entries in accounting. Concerned accountants can rest assured that such predictive documents are kept separate from the real accounting documents in a separate extension ledger. Any documents posted to this extension ledger are ignored in all reports to be delivered to external stakeholders. This kind of practice is a natural extension of the continuous accounting concept from Chapter 7 and another related practice, predictive analytics.

In the past, predictive tools like SAP Predictive Analytics were often in the hands of dedicated data scientists, who reviewed historic information to understand what has happened to the organization in the past and applied statistical methods to quantify the trends in the data and establish relationships in these past events. As shown in Figure 8.1, predictive analytics uses top-down information and mathematical tools to predict, for a range of outcomes, which is most likely to happen and how an organization can best prepare for the future.

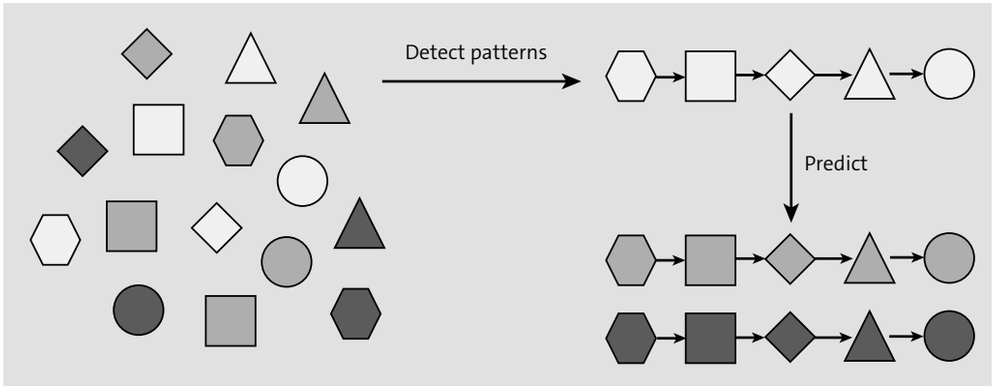


Figure 8.1 Top-Down Predictive Analytics

By contrast, predictive accounting is considered *bottom-up* because it is based on transactional line-item information already available within the SAP S/4HANA environment. As shown in Figure 8.2, it uses the sales orders from the order-to-cash process and the purchase orders from the purchase-to-pay process to create predictive journal entries—even if the orders haven't yet been fulfilled. These predictions naturally will lead to GAAP-relevant journal entries when the orders are fulfilled and

invoices sent or received. At that point, the predictive journal entries get reversed by the system to avoid double counting in reporting.

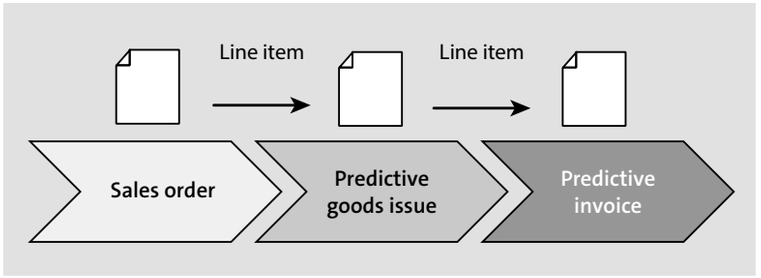


Figure 8.2 Bottom-Up Predictive Accounting

Figure 8.3 illustrates the vision for predictive accounting, which puts predictive capabilities in the hands of all business users. The first column, **Actuals**, contains all GAAP-relevant information already captured for the period (just under **$30,000,000** in this example). In a classic accounting report, this is all that a user would see midmonth.

The next column is **Costs and Revenue from Running Operations**. Here you see that the system is pretranslating costs and revenues from running operations to include information already captured as purchase orders (costs) and sales orders (revenues) in profitability calculations. In this example, this amounts to an additional **$25,000** or so for costs from the purchase orders that will be incurred within the period based on the delivery date, and revenues from the sales orders that will be fulfilled within the period. In SAP ERP, we would have needed to look at dedicated controlling reports to see this information.

The remaining columns reflect the vision of predictive accounting, in which evermore postings will be reflected in the calculations. In the future, SAP plans to deliver predictive accounting documents that represent the recurring entries for depreciation, payroll, and so on and to simulate the impact of various closing steps, including currency remeasurement on the P&L statement. The first step in this journey is to enrich the documents with information that classify them as relating to depreciation, payroll, and so on, making it easy to identify the relevant documents and predict their impact going forward.

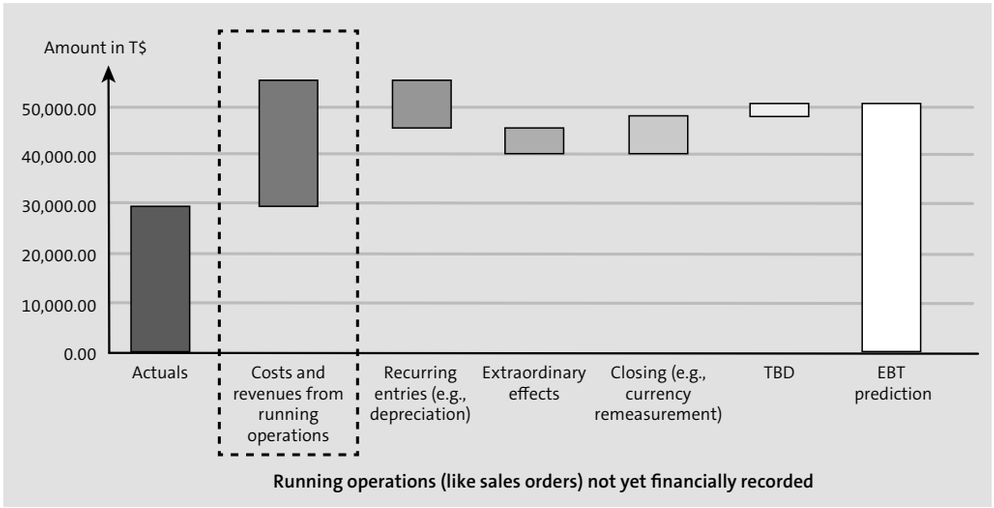


Figure 8.3 Predictive KPIs, Composed from Several Building Blocks

This kind of predictive accounting makes it possible to provide a clearer picture regarding where the organization will be at the end of the month. It is not simply a matter of capturing costs and revenues but also of recognizing *when* these postings will become accounting-relevant. The purchase order and sales order both include a planned delivery date, and it is this date that determines in which period the predicted costs or revenues will be included.

This approach allows organizations to create predictive journal entries and transform any financial measure from a real-time measure into one that includes predictive information without a major effort, while staying inherently consistent and reconciled with other information in the related document flow. This way, organizations can use predictive accounting to extend the transactional reach of accounting beyond GAAP-relevant postings while ensuring all information is still consistently stored in a single source of truth—the Universal Journal.

Now let's look at the three use cases for predictive accounting currently covered in SAP S/4HANA 1809. In the upcoming sections, we'll explain these different scenarios, detailing further how predictive accounting works technically and how predictive information is stored within SAP S/4HANA. In Section 8.1, we'll look at how to perform predictive accounting to handle incoming sales orders. In Section 8.2, we'll look at how to handle statistical sales conditions. Finally, in Section 8.3 we'll look at the new approach to handling commitments for purchase orders.

In Chapter 1 we explained that financial and controlling information is now combined in the Universal Journal and introduced the idea of an extension ledger as a way of separating any management adjustments needed for operational reporting from the figures that have been reported externally. In predictive accounting, we use a special kind of extension ledger that allows us to combine GAAP-relevant and non-GAAP-relevant information in the same data structure. In each of the sections that follow, we'll explain how the extension ledger is used to handle each specific use case.

8.1 Accounting for Incoming Sales Orders

The first predictive accounting scenario delivered in SAP S/4HANA predicts the financial impact (more specifically, the revenue, COGS, and gross margin) based on the incoming sales orders. Of course, taking corresponding actions rather than just reviewing the reported predicted margin is what will help an organization improve its accounting, but as a first step, reporting is key.

Let's look at the process in Figure 8.4. When analyzing the classic order-to-cash process flow, the key starting point is the quotation, followed by the sales order. At the time the sales order is captured, there is no financial information available. The system therefore makes two predictions:

1. The first prediction simulates the goods delivery and determines the COGS and how this will be split into its cost components. (We'll look at how this cost splitting works in detail in Chapter 11.) It can also simulate the accrued revenue that will be associated with these costs.
2. The next prediction simulates the invoice and determines the revenue associated with the sales order and can apply overhead and perform revenue recognition based on this information.

The first GAAP-relevant posting in this process flow is the goods issue, which credits inventory and debits COGS following the delivery. At this point, the predictive COGS is reversed.

When the sales order is billed (following the goods issue), the billing document generates an open item on the accounts receivables side and a revenue item on the P&L. The simulated revenue will be reversed when the invoice is posted and generates revenue.

In Section 8.1.1, we'll explore the impact of the incoming sales orders on product profitability, showing how they can give an earlier view of the expected revenue and costs. In Section 8.1.2, we'll explain how to create the journal entries for predictive

accounting and ensure that they are kept separate from the GAAP-relevant journal entries in a dedicated extension ledger.

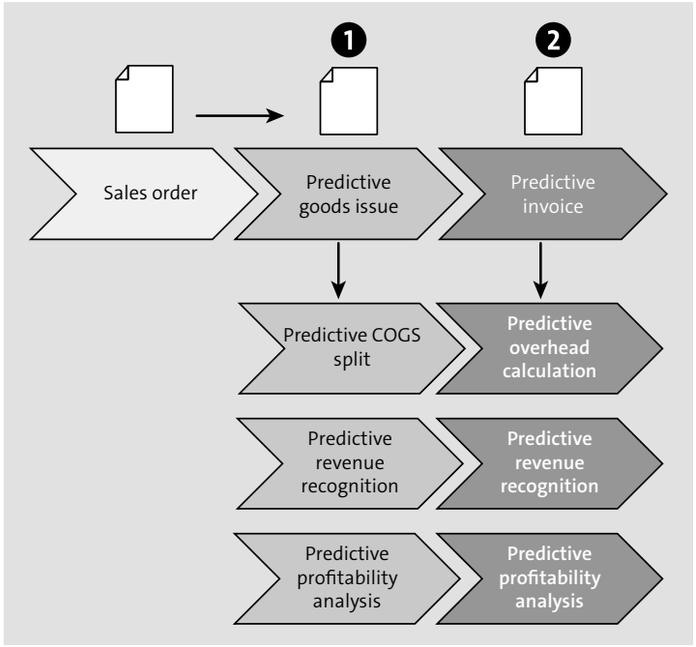


Figure 8.4 Predictive Accounting for an Incoming Sales Order

8.1.1 Including Incoming Sales Orders in Product Profitability

Sales accountants will be able to see the incoming sales orders in a dedicated SAP Fiori application, but they can also view this information in any application that can select a ledger (including the financial statements and product profitability). You can include the predictive documents by selecting the appropriate extension ledger.

Let's begin by looking at the Product Profitability app (SAP Fiori ID F2765), which shows the actual and predicted margin by product and period. The bar chart shown in Figure 8.5 displays the actual revenue, COGS (fixed and variable portions), and the resulting margin for the current period (here, fiscal period **5**, on the left side of the bar chart and the first column of the tabular report). Notice that the GAAP-relevant postings are based on the valuation principles in the leading ledger (`0L`), and the commitment/order entry view extends this information with the predictions associated with this ledger.

Fiscal Period	5	6	7	8
Ledger	Ledger 0L	Commitment/Order Entry	Commitment/Order Entry	Commitment/Order Entry	Commitment/Order Entry
Recognized Revenue	$ 46,585,740.00	$ 93,749,220.00	$ 10,853,070.00	$ 5,010,268.00	$ 2,109,875.00
COGS - Variable	$ -30,733,598.27	$ -77,891,584.74	$ -7,263,613.77	$ -3,196,798.53	$ -1,343,278.10
COGS - Fixed	$ -2,697,617.17	$ -6,836,149.10	$ -731,521.63	$ -325,477.87	$ -157,835.15
Contrib Margin II	$ 13,154,524.56	$ 9,021,486.16	$ 2,857,934.60	$ 1,487,991.60	$ 608,761.75

Figure 8.5 Actual and Predicted Profitability by Period

In the second column of the table and the corresponding part in the graph, the report displays the total of the actual financial results (from the first column) combined with the predicted contribution margin (and the revenue and COGS components building it). These predicted amounts are available both for the current period and for future periods as well, depending on the planned delivery dates. The reason there are predicted amounts for future periods in this example is because there are sales orders related to these periods registered in the system already. (Note that for future periods, only predicted amounts are shown because no actuals are available yet.)

The idea behind this application is not completely new. If you've worked with costing-based CO-PA in SAP ERP, you know that it was already possible to create records for incoming sales orders. These had a separate record type (`A`) and could thus be separated from the billing documents, which were reported as record type `F`. These documents used the valuation function to include both the revenue postings and the COGS postings derived from the standard cost estimate. The difference was that these records were never canceled. They provided a view of the future for comparison with the reports built to show the billing documents and associated COGS.

As a side note, we want to mention that predictive accounting helps detect some of the company's business dynamics. In this case, the example company is in a business with mainly short-term sales cycles (you can see only limited sales orders in the longer term). This is common in many high-volume sales businesses, such as consumer products and component manufacturing. For an engineer-to-order company such as an airplane construction company, this may look completely different: sales orders remain open for much longer, and there's a bigger gap between the time an order is placed and delivery of the goods.

Based on how the predictive accounting for incoming sales orders works, the basis of the predicted margin information shown in Figure 8.6 is the sales order information. The Incoming Sales Orders app (SAP Fiori ID F2964) delivers full information about the sales orders for the example company. This tabular report displays all relevant sales order information (e.g., the product sold, the sales organization, etc.). From here, it's possible to drill down to an individual sales order, from which the entire document flow can be displayed. This is where the insights get actionable.

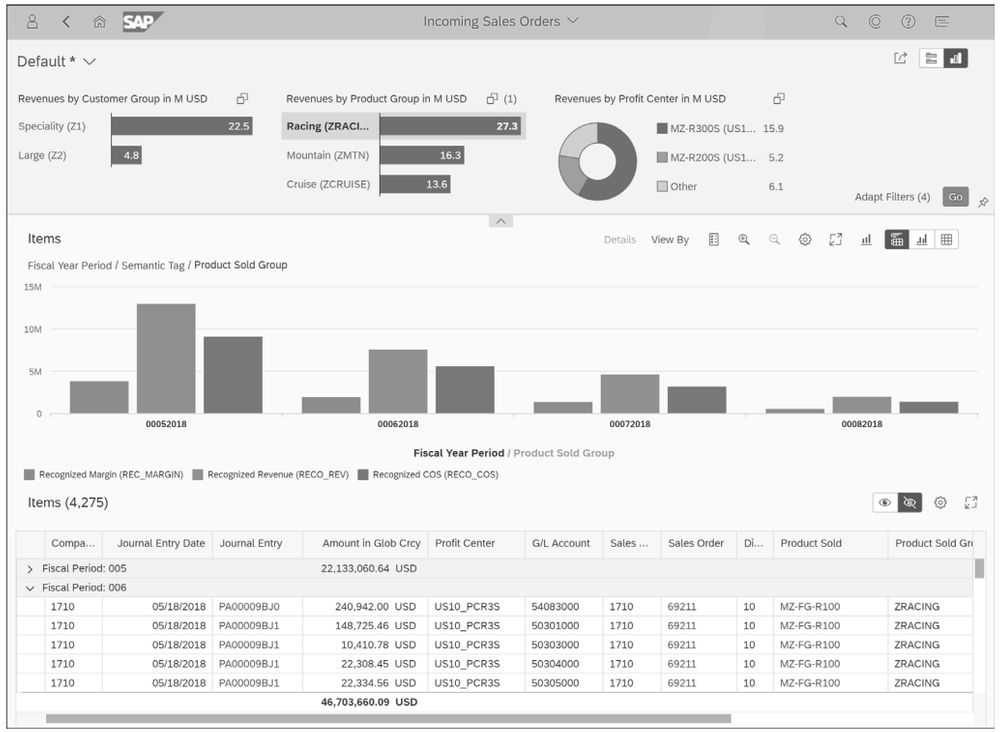


Figure 8.6 The Incoming Sales Order App

In the example shown in Figure 8.7, the requested delivery of the selected sales order (**69211**) is for **May 2018**, but the planned delivery is for the following month (**June 2018**). Hence it isn't billed yet, and no actual revenue and related COGS are posted.

From here, further analysis is possible. By understanding why this sales order hasn't been billed yet, you can act to optimize the organization's revenue streams (and related incoming cash). For example, you could check whether it's possible to move the delivery to the current month (in Figure 8.7, this is **May**), which would increase sales and pull the customer's payment due date forward.

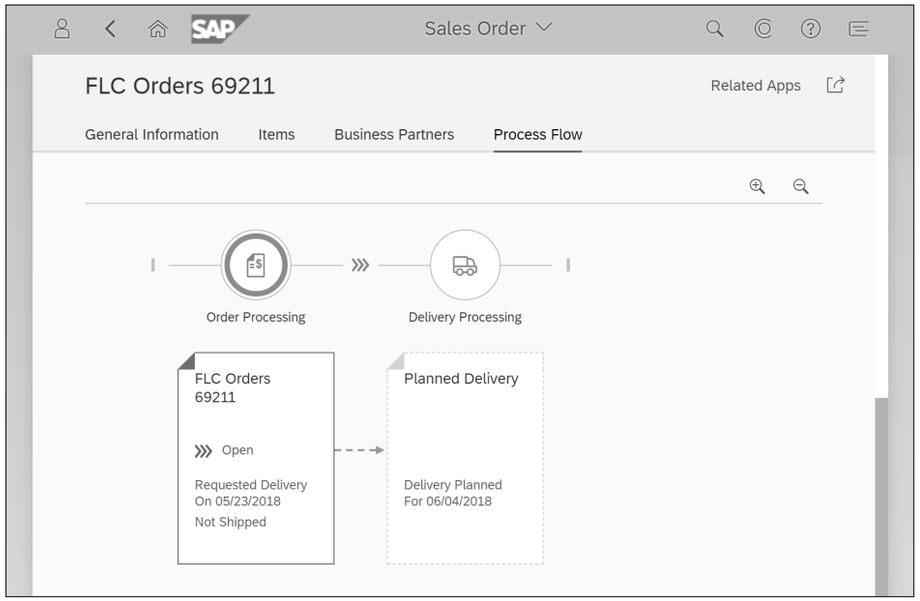


Figure 8.7 Analyzing the Sales Transaction Document Flow

At the time of publication (spring 2019), the predictive logic related to sales orders is available for the following traditional sales processes:

- Sales orders
- Returns
- Free-of-charge orders
- Credit memo requests
- Debit memo requests

It's *not* yet available for the following sales processes:

- Project-related sales processes
- Intercompany sales processes
- Third-party direct shipments
- Service sales

You've seen how the journal entries created using the predictive accounting approach appear in reporting. Now let's look at the system settings needed to activate the creation of these documents.

8.1.2 Journal Entries for Predictive Accounting

To understand how predictive accounting documents are posted, let's return to Figure 8.6 and focus on the posting documents in the **Journal Entry** column.

The predicted document numbers start with "PA" as a prefix. This nomenclature makes it easy to identify the predictive accounting postings as distinct from regular GAAP-relevant accounting documents. When the actual invoicing is executed, an actual (GAAP-relevant) posting takes place. This results in the proper recognition of the revenue in the company P&L and the creation of an open item on accounts receivable side. At that moment, the predictive posting must be cancelled automatically to prevent a double entry of the transaction.

Remembering our cautious accountants who would never include predicted information in legal reporting, we must make sure the predictive document stays separate from the actuals. By storing all predictive accounting postings in a specific extension ledger, these postings are always isolated from the legal reporting. In Figure 8.8, the GAAP-relevant postings (i.e., actuals) are recorded in the leading group ledger, whereas the predictive entries are recorded in the separate prediction extension ledger.

To view actual *and* predictive results for internal reporting, simply add the predictions to the documents in the base ledger by selecting the appropriate extension ledger. The combination of the figures in the base ledger and the prediction ledger delivers the presumed profit shown in Figure 8.8.

We'll now explain how to activate an extension ledger specifically for use in predictive accounting. Note that in SAP S/4HANA Cloud, incoming sales orders are always updated in ledger `0E` (Commitment/Order Entry), and all the settings described here are delivered as best practices, so you will automatically have access to this functionality.

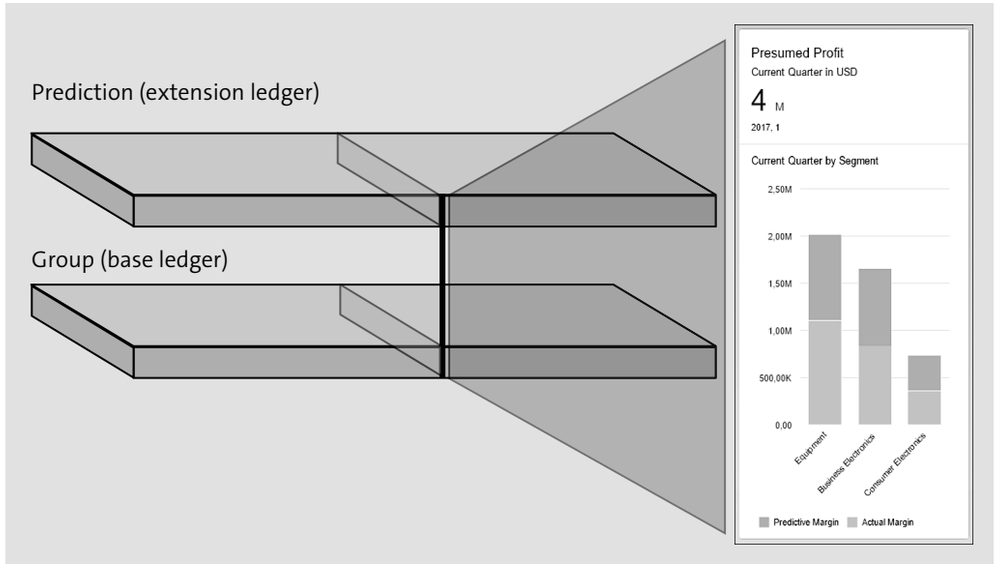


Figure 8.8 Combining Predictive Accounting Information in an Extension Ledger with GAAP-Relevant Information in the Base Ledger

To create journal entries for incoming sales orders in on-premise SAP S/4HANA, you'll have to create and activate an extension ledger, and then activate predictive accounting for both profitability analysis and sales and distribution to see the extra journal entries. Follow these steps:

1. First create your own extension ledger, in which you will store the incoming sales orders, commitments, and so on, as shown in Figure 8.9.

   You can access the ledger settings by choosing **Financial Accounting • Financial Accounting Global Settings • Ledgers • Ledger • Define Settings for Ledgers and Currency Types** in the IMG. In this example, we created a new ledger, **OE (Commitment/Order Entry)**, to separate the predictive journal entries from other GAAP-relevant journal entries. Notice that this ledger is linked with the underlying ledger **0L**, the leading ledger. All reports work by combining the contents of the extension ledger and ledger **0L**. This extension ledger differs from the ledgers for management adjustments that we discussed in Chapter 1 in that it has extension ledger type **Prediction and Simulation**.

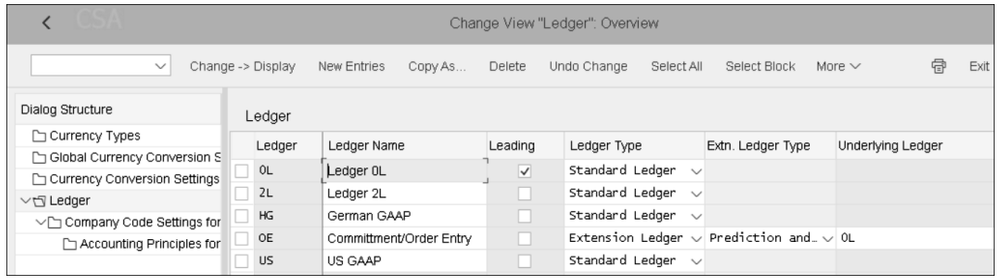


Figure 8.9 Ledger Settings for Standard and Extension Ledgers

This ledger can be accessed by any report that selects data by ledger. Figure 8.10 shows the selection parameters for the Display Financial Statement app (SAP Fiori ID F0708), in which you can select all five ledgers defined in Figure 8.9. The other four ledgers only contain accounting data. If you select ledger **OE (Commitment/Order Entry)**, you access the predictive accounting documents. However, predictive documents alone won't tell the whole story; the journal entries only make sense in combination with the journal entries in the underlying ledger (see Figure 8.9) that contains the GAAP-relevant postings.

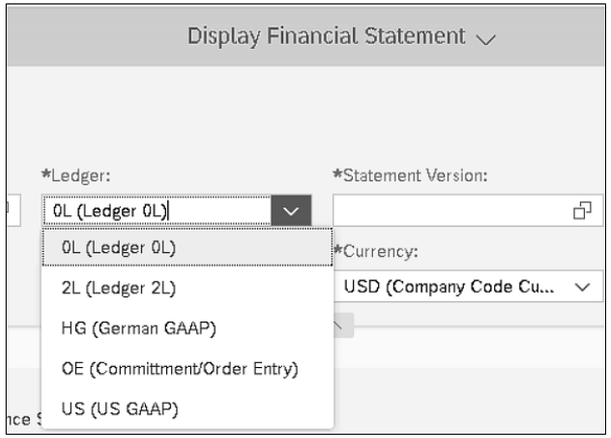


Figure 8.10 Choosing a Ledger in the Display Financial Statement App

2. To activate this extension ledger for predictions, run Transaction SM30 to update the `FINSV_PRED_RLDNR` view (**Ledgers for Predictive Accounting**) for your chosen ledger, as shown in Figure 8.11.

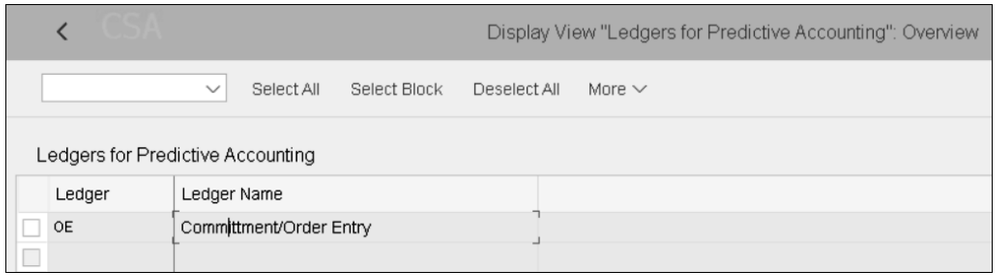


Figure 8.11 Activating a Ledger for Predictive Accounting

3. To activate predictive accounting in profitability analysis in the Universal Journal, use the IMG steps previously associated with transferring incoming sales orders to costing-based CO-PA in SAP ERP. Follow **Controlling • Profitability Analysis • Transfer of Incoming Sales Orders • Activate Predictive Accounting for Incoming Sales Orders** in the IMG, create an entry for your controlling area and the latest fiscal year, and add the **Active with Date of Entry** flag, as shown in Figure 8.12.

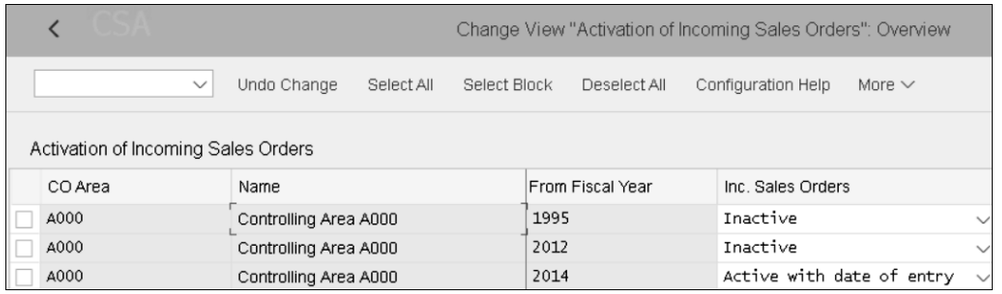


Figure 8.12 Activation of Incoming Sales Orders in Controlling Area

4. To activate predictive accounting in sales and distribution, you'll need to make some additional settings. First, use Transaction SM30 to access the `FINSV_PRED_FKART` view (**Assignment of Billing Type for Predictive Accounting**) and list all the billing types for which you want to create predictive journal entries. In the simple example shown in Figure 8.13, we've selected the sales document type (**SaTy**) **OR** and the billing type **F2**.

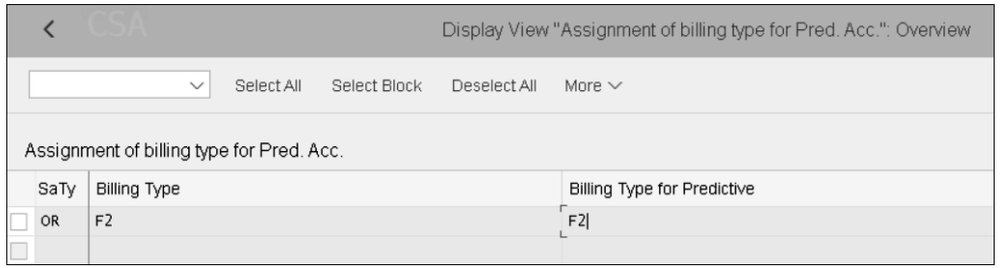


Figure 8.13 Activation of Predictive Accounting by Billing Type

5. Then use Transaction SM30 to access the `FINSV_PRED_FKREL` view (**Assignment Order-Related Billing Relevance for Predictive Accounting**) and list all the item categories for which you want to create predictive documents. Specify the desired time point in the **Relevant for Billing** column; in Figure 8.14, we chose **Relevant for Order-Related Billing—Status According to Target Quantity**.

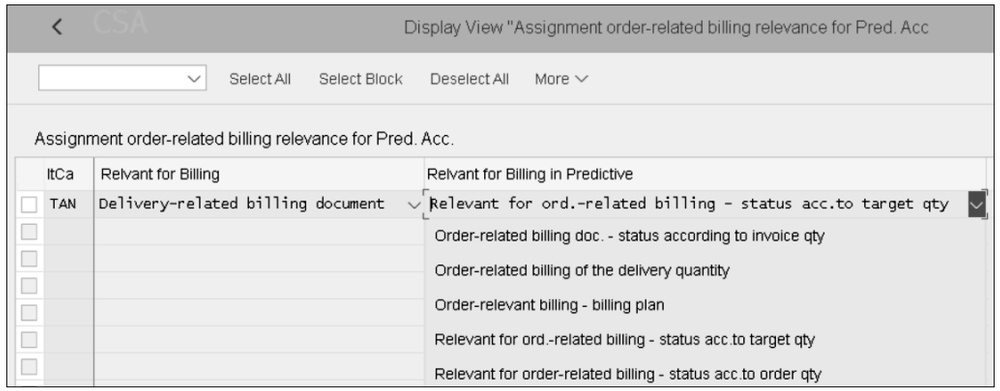


Figure 8.14 Definition of Billing Relevance for Predictive Accounting

This procedure ensures that incoming sales orders are captured as predictive accounting documents. Customers who are currently using costing-based CO-PA generally work not just with incoming sales orders, but also with statistical sales conditions. A statistical sales condition is also a kind of prediction in that it can be used to anticipate future sales bonuses, freight costs, warranty costs, and so on that have not yet been incurred as costs but do have a causal relationship with the sales order. For this reason, we'll look at how to create journal entries for these conditions in the next section.

8.2 Accounting for Statistical Sales Conditions

Let's turn our attention from predictive accounting for incoming sales orders to predictive accounting for statistical sales conditions.

Recall from Chapter 1 that all actual costs are captured in the Universal Journal and that it's possible to make statistical postings to orders and projects, with the same journal entry line being assigned to a real cost object and a statistical one that can be viewed in reporting. *Statistical sales conditions* are different again, in that they are extra lines that appear in reporting to account for future bonuses, freight costs, warranty costs, and so on.

The postings for statistical sales conditions differ from the predictive accounting we discussed in the previous section (in which the document for the entire sales order item was a prediction) in that only individual lines of the sales document are considered to be a prediction and the remainder are accounting-relevant. The assumption is always that there is a causal link between the accounting-relevant conditions in the sales order item (revenues and costs) and the expected freight costs, warranty costs, and so on and that this should therefore be captured with respect to the sales order item.

For predictive accounting of statistical sales conditions, SAP S/4HANA creates a normal journal entry for the revenues and associated receivables and an additional statistical journal entry for the planned warranty costs. In the example in Figure 8.15, we're calculating statistical warranty costs as **3%** of revenues. Note the "normal" journal entry for revenues and associated receivables (totaling **$300**) and another entry for the statistical warranty costs and reserves (totaling **$9**).

The other difference in the handling of these statistical postings is the timing of when these costs will be incurred. When we create an accounting document for an incoming sales order, we know from the planned delivery date when the COGS should be incurred and can also cancel this posting when the real COGS are captured. However, when we create an allowance for freight or warranty costs, we do *not* know at what time in the future the relevant invoices will be received. We are simply acknowledging that such costs will occur in the future and creating an accrual for them. For this reason, some companies choose to keep these items in a separate extension ledger from the incoming sales orders because there are no automatic functions to reverse these postings when the real warranty costs are incurred.

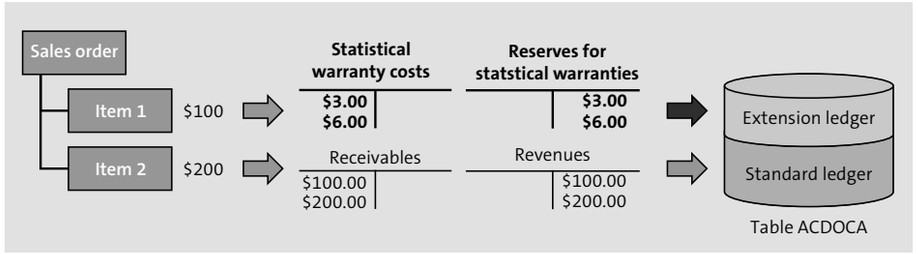


Figure 8.15 Predictive Logic for Statistical Sales Conditions

Let's now look at the settings needed to report on statistical sales conditions. In addition to creating the ledger itself, as shown in Figure 8.9, you need to activate the ledger assignment by choosing **Financial Accounting • Financial Accounting Global Settings • Ledgers • Ledger • Define Ledger Group** and selecting the **Rep. Ledger (Representative Ledger)** indicator for your ledger, as shown in Figure 8.16.

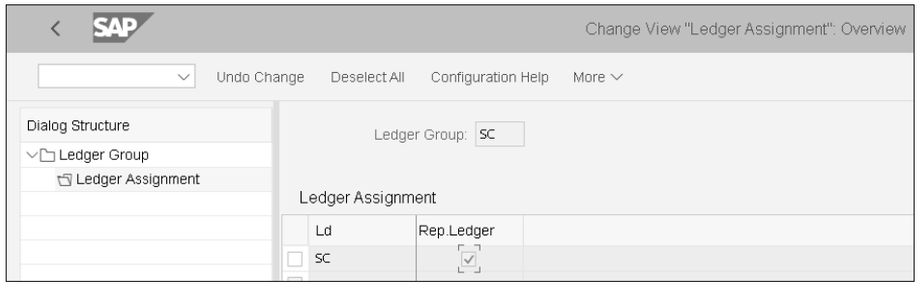


Figure 8.16 Ledger Assignment

The statistical conditions are defined as before in the pricing procedures in sales and distribution. You can access these conditions by choosing **Sales and Distribution • Basic Functions • Pricing • Pricing Control • Define and Assign Pricing Procedures** in the IMG. Normally, any price conditions that are flagged as **Statistical** won't show up in the accounting documents (remember that *statistical* in this sense means that the figures aren't relevant for accounting and are used only for statistical purposes).

Figure 8.17 shows the changed pricing conditions in SAP S/4HANA, in which we've set up a ZWAR condition to calculate statistical warranty costs. In this example, we have a **Stati... (Statistical)** statistical condition, which normally wouldn't post to accounting; however, we have set the new **Rele... (Relevant for Accounting)** flag and entered an account key in the **Account... (Account Key)** column to ensure that the values calculated for the pricing condition **Stat. Warranty Costs** will be captured as a separate journal entry in the extension ledger. If we select the extension ledger, then the values will be shown in SAP Fiori applications such as Product Profitability.

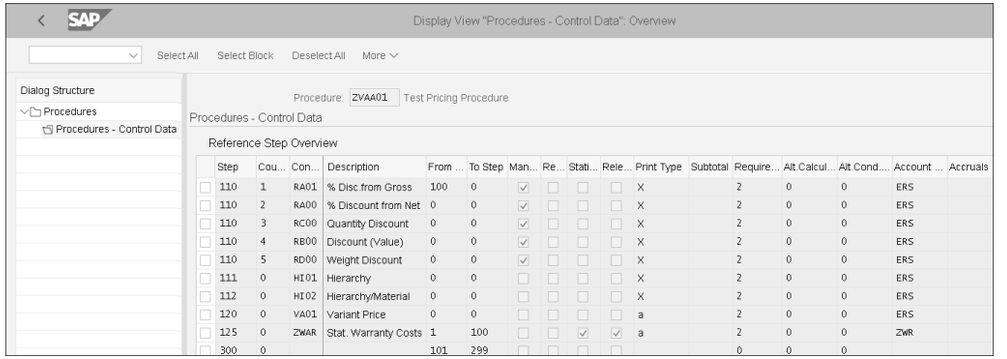


Figure 8.17 Pricing Procedures with Statistical Conditions

Figure 8.18 shows the invoice based on the price conditions configured in Figure 8.17. A **3%** warranty allowance has been included in the invoice, resulting in a reserve of **CHF 252** (Swiss francs) being set aside for the expected warranty costs (notice the flag in the **Stat.** column). This is not included in the main accounting document for the invoice but stored as a separate accounting document in the extension ledger.

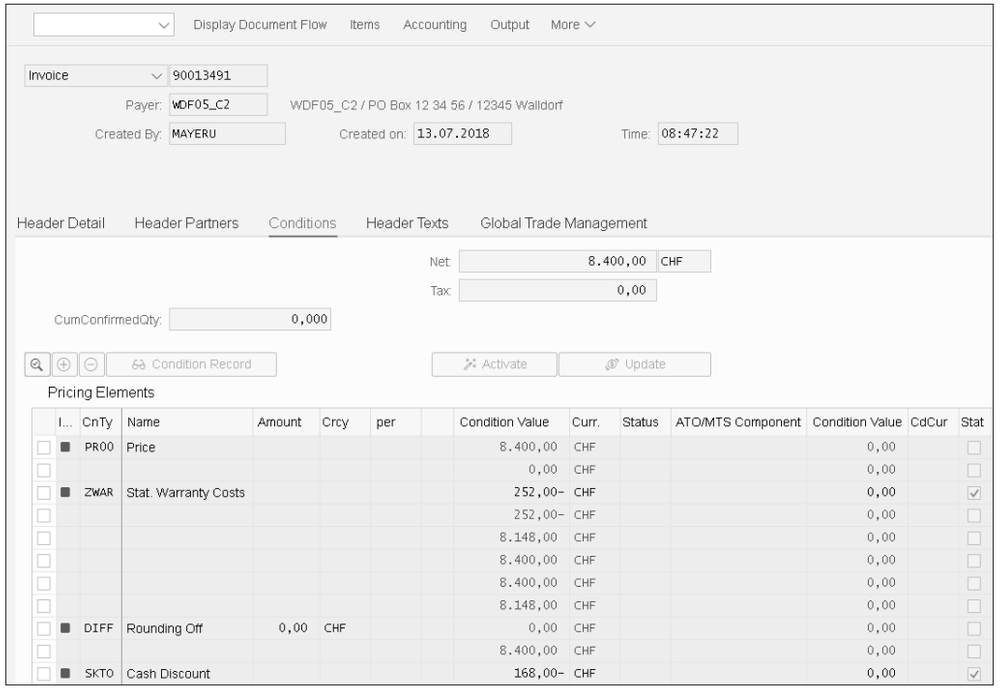


Figure 8.18 Price Conditions Showing Statistical Sales Conditions

Figure 8.19 shows the accounting documents for this invoice. The first document contains the postings to revenue and accounts receivable, and the second document (with the prefix "TA") contains the postings for the statistical warranty costs in the extension ledger.

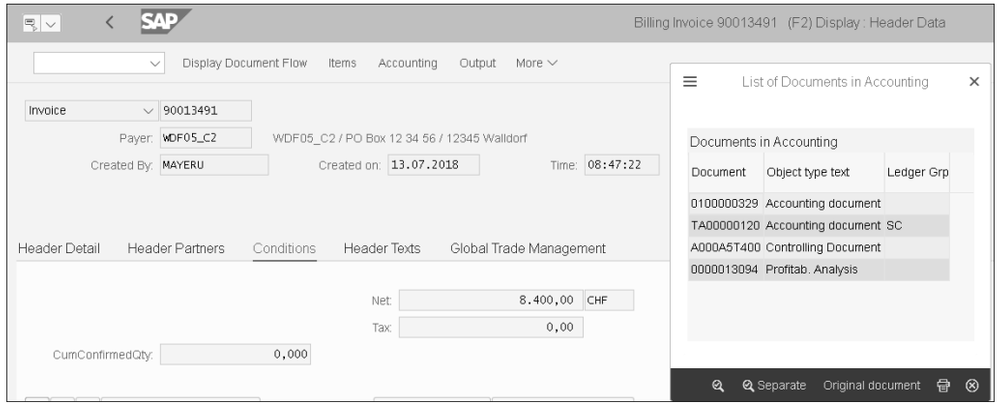


Figure 8.19 Accounting Documents for Real and Statistical Postings

Figure 8.20 shows the accounting document for the statistical warranty costs in ledger **SC** (the second document in Figure 8.19).

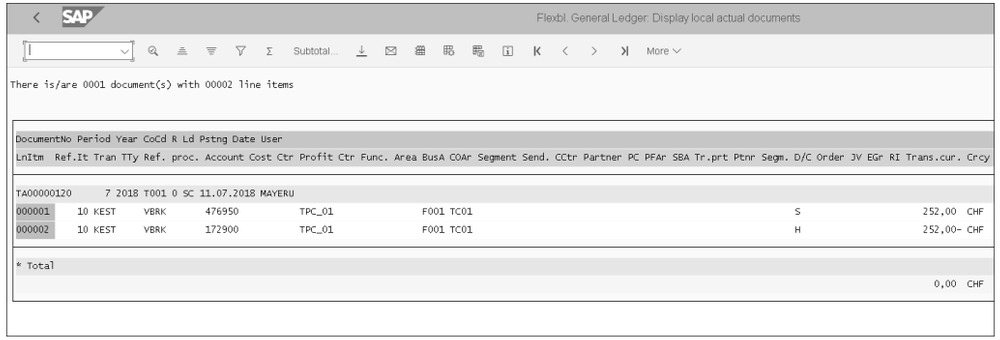


Figure 8.20 Accounting Document for Statistical Posting

So far, you've seen two types of sales-related predictions: incoming sales orders and statistical sales conditions. Now let's look at the first scenario to be delivered for purchase-related predictions and explain how commitments are created for purchase orders.

8.3 Commitment Accounting for Purchase Orders

The final use case for predictive accounting that we'll cover in this chapter can be found on the purchase order side.

There are currently two forms of commitment accounting in SAP ERP. The first is used in all industries, but especially when there is a long gap between the time that the purchase orders are created and the time of the goods receipt. The second is used only in the public sector and covers more business processes. This second option is not yet covered by the predictive accounting approach but is on the SAP S/4HANA roadmap.

Commitment accounting for non-public-sector companies in SAP ERP involves storing the commitments in a separate table (COOI) with reference to the cost center, order, or project. With this classic commitment approach, only one-sided postings in the controlling space were registered. With the harmonization of accounting and controlling, a different approach was needed that assigned the commitments to all reporting dimensions (including profit centers and the like) and considered the balance sheet and the cost sides of the posting.

With SAP S/4HANA, we can create full documents for both the cost side and the vendor side of the posting in the Universal Journal (table ACDOCA), which results in a double-sided posting. Beginning with SAP S/4HANA 1809, the predictive accounting logic is applied to capture commitments for both the balance sheet and the profit and loss statement.

From a technical perspective, the predictive postings for commitments are again isolated in an extension ledger and carry the "PA" prefix to ensure they don't appear in GAAP-relevant reports.

Commitment Accounting in SAP S/4HANA Cloud

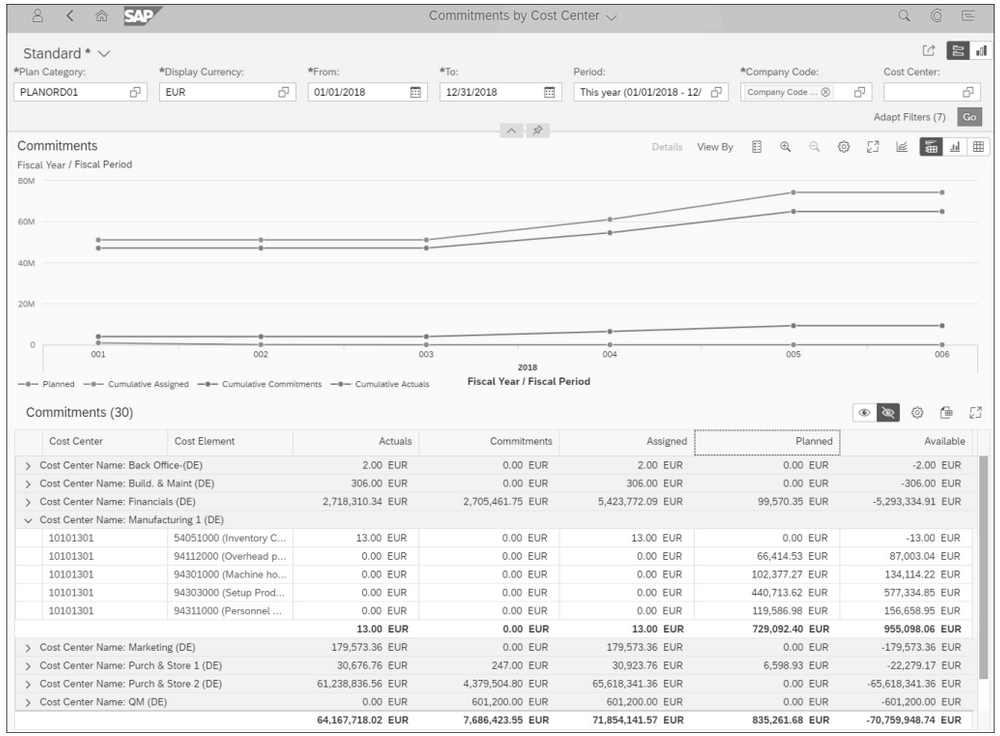
In SAP S/4HANA Cloud, the new predictive accounting approach is the only way to capture commitments: the SAP Fiori apps read the new commitments, and you don't have access to the classic reports.

In on-premise SAP S/4HANA, the two approaches can coexist, so you can create an extension ledger and capture commitments according to the new approach but leave the existing logic running for a transition period so that your existing budget and commitment reports can continue to run. This is especially important if you work with active availability control where a new approach is in development.

Analyzing the process in some more detail, commitment accounting is similar to the predictive accounting for incoming sales orders, but in this case starts from the purchase order. A purchase order typically triggers a goods receipt, followed by an invoice receipt. As with sales orders, the commitments need to be canceled as the goods receipt and invoice receipt are recorded to ensure that the same values are not captured twice.

With the predictive accounting logic for commitments, these are simulated to enable a predictive accounting posting.

Figure 8.21 shows the Commitments by Cost Center app (SAP Fiori ID F3016), displaying the actual costs, commitments, and assigned and planned costs for each cost center. The **Commitments** column shows the predictive accounting documents. The **Assigned** column shows the sum of the actual costs and the predictive costs so that cost center managers can see the impact of this spend combination on their budget and know whether further spending is possible.

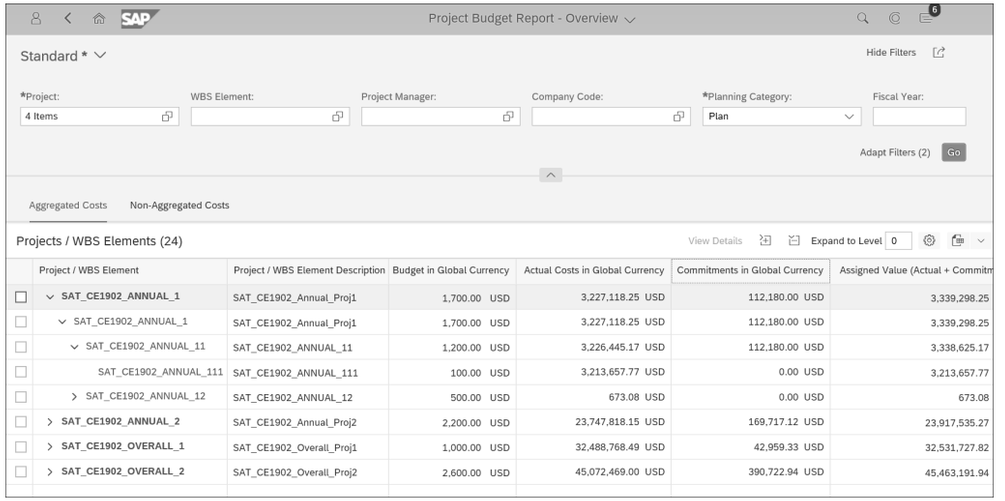


Commitments (30)

Cost Center	Cost Element	Actuals	Commitments	Assigned	Planned	Available
Cost Center Name: Back Office-(DE)		2.00 EUR	0.00 EUR	2.00 EUR	0.00 EUR	-2.00 EUR
Cost Center Name: Build. & Maint (DE)		306.00 EUR	0.00 EUR	306.00 EUR	0.00 EUR	-306.00 EUR
Cost Center Name: Financials (DE)		2,718,310.34 EUR	2,705,461.75 EUR	5,423,772.09 EUR	99,570.35 EUR	-5,293,334.91 EUR
Cost Center Name: Manufacturing 1 (DE)						
10101301	54051000 (Inventory C...	13.00 EUR	0.00 EUR	13.00 EUR	0.00 EUR	-13.00 EUR
10101301	94112000 (Overhead p...	0.00 EUR	0.00 EUR	0.00 EUR	66,414.53 EUR	87,003.04 EUR
10101301	94301000 (Machine ho...	0.00 EUR	0.00 EUR	0.00 EUR	102,377.27 EUR	134,114.22 EUR
10101301	94303000 (Setup Prod...	0.00 EUR	0.00 EUR	0.00 EUR	440,713.62 EUR	577,334.85 EUR
10101301	94311000 (Personnel ...	0.00 EUR	0.00 EUR	0.00 EUR	119,586.98 EUR	156,658.95 EUR
		13.00 EUR	**0.00 EUR**	**13.00 EUR**	**729,092.40 EUR**	**955,098.06 EUR**
Cost Center Name: Marketing (DE)		179,573.36 EUR	0.00 EUR	179,573.36 EUR	0.00 EUR	-179,573.36 EUR
Cost Center Name: Purch & Store 1 (DE)		30,676.76 EUR	247.00 EUR	30,923.76 EUR	6,598.93 EUR	-22,279.17 EUR
Cost Center Name: Purch & Store 2 (DE)		61,238,836.56 EUR	4,379,504.80 EUR	65,618,341.36 EUR	0.00 EUR	-65,618,341.36 EUR
Cost Center Name: QM (DE)		0.00 EUR	601,200.00 EUR	601,200.00 EUR	0.00 EUR	-601,200.00 EUR
		64,167,718.02 EUR	**7,686,423.55 EUR**	**71,854,141.57 EUR**	**835,261.68 EUR**	**-70,759,948.74 EUR**

Figure 8.21 The Commitments by Cost Center App

Figure 8.22 shows the Project Cost app (SAP Fiori ID F2513), displaying the commitments and actual costs per WBS element. You'll see this report again in Chapter 9, when we look at planning and how these commitments are used to perform automatic checks against the budget to determine whether the spend can be authorized by the system.



Project / WBS Element	Project / WBS Element Description	Budget in Global Currency	Actual Costs in Global Currency	Commitments in Global Currency	Assigned Value (Actual + Commitm
SAT_CE1902_ANNUAL_1	SAT_CE1902_Annual_Proj1	1,700.00 USD	3,227,118.25 USD	112,180.00 USD	3,339,298.25
SAT_CE1902_ANNUAL_1	SAT_CE1902_Annual_Proj1	1,700.00 USD	3,227,118.25 USD	112,180.00 USD	3,339,298.25
SAT_CE1902_ANNUAL_11	SAT_CE1902_ANNUAL_11	1,200.00 USD	3,226,445.17 USD	112,180.00 USD	3,338,625.17
SAT_CE1902_ANNUAL_111	SAT_CE1902_ANNUAL_111	100.00 USD	3,213,657.77 USD	0.00 USD	3,213,657.77
SAT_CE1902_ANNUAL_12	SAT_CE1902_ANNUAL_12	500.00 USD	673.08 USD	0.00 USD	673.08
SAT_CE1902_ANNUAL_2	SAT_CE1902_Annual_Proj2	2,200.00 USD	23,747,818.15 USD	169,717.12 USD	23,917,535.27
SAT_CE1902_OVERALL_1	SAT_CE1902_Overall_Proj1	1,000.00 USD	32,488,768.49 USD	42,959.33 USD	32,531,727.82
SAT_CE1902_OVERALL_2	SAT_CE1902_Overall_Proj2	2,600.00 USD	45,072,469.00 USD	390,722.94 USD	45,463,191.94

Figure 8.22 The Project Cost App

Again, the predictive accounting journey isn't yet complete. When we look at the roadmap for SAP S/4HANA in the final chapter, you'll see that further innovations are planned for commitment accounting. At the time of publication (spring 2019), predictive accounting can handle only material-related purchase orders, but not non-material-related commitments. It doesn't yet cover public sector commitment accounting, which involves scenarios beyond pure purchasing.

8.4 Summary

In this chapter, we introduced the idea of predictive accounting and explained how it builds on the contractual information already available in SAP S/4HANA to provide business steering information prior to the close. The idea is to generate journal entries in the extension ledger that can be used to predict where the business will be at the end of the next period or quarter and thus make better strategic decisions. The

benefit will depend on the number of open purchase orders or sales orders you typically have at any time and the length of time between creating an order and fulfilling it. For engineer-to-order projects, in which there can be months or even years between the customer placing the order and being invoiced, the inclusion of incoming sales orders in the accounting data is essential. In faster-moving industries, such as consumer products, it's simply useful.

Whatever the industry, predictions reflect business events as they happen. We'll now look to how you can plan the future of your business in general in SAP S/4HANA.

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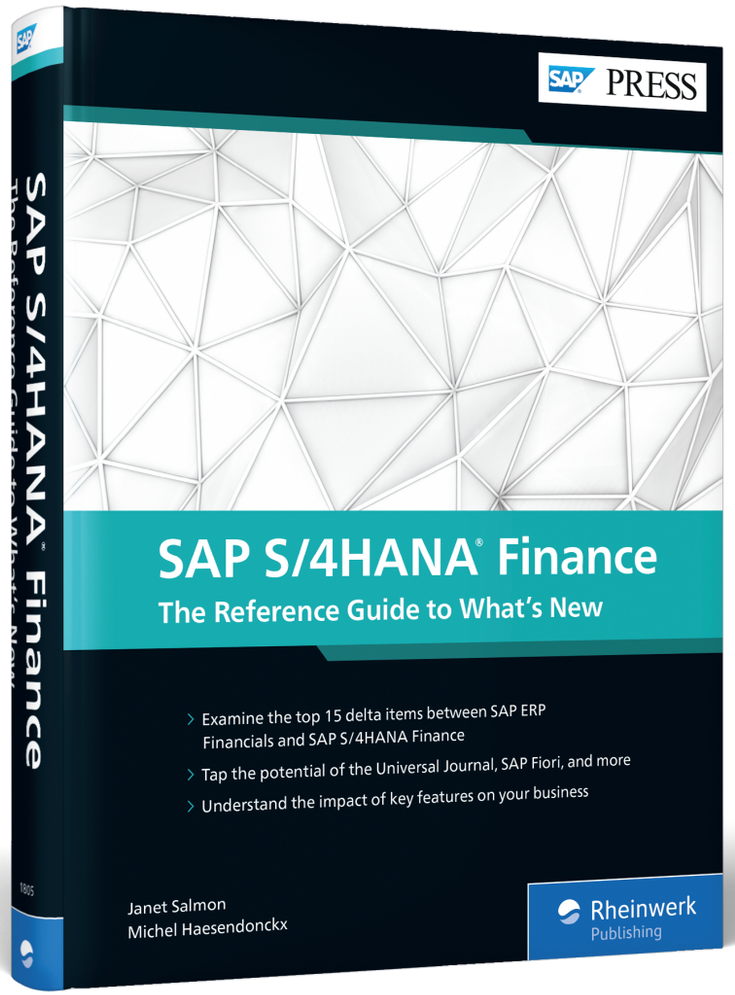

Janet Salmon, Michel Haesendonckx

SAP S/4HANA Finance: The Reference Guide to What's New

505 Pages, 2019, $79.95
ISBN 978-1-4932-1805-9

www.sap-press.com/4838

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