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*This sample chapter discusses configuring the global settings for financial accounting, which define the organizational structure and basic configuration elements such as ledgers, document types, currencies, and tax codes. It begins with a detailed explanation of the new data model in SAP S/4HANA Finance.*

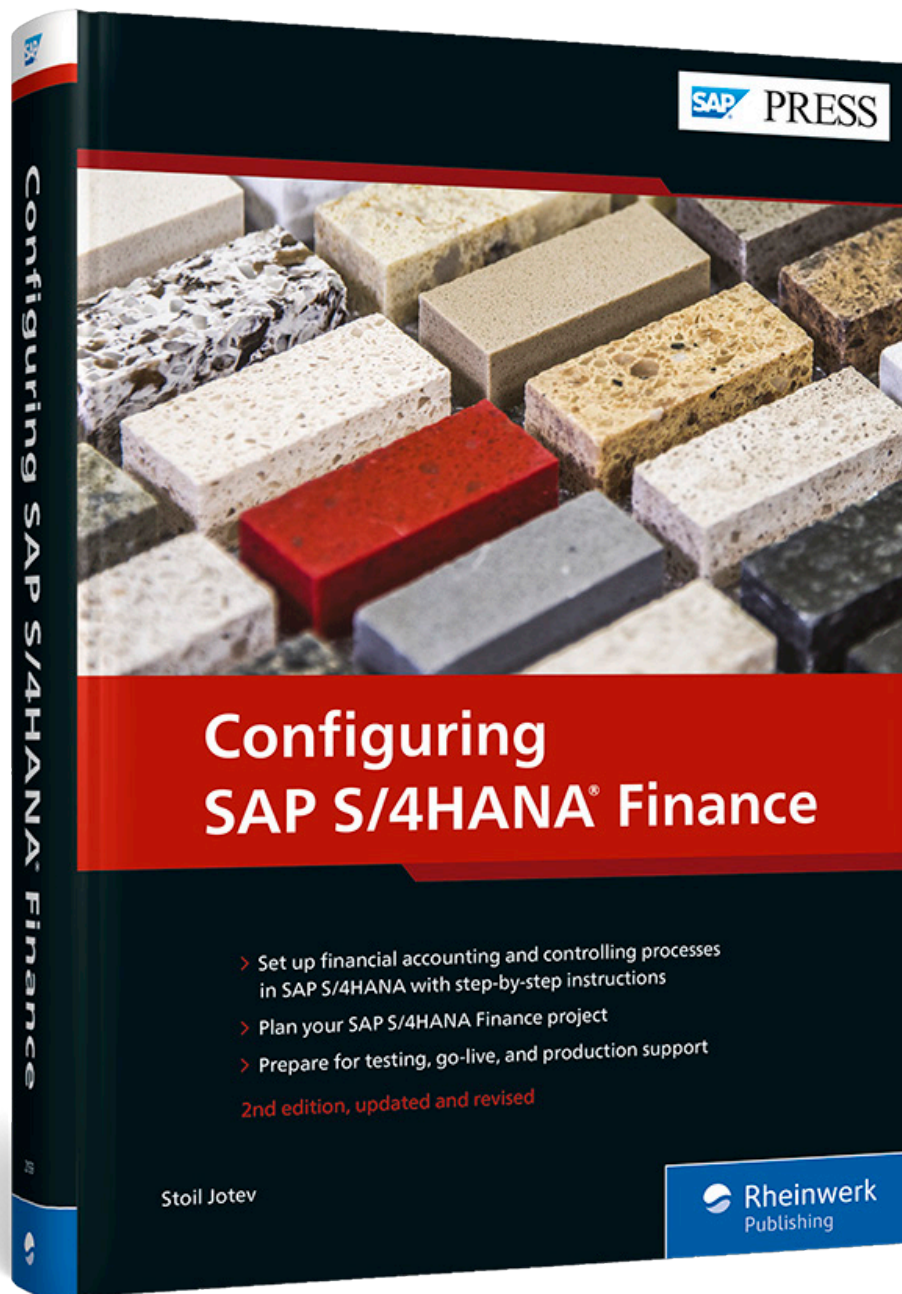
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### Configuring SAP S/4HANA Finance

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## Chapter 3

# Financial Accounting Global Settings

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

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 global settings for financial accounting, which define 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. Understanding this new data model is of paramount importance as is understanding 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 that 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. Thus, sometimes, even for experienced consultants, finding the best way to find and retrieve the relevant data can be a challenge.

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, a strong case exists for the integration of processes and applications and the simplification of systems. SAP's answer to this need is the excellent 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'll discuss in detail the two key elements of the new finance data model in SAP S/4HANA: the Universal Journal and real-time integration between financial accounting and controlling.

### 3.1.1 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. Previously, for many reasons, multiple financial accounting and controlling tables stored data that now, with SAP S/4HANA, are stored in the Universal Journal. Some tables 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 reasons were technical: Only now with the amazing speed and columnar design of SAP S/4HANA is having such a vast amount of data in a single table technically feasible.

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

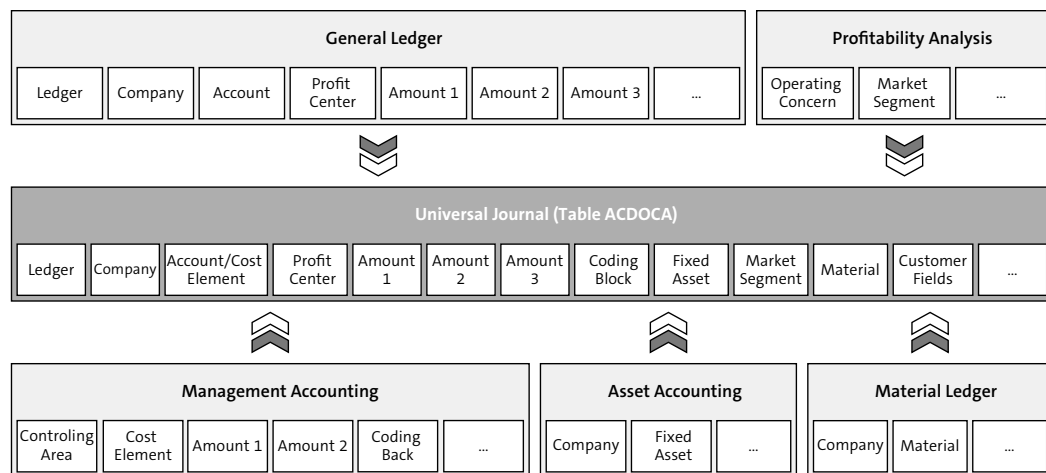


Figure 3.1 Universal Journal

As shown in Figure 3.1, table ACDOCA, the Universal Journal table, combines fields that previously were stored in the tables of various financial accounting and controlling modules. 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. Thus, a whole lot of tables from controlling, fixed assets, and the material ledger have been made redundant because the information is now integrated in the Universal Journal. For

compatibility reasons, these tables still exist as core data services (CDS) views so that they can still be referenced in custom programs, important for companies pursuing 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)
GLT0	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 GLT0 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
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

As you can see, now in SAP S/4HANA, the Universal Journal combines the key tables of all the financial applications into a single table, which is commonly referred to as the *single source of truth*. Now, you have all the information you need to present the financials of your company in one place—an enormous advantage compared to previous SAP releases and to other enterprise resource planning (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 as discussed earlier. Indeed, because controlling-relevant data now is brought together with financial accounting data in the Universal Journal, no technical obstacles prevent 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 configuration 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 financial accounting document numbers. However, even internal controlling movements, such as the reallocation of costs from one controlling object to another, also generate financial accounting document numbers, thus ensuring real-time integration, which 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 an SAP S/4HANA Finance system by defining an organizational structure. The organizational structure in SAP represents the business organizational structure of your enterprise and consists of various configuration objects in finance, controlling, sales, purchasing, production, and so on. So, as the foundation of any further system setup, the organizational structure is extremely important and must be designed and defined in a proper, flexible way.

We'll examine in detail how to configure 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. This organizational unit can consist of multiple legal entities and is used to perform consolidation in SAP.

If no consolidation process is needed, you can avoid setting up companies in SAP. As an optional organizational object, you can also set up companies later. However, doing so would require significant effort, so we recommend setting up a company in the beginning even if consolidation won't be performed until later.

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

Now, you can create a new company using the **New Entries** option from the top menu. As shown in Figure 3.2, let's 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 for numbering conventions and confirm it with the business.

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

The screenshot shows the SAP SPRO configuration interface for creating a new company. The window title is "New Entries: Details of Added Entries". The form contains the following fields and values:

- 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 Creating a 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 in the sandbox system, 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 18.

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, users can view 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

A *company code* is the main organizational unit in financial accounting. Usually, a company code represents a separate legal entity. For example, a global pharmaceutical company may have a few different legal entities in the United States, each registered as legally independent companies: Perhaps one manufactures generic drugs, one develops biotechnology medications, and one performs testing for the pharmaceutical industry. Setting up each of these companies as separate company codes in SAP S/4HANA makes sense. Then, if those companies have a common parent company, that parent company can also be set up as a company in SAP. Thus, normally, you will have 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 important to set up correctly from the start.

We highly recommend copying existing company codes, either standard SAP-provided company codes or already created ones, instead of creating new company codes from scratch. We recommend copying because many configuration settings are maintained at the company code level, and if creating all configuration manually from scratch, missing important settings is possible.

To create a company code, follow the 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.

If you're 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. Transaction codes are entered in the command field in the top-left section of the main SAP application screen, as shown in Figure 3.3.

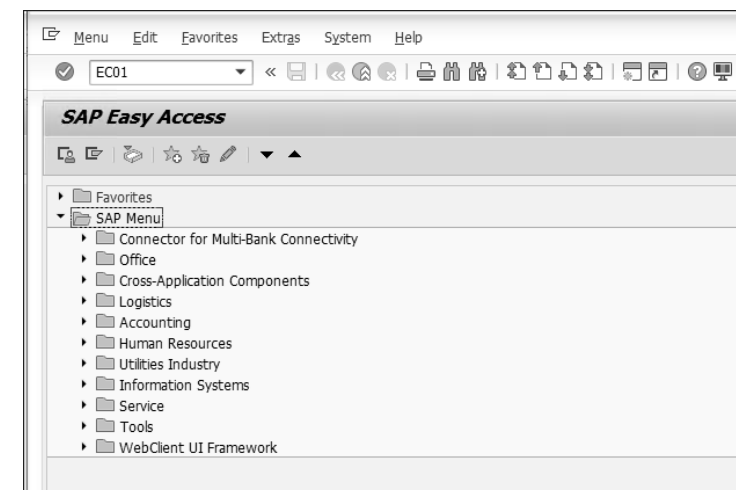


Figure 3.3 Command Field in SAP

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

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

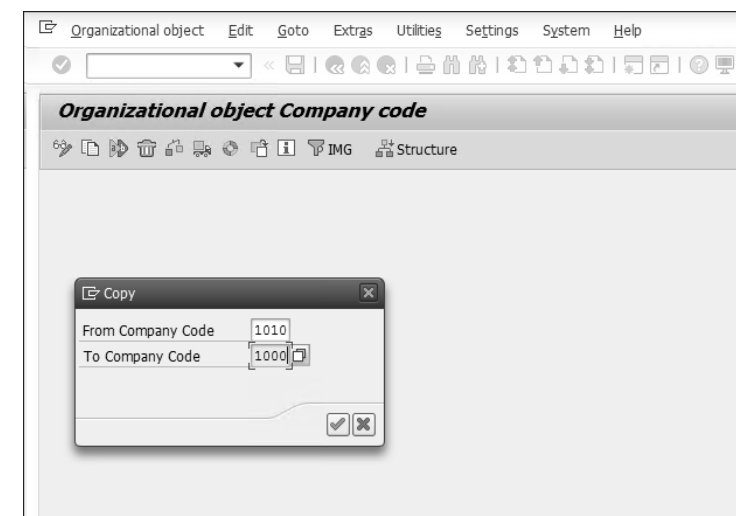


Figure 3.4 Copying a Company Code

In the **From Company Code** field, enter the source company code to copy from. You can use one of the SAP-provided sample company codes for the country you want to create new company code. In the **To Company Code** field, enter “1000” to copy the settings 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.

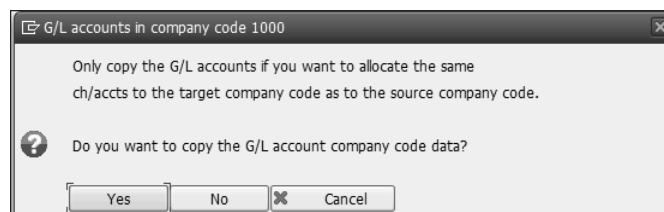


Figure 3.5 Copying General Ledger Accounts

This message provides you the option of copying all the general ledger accounts from the source to the target company code, which makes sense if the same chart of accounts is used. 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 relevant accounts also to the new company code.

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

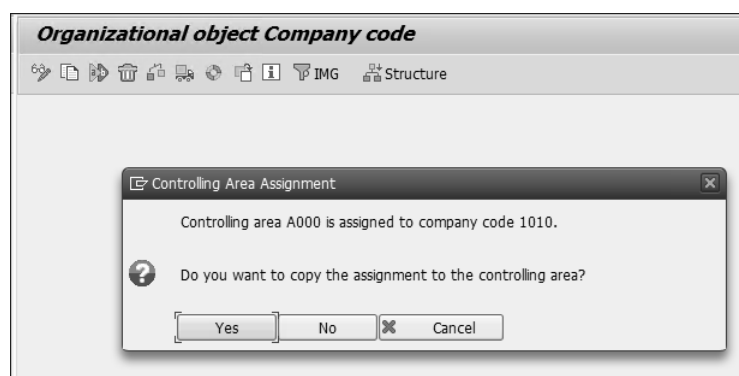


Figure 3.6 Assignment of Controlling Area

At this point, you have the opportunity to copy the assignment of the same controlling area. If you’re creating a new controlling area, you can reject that option and then assign the new controlling area to the new company code.

Next, the system checks the currency assignment of the reference company code and asks whether you would like to change the currency of the target company code, as shown in Figure 3.7.

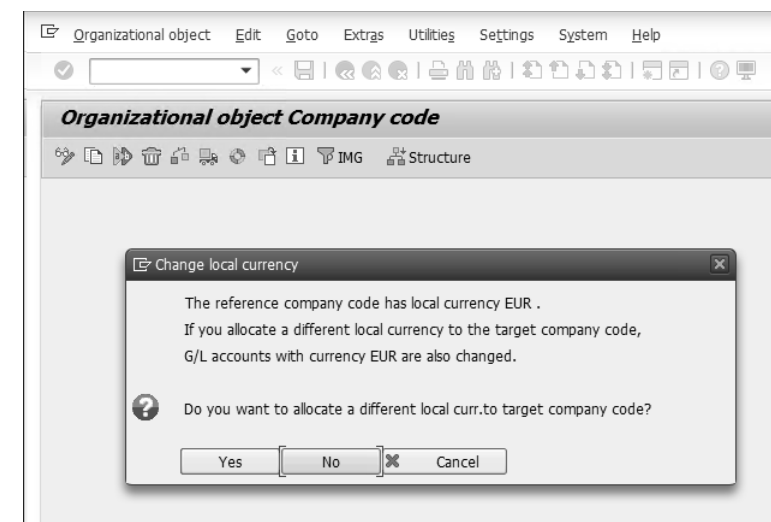


Figure 3.7 Currency Assignment

Enter “USD” in the **Currency** field, as shown in Figure 3.8.

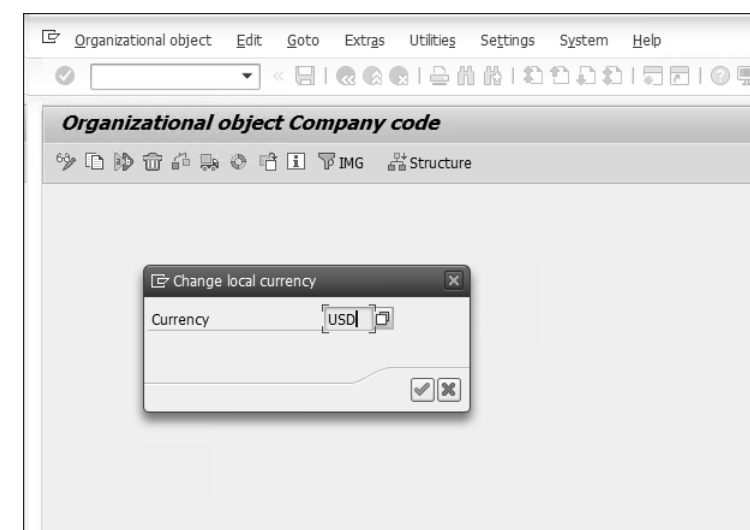


Figure 3.8 Entering a Currency

Next, the system asks if you want to copy the number ranges of the source company code, as shown in Figure 3.9. However, we don’t recommend copying number ranges, which could cause inconsistencies.

The system confirms the copying of the company code, as shown in Figure 3.10.

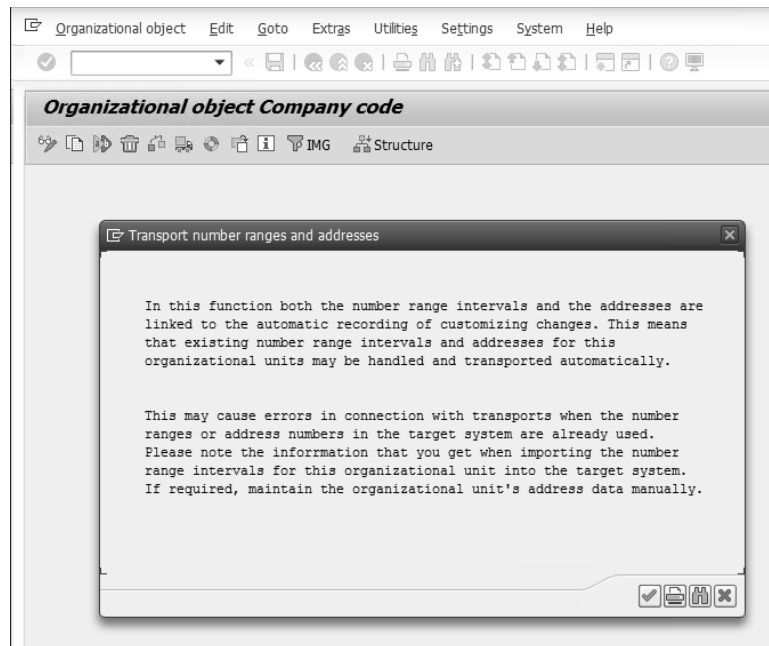


Figure 3.9 Copying a Number Range

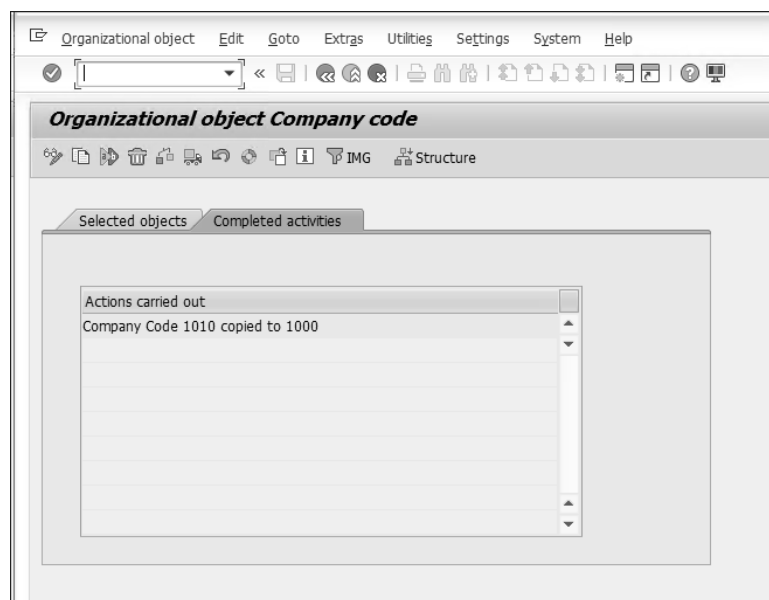


Figure 3.10 Copy Company Code Confirmation Screen

Now, go back and select the **Edit Company Code Data** activity to display the list of company codes that exist in the system. Double-click the new company code **1000** from the list shown in Figure 3.11, to change its basic data.

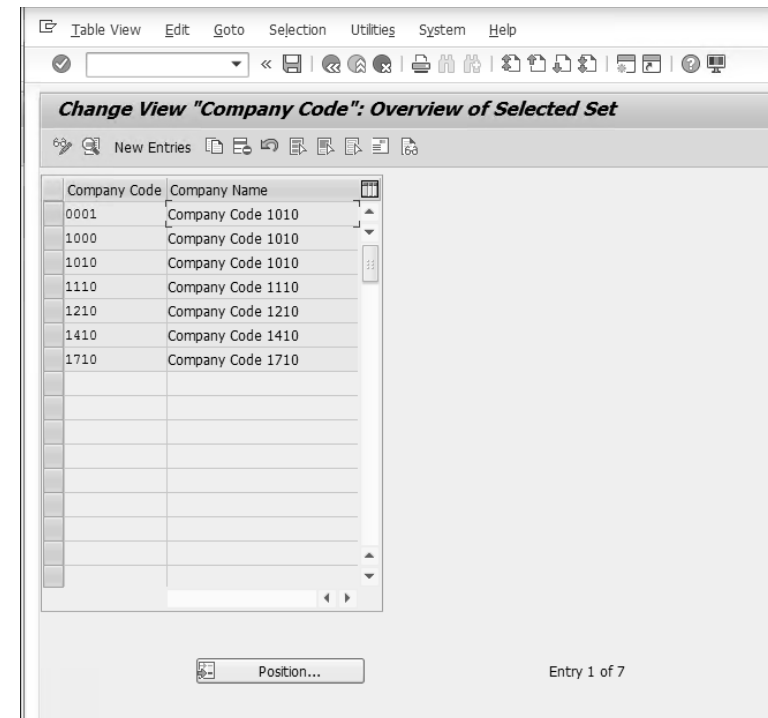


Figure 3.11 Selecting a Company Code

Enter the required details for this company code by maintaining the **Company Name**, **City**, **Country**, **Currency**, and **Language** fields, as shown in Figure 3.12.

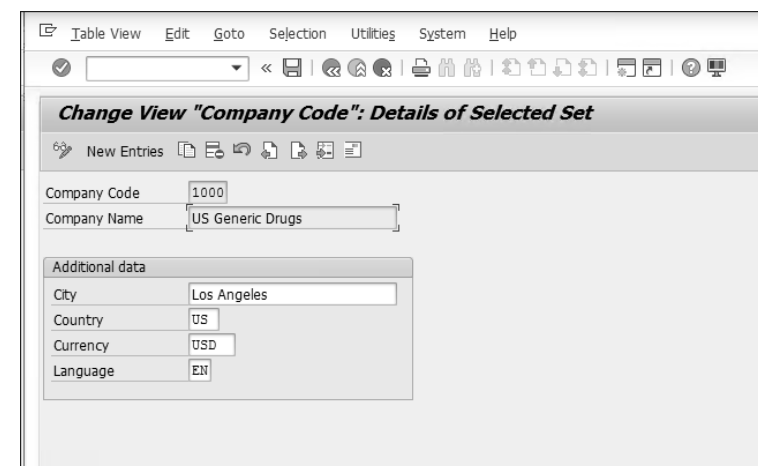
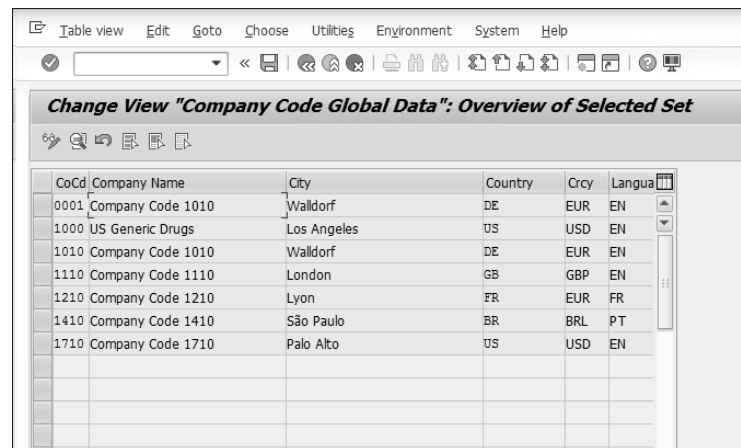


Figure 3.12 Company Code Details

Next, maintain the global company code settings by following the menu path **Financial Accounting • Financial Accounting Global Settings • Global Parameters for Company**

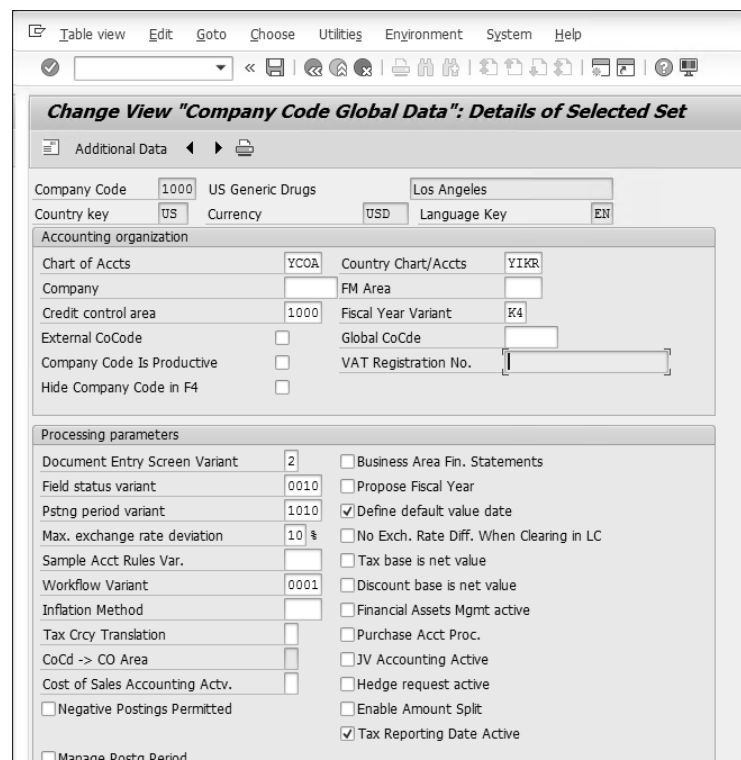
**Code • Enter Global Parameters.** Then, double-click the company code you want to check or modify from the screen shown in Figure 3.13.



CoCd	Company Name	City	Country	Crcy	Language
0001	Company Code 1010	Waldorf	DE	EUR	EN
1000	US Generic Drugs	Los Angeles	US	USD	EN
1010	Company Code 1010	Waldorf	DE	EUR	EN
1110	Company Code 1110	London	GB	GBP	EN
1210	Company Code 1210	Lyon	FR	EUR	FR
1410	Company Code 1410	São Paulo	BR	BRL	PT
1710	Company Code 1710	Palo Alto	US	USD	EN

Figure 3.13 Company Code Selection

Double-click on company code **1000: US Generic Drugs**, which will allow you to modify its settings, as shown in Figure 3.14.



Company Code: 1000 US Generic Drugs Los Angeles  
 Country key: US Currency: USD Language Key: EN

Accounting organization

Chart of Accts	YCOA	Country Chart/Accts	YIKR
Company		FM Area	
Credit control area	1000	Fiscal Year Variant	K4
External CoCode		Global CoCde	
Company Code Is Productive	<input type="checkbox"/>	VAT Registration No.	
Hide Company Code in F4	<input type="checkbox"/>		

Processing parameters

Document Entry Screen Variant	2	<input type="checkbox"/> Business Area Fin. Statements
Field status variant	0010	<input type="checkbox"/> Propose Fiscal Year
Pstng period variant	1010	<input checked="" type="checkbox"/> Define default value date
Max. exchange rate deviation	10 %	<input type="checkbox"/> No Exch. Rate Diff. When Clearing in LC
Sample Acct Rules Var.		<input type="checkbox"/> Tax base is net value
Workflow Variant	0001	<input type="checkbox"/> Discount base is net value
Inflation Method		<input type="checkbox"/> Financial Assets Mgmt active
Tax CrCy Translation	<input type="checkbox"/>	<input type="checkbox"/> Purchase Acct Proc.
CoCd -> CO Area	<input type="checkbox"/>	<input type="checkbox"/> JV Accounting Active
Cost of Sales Accounting Actv.	<input type="checkbox"/>	<input type="checkbox"/> Hedge request active
<input type="checkbox"/> Negative Postings Permitted		<input type="checkbox"/> Enable Amount Split
<input type="checkbox"/> Manage Postn Period		<input checked="" type="checkbox"/> Tax Reporting Date Active

Figure 3.14 Company Code Global Settings

On this screen, some of the important fields that must be configured include the following:

- **Chart of Accts**

The chart of accounts defines the general ledger accounts used and is maintained at a central level (valid for all company codes) and a company code level. We'll examine the chart of accounts in detail in Chapter 4. In this field, you can configure the chart of accounts to be used by the company code.

- **Company**

In this field, 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 field is used to perform credit management for the company code. With this control area, the available credit limits for customers of the company code are managed.

- **Fiscal Year Variant**

This field 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 01 corresponds to January, period 02 to February, and so on. However, you can 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 4 weeks, 4 weeks, and 5 weeks.

- **Pstng period Variant (posting period variant)**

The posting period variant in SAP determines which periods are open and closed for postings. This variant provides separate options to open and close periods for various types of accounts (general ledger, customer, vendor, assets, and so on). In this field, 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

A *controlling area* is the main organizational unit in the controlling area and structures the organization from a cost point of view. A controlling area can include one or more 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 the menu path **Enterprise Structure • Definition • Controlling • Maintain Controlling Area**. Then, select the **Copy, Delete, Check Controlling Area** activity. As with company codes, we highly recommend copying an existing controlling area to copy all the important settings that are linked to it. Copying a controlling area is similar to copying a company code. The configuration settings that go along with the controlling area are copied, and then you can adapt these setting in subsequent steps.

First, select the **Maintain Controlling Area** activity from the list of activities shown in Figure 3.15.

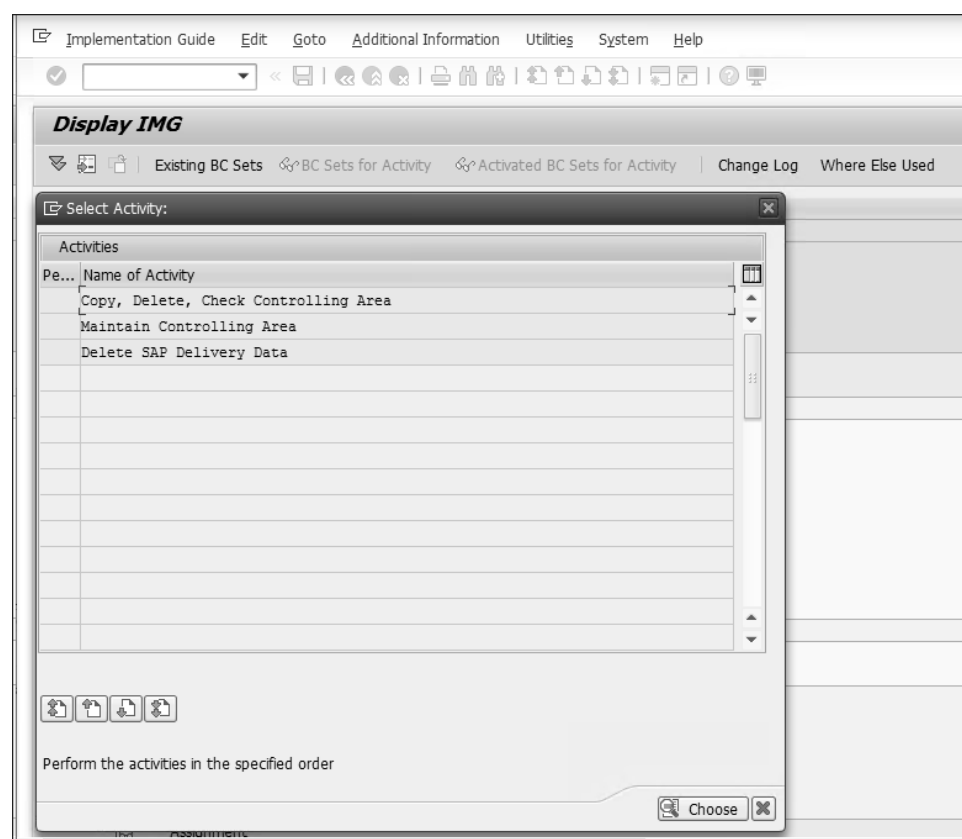


Figure 3.15 Controlling Area Activities

From the list shown in Figure 3.16, we'll use controlling area **US01** to explore the relevant settings. Double-click on **US01** to open the screen shown in Figure 3.17.

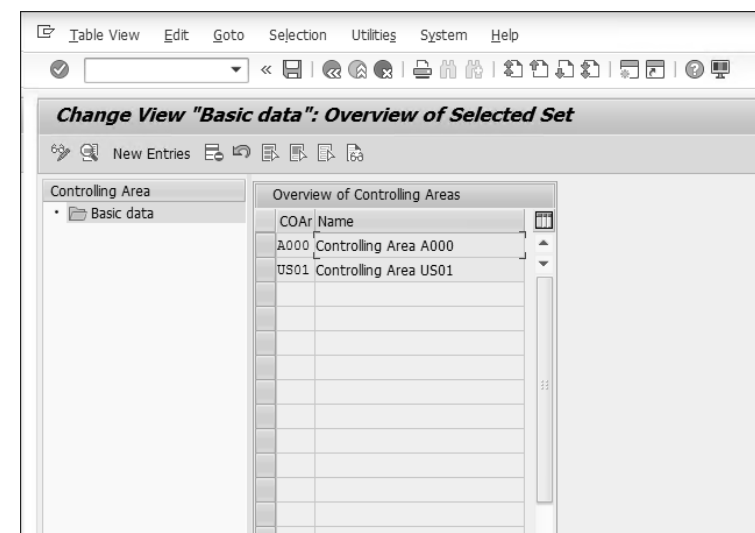


Figure 3.16 Selecting a Controlling Area

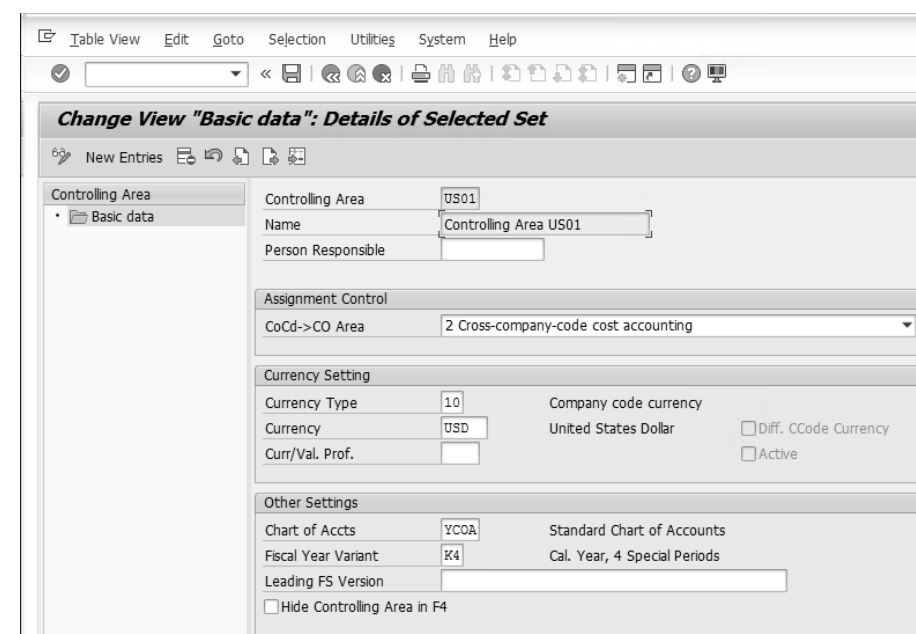


Figure 3.17 Controlling Area Settings

On this screen, some of the important fields that must be configured include the following:

- CoCd->Co Area (company code to controlling 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 **2: Cross-company-code cost accounting** because, in today's highly interconnected business world, cost responsibilities span across 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. On the controlling area level, currency type 30 (group currency) is most commonly used because controlling is managed from a group point of view, but of course, other options are possible too.

#### ■ Currency

This field specifies the currency of the controlling area itself and is driven by the currency type.

#### ■ Chart of Accts (chart of accounts)

The chart of accounts defines the general ledger accounts used by this controlling area and is maintained at a central level (valid for all company codes) and at a company code level. We'll examine the chart of accounts in detail in Chapter 4. In this field, 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 in this field.

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 the menu path **Enterprise Structure • Assignment • Controlling • Assign Company Code to Controlling Area**, as shown in Figure 3.18.

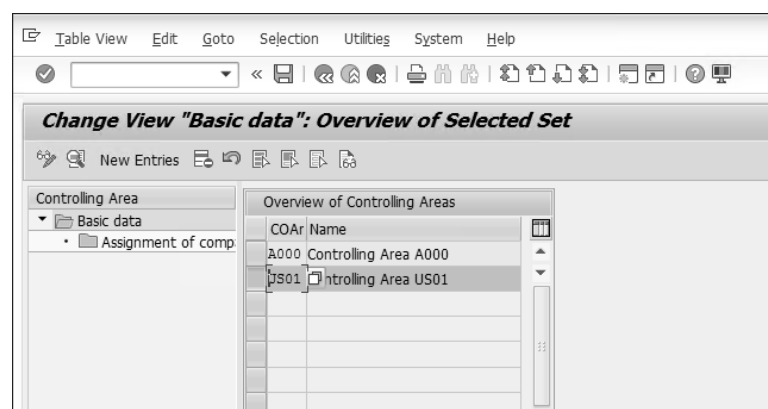


Figure 3.18 Assignment of Controlling Area and Company Codes

On this screen, select the controlling area and then click **Assignment of company code(s)** in the left pane of the configuration screen, which shows the company codes assigned to the controlling area, as shown in Figure 3.19.

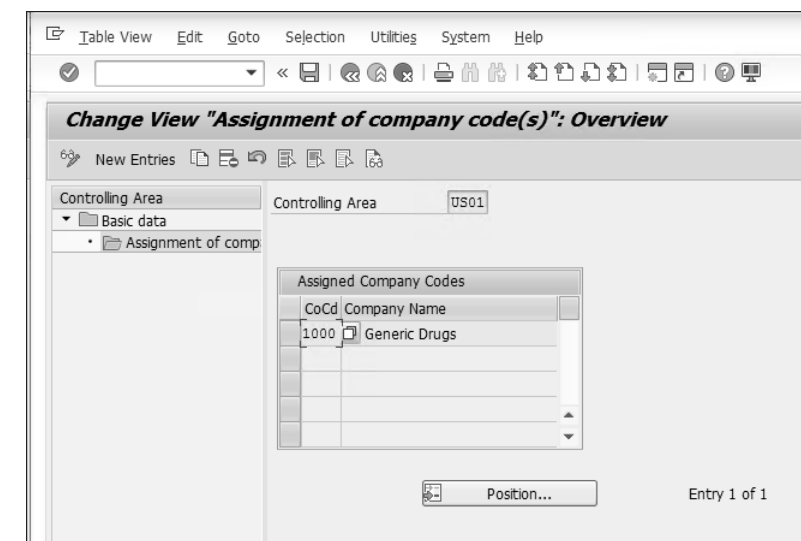


Figure 3.19 Assigning the Company Code to Controlling Area 1000

### 3.2.4 Operating Concern

An *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.

In the organizational structure, you can simply define the operating concern as an organizational object and assign it to controlling area. Follow the menu path **Enterprise Structure • Definition • Controlling • Create Operating Concern**, which takes you to a table listing existing operating concerns, as shown in Figure 3.20.

As with company codes and operating concerns, SAP has provided sample organizational objects that you can use as references. Select one of these objects 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 call it "US Operating Concern," as shown in Figure 3.21.

The next step for the operating concern is to define its data structure before the operating concern can be assigned to a controlling area, which we'll cover in Chapter 13.

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

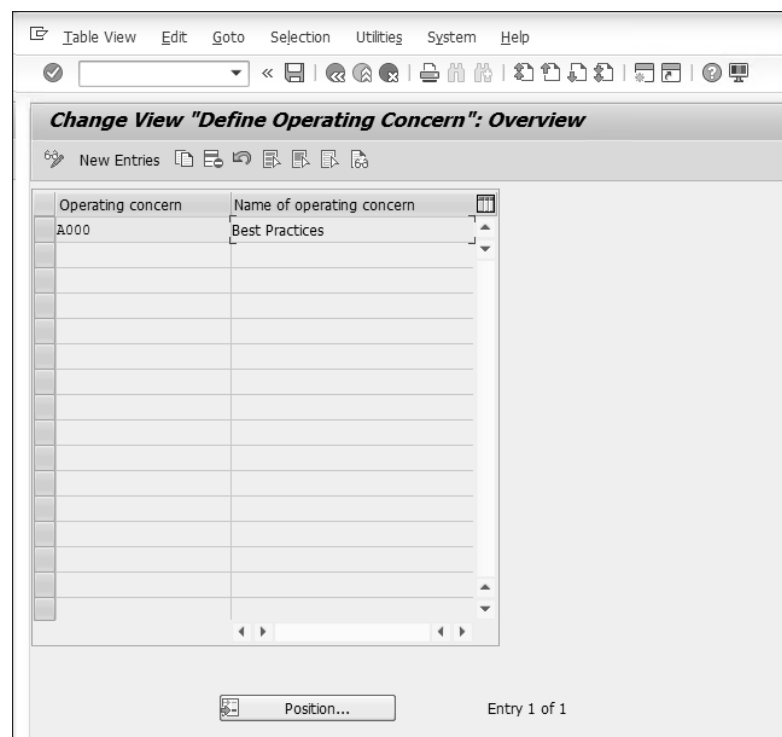


Figure 3.20 Defining the Operating Concern

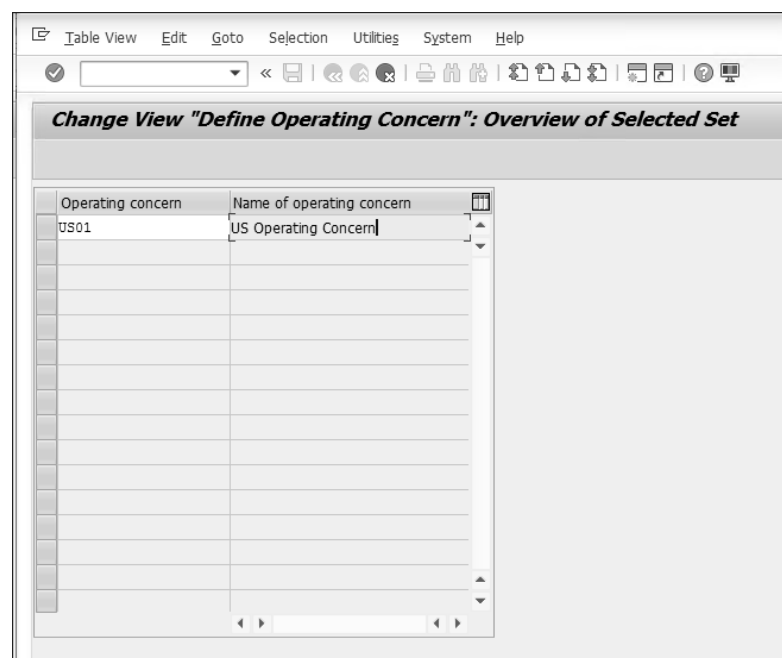


Figure 3.21 Copied Operating Concern

### 3.3 Ledgers

*Ledgers* are an area in the general ledger application that stores accounting documents based on different accounting principles. At a minimum, you're required to have 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, you would use a separate financial module called Special Purpose Ledger, which followed this 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 can configure ledgers in SAP S/4HANA.

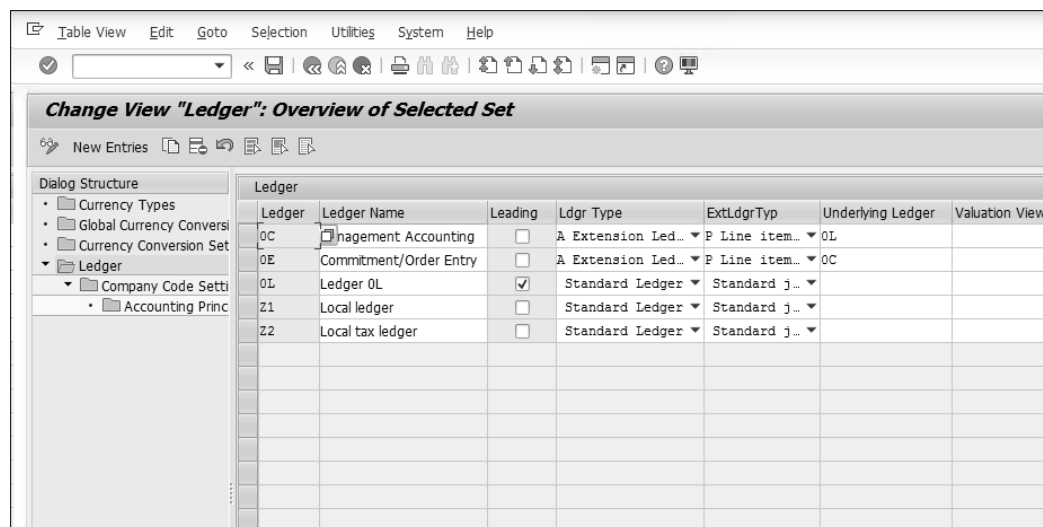
Most importantly, you must define which ledgers are required in your organization from the beginning; subsequent introductions of ledgers can be complicated and will require additional effort. The accounting and taxation reporting requirements must be discussed in detail with the business. The leading ledger should represent the main accounting framework used by the group.

For most companies in Europe and other regions, that main accounting framework would be International Financial Reporting Standards (IFRS)—but in the United States, the main accounting rules are based on US Generally Accepted Accounting Principles (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, a wise approach is to set up nonleading ledgers that represent local US GAAP and local tax rules for companies with significant international footprints. Companies that will roll out to various markets would undoubtedly find that, at least in some countries, these ledgers will be required, so we recommend setting them up from the beginning and activating 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 the menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Ledger • Define Settings for Ledgers and Currency Types**, which shows a list of ledgers already in the system, as shown in Figure 3.22.

On this screen, you can define new ledgers by selecting either **New Entries** or **Copy As...** from the top menu. In our example, we've set up our 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 **Ldgr Type** (ledger type) column determines whether the ledger is standard or an extension. Most ledgers are defined as standard. An *extension ledger* extends a standard ledger and contains the postings of its linked standard ledger. This kind of ledger is used to make additional manual entries, such as adjustments needed for a specific accounting principle.



Ledger	Ledger Name	Leading	Ldgr Type	ExtLdgrTyp	Underlying Ledger	Valuation View
0C	Management Accounting	<input type="checkbox"/>	A Extension Led...	P Line item...	0L	
0E	Commitment/Order Entry	<input type="checkbox"/>	A Extension Led...	P Line item...	0C	
0L	Ledger 0L	<input checked="" type="checkbox"/>	Standard Ledger	Standard j..		
Z1	Local ledger	<input type="checkbox"/>	Standard Ledger	Standard j..		
Z2	Local tax ledger	<input type="checkbox"/>	Standard Ledger	Standard j..		

Figure 3.22 Defining Ledgers

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 3.23 shows the following important settings:

#### ■ Fiscal Year Variant

This setting specifies 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 calendar 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 (posting period variant)

The posting period variant in SAP determines which periods are open and closed for postings. This variant 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 can specify a variant.

#### ■ Accounting Principle

The accounting principle assigned to the ledger.

#### ■ 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 option is rarely used, generally when one ledger needs to portray parallel accounting principles.

#### ■ Local Currency

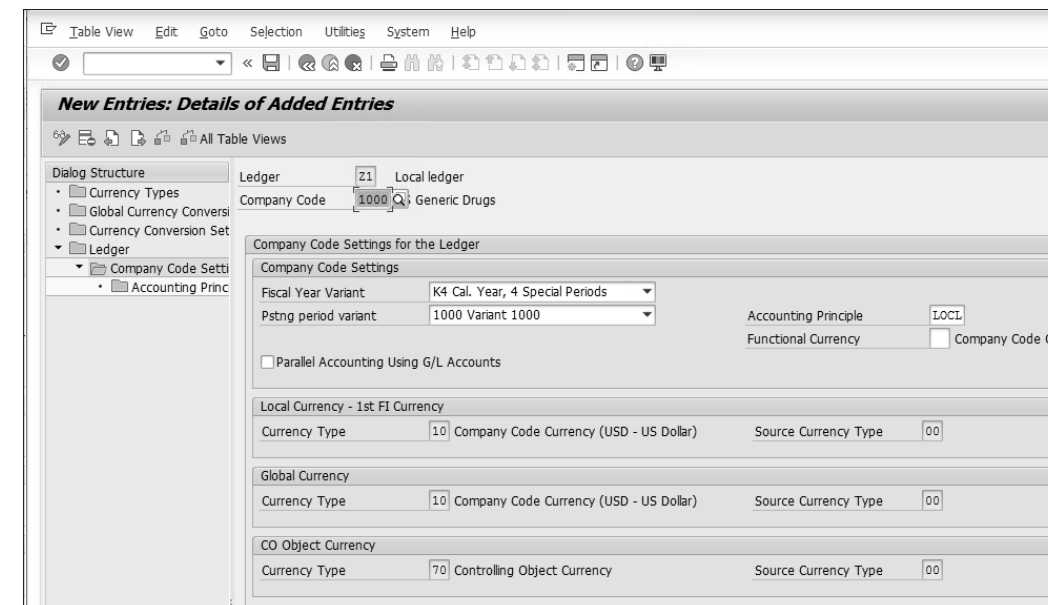
In this field, you'll specify the currency type of the local currency of the ledger. The local currency is the main currency of the company, is stored in each posting, and is maintained at the company code level. However, you can also have different local currencies for each ledger.

#### ■ Global Currency

In this field, you'll specify the currency type of the global currency of the ledger. The global currency is the group currency of the company and is stored in parallel to the local currency for each posting.

#### ■ CO Object Currency (controlling object currency)

In this field, you'll specify the currency type of the controlling object currency of the ledger. This currency is used in the controlling objects master and may differ from the transaction currency.



**New Entries: Details of Added Entries**

Ledger: Z1 Local ledger  
Company Code: 1000 Generic Drugs

**Company Code Settings for the Ledger**

Company Code Settings

Fiscal Year Variant: K4 Cal. Year, 4 Special Periods  
Pstng period variant: 1000 Variant 1000  
Accounting Principle: 10CL  
Functional Currency:  Company Code Cur

Parallel Accounting Using G/L Accounts

**Local Currency - 1st FI Currency**

Currency Type: 10 Company Code Currency (USD - US Dollar) Source Currency Type: 00

**Global Currency**

Currency Type: 10 Company Code Currency (USD - US Dollar) Source Currency Type: 00

**CO Object Currency**

Currency Type: 70 Controlling Object Currency Source Currency Type: 00

Figure 3.23 Ledger Company Code and Currency Settings

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). This object 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.

As shown in Figure 3.24, accounting principle LOCL, which represents local accounting standards, has been mapped to ledger Z1.

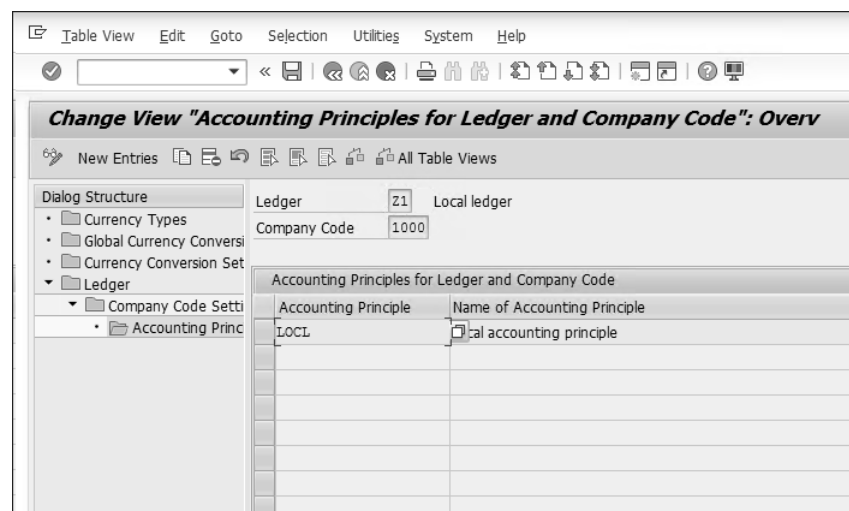


Figure 3.24 Mapping of Accounting Principle to Ledger

For the actual creation of accounting principles, follow the menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Parallel Accounting • Define Accounting Principles**, where you can define accounting principles, as shown in Figure 3.25.

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

In the next step, you'll 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 you can have multiple ledgers in one ledger group. The assignment of accounting principles is at the ledger group level. Follow the menu path **Financial Accounting • Financial Accounting Global Settings • Ledgers • Parallel Accounting • Assign Accounting Principle to Ledger Groups**, where you can assign accounting principles to ledger groups, as shown in Figure 3.26.

This step is where the link between the ledger and the accounting principle, shown earlier in Figure 3.24, comes from.

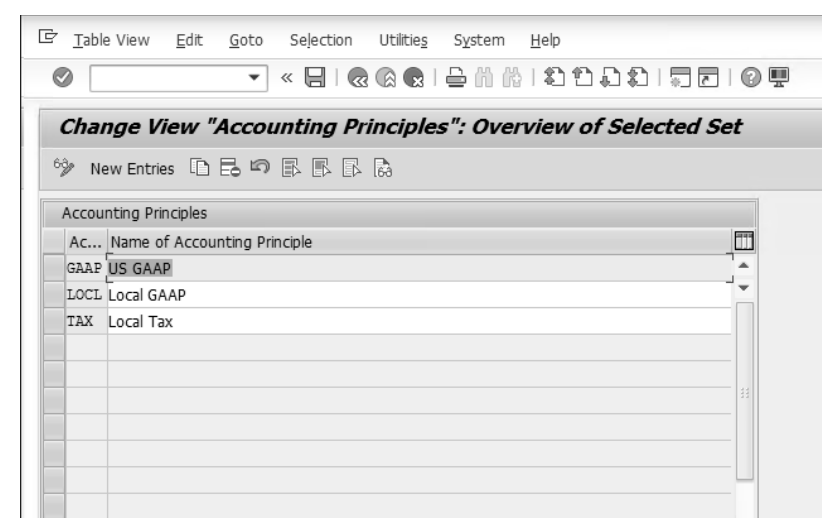


Figure 3.25 Defining Accounting Principles

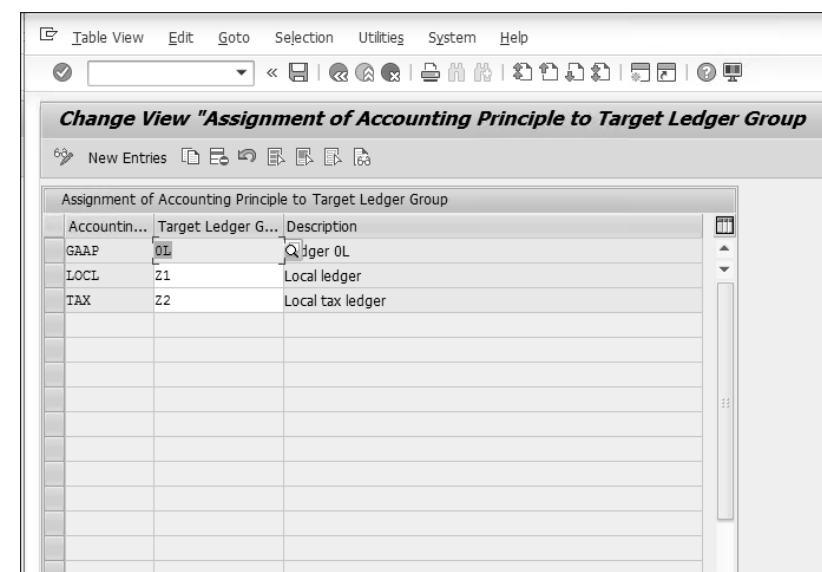


Figure 3.26 Assigning Accounting Principles to Ledger Groups

### 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. 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 a document type, follow the menu path **Financial Accounting • Financial Accounting Global Settings • Document • Document Types • Define Document Types**. Figure 3.27 shows a list of document types already defined in the system. Most are standard SAP-delivered document types, which should suffice for most business needs. Of course, you can copy these standard document types to develop custom document types, for instance, to meet local reporting needs or to fulfill some specific business process.

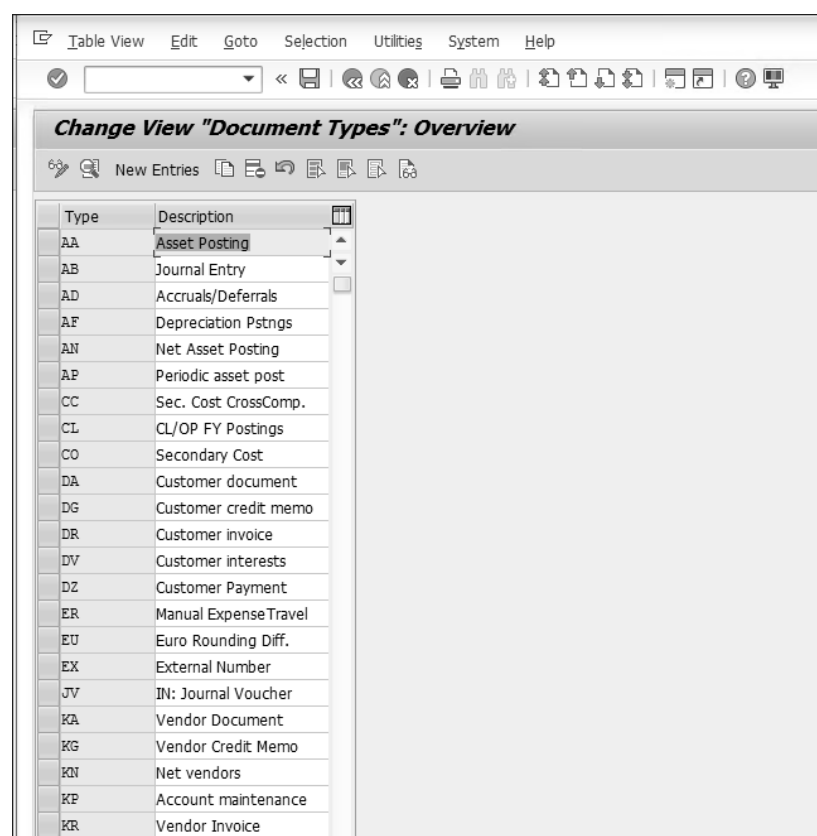


Figure 3.27 Defining Document Types

Double-click document type **KR: Vendor Invoice** to examine the relevant settings, as shown in Figure 3.28.

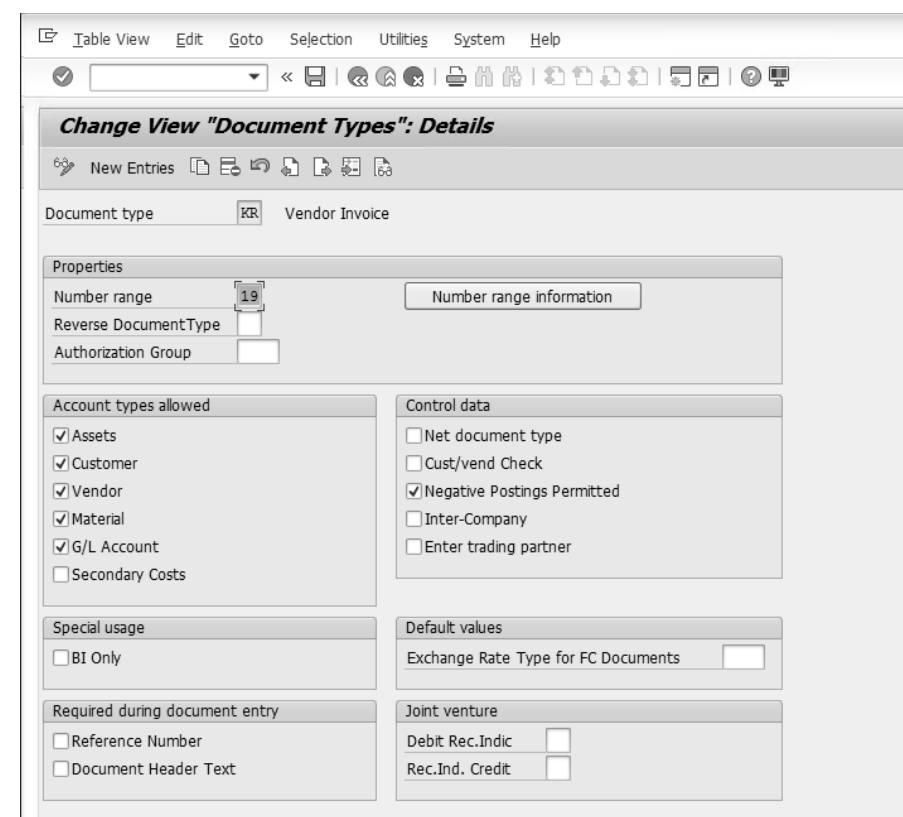


Figure 3.28 Document Type Settings

As shown in Figure 3.28, on this screen, some of the important fields that must be configured include the following:

- **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; in this field, you'll assign the number range object to the document type.
- **Reverse DocumentType**  
This field specifies the document type that will be used when making reversals of postings with the selected document type. If a value isn't maintained in this field, the reversal will be done with the same document type as the original document.
- **Authorization Group**  
This field allows you to set up an authorization check on this document type level.
- **Account types allowed**  
In this field, you can 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 can be selected, 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 enables the 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

In this field, 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 control parameters of a document type are the most important. Now, let's look at number ranges of document types.

### 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 must have an assigned number range, which will control the document numbers assigned and control whether they are internally generated or must be entered externally.

To configure number ranges, follow the menu path **Financial Accounting • Financial Accounting Global Settings • Document • Document Number Ranges • Define Document Number Ranges**. Enter "1000" in the **Company Code** field and click the  **Intervals** button to modify the number ranges for the company code, as shown in Figure 3.29.

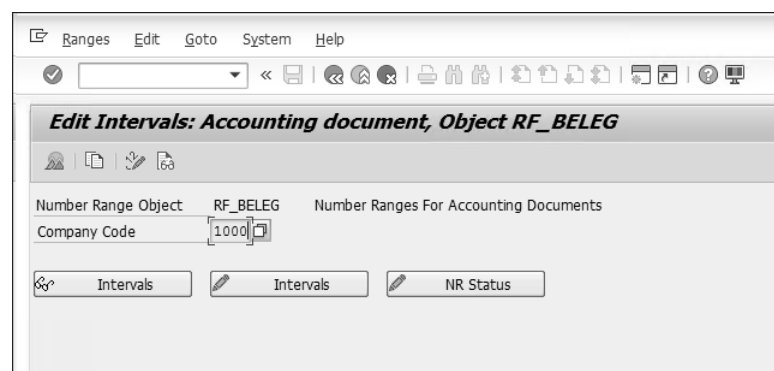


Figure 3.29 Defining Number Ranges

The number ranges for your new company code 1000 were copied along with other parameters when you created the company code. The ranges are shown in Figure 3.30.

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

Figure 3.30 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 number is the number to be assigned in the document type. Then, you'll see the validity year; a good practice is to set this value to 9999, which means no limitation exists. Next, you'll enter values into the **From No.** and **To Number** fields to define the interval, within which the system will assign the document numbers consecutively (if numbers are 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 must be entered manually by the user when entering a document.

Changes to number ranges are not automatically transported because doing so could lead to inconsistencies in the target clients. A good practice is to set the number ranges manually in each client, which should be part of cutover activities during production start.

### 3.4.3 Document Types for Entry View in a Ledger

Document types that should be posted to nonleading ledgers only should be configured separately. 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, but you must configure the document types for them with their number ranges by following the menu path **Financial Accounting • Financial Accounting Global Settings • Document • Document Types • Define Document Types in a Ledger**.

Enter the nonleading ledger for which you want to maintain document types, as shown in Figure 3.31. The system will not allow you to enter the leading ledger in this popup window.

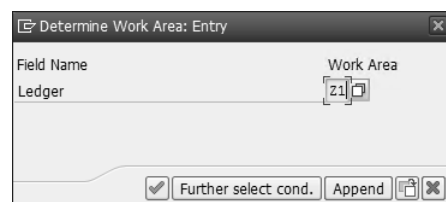


Figure 3.31 Selecting a Ledger

Next, you're presented with the configuration screen shown in Figure 3.32.

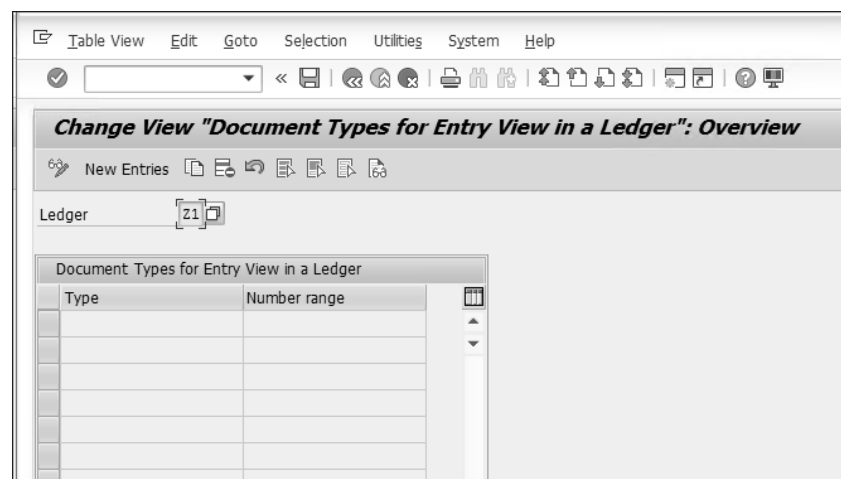


Figure 3.32 Document Types for Entry View in Ledger

On this screen, select **New Entries** from the top menu, then enter the document type in the **Type** field and maintain the **Number range** field, as shown in Figure 3.33, which can be then posted to this nonleading ledger. Save your entries.

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

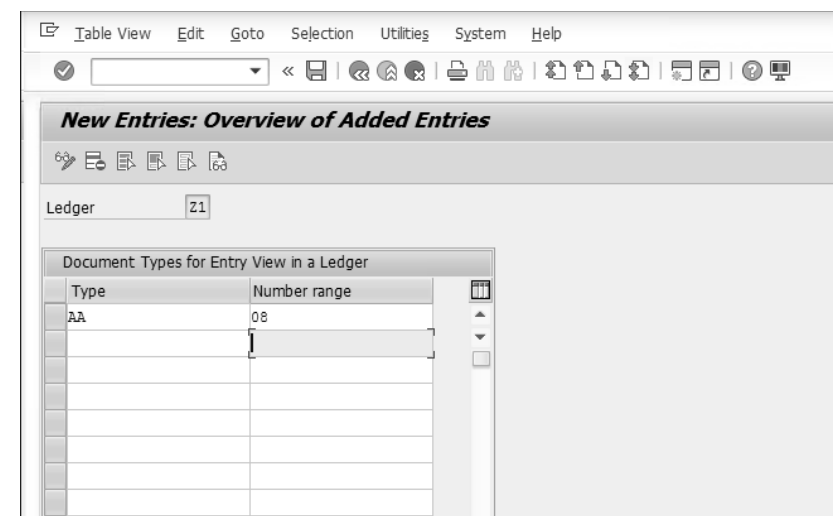


Figure 3.33 Document Type AA for Ledger Z1

## 3.5 Currencies

SAP provides all the currency codes you'll need. In the system, you must configure which currencies should 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, as transaction currency, you can have any currency for which exchange rates are maintained. This capability enables parallel currency valuation, which is quite important in today's globalized business world. A significant improvement in SAP is that you can have up to 10 parallel currencies per ledger, enabling you to easily monitor balances and line items in all these currencies.

In this section, we'll first discuss currency types before moving on to an exploration of 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 your ledgers, you can choose from these currency types to select the local currency and group currency of your company, and you can also use other currency types in special situations, such as when working in a high-inflation 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 3.34.

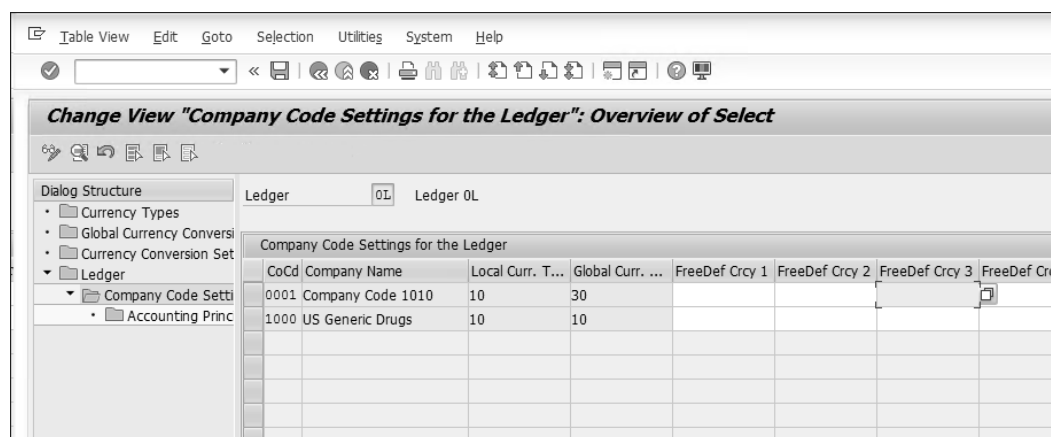


Figure 3.34 Currency Types per Ledger and Company Code

Now, you'll see the settings for the company code for the selected ledger. You can maintain the local and global currency types as well as other 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 must be maintained for the currencies you use. These exchange rates are always maintained for each exchange rate type, which are keys that store exchange rates of particular types. 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 review the available exchange rate types, follow the menu path **SAP NetWeaver • General Settings • Currencies • Check Exchange Rate Types**, as shown in Figure 3.35.

You'll see a 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**.

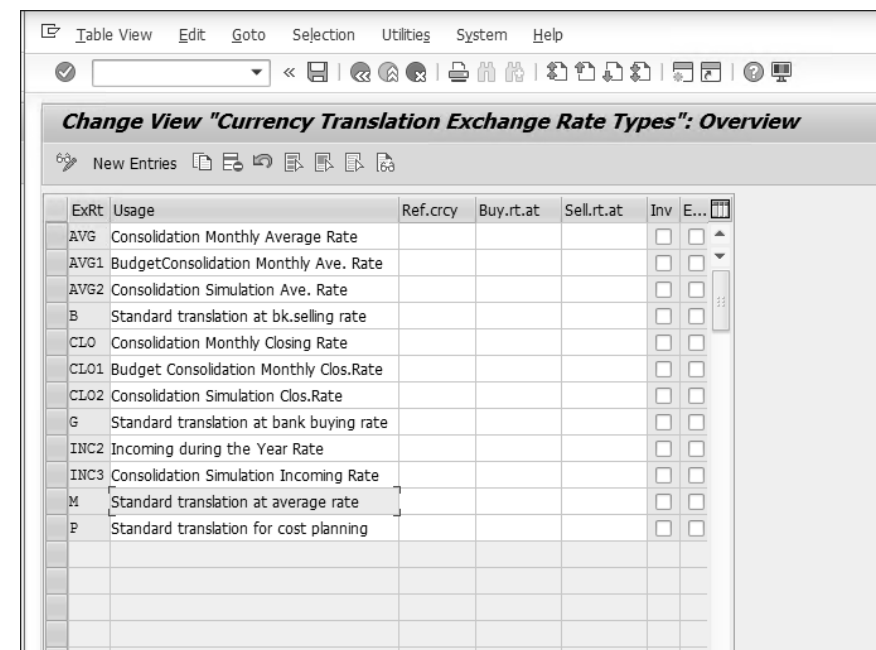


Figure 3.35 Exchange Rate Types

### 3.5.3 Exchange Rates

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

To enter exchange rates, follow the menu path **SAP NetWeaver • General Settings • Currencies • Enter Exchange Rates**, as shown in Figure 3.36.

On this screen, for each exchange rate type (in our example, M), you'll maintain the exchange rates between the currencies specified in the **From** and **To** fields, using either direct or indirect quotation. In the direct quotation method, the exchange rate provides the price in the **To** currency that you must pay for a unit of the **From** currency. In the indirect method, the rate is reversed. The **Valid From** date determines the date from which the entered exchange rate is valid, and exchange rates remain valid until a rate with a subsequent date is maintained.

You can maintain as many exchange rates as required and then save your entries.

ExRt	ValidFrom	Indir.quot	X	Ratio(from)	From	=	Dir.quot.	X	Ratio (to)	To
M	01.01.1798		X		1AED	=	0,48742	X		1ANG
M	01.01.1798		X		1AED	=	6,15156	X		1ARS
M	01.01.1798	2,96192	X		1AED	=		X		1AUD
M	01.01.1798		X		1AED	=	0,27230	X		1BMD
M	01.01.1798		X		1AED	=	0,85911	X		1BRL
M	01.01.1798		X		1AED	=	0,27230	X		1BSD
M	01.01.1798		X		1AED	=	2,61615	X		1BWP
M	01.01.1798		X		1AED	=	0,54875	X		1BZD
M	01.01.1798	2,97292	X		1AED	=		X		1CAD
M	01.01.1798	3,92480	X		1AED	=		X		1CHF
M	01.01.1798		X		1AED	=	1,72569	X		1CNY
M	01.01.1798		X		1AED	=	0,77244	X	1.000	1COP
M	01.01.1798		X		1AED	=	6,25440	X		1CZK
M	01.01.1798		X		1AED	=	1,63718	X		1DKK
M	01.01.1798		X		1AED	=	14,78368	X		1DOP
M	01.01.1798	4,54625	X		1AED	=		X		1EUR
M	01.01.1798	5,15007	X		1AED	=		X		1GBP
M	01.01.1798		X		1AED	=	1,23941	X		1GHS
M	01.01.1798		X		1AED	=	2,12896	X		1HKD
M	01.01.1798		X		1AED	=	68,21987	X		1HUF
M	01.01.1798		X		1AED	=	3,65764	X	1.000	1IDR
M	01.01.1798		X		1AED	=	0,17351	X		100 INR
M	01.01.1798	0,03380	X		1AED	=		X		1JPY
M	01.01.1798		X		1AED	=	27,47616	X		1KES

Figure 3.36 Maintaining Exchange Rates

## 3.6 Taxes

Taxes are a major topic in SAP. Most selling and purchasing transactions are affected by taxes, and quite stringent requirements for tax reporting exist around the world. Therefore, the tax setup in your SAP S/4HANA system thus must reflect the tax requirements from both process and reporting points of view.

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

### 3.6.1 Tax Procedure

A *tax procedure* contains the settings for performing tax calculations in SAP S/4HANA. This complex configuration object 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 makes the tax procedure valid for all company codes for a given country. SAP supplies sample tax procedures for each country. You should copy these samples to create new tax procedures by modifying them or, if no changes are envisioned, you can use the standard procedures.

Check the settings for standard tax procedures for the United States by following the 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 3.37:

- Access Sequences
- Define Condition Types
- Define Procedures

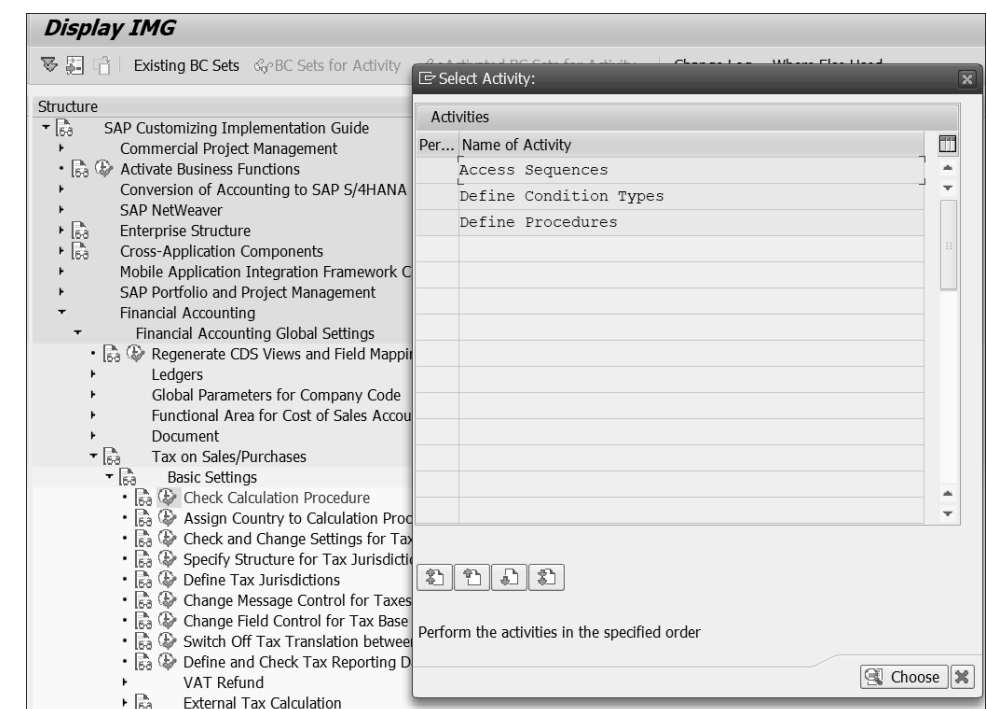


Figure 3.37 Tax Procedure Configuration Activities

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

Double-click the **Define Procedures** activity to examine the tax procedure for the United States. Figure 3.38 shows a list of the tax procedures. Notice tax procedures for the United States **OTXUSX** and **TAXUSJ**, which are based on jurisdiction codes (the tax rates differ by jurisdiction, which are determined with these jurisdiction codes). Procedure **OTXUSX** is designed to use an external calculation of the rates for each jurisdiction

from third-party software. Select procedure **TAXUSJ** and click **Control Data** on the left side of the screen.

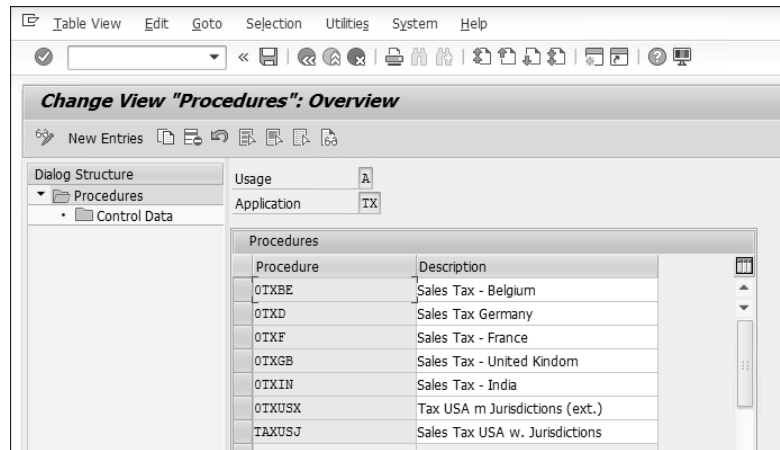


Figure 3.38 Tax Procedures

Figure 3.39 shows how the tax procedure is defined. Condition types are assigned for each step number. Then, when defining tax codes for this procedure, tax codes will be assigned at this condition type level.

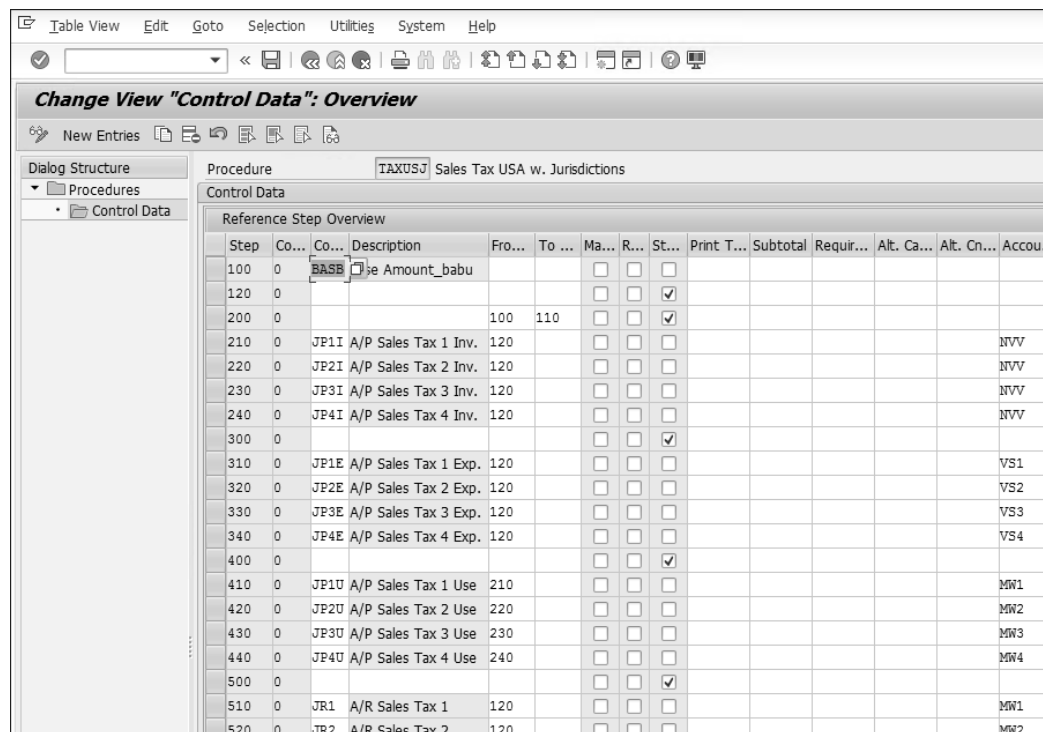


Figure 3.39 Tax Procedure TAXUSJ Definition

Now, go back and select the **Define Condition Types** activity. Figure 3.40 shows a list of condition types, which can be assigned to steps in the tax procedures.

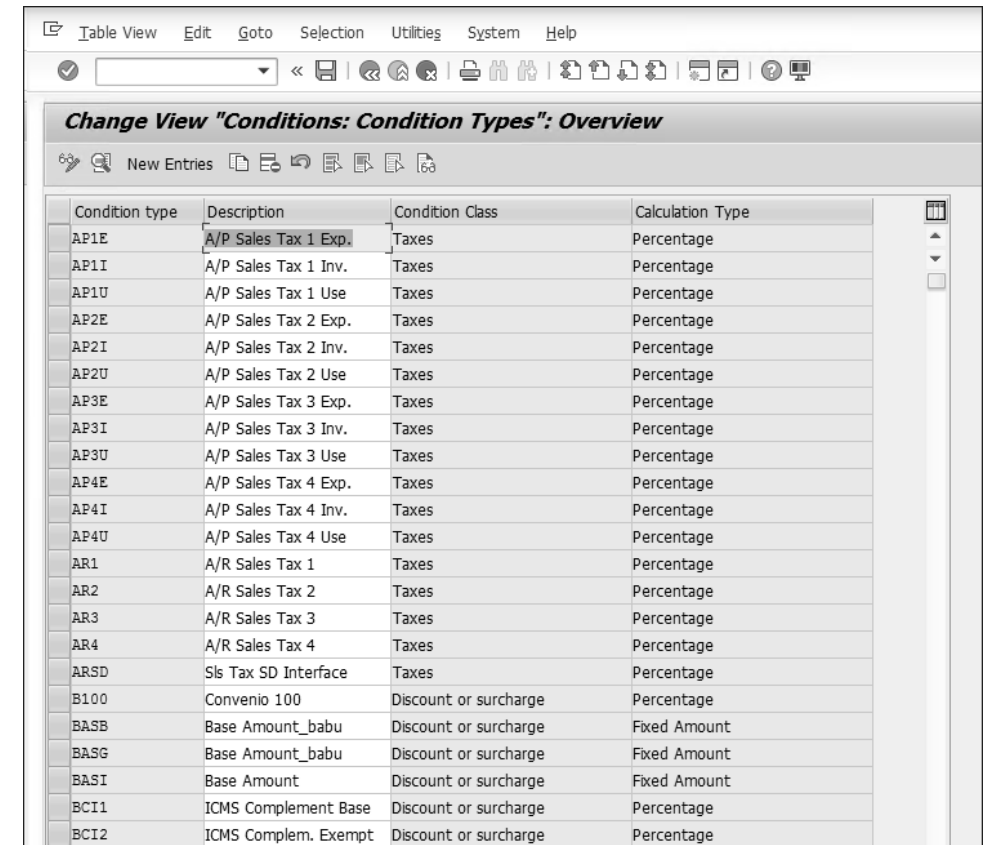


Figure 3.40 Condition Types

Select and double-click on **MWAS**, which is the output tax condition, to see its settings, as shown in Figure 3.41.

Now, if you click the **Records for Access** button, you can see the condition records, based on the fields defined in access sequence MWST. As shown in Figure 3.42, **Country** and **Tax Code** are the fields that would determine the taxes in this case.

Click the **Execute** button to see the existing records, as shown in Figure 3.43.

Finally, let's check the definition of this access sequence. Go back to the screen shown earlier in Figure 3.33 and select **Access Sequences**. The system issues a message that this table is a cross-client table. In other words, the configuration in this table is fundamental and affects all clients of the SAP system. Such configuration should be maintained only in the golden configuration client, and you must proceed with caution.

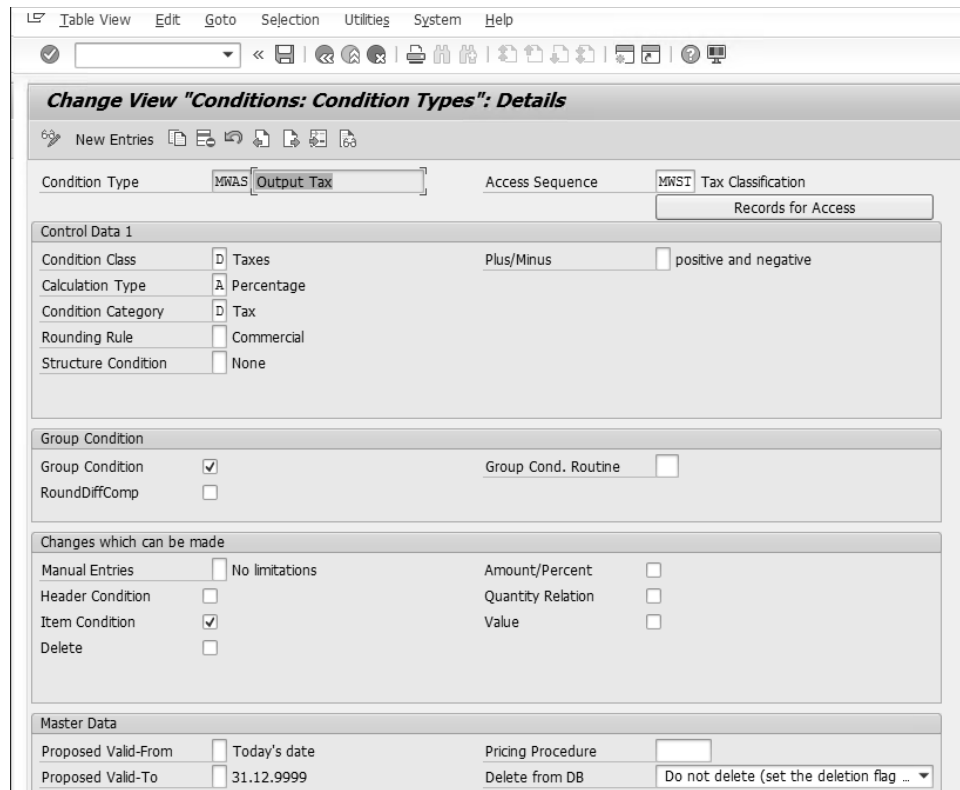


Figure 3.41 Condition Type MWAS Definition

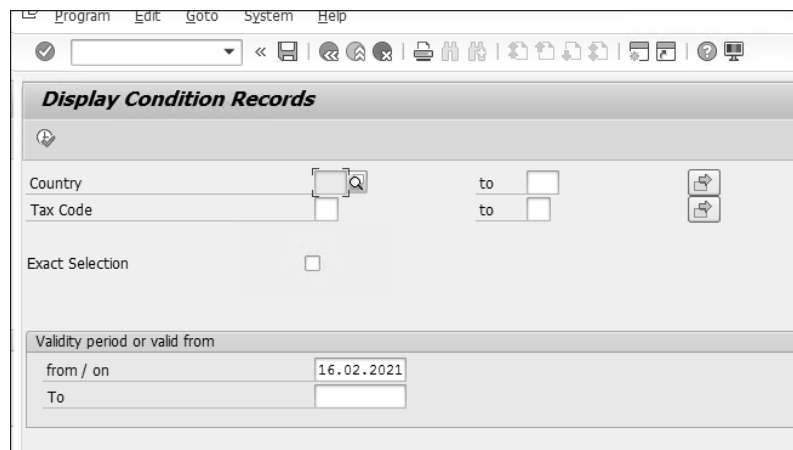


Figure 3.42 Condition Record Fields

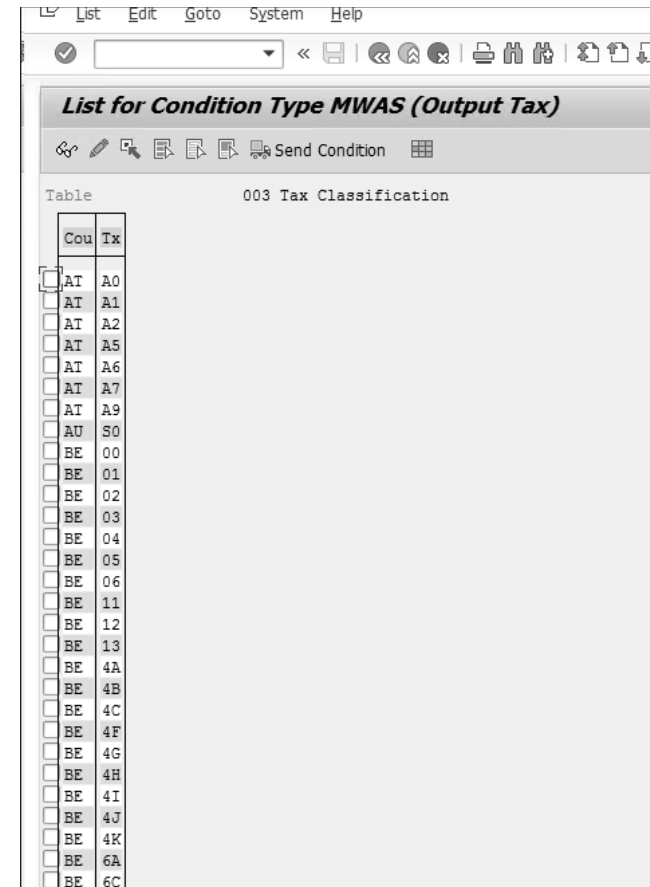


Figure 3.43 Condition Record Values for MWAS

Figure 3.44 shows a list of defined access sequences. Select **MWST** and then click **Accesses** in the left side of the screen. You can have one or more access sequences.

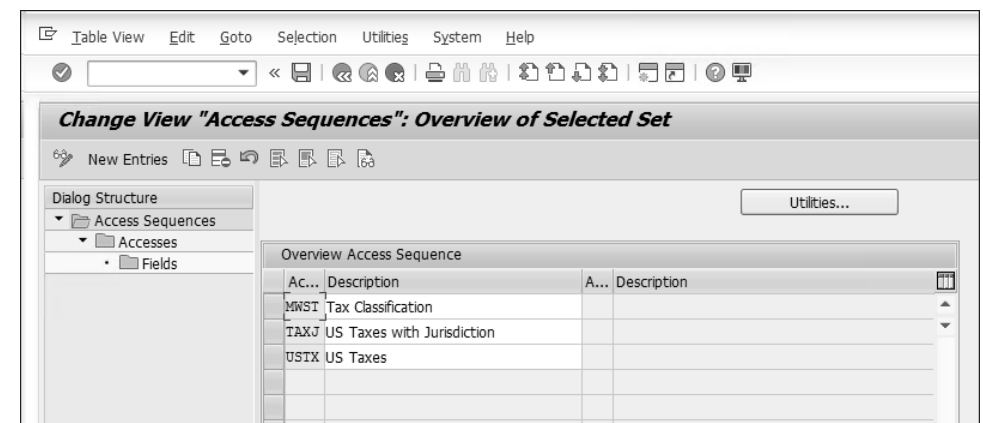


Figure 3.44 Access Sequences

In this case, it's just one, number 10. Select it and click **Fields** on the left side of the screen; you'll be presented with the screen shown in Figure 3.45.

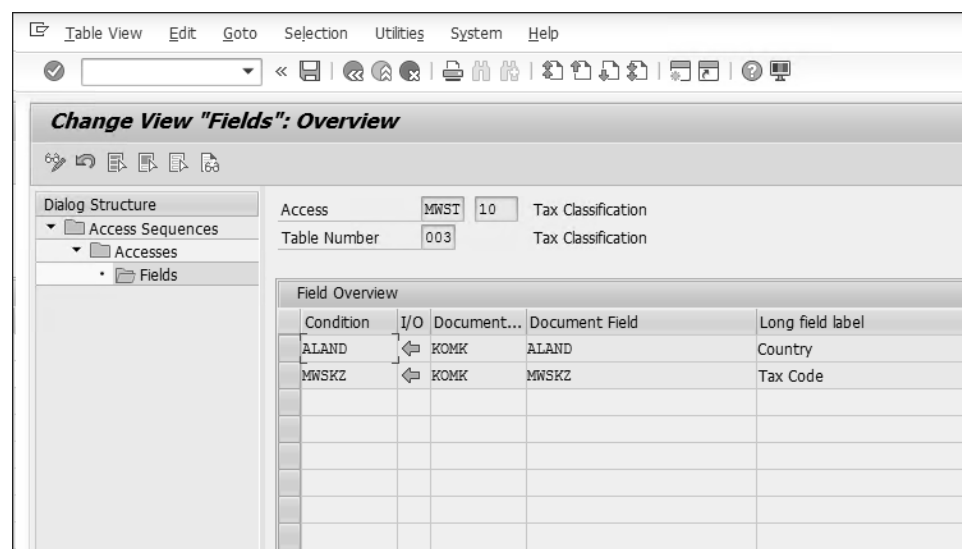


Figure 3.45 Access Fields

The tax procedure is how the system determined that it must check the **Country** and **Tax Code** fields for condition type MWAS. This rule comes from the setup of access sequence MWST, shown earlier and mapped to condition type MWAS.

Let's see how tax procedures are 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. Tax codes are created per tax procedure, and either are determined automatically (usually in logistics documents) or can be entered manually in financial documents.

Let's walk through how to create tax codes for tax procedure TAXUS. First, follow the 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 in which country you want to create a tax code. Enter "US" and continue. Then, enter a 2-character tax code. The naming of the tax codes should be uniform within the project, and several different strategies are available. Some companies opt to have a letter as the first symbol and a number as the second, with the letter representing whether the tax code is an input or output tax code. Whatever your naming convention is, you must ensure that enough space exists in the naming ranges to

accommodate all the tax codes needed. A country normally uses 30 to 40 tax codes, and sometimes, even more tax codes are required.

In this case, let's name the new tax code "O2" to represent a 10% sales tax, as shown in Figure 3.46. The "O" indicates that this tax code is an output tax code, whereas one of 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 a tax code number, the system opens the properties screen for the new tax code. On this screen, you must select whether the tax code is an input (for purchasing transactions) or an output (for sales transactions) tax code. Add a description for the tax code and define other optional settings. For example, the **CheckID** indicator ensures that an error message is displayed if the tax amount entered is incorrect. The **EU Code/Code** setting is used for European Union reporting.

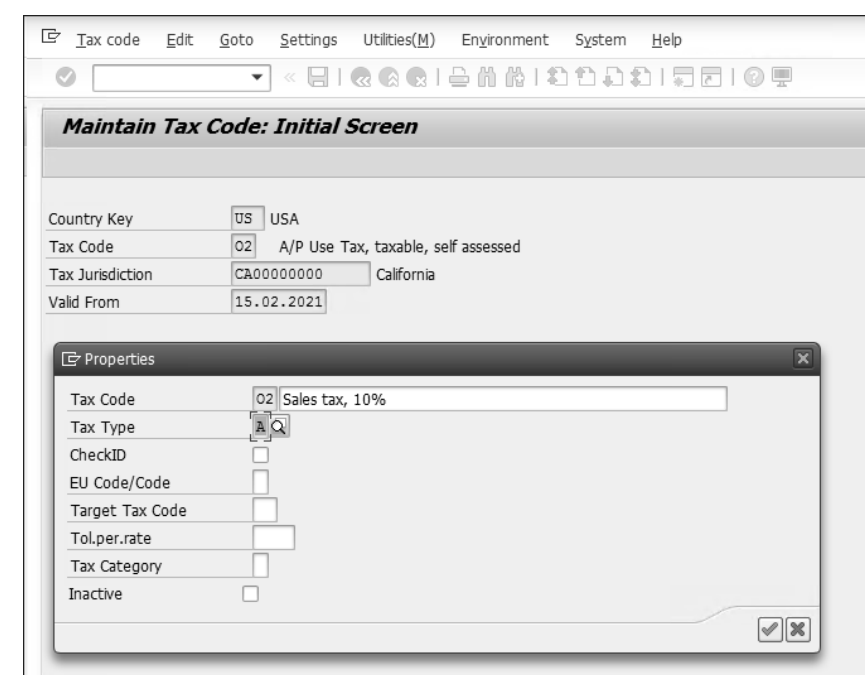


Figure 3.46 Creating a Tax Code

After you click **Continue**, you'll see the main configuration screen for your new tax code. Figure 3.47 shows the condition types available from the tax procedure for which you created the tax code. For the US, we'll use a calculation procedure with jurisdiction codes: Rates are entered for each jurisdiction, in this case, California. The condition types are mapped with account keys (in our example, account key NVV), which determine the general ledger accounts to be posted to. You can enter tax rates in one or more condition type levels. The system will go through all the levels of the tax code when determining the proper taxes.

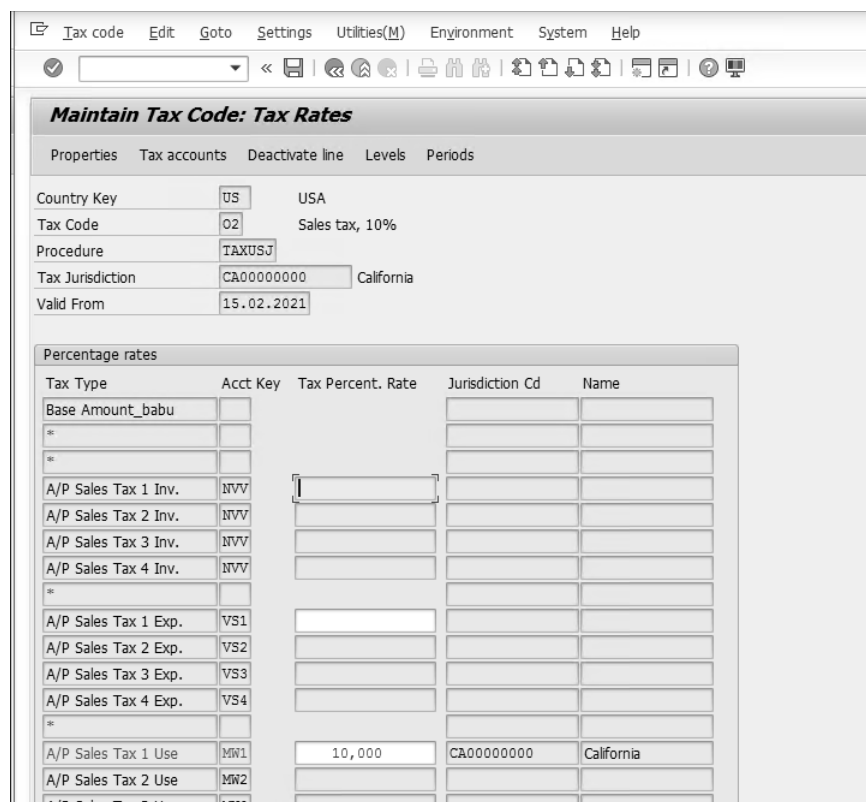


Figure 3.47 Tax Code Configuration

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 that will receive posting from this tax code, as shown in Figure 3.48.

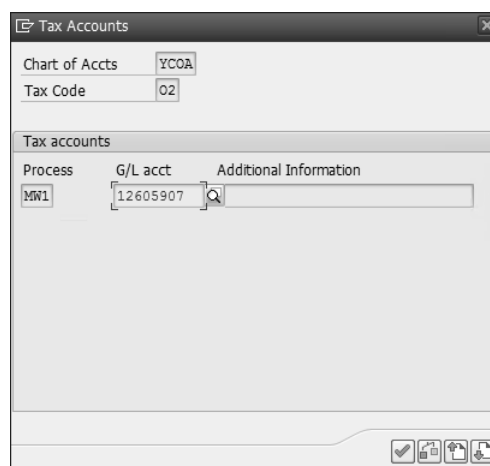


Figure 3.48 Tax Code General Ledger Account Definition

We'll examine 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 must be maintained 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 your 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 accurately and with ease.

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 settings are used throughout the system and by all modules, so their proper configuration is of paramount importance. We examined the various important settings that you can adjust for these objects to ensure the proper functioning of your 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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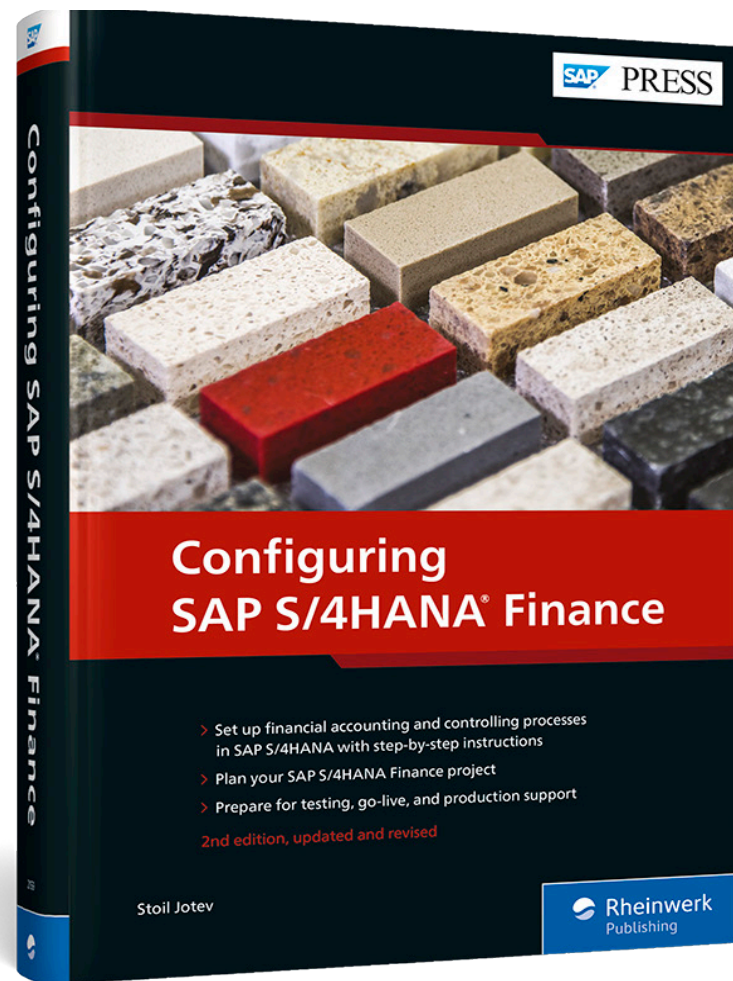
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