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This sample chapter introduces the new data model in SAP S/4HANA and how it improves financial processes and reporting. It describes configuring global finance settings in SAP S/4HANA, such as organizational structure, ledgers, document types, currencies, and taxes.

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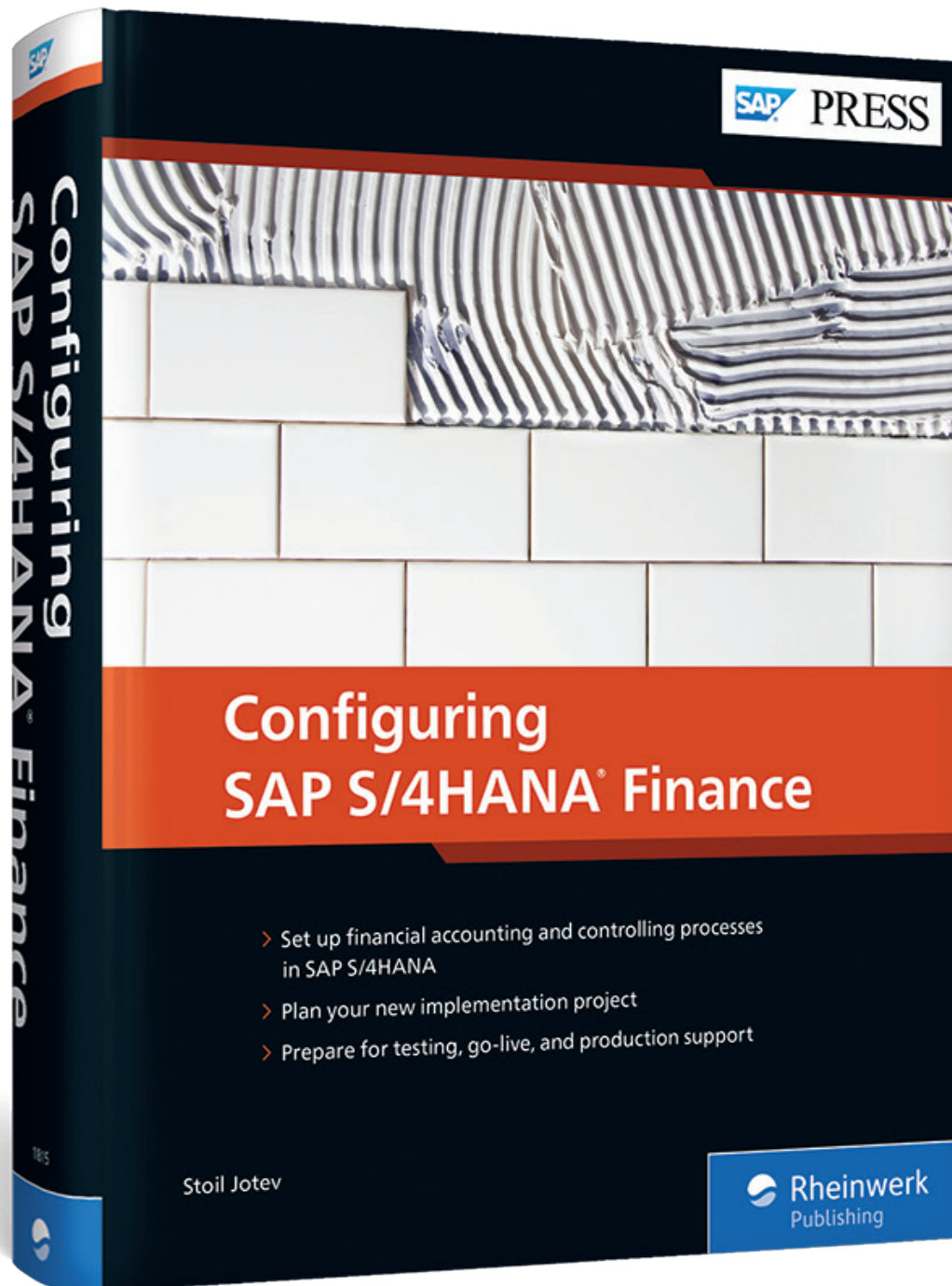
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Configuring SAP S/4HANA Finance

756 Pages, 2019, \$89.95

ISBN 978-1-4932-1815-8

 www.sap-press.com/4857



Chapter 3

Financial Accounting Global Settings

This chapter introduces the new data model in SAP S/4HANA and how it improves financial processes and reporting. It describes configuring global finance settings in SAP S/4HANA, such as organizational structure, ledgers, document types, and other settings.

After completing the requirements gathering phase of the project, which produces signed-off business requirements definition documents, it's time to start configuring SAP S/4HANA Finance. The configuration process starts with configuring the financial accounting global settings, which provide the organizational structure and basic configuration elements such as ledgers, document types, currencies, and tax codes.

As briefly discussed in the introduction, SAP S/4HANA offers a new simplified data model, which greatly increases the speed and performance of the finance processes. It's of paramount importance to understand this new data model, the real-time integration of financial accounting and controlling, and how the new Universal Journal functions. So we'll start with detailed explanations of the new data model in SAP S/4HANA Finance.

3.1 The New Finance Data Model in SAP S/4HANA

SAP is a highly integrated system, which manages data from various areas of the business, such as accounting, sales, purchasing, production, and so on. This integration comes with a certain degree of complexity, which results in the data being stored in many different tables, and sometimes even for experienced consultants it's a challenge to pick the best way to find and retrieve the relevant data.

In the area of finance, traditionally financial accounting and controlling (management accounting) were separate applications in SAP, which was a design mainly driven from traditions in the German-language world. However, in today's globalized world there is a strong case for integration of processes and applications and simplification

of systems. SAP's answer to and excellent solution for this is the SAP S/4HANA Finance solution, which provides full integration of the financial accounting and controlling applications, both from a process point of view and a database point of view.

We will discuss in detail the two key elements of the new finance data model in SAP S/4HANA: the Universal Journal and the real-time integration between financial accounting and controlling.

3.1.1 The Universal Journal

The Universal Journal provides a solution for a seemingly simple but until SAP S/4HANA elusive goal: bringing together and fully integrating all financial information in one single line-item table that has all financial accounting, controlling, and material valuation information. There were many reasons that there were multiple financial accounting and controlling tables until SAP S/4HANA that were storing data that now is available in the Universal Journal. Some were business-process based, on the presumption that financial accounting and controlling should be separate applications, which is not the case in the current business world. Some were technical reasons: only now with the amazing speed and columnar design of SAP S/4HANA is it technically feasible to have such a vast amount of data in a single table.

The Universal Journal is a new table in SAP S/4HANA, called table ACDOCA. It's a line-item table that brings together information from the general ledger, controlling, asset accounting, and the material ledger, as shown in Figure 3.1.

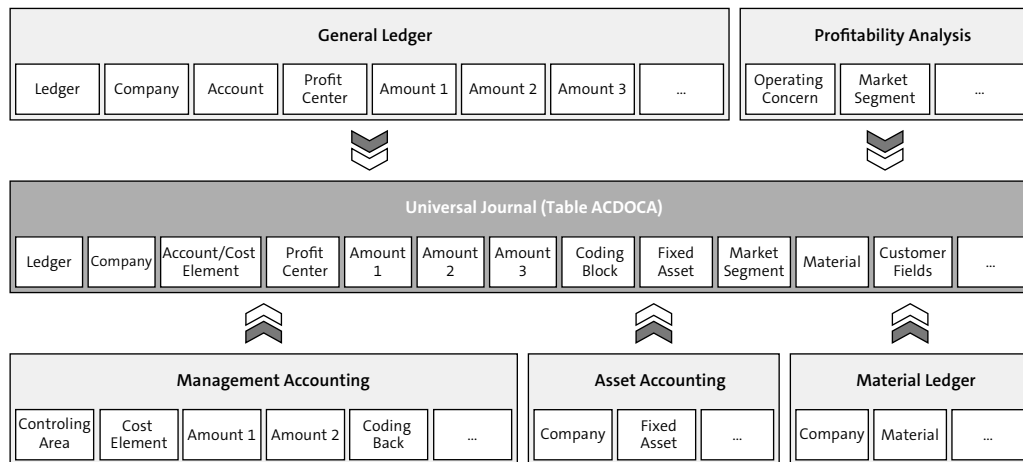


Figure 3.1 Universal Journal

As shown, table ACDOCA, the Universal Journal table, combines fields that previously were stored in the tables of various financial accounting and controlling modules. This means that once a financial document is posted in table ACDOCA, fields such as cost center, asset number, profitability segment fields, and so on are also recorded. This makes a whole lot of tables from controlling, fixed assets, and the material ledger redundant because the information is now integrated in the Universal Journal. For compatibility reasons, they exist as core data services (CDS) views so that they can still be referenced in the custom programs of companies doing brownfield implementations of SAP S/4HANA.

Table 3.1 shows the main financial accounting tables that are now obsolete in SAP S/4HANA because their data is part of table ACDOCA.

Table	Description
BSIS	Accounting: Secondary Index for G/L Accounts
BSAS	Accounting: Secondary Index for G/L Accounts (Clearing Postings)
BSID	Accounting: Secondary Index for Customers
BSAD	Accounting: Secondary Index for Customers (Clearing Postings)
BSIK	Accounting: Secondary Index for Vendors
BSAK	Accounting: Secondary Index for Vendors (Clearing Postings)
GLTO	G/L Account Master Record Transaction Figures (Totals Table)
FAGLFLEXT	General Ledger: Totals (New GL totals table)

Table 3.1 Obsolete Tables in Financial Accounting

Tables BSIS, BSAS, BSID, BSAD, BSIK, and BSAK are index tables containing open and cleared items for general ledger accounts, customers, and vendors, which are now all in table ACDOCA. Tables GLTO and FAGLFLEXT are totals tables (FAGLFLEXT was introduced with the new general ledger), which are now also obsolete because SAP S/4HANA calculates totals on the fly. Table 3.2 shows other important controlling, fixed assets, and material ledger tables which are now obsolete due to the Universal Journal.

Table	Description
COEP	CO Object: Line Items (by Period)
COBK	CO Object: Document Header

Table 3.2 Obsolete Tables in Controlling, Fixed Assets, and Material Ledger

Table	Description
ANEP	Asset Line Items
ANEA	Asset Line Items for Proportional Values
ANLP	Asset Line Items
MLHD	Material Ledger Document: Header
MLIT	Material Ledger Document: Items

Table 3.2 Obsolete Tables in Controlling, Fixed Assets, and Material Ledger (Cont.)

As you can see, now in SAP S/4HANA the Universal Journal combines the key tables of all the financial applications in a single table, which is commonly referred to as the single source of truth. Now you have all the information needed to present the financials of the company in one place. This is an enormous advantage compared to previous SAP releases and to other ERP systems.

3.1.2 Real-Time Integration with Controlling

The real-time integration of financial accounting with controlling follows logically from the integration design of the Universal Journal that we discussed previously. Indeed, because the controlling-relevant data now is brought together with the financial accounting data in the Universal Journal, there are no technical obstacles preventing the system from providing real-time integration between any financial accounting and controlling documents.

In the past, the reconciliation ledger had to be configured to ensure that financial accounting and controlling were always in sync. This is no longer required because with the real-time integration with financial accounting, such reconciliation is obsolete. Also, secondary cost elements are created as general ledger accounts to ensure this integration.

In SAP S/4HANA, controlling documents are still generated along with FI document numbers. However, even internal controlling movements, such as reallocation of costs from one controlling object to another generate financial accounting document numbers, which ensures real-time integration; this wasn't the case in SAP ERP. In terms of configuration, document types that are used for posting in controlling are defined to post to general ledger accounts as well. These document types are linked to the controlling internal business transactions and generate financial accounting postings as well as controlling postings.

3.2 Organizational Structure

We'll start configuring the SAP S/4HANA Finance system by defining the organizational structure. The organizational structure in SAP is defined to represent the business organizational structure of the enterprise, and it consists of various configuration objects in finance, controlling, sales, purchasing, production, and so on. So it's the foundation of any further system setup and is extremely important that it be designed and defined in a proper, flexible way.

We will examine in detail how to configure the organizational structures in finance and controlling in SAP S/4HANA, such as company, company code, controlling area, and operating concern.

3.2.1 Company

A *company* in SAP is an organizational unit that represents a business from a commercial point of view. It can consist of multiple legal entities and is used to perform consolidation in SAP.

If there is no need for a consolidation process, it's possible not to set up companies in SAP. It's an optional organizational object, and it could be set up later. However, this would require significant effort, so it's better to set it up in the beginning even if consolidation won't be performed until later.

To create a company, follow menu path **Enterprise Structure • Definition • Financial Accounting • Define company**. As you'll recall from the Introduction, this and all other menu paths are accessed via Transaction SPRO.

Then you can create a new company using the **New Entries** option from the top menu. In Figure 3.2, we create a new company for the United States and give it code 1000. The naming conventions of companies, company codes, controlling areas, and so on vary greatly from project to project. A good idea is to use simple, easy to remember numbering. You should make a well-defined proposal and confirm it with the business.

In this configuration transaction, you enter the name and address of the company, the country, language key, and currency, and then you can save using the **Save** button in the lower-right corner. If you are configuring in a development system, you'll be prompted with a customizing request; this stores the changed configuration settings, which need to be transported to other test and productive systems.

The screenshot shows the SAP 'Create Company' transaction. At the top, there's a navigation bar with 'SAP' logo and 'Change View "Internal trading partners": Details'. Below that is a menu bar with options like 'New Entries', 'Copy As...', 'Delete', 'Undo Change', 'Previous Entry', 'Next Entry', 'Other Entry...', and 'More'. The main form has the following fields:

- Company: 1000
- Company name: US Company
- Name of company 2: (empty)
- Detailed information section:
 - Street: (empty)
 - PO Box: (empty)
 - Postal code: (empty)
 - City: (empty)
 - Country: US
 - Language Key: EN
 - Currency: USD

Figure 3.2 Create Company

Configuration changes in SAP S/4HANA, as in previous SAP releases, are essentially changes to configuration tables. Normally you would do a first round of configuration in a so-called sandbox system, which doesn't record the changes in customizing transports. After initial testing there, you would make the configuration settings in the development "golden" client, which should have the settings to be transported to other clients and no data. Then these transports are transported to test systems for unit testing, integration testing, and user acceptance testing, and finally to the production system. This concept will be discussed in detail in Chapter 17.

Now you've created your first company. Your enterprise may decide to set up one company for each country in which it operates and then assign the various legal entities in this country to that company. Then in the consolidation process it will be able to view the financial statements from the group point of view on the level of the company, eliminating intercompany profit and transactions between the different legal entities. We'll come back to this point after you create your first company codes.

3.2.2 Company Code

The *company code* is the main organizational unit in financial accounting. Usually it represents a separate legal entity. For example, a global pharmaceutical company may have a few different legal entities in the United States, which are registered as legally independent companies: perhaps one that manufactures generic drugs, one

that is developing biotechnology medications, and one that is performing testing for the pharmaceutical industry. It makes sense that each of these companies is set up as separate company code in SAP S/4HANA. Then if those companies have a common parent company, it can be set up as a company in SAP. So normally there will be as many company codes in the system as the organization has legal entities.

The company code is the main unit for which a complete set of financial statements can be generated. Every financial accounting document is posted per company code. Therefore, the company code is the most fundamental organizational object in financial accounting and is very important to set up correctly to begin with.

We highly recommend copying existing company codes, either standard SAP-provided company codes or already created ones, when creating new company codes. This is because there a lot of configuration settings that are maintained at the company code level, and if creating all configuration manually from scratch it's possible to miss some important settings.

To create a company code, follow menu path **Enterprise Structure • Definition • Financial Accounting • Edit, Copy, Delete, Check Company Code**, then select the **Copy, Delete, Check Company Code** activity—or you can enter Transaction ECO1 directly.

For those that are just starting to configure SAP, *transaction codes* are helpful shortcuts to enter into user or configuration transactions without having to navigate through the application or configuration menu. They are entered in the command field in the top-left section of the main SAP application screen, as shown in Figure 3.3.

The screenshot shows the SAP Easy Access screen. At the top, there's a navigation bar with 'SAP' logo and 'SAP Easy Access'. Below that is a menu bar with options like 'User menu', 'SAP menu', 'SAP Business Workplace', 'Add to Favorites', 'Delete Favorites', 'Change Favorites', and 'More'. The main area shows a list of transaction codes under the 'Accounting' category. The 'ECO1' transaction code is highlighted in the command field at the top left.

Figure 3.3 Command Field in SAP

You can enter also "/N" before a transaction code from within any transaction, which will end the current transaction and start the new transaction. Or you can enter "/O" before the transaction, which will open it in a new SAP GUI window.

Back to our example, select **Copy Org. Object** from the top menu and select the source and target company codes to be copied, as shown in Figure 3.4.

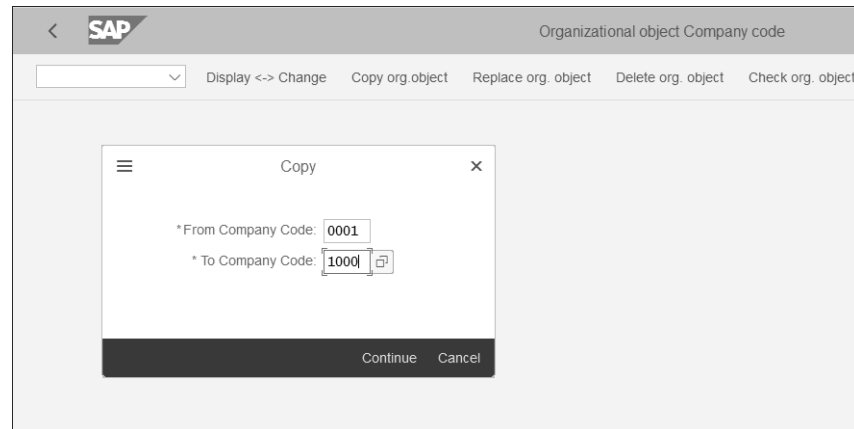


Figure 3.4 Copy Company Code

In the **From Company Code** field, enter “0001” as the source company code, which is a standard SAP-provided company code. In the **To Company Code** field, enter “1000” to copy to new company code 1000, which we’ll use to represent a US-based legal entity.

The system will issue the message shown in Figure 3.5.

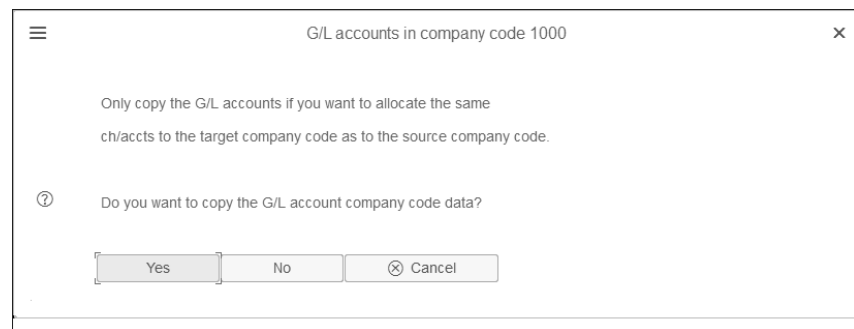


Figure 3.5 Copy General Ledger Accounts

This provides you with an option to copy all the general ledger accounts from the source to the target company code, which makes sense if they use the same chart of accounts. General ledger accounts are maintained at the chart of accounts level and

at the company code level, and confirming this option allows you to automatically extend all the accounts also to the new company code.

After that, the system issues another message regarding the assignment of the controlling area to the company code, as shown in Figure 3.6.

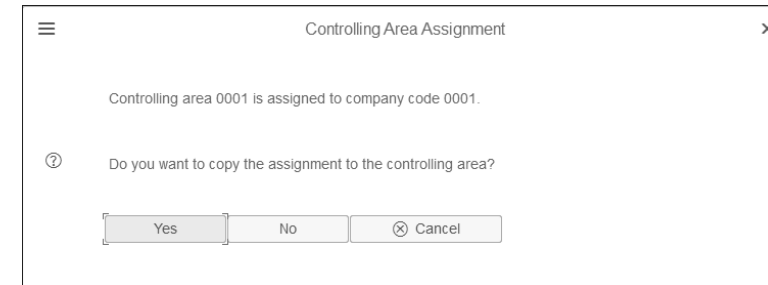


Figure 3.6 Assignment of CO Area

You have the opportunity here to copy the assignment of the same controlling area. If you are going to create a new controlling area, you can reject that option and then assign the new controlling area to the new company code. Next, the system shows confirmation of the copying of the company code, as shown in Figure 3.7.

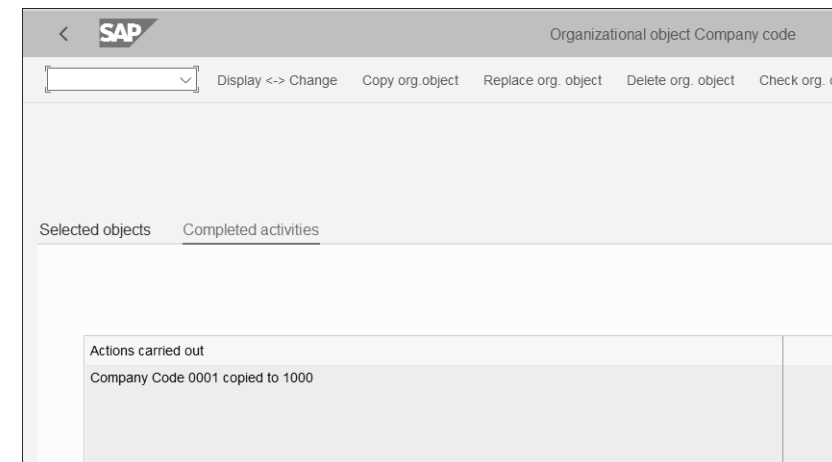


Figure 3.7 Copy Company Code Confirmation Screen

Now go back and select the **Edit Company Code Data** activity to display the list of company codes in the system. Double-click the new company code 1000 to change its basic data, as shown in Figure 3.8.

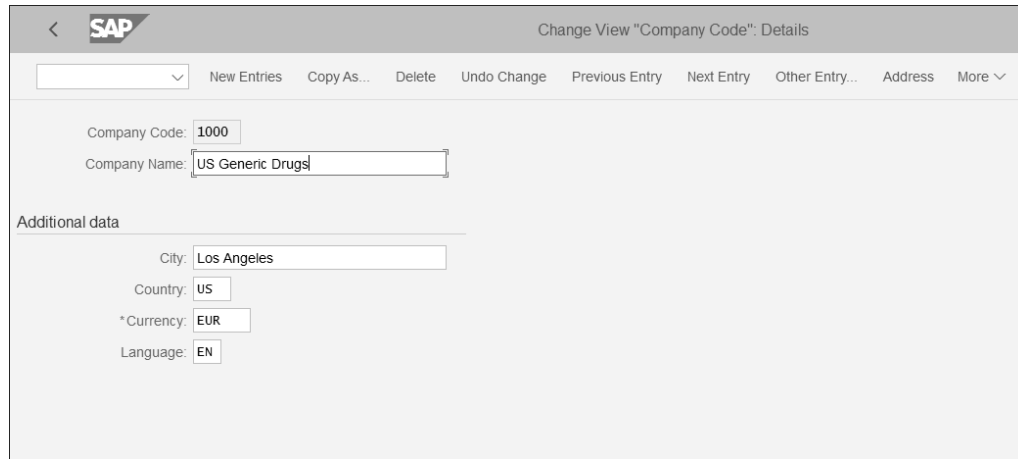


Figure 3.8 Company Code Details

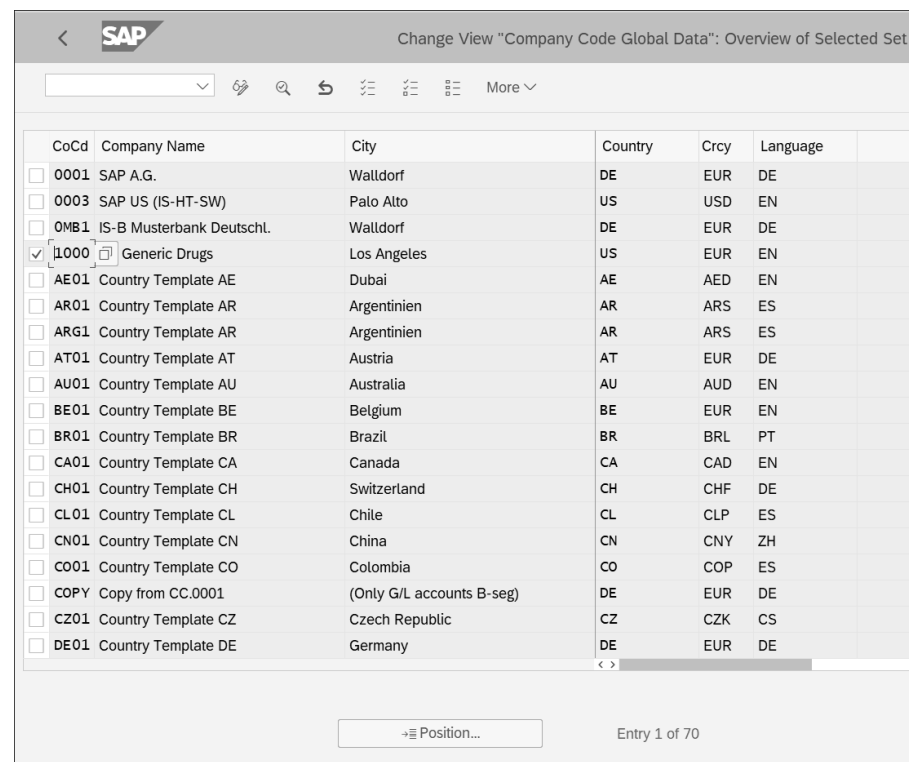


Figure 3.9 Select Company Code

Here you can change the name, city, country, currency, and language of the company code. Enter the required details, including currency; enter “EUR” in this case because this example’s US company has a European group parent.

Next, you’ll enter the global company code settings. Follow menu path **Financial Accounting • Financial Accounting Global Settings • Global Parameters for Company Code • Enter Global Parameters**, then double-click the company code you want to check or modify from the screen shown in Figure 3.9.

Figure 3.10 shows the settings for new company code 1000.

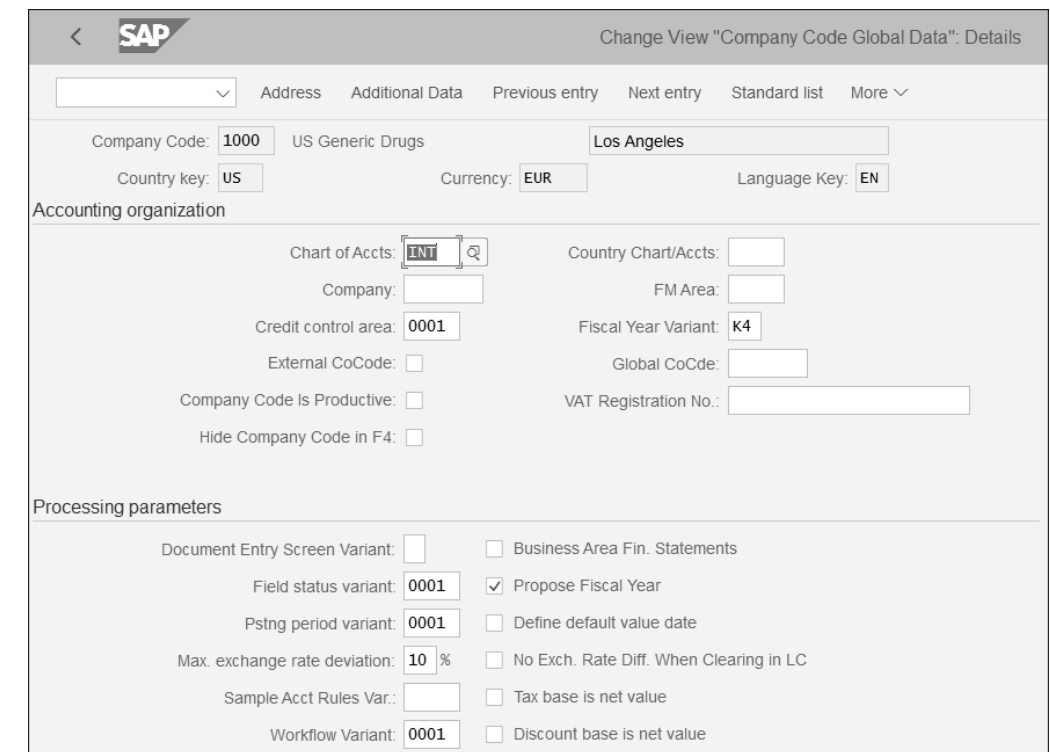


Figure 3.10 Company Code Global Settings

Here are the important fields that need to be configured:

■ **Chart of Accts**

The chart of accounts defines the general ledger accounts used and is maintained at a central (valid for all company codes) level and a company code level. We’ll

examine the chart of accounts in detail in Chapter 4. Here you can configured the chart of accounts to be used by the company code.

■ Company

Here you can enter the company to which the company code is assigned. The company represents the parent legal entity for the company code.

■ Credit Control Area

This is used to perform credit management for the company code. It manages the available credit limits for customers for the company code.

■ Fiscal Year Variant

This is the fiscal year variant used for this company code. The fiscal year variant determines the periods and calendar assignments used to post documents in financial accounting. For example, standard SAP fiscal year variant K4 matches the calendar periods: period O1 corresponds to January, period O2 to February, and so on. However, it's possible to use other fiscal year variants, such as the 4-4-5 calendar popular in the United States, in which each quarter consists of three periods, consisting of four weeks, four weeks, and five weeks.

■ Pstng. period Variant

The posting period variant in SAP determines which periods are open and closed for postings. It provides a separate option to open and close periods for various types of accounts (general ledger, customer, vendor, assets, and so on). Here you specify the posting variant used for the company code.

■ Field Status Variant

The field status variant determines which fields are required, optional, and suppressed when posting financial documents.

3.2.3 Controlling Area

The *controlling area* is the main organizational unit in the controlling area and it structures the organization from a cost point of view. It can include one or multiple company codes and defines which components of controlling are active. In SAP S/4HANA, financial accounting and controlling are integrated, but the controlling area is still the core configuration object, which determines the global controlling settings.

To create a controlling area, follow menu path **Enterprise Structure • Definition • Controlling • Maintain Controlling Area**, then select activity **Copy, Delete, Check Controlling**

Area. As with company codes, we highly recommend copying an existing controlling area to copy all the important settings that are linked to it. SAP standard controlling areas such as US01 (which is designed for the United States) or 0001 (which uses EUR currency) are very good source candidates if you are about to create your first controlling area because they are delivered standard by SAP with all the standard setup needed. Copying a controlling area is very similar to copying a company code. The configuration settings that go along with the controlling area are copied, and then you can adapt them in the next steps.

First, select the **Maintain Controlling Area** activity, as shown in Figure 3.11.

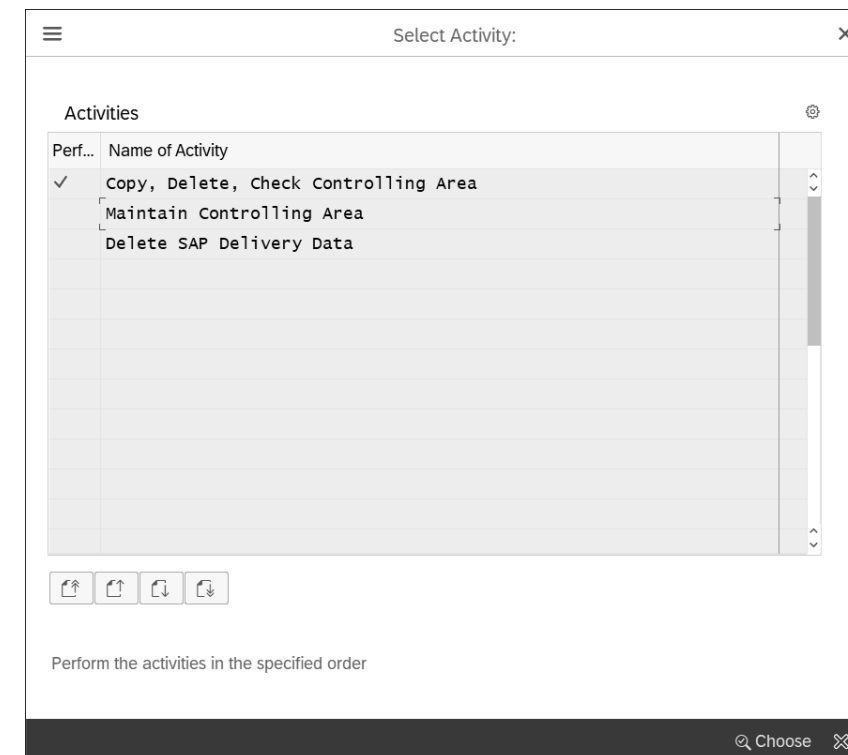


Figure 3.11 Maintain Controlling Area

Double-click controlling area **US01** from the list shown in Figure 3.12 to examine the settings, which will open the screen shown in Figure 3.13.

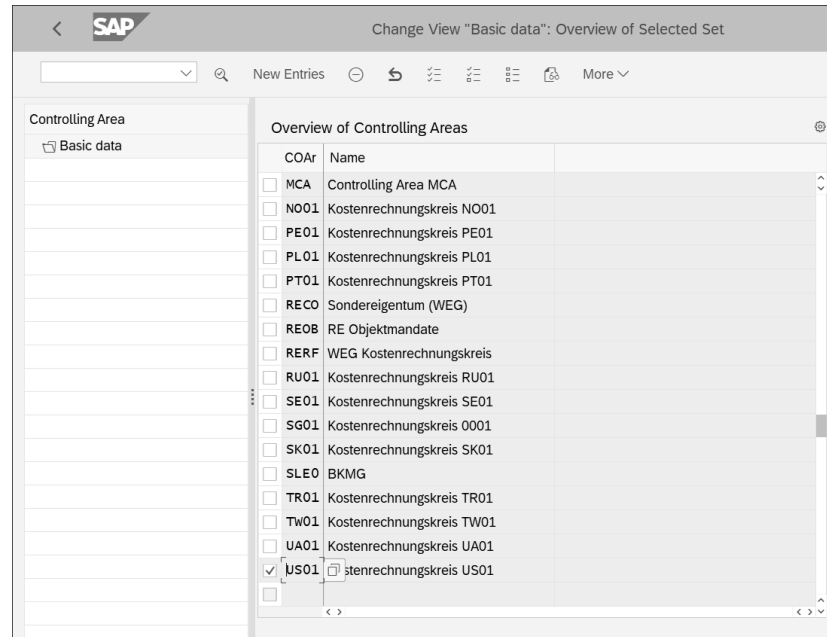


Figure 3.12 Select Controlling Area

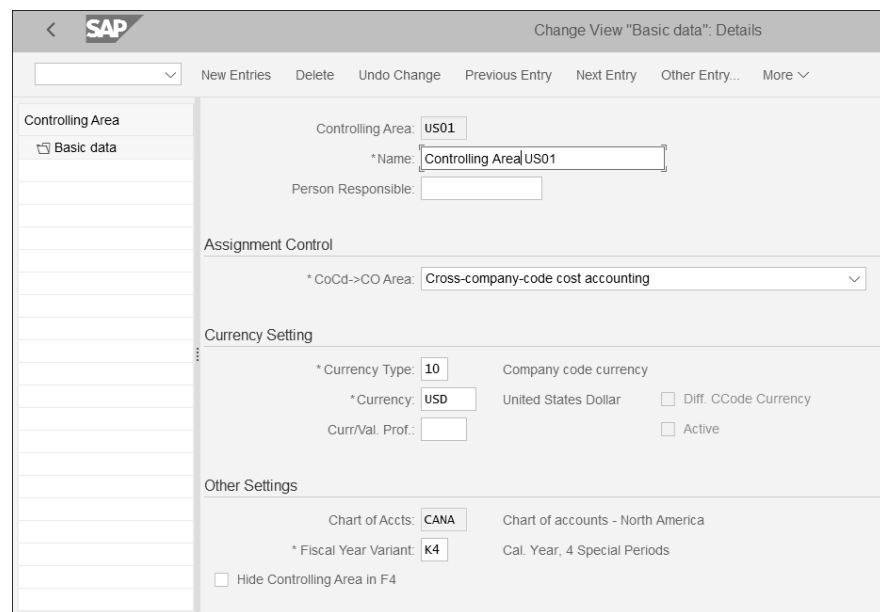


Figure 3.13 Controlling Area Settings

The following important fields need to be configured:

- **CoCd->Co Area**

This field controls whether multiple company codes are managed for this controlling area (cross-company-code cost accounting) or just one (controlling area same as company code). Most companies choose **Cross-Company-Code Cost Accounting** because usually in today’s highly interconnected business world cost responsibilities cross legal entities.
- **Currency Type**

Currency types in SAP determine the currency based on its purpose, such as company code currency (main currency of the legal entity), group currency (the main currency from business group point of view), hard currency (used in inflation environments), and so on. Here on the controlling area level most commonly currency type 30 (group currency) is used because controlling is managed from a group point of view, but of course other options are possible too.
- **Currency**

This is the currency of the controlling area itself and is driven by the currency type.
- **Chart of Accounts**

The chart of accounts defines the general ledger accounts used and is maintained at a central (valid for all company codes) level and a company code level. We’ll examine the chart of accounts in detail in Chapter 4. Here the chart of accounts of the controlling area should match the chart of accounts of the company code.
- **Fiscal Year Variant**

The fiscal year variant of the controlling area is configured here.

We’ll configure the assignment of active controlling components and other general controlling area settings in Chapter 9. For now, let’s check the assignment of company codes to the controlling area.

To assign company codes to a controlling area, follow menu path **Enterprise Structure • Assignment • Controlling • Assign Company Code to Controlling Area**, as shown in Figure 3.14.

Here, select the controlling area by selecting the checkbox to its left, then click **Assignment of Company Code(s)** in the left pane of the configuration screen, as shown in Figure 3.15.

This shows the company codes have been successfully assigned to the controlling area.

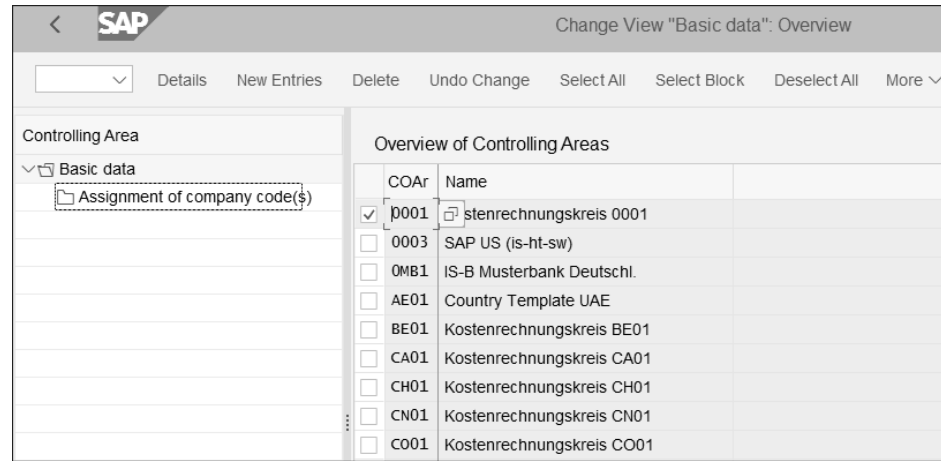


Figure 3.14 Assignment of Controlling Area and Company Codes

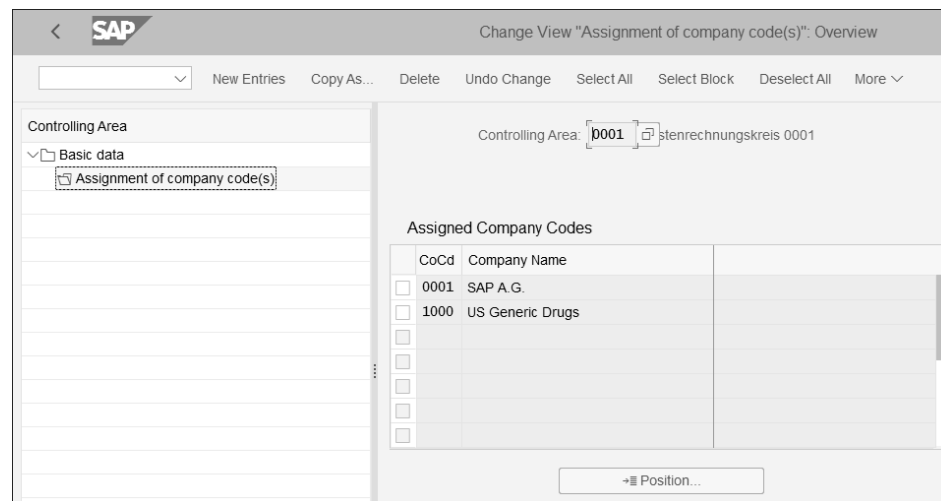


Figure 3.15 Assignment of Company Codes to Controlling Area 0001

3.2.4 Operating Concern

The operating concern is the main organizational unit from a profitability analysis point of view. Profitability analysis is part of controlling, which analyzes the costs against the revenues per various market characteristics and therefore provides invaluable profitability analysis on various levels of the organization.

Here in the organizational structure, you just need to define the operating concern as an organizational object and assign it to controlling area. Follow menu path **Enterprise Structure • Definition • Controlling • Create Operating Concern**, which takes you to a table with the existing operating concerns, as shown in Figure 3.16.

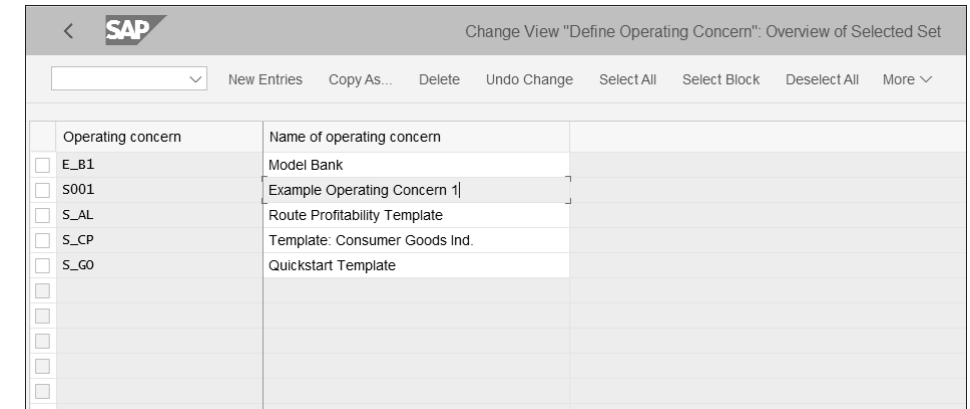


Figure 3.16 Define Operating Concern

As with company codes and operating concerns, here SAP provides sample organizational objects that you can use as references. You can select one of them by selecting the checkbox to its left and then selecting **Copy As...** from the top menu. Create a new operating concern US01 in this way and name it “US Operating Concern”, as shown in Figure 3.17.

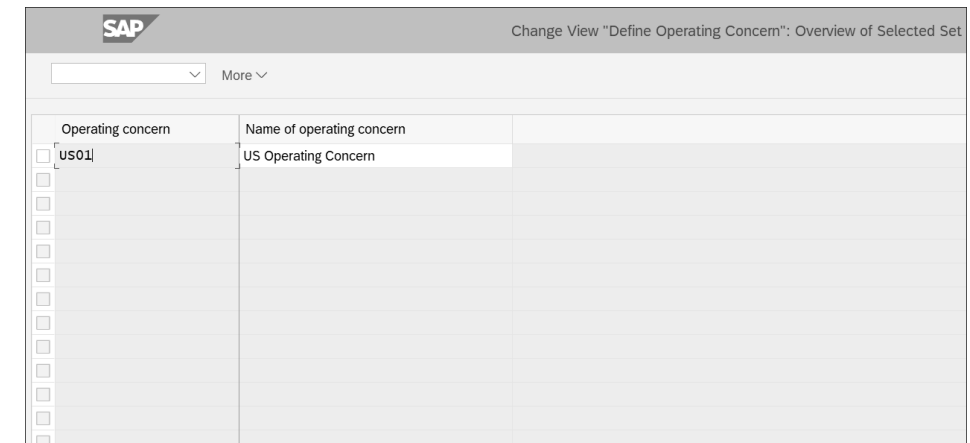


Figure 3.17 Copied Operating Concern

The next step for the operating concern is to define its data structure before it can be assigned to a controlling area, but this will be covered in Chapter 13.

Now that you've defined the main organizational structures, let's discuss the main general settings that need to be configured in the system, starting with ledgers.

3.3 Ledgers

Ledgers is an area in the general ledger application that stores accounting documents based on different accounting principles. You are required to have at minimum a leading ledger, which always is called OL and which represents the main accounting principle from a group point of view. Then you can set up as many nonleading ledgers as required, to represent, for example, local accounting principles, local taxation rules, and so on.

In the old days, there was a separate financial module called Special Purpose Ledger, which used that concept of separate ledgers to store postings and data related to different accounting principles or purposes. For example, different special purpose ledgers were used to handle profit center accounting, consolidation, and funds management.

With SAP S/4HANA, nonleading ledgers are fully integrated and post in real time across all applications. So, let's examine how you need to configure ledgers in SAP S/4HANA.

Most importantly, you need to define which ledgers are required in your organization from the very beginning; subsequent introduction of ledgers is complicated and requires additional effort. The accounting and taxation reporting requirements have to be discussed in detail with the business. The leading ledger should represent the main accounting framework used by the group.

For most companies in Europe and other regions, that would be IFRS—but in the United States the main accounting rules are based on US GAAP. So most big US companies opt for US GAAP for the leading ledger, then many of them have IFRS in a nonleading ledger. In addition, it's wise to set up nonleading ledgers that represent local GAAP and local tax rules for companies with a significant international footprint. Companies that will be doing rollouts to various markets would undoubtedly find that at least in some countries these ledgers will be required, so it is good to set them up from the beginning and activate them only for the countries where they're needed. Some countries are known to have complex local tax requirements, such as Russia and Brazil, among others, and for them local tax ledgers are a must.

Now let's delve into the configuration for ledgers. Follow menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Ledger • Define Settings for Ledgers and Currency Types**, which shows the list of ledgers in the system, as shown in Figure 3.18.

Ledger	Ledger Name	Leading	Ledger Type	Extn. Ledger Type	Un
<input checked="" type="checkbox"/> 0L	Leading Ledger US GAAP	<input checked="" type="checkbox"/>	Standard Ledger		
<input type="checkbox"/> Z1	Z1 Local Ledger	<input type="checkbox"/>	Standard Ledger		
<input type="checkbox"/> Z2	Z2 Local Tax	<input type="checkbox"/>	Standard Ledger		

Figure 3.18 Define Ledgers

Here you can define new ledgers by selecting either **New Entries** or **Copy As...** from the top menu. In this example, we have the leading ledger, which is always called OL, to represent US GAAP valuation, and we've created two nonleading ledgers: Z1 to represent local GAAP and Z2 to represent local tax. The checkmark in the **Leading** column indicates that OL is the leading ledger; only one ledger can be marked as leading. The **Ledger Type** column determines whether the ledger is standard or extension. Most ledgers are defined as standard. The extension ledger extends a standard ledger and contains the postings of its linked standard ledger. It's used to make additional manual entries, such as adjustments needed for a specific accounting principle.

Now you should make the company code and currency settings for each ledger. Select each ledger individually and click the **Company Code Settings for the Ledger** option on the left side of the screen. Then, using the **New Entries** command from the top menu, you can add the required company codes.

Figure 3.19 shows the following important settings:

- **Fiscal Year Variant**

This is the fiscal year variant used for this ledger. Different ledgers can have different fiscal year variants, which is normal; different valuation principles may require different fiscal years. For example, the 4-4-5 variant used often in the

United States doesn't correspond with the calendar year, which is used most often throughout the world.

■ **Pstng. period Variant**

The posting period variant in SAP determines which periods are open and closed for postings. It provides separate options to open and close periods for various types of accounts (general ledger, customer, vendor, assets, and so on). Here on the ledger level you specify the variant.

■ **Parallel Accounting Using Additional G/L Accounts**

This checkbox indicates that for this ledger parallel general ledger accounts will be used instead of different ledgers to portray parallel accounting principles. This is used rarely, when one ledger needs to portray parallel accounting principles.

■ **Local Currency**

Here you specify the currency type of the local currency of the ledger. Local currency is the main currency of the company and is stored in each posting and is maintained at the company code level, but here also you can have different local currencies per ledger.

■ **Global Currency**

Here you specify the currency type of the global currency of the ledger. Global currency is the group currency of the company and is stored in parallel to the local currency for each posting.

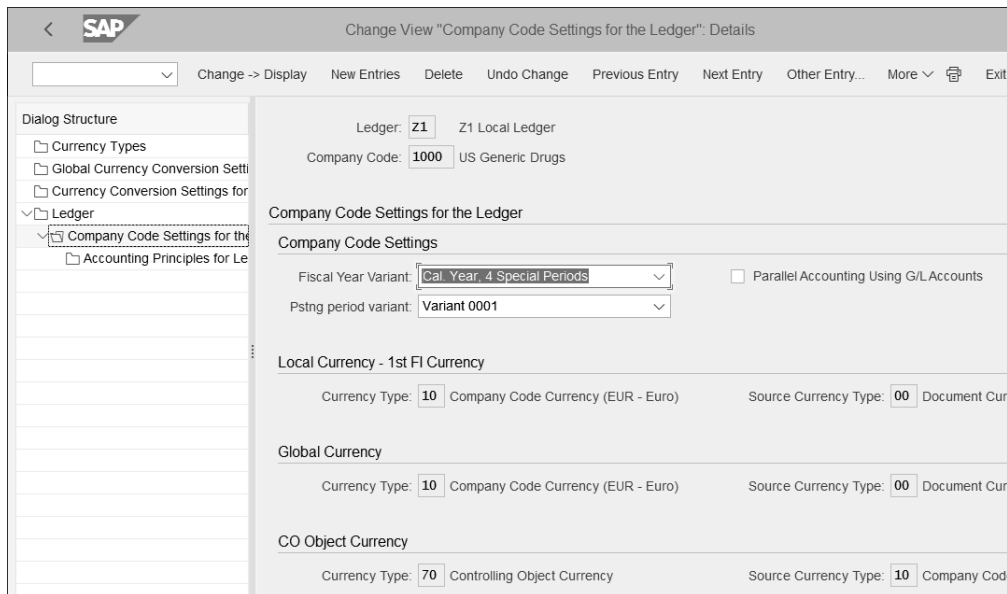


Figure 3.19 Ledger Company Code and Currency Settings

■ **CO Object Currency**

Here you specify the currency type of the controlling object currency of the ledger. This is the currency used in the controlling objects master and may differ from the transaction currency.

The next step is to define the accounting principles for the ledgers. The accounting principle is a new configuration object in SAP S/4HANA (the ACC_PRINCIPLE field). It maps the ledger with the relevant accounting framework that it needs to portray. To view the accounting principle for the ledger, click the **Accounting Principles for Ledger and Company Code** activity on the left side of the same configuration screen.

In Figure 3.20, you can see that accounting principle LOCL, which portrays local accounting standards, is mapped to ledger Z1.

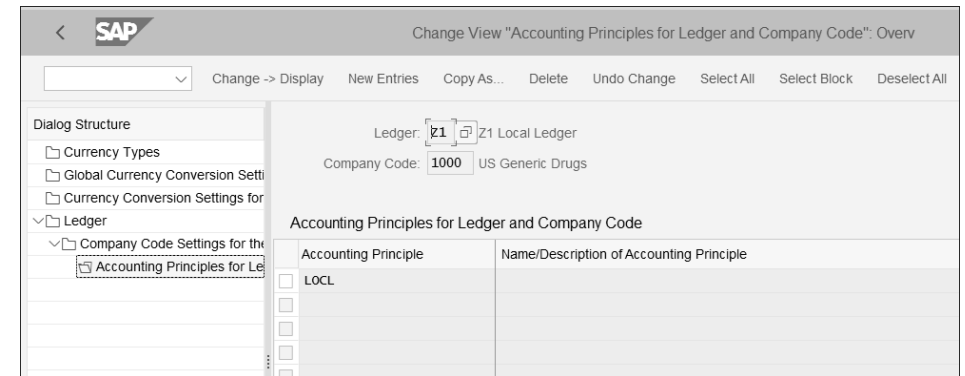


Figure 3.20 Mapping of Accounting Principle to Ledger

The actual creation of accounting principles is done under menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Parallel Accounting • Define Accounting Principles**, where you define the accounting principles as shown in Figure 3.21.

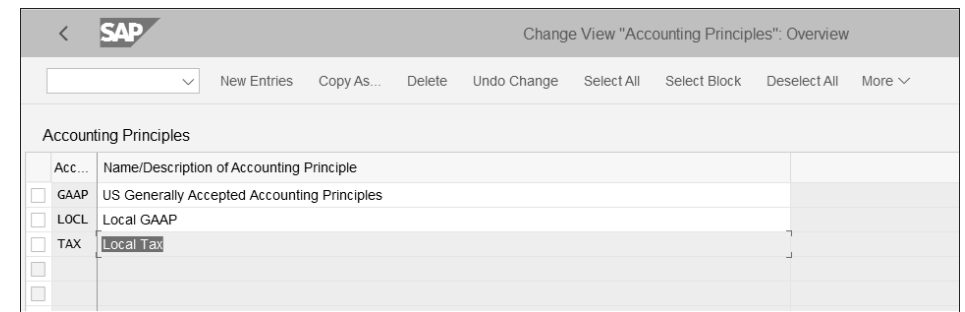


Figure 3.21 Define Accounting Principles

In this example, we defined three accounting principles to portray US GAAP, local GAAP, and local tax rules.

In the next step, you assign these accounting principles to ledger groups. A ledger group normally contains one ledger (the system automatically creates a ledger group for each ledger you define), but it's also possible to have multiple ledgers in one ledger group. The assignment of accounting principles is at the ledger group level. Follow menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Parallel Accounting • Assign Accounting Principle to Ledger Groups**, where you can assign the accounting principles to ledger groups as shown in Figure 3.22.

Accounting Pr...	Target Ledger Group
<input type="checkbox"/> GAAP	0L
<input type="checkbox"/> LOCL	Z1
<input type="checkbox"/> TAX	Z2
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	

Figure 3.22 Assign Accounting Principles to Ledger Groups

This is where the link between the ledger and the accounting principle, which you saw in Figure 3.20, comes from.

3.4 Document Types

Document types in SAP serve to classify the various transactions posted in financial accounting. Each financial accounting document is assigned a document type, such as vendor invoice, customer invoice, asset posting, and so on. The document types determine the numbers assigned to the documents, as well as many other important configuration parameters, which we'll now examine in detail.

3.4.1 Document Type Settings

To configure the document types, follow menu path **Financial Accounting • Financial Accounting Global Settings • Document • Document Types • Define Document Types for Entry View**. The entry view represents the entry of financial documents in the system, whereas the ledger view shows the posted document in each individual ledger posted. You define the document types for the entry view and also have to define the document types for posting to nonleading ledgers.

Figure 3.23 shows the listing of the defined document types. Most of them are standard SAP-delivered document types, which should suffice for most business needs. Of course, you can copy them into custom specific document types. Sometimes this is needed for local reporting needs or to meet some specific business process.

Type	Description
<input type="checkbox"/> AA	Asset Posting
<input type="checkbox"/> AB	Accounting Document
<input type="checkbox"/> AF	Depreciation Pstngs
<input type="checkbox"/> AN	Net Asset Posting
<input type="checkbox"/> CH	Contract Settlement
<input type="checkbox"/> CO	CO Posting
<input type="checkbox"/> DA	Customer Document
<input type="checkbox"/> DG	Customer Credit Memo
<input type="checkbox"/> DR	Customer Invoice
<input type="checkbox"/> DZ	Customer Payment
<input type="checkbox"/> EU	Euro Rounding Diff.
<input type="checkbox"/> EX	External Number
<input type="checkbox"/> KA	Vendor Document
<input type="checkbox"/> KG	Vendor Credit Memo
<input type="checkbox"/> KN	Net Vendors
<input type="checkbox"/> KP	Account Maintenance

Figure 3.23 Define Document Types

Double-click document type **KR—Vendor Invoice** to examine the relevant settings, as shown in Figure 3.24.

The screenshot shows the SAP 'Change View "Document Types": Details' screen for document type KR (Vendor Invoice). The 'Properties' section includes 'Number range: 19', 'Reverse Document Type: KA', and an empty 'Authorization Group' field. The 'Account types allowed' section has checkboxes for Assets, Customer, Vendor, Material, G/L Account, and Secondary Costs, with Assets, Vendor, and Material checked. The 'Control data' section has checkboxes for Net document type, Cust/vend Check, Negative Postings Permitted, Inter-Company, and Enter trading partner. The 'Special usage' section has a checkbox for BI Only. The 'Default values' section includes 'Exchange Rate Type for FC Documents'.

Figure 3.24 Document Type Settings

Figure 3.24 shows the following important settings:

- **Number Range**

The number range determines the document numbers assigned when posting documents for this document type. You'll create the actual number range in the following section; here you assign the number range object to the document type.
- **Reverse Document Type**

This is the document type that will be used when making reversals of postings with the selected document type. If a value isn't maintained here, the reversal will be done with the same document type as the original document.
- **Authorization Group**

This allows you to set up an authorization check on this document type level.
- **Account Types Allowed**

Here you select what types of accounts are allowed to be posted using this document type. For example, for document type KR, assets, vendors, materials, and general ledger accounts are checked, which means that only accounts of these types can be posted in documents of document type KR; customers and secondary costs are not allowed.

- **Negative Postings Permitted**

This indicator allows reversal of documents for this document type to be done as negative postings. A negative posting means that the items will be posted on the same side as the original document but with a minus sign. So when reversing, a debit item will remain on the debit side, but as a negative posting.

- **Required during Document Entry**

Here you can specify that the reference field and/or the document header text field are required during posting of documents with this document type.

These are the most important control parameters of a document type. Now let's look at its number ranges.

3.4.2 Number Ranges

Number ranges are used throughout the system to assign numbers for various transactions and master data objects. Accordingly, every document type in SAP needs to have an assigned number range, which will control the document numbers assigned and whether they are internally generated or have to be entered externally.

To configure number ranges, follow menu path **Financial Accounting • Financial Accounting Global Settings • Document • Document Number Ranges • Define Document Number Ranges for Entry View**. Enter the company code 1000 and click the **Intervals** button to modify the number ranges for the company code, as shown in Figure 3.25.

The screenshot shows the SAP 'Edit Intervals: Accounting document, Object RF_BELEG' screen. It displays 'Number Range Object: RF_BELEG' and 'Number Ranges For Accounting Documents'. The 'Company Code' is set to 1000. There are buttons for 'Intervals' and 'NR Status'.

Figure 3.25 Define Number Ranges

The number ranges for your new company code 1000 were copied along with other parameters when you created the company code. You can see the ranges defined in Figure 3.26.

No	Year	From No.	To Number	NR Status	Ext	
<input type="checkbox"/>	00	9999	0090000000	0099999999	0	<input checked="" type="checkbox"/>
<input type="checkbox"/>	01	9999	0100000000	0199999999	0	<input type="checkbox"/>
<input type="checkbox"/>	02	9999	0200000000	0299999999	0	<input type="checkbox"/>
<input type="checkbox"/>	03	9999	0300000000	0399999999	0	<input checked="" type="checkbox"/>
<input type="checkbox"/>	04	9999	0400000000	0499999999	0	<input type="checkbox"/>
<input type="checkbox"/>	05	9999	0500000000	0599999999	0	<input type="checkbox"/>
<input type="checkbox"/>	12	9999	1200000000	1299999999	0	<input type="checkbox"/>
<input type="checkbox"/>	13	9999	1300000000	1399999999	0	<input type="checkbox"/>
<input type="checkbox"/>	14	9999	1400000000	1499999999	0	<input type="checkbox"/>
<input type="checkbox"/>	15	9999	1500000000	1599999999	0	<input type="checkbox"/>
<input type="checkbox"/>	16	9999	1600000000	1699999999	0	<input type="checkbox"/>
<input type="checkbox"/>	17	9999	1700000000	1799999999	0	<input type="checkbox"/>
<input type="checkbox"/>	18	9999	1800000000	1899999999	0	<input type="checkbox"/>
<input type="checkbox"/>	19	9999	1900000000	1999999999	0	<input type="checkbox"/>
<input type="checkbox"/>	20	9999	2000000000	2099999999	0	<input type="checkbox"/>
<input type="checkbox"/>	47	9999	4700000000	4799999999	0	<input type="checkbox"/>
<input type="checkbox"/>	48	9999	4800000000	4899999999	0	<input type="checkbox"/>
<input type="checkbox"/>	49	9999	4900000000	4999999999	0	<input type="checkbox"/>

Figure 3.26 Number Range Intervals

Each interval is identified with its number in the first column from the left (01, 02, 03, and so on), and this is the number to be assigned in the document type. Then there is the validity year; good practice is to set this to 9999, which means there is no limitation. Then you enter the **From No.** and **To Number** of the interval, within which the system will assign the document numbers consecutively (if they're to be internally assigned). In the **NR Status** column, you can see the current number (which is 0 in a development system without data). In the last column, **Ext**, a checkmark means that numbers in this interval need to be entered manually by the user when entering a document.

Changes to number ranges are not automatically transported because this could lead to inconsistencies in the target clients. It's good practice to set the number ranges manually in each client, and this should be part of the cutover activities during production start.

3.4.3 Document Types for Entry View in a Ledger

Documents types that should be posted to nonleading ledgers only should be separately configured. By default, when you post to the leading ledger, the system also

posts the same document to all the nonleading ledgers. However, you can make ledger-specific postings, and you need to configure the document types for them with their number ranges here. To do so, follow menu path **Financial Accounting • Financial Accounting Global Settings • Document • Document Types • Define Document Types in a Ledger**.

Enter the nonleading ledger for which to maintain document types, as shown in Figure 3.27. The system will not allow you to enter the leading ledger here.

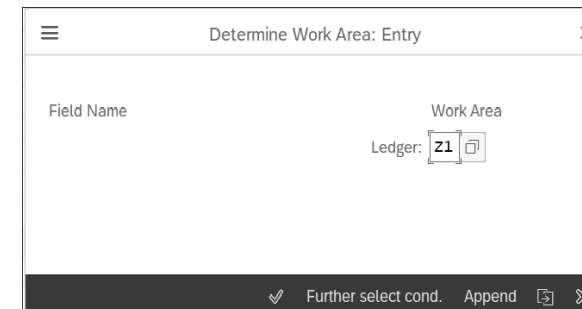


Figure 3.27 Select Ledger

Next, you're presented with the configuration screen shown in Figure 3.28.

Type	Number range
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	

Figure 3.28 Document Types for Entry View in Ledger

On this screen, select **New Entries** from the top menu, then enter the document **Type** and **Number range** (Figure 3.29), which can be then posted in this nonleading ledger. Save your entries.

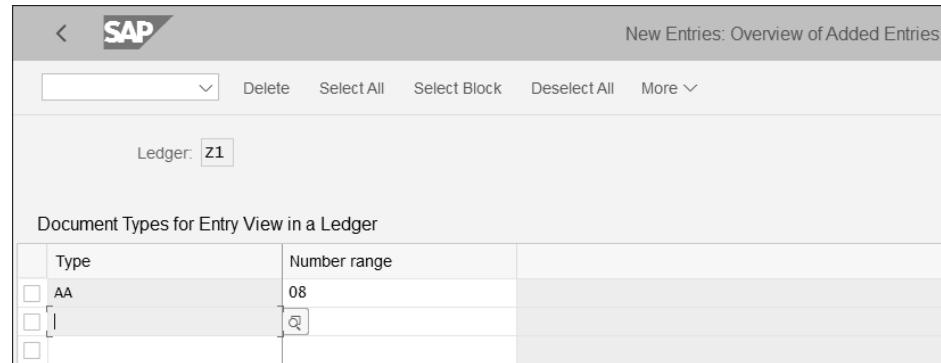


Figure 3.29 Document Type AA for Ledger Z1

Similarly, you can add document types for the entry view in other nonleading ledgers.

3.5 Currencies

SAP provides all the currency codes you will need. In the system, you have to configure which currencies will be used for which purposes. The currency type in SAP defines the purpose of the use for a particular currency, such as local currency or group currency. Then you can have as transaction currency any currency for which the exchange rates are maintained. This enables parallel currency valuation, which is very important in today's globalized business world. In SAP S/4HANA, there is big improvement because you can have up to 10 parallel currencies per ledger, and then you can easily monitor the balances and line items in all these currencies.

In this section, we'll first discuss currency types before moving on to exchange rates.

3.5.1 Currency Types

A *currency type* defines what the purpose of a currency is. The following standard currency types are defined:

- 10: Company code currency
- 30: Group currency
- 40: Hard currency
- 50: Index-based currency
- 60: Global company currency

As you've seen when configuring the ledgers, you can choose from these currency types to select the local and group currency of your company, and you can also use

some of the other currency types in special situations, such as when working in a high-inflationary environment.

The configuration of the currency type is done per company code and ledger using the now-familiar menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Ledger • Define Settings for Ledgers and Currency Types**. After selecting the ledger, click **Company Code Settings for the Ledger** in the left side of the screen, as shown in Figure 3.30.

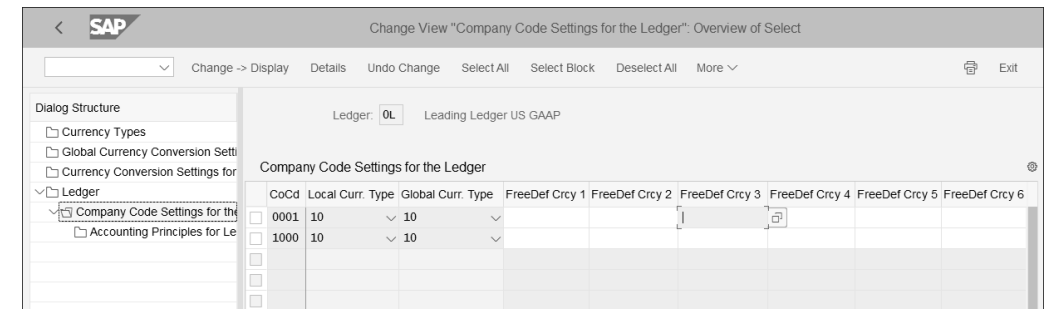


Figure 3.30 Currency Types per Ledger and Company Code

Here you see the settings per company code for the selected ledger. You can maintain the local and global currency type, as well as others free definition currencies. Then in this ledger and company code each transaction will be stored also in these currencies.

3.5.2 Exchange Rate Type

Exchange rates in the system need to be maintained for the currencies in use. These exchange rates are maintained always per exchange rate type. These are keys under which exchange rates of particular types are stored. For example, you can enter specific buy, sell, and average exchange rates under different exchange rate types.

As with other important general settings, SAP provides a list of standard exchange rate types, which usually meet most requirements. To check the exchange rate types, follow menu path **SAP NetWeaver • General Settings • Currencies • Check Exchange Rate Types**, as shown in Figure 3.31.

You can see the list of defined exchange rate types for various purposes. In accounting, the most commonly used standard exchange rate is type **M, Standard Translation at Average Rate**.

ExRt	Usage	Ref.crcy	Buy.rt.at	Sell.rt.at	Inv	EMU	Fixed
<input type="checkbox"/>	100*	Reference value = group value			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1001	Current exchange rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1002	Average exchange rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1003	Historical exchange rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1004	Current exch. rate prior year			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	200*	Reference value = group value			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2001	Current exchange rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2002	Average exchange rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2003	Historical exchange rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2004	Current exch. rate prior year			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	B	Standard translation at bk selling rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	EURO	EMU regulation, fixed exchange rates	EUR		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/>	EURX	EMU regulation, variable exchange ra...	EUR		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	G	Standard translation at bank buying r...			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	I	Intrastat exchange rate type			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	M	Standard translation at average rate			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 3.31 Exchange Rate Types

3.5.3 Exchange Rates

Now let's maintain exchange rates between the currencies to be used. Maintaining exchange rates during production use of the system normally is a user task, and many companies also establish some interface to automatically upload exchange rates using a feed from a central bank or other financial institution.

To enter exchange rates, follow menu path **SAP NetWeaver • General Settings • Currencies • Enter Exchange Rates**, as shown in Figure 3.32.

Here you maintain for each exchange rate type (in our example, M), the exchange rates between **From** and **To** currencies, using either direct or indirect quotation. In the direct quotation method, the exchange rate gives the price in the **To** currency that you have to pay for a unit of the **From** currency. In the indirect method, this is reversed. The **Valid From** date determines the date from which the entered exchange rate is valid, and it will remain valid until a rate with a subsequent date is maintained.

Maintain as many exchange rates as required, then save the entries.

ExRt	ValidFrom	Indir.quot	X	Ratio(from)	From	=	Dir.quot	X	Ratio (to)	To
<input type="checkbox"/>	M	01.01.2001		X	1 ARS	=	2,21300	X	1.000	COP
<input type="checkbox"/>	M	01.01.2001		X	1 ARS	=	114,75000	X		1 JPY
<input type="checkbox"/>	M	01.01.2001		X	1 ARS	=	9,70000	X		1 MXN
<input type="checkbox"/>	M	01.01.2001		X	1 ARS	=	3,52000	X		1 PEN
<input type="checkbox"/>	M	01.01.2001	1,00000	X	1 ARS	=		X		1 USD
<input type="checkbox"/>	M	01.01.2001		X	1 ARS	=	700,00000	X		1 VEB
<input type="checkbox"/>	M	01.01.2001		X	1 ARS	=	0,69600	X		1 VEF
<input type="checkbox"/>	M	01.01.2001		X	1 AUD	=	64,15000	X		1 JPY
<input type="checkbox"/>	M	01.01.2001		X	1 AUD	=	0,80000	X		1 NZD
<input type="checkbox"/>	M	01.01.2001		X	1 AUD	=	0,56000	X		1 USD
<input type="checkbox"/>	M	01.01.2001		X	1 BGN	=	52,78000	X		1 JPY
<input type="checkbox"/>	M	01.01.2001	2,17000	X	1 BGN	=		X		1 USD
<input type="checkbox"/>	M	01.01.2001		X	1 BHD	=	0,74768	X		1 KWD
<input type="checkbox"/>	M	01.01.2001		X	1 BRL	=	0,51250	X		1 ARS
<input type="checkbox"/>	M	01.01.2001		X	1 BRL	=	0,76700	X		1 CAD
<input type="checkbox"/>	M	01.01.2001		X	1 BRL	=	295,00000	X		1 CLP
<input type="checkbox"/>	M	01.01.2001		X	1 BRL	=	1,13500	X	1.000	COP

Figure 3.32 Maintain Exchange Rates

3.6 Taxes

Taxes are big topic in SAP. Most selling and purchasing transactions are affected by taxes, and there are very stringent requirements for tax reporting around the world. Therefore, it's important that the tax setup in your SAP S/4HANA system reflects the tax requirements from both process and reporting points of view.

As part of the financial accounting global settings, you need to set up the tax procedure and assign it to your company codes. Then you need to set up the relevant tax codes that this procedure uses. The tax determination will be discussed in detail in Chapter 5 for the purchasing processes and in Chapter 6 for the sales processes.

3.6.1 Tax Procedure

The tax procedure contains the settings to perform tax calculations in SAP S/4HANA. It's a very complex configuration object, which uses access sequences and condition techniques to determine the proper tax codes, which in turn determine the tax rates, general ledger accounts to be posted to, and other relevant settings.

The tax procedure is maintained at the country level, which means it's valid for all company codes for a given country. SAP supplies sample tax procedures for each country. You should copy those to new tax procedures to modify them, or if no changes are envisioned you can use the standard procedures.

Check the settings of the standard tax procedures for the United States by following menu path **Financial Accounting • Financial Accounting Global Settings • Tax on Sales/Purchases • Basic Settings • Check Calculation Procedure**. You'll find the following three activities related to setting up the calculation procedure, as shown in Figure 3.33:

- Access Sequence
- Define Procedures
- Define Condition Types

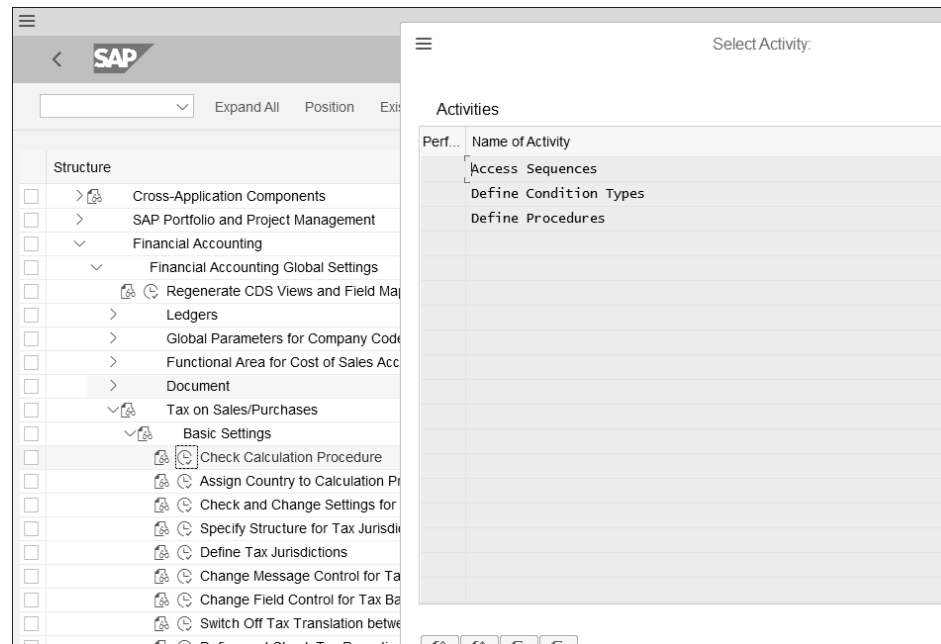


Figure 3.33 Tax Procedure Configuration Activities

The tax procedure is a collection of condition types, which in turn use access sequences to determine tax records based on specific fields, defined in those access sequences.

Double-click the **Define Procedure** activity to examine the tax procedure for the United States. Figure 3.34 shows a list of the tax procedures. The standard tax procedures for the United States provided by SAP are **TAXUS** and **TAXUSJ**, which are based on jurisdiction codes (the tax rates differ by jurisdictions, which are determined with

these jurisdiction codes). Select procedure **TAXUS** and click **Control Data** on the left side of the screen.

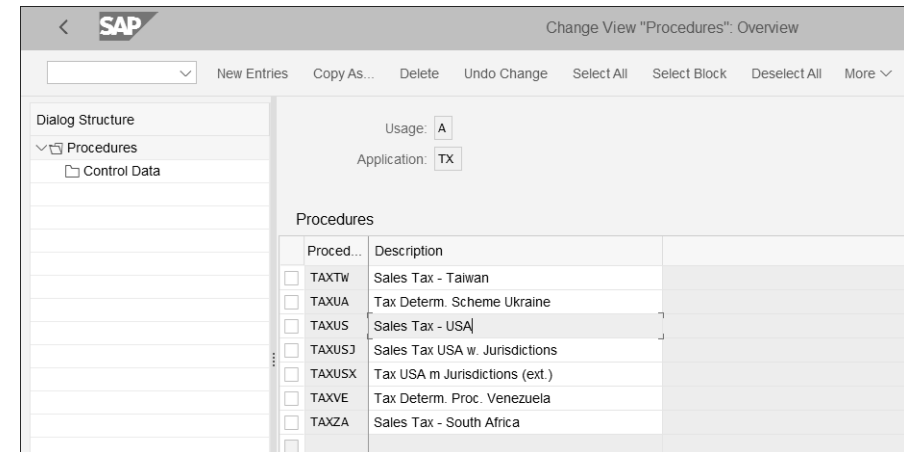


Figure 3.34 Tax Procedures

Figure 3.35 shows how the tax procedure is defined. Condition types are assigned per step numbers. Then, when defining tax codes for this procedure, the tax codes will be assigned at this condition type level.

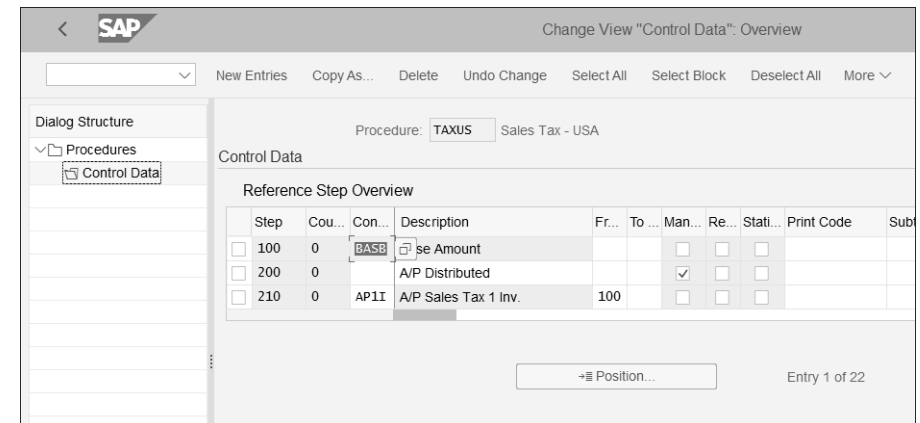


Figure 3.35 Tax Procedure TAXUS Definition

Now go back and select the **Define Condition Types** activity. Figure 3.36 shows the list of condition types, which can be assigned to steps in the tax procedures.

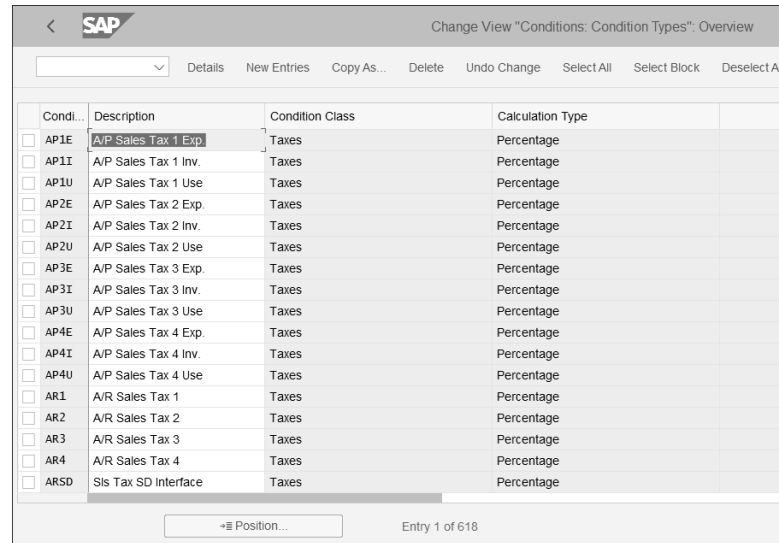


Figure 3.36 Condition Types

Select and double-click **MWAS**, which is the output tax condition, to see its settings, as shown in Figure 3.37.

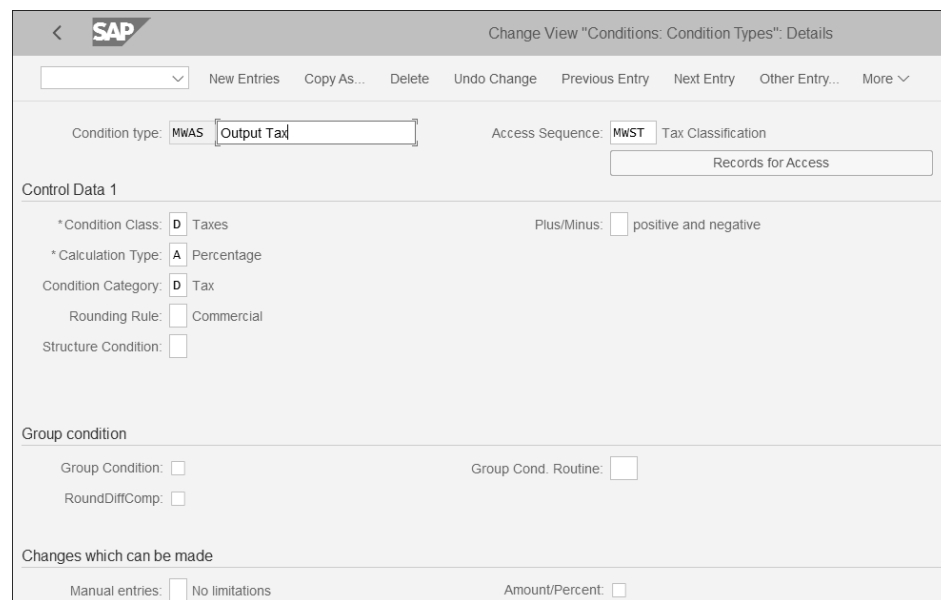


Figure 3.37 Condition Type MWAS Definition

Here, if you click the **Records for Access** button, you can see the condition records, based on the fields defined in access sequence MWST. As you can see in Figure 3.38, **Country** and **Tax Code** are the fields that would determine the taxes in this case.

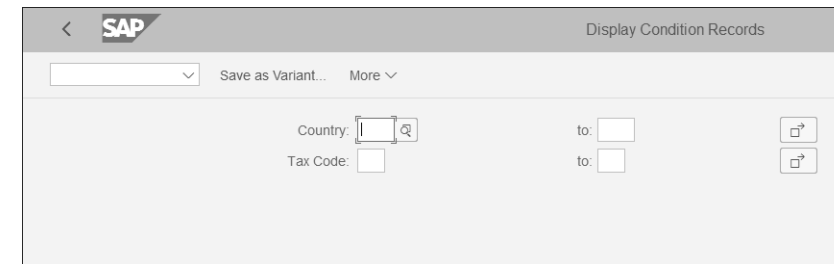


Figure 3.38 Condition Record Fields

Click the **Execute** button to see the existing records, as shown in Figure 3.39.

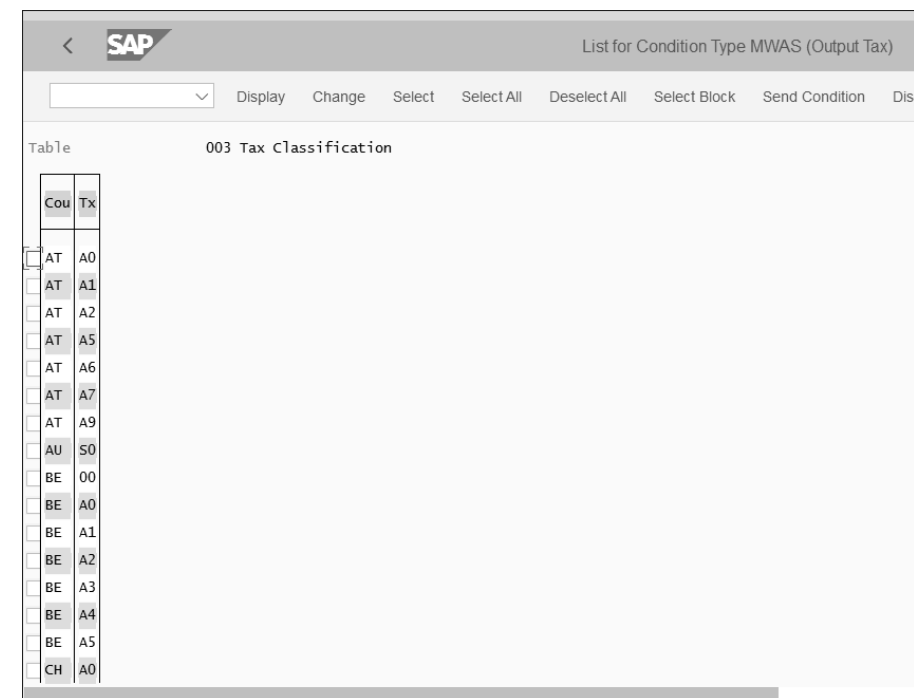


Figure 3.39 Condition Record Values for MWAS

Finally, check the definition of this access sequence. Go back to the screen shown in Figure 3.33 and select **Access Sequences**. The system issues a message that this is a

cross-client table. This means that the configuration in this table is very fundamental and affects all clients of the SAP system. Such a configuration is to be maintained only in the golden configuration client, and you have to proceed with caution.

Figure 3.40 shows the list of access sequences defined. Select **MWST** and then click **Accesses** in the left side of the screen. You can have one or more accesses.

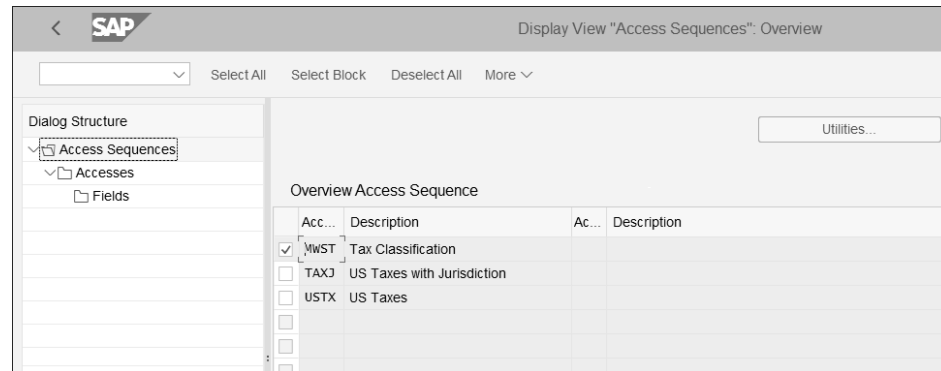


Figure 3.40 Access Sequences

In this case, it's just one, number 10. Select it and click **Fields** on the left side of the screen, and you're presented with the screen shown in Figure 3.41.

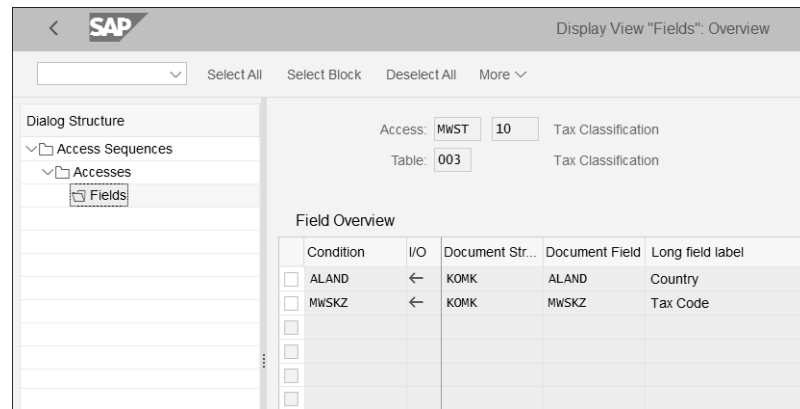


Figure 3.41 Access Fields

So here is how the system determined that has to check the **Country** and **Tax Code** fields for condition type MWAS. It comes from the setup of access sequence MWST, shown earlier and mapped to condition type MWAS.

Let's see how this is used in tax codes to determine the correct tax.

3.6.2 Tax Codes

Tax codes in SAP determine the tax percentage and tax account posted and are assigned at the line item level in documents. They are created per tax procedure and either are determined automatically (usually in logistic documents) or can be entered manually in financial documents.

Let's walk through how to create tax codes for tax procedure TAXUS. First, follow menu path **Financial Accounting • Financial Accounting Global Settings • Tax on Sales/Purchases • Calculation • Define Tax Codes for Sales and Purchases**, or enter Transaction FTXP.

The system asks you for which country you need to create a tax code. Enter "US" and continue. Then enter a two-character tax code. The naming of the tax codes should be uniform within the project, and there are different strategies to choose. Some companies opt to have a letter as the first symbol and a number as the second, with the letter representing whether it's an input or output tax code. Whatever the naming convention is, you have to make sure there will be enough space in the naming ranges to accommodate all the tax codes needed. It's normal for a country to use 30–40 tax codes, and sometimes it is required to have even more tax codes.

In this case, name the new tax code "O2" to represent a 10% sales tax, as shown in Figure 3.42. O indicates that this is output tax code, whereas our input tax codes would start with I. The various tax codes, O1, O2, O3, and so on, will represent output tax codes with different rates or purposes.

Once you enter the tax code number, the system opens the properties screen of the new tax code, in which you need to select whether the tax code is input (for purchasing transactions) or output (for sales transactions). You also give a description for the tax code and can define some other optional settings. For example, the **Check ID** indicator can make sure that there will be an error message if the tax amount entered is incorrect. The **EU Code** setting is used for European Union reporting.

After you click **Continue**, you'll see the main configuration screen of the tax code. Figure 3.43 shows the condition types available from the tax procedure for which you created a tax code. They are mapped with account keys (here you see account key NVV), which determine the general ledger accounts to be posted to. You can enter tax rates in one or more of the condition type levels. The system will go through all the levels of the tax code when determining the proper taxes.

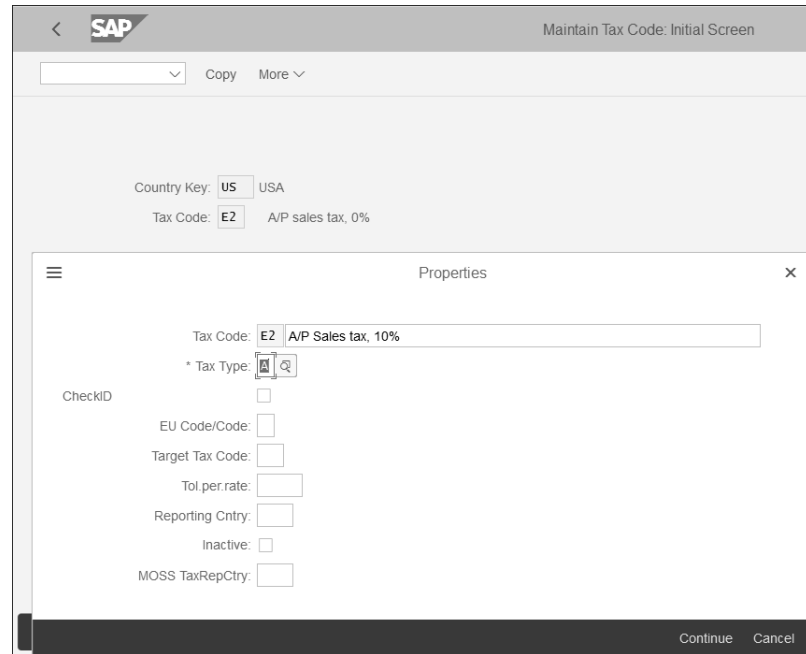


Figure 3.42 Create Tax Code

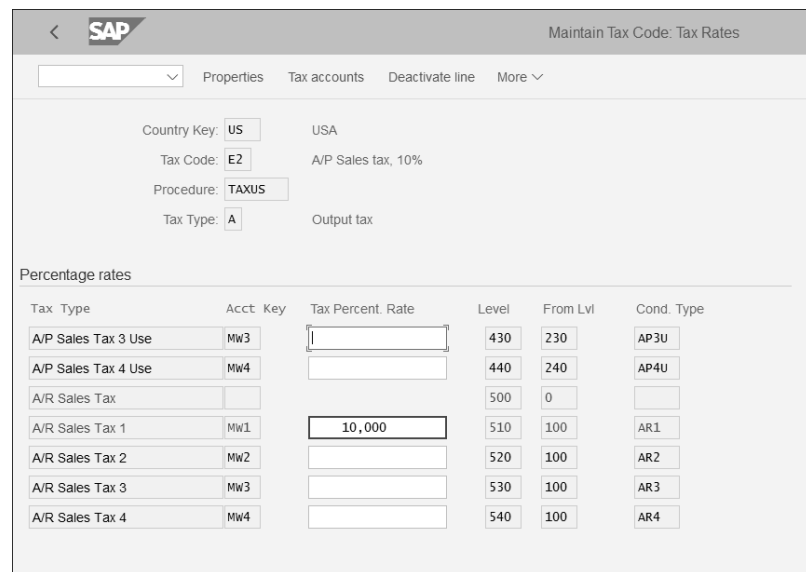


Figure 3.43 Tax Code Configuration

You can also check the general ledger account assigned by clicking **Tax Accounts** from the top menu. Then the system asks for the chart of accounts and shows the general ledger account, which will be posted to with this tax code, as shown in Figure 3.44.

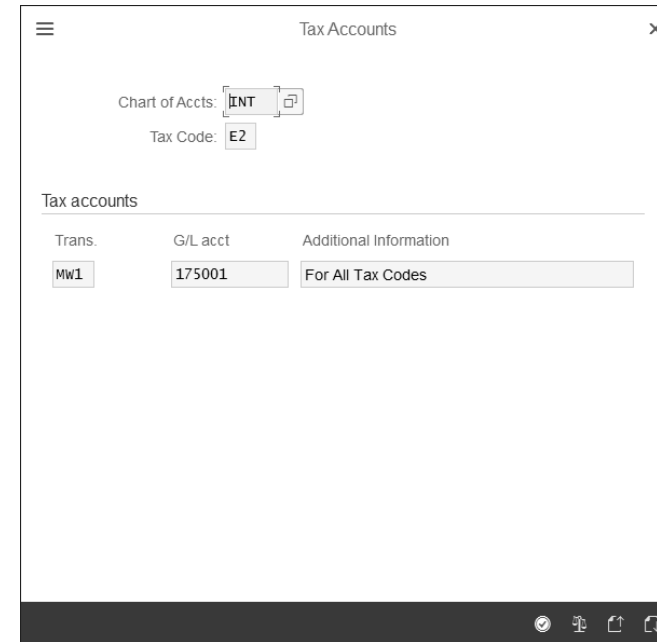


Figure 3.44 Tax Code General Ledger Account Definition

We'll examine the tax code determination in various purchasing and sales flows in detail in Chapter 5 and Chapter 6.

3.7 Summary

In this chapter, we examined the global settings that need to be performed in SAP S/4HANA Finance in detail. We started by explaining the concept of the new finance data model in SAP S/4HANA so that you're in a position to properly define your organizational setup and global settings, taking into consideration the advancements SAP S/4HANA offers in the finance area.

We then explained how to configure the organizational structure of the enterprise, including the company, company code, controlling area, and operating concern. The proper decisions about how to structure your organization in the system provide a

good foundation on which the system can be built and meet your business requirements. With the guidelines and practical advice from this chapter, you should be in a position to design your organizational structure well.

Then we covered the main configuration objects that are part of the global settings of the system, such as ledgers, document types, currencies, and taxes. These are used throughout the system and by all modules, so their proper configuration is of paramount importance. We examined the various important settings that can be set for these objects to ensure proper functioning of the SAP S/4HANA system.

With that done, now let's start configuring the various financial accounting and controlling areas of the system, starting with the general ledger.

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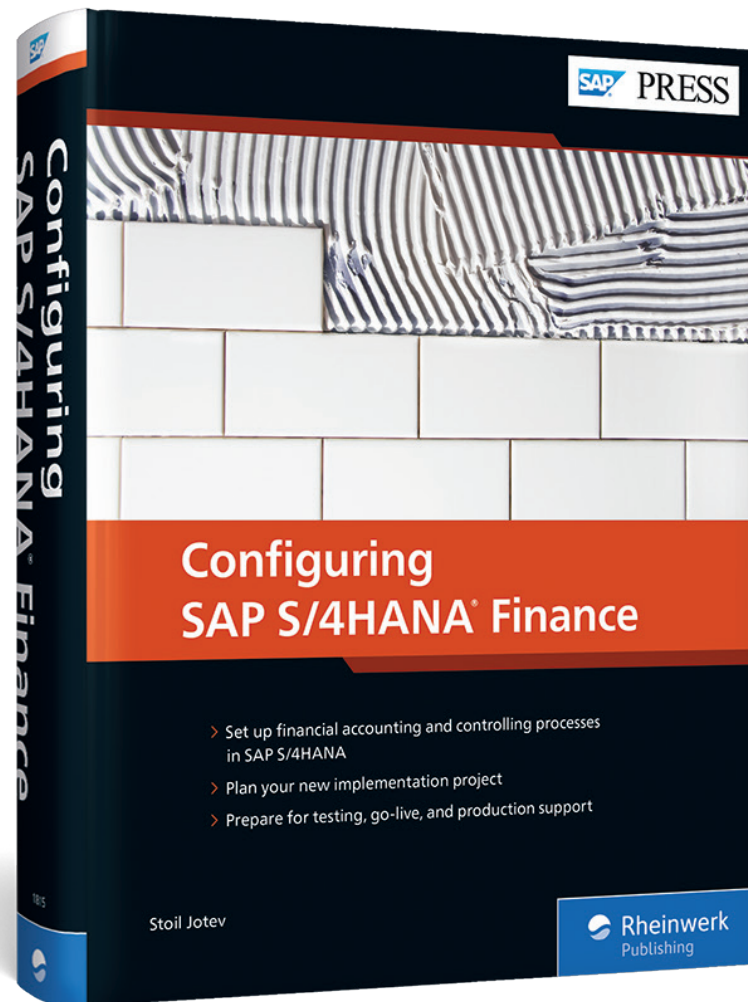
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Configuring SAP S/4HANA Finance

756 Pages, 2019, \$89.95

ISBN 978-1-4932-1815-8

 www.sap-press.com/4857

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