Financial Accounting TFIN 50_1 Summary

Prepared By
Zeeshan Raza Haryani
ACA, ACCA Finalist
Certified FICOBW
Zeeshan.haryani@gmail.com

Contents

Unit 1 – Basic Settings

Lesson 1 – Organizational Units

- Client is the highest level in SAP ERP System Hierarchy.
- At client level, specifications and data valid for all organizations are entered to avoid duplication of data entry.
- Each client is technically independent unit with separate master records and complete set of tables and data.
- To log on to system, one must enter USER master record and Client key.
- A company code (minimum structure in FI) represents an independent balancing/legal accounting entity.
- Every organization for which a financial statement and profit and loss statement (P&L) is to be created must be stored as a company code in the SAP system.
- Copying company code (4 digit alpha numeric key) will copy following
    - Definition – Here we define following
        - 4 Character numeric code
        - Company Name
        - City
        - Country (now called Home)
        - Currency (now called local currency)
        - Language
        - Address
    - Global Parameters
        - Chart of Accounts
        - Fiscal Year
        - Co Code defaults
    - Customizing Tables
    - GL Accounts (optional)
    - Account Determination
- When we define a business area, we only have to enter a four digit alphanumeric key and a short description. Whereas Segments have ten characters, companies have six characters (either numeric or alphanumeric).
- The country installation program not only creates a country-specific company code template but also a country-specific template for controlling areas, plants, purchasing organizations, sales organizations, credit control areas, financial management areas, and so on.
- Business area: Business areas represent separate areas of operation within an organization and can be used across company codes. They are balancing entities that can create their own set of financial statements for internal or external purposes. It is therefore possible to save and evaluate transaction figures for each business area.
- Profit center: The aim of the profit center invoice is to provide an internal analysis of profits. From an Accounting point of view it must be determined whether only a profit and loss statement at profit center level is to be created (document breakdown not active) or whether a financial statement is also to be created (document breakdown active).

- Segment: According to international accounting principles (IFRS 8 and SFAS 131) companies are obliged to provide information in their reports on the financial results of business segments (operating segments). This information is used to make decisions on the allocation of resources to segments and to evaluate performance.
- Company: Companies are used as a basis for the consolidation functions for financial accounting in the SAP system. A company can contain one or more company codes.
- Functional area: In cost-of-sales accounting, operating costs are sorted according to function (administration, sales, and so on).
- Customer who wishes to draw up financial statements by business areas, profit centers or segments have to activate document breakdown.

Topic	Recommend presentation:	Known alternative procedures:
Period accounting	Cost types (revenue and expense types in SAP standard)	None
Cost of sales accounting	Functional areas	Separate accounts (not recommended)
Segment reporting	Segments derived from profit center	Profit center
		Business areas
		Profitability analysis (values affecting result only)
Preparation for consolidation	Companies / trading partners	Separate accounts (not recommended)
Parallel accounting (e.g. local & international law)	Ledger approach or accounts approach (approaches are regarded as equivalent)	Representation via the Special Ledger module (separate module in accounting)
		Separate company codes (not recommended)

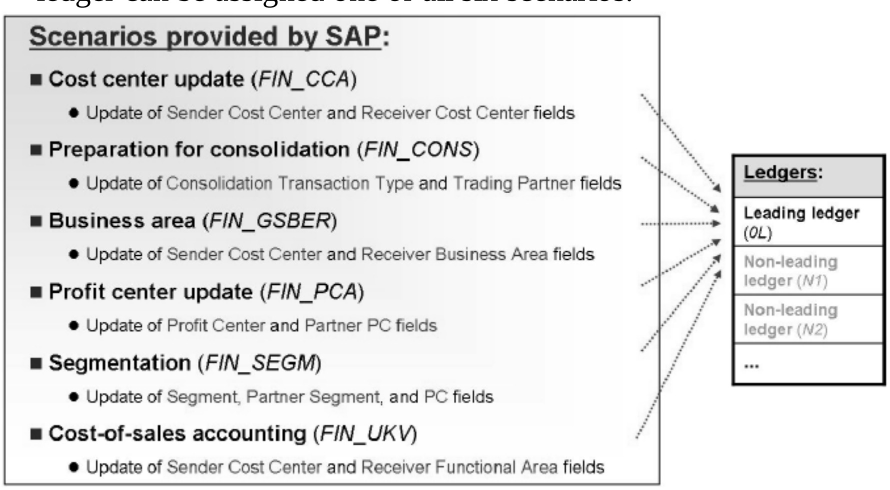
- A controlling area identifies a self-contained organizational structure for which costs and revenues can be managed and allocated. It represents a separate unit of cost accounting.
- More than one company code can be assigned to one or more controlling areas. This enables a cross-company code cost accounting between the assigned company codes.
- However, assigning more than one company code to the same controlling area is
- possible only if
    - all the assigned company codes use the same operating chart of accounts
    - Have the same fiscal year variant.

Lesson 2 – Basic Settings in General Ledger Accounting

- SAP provides the leading ledger 0L and totals table FAGLFLEXT with the standard system.
- We can also define other, non-leading ledgers (parallel accounting), for example, for local regulations. This is known as the ledger approach in the new General Ledger.
- We have option of defining a different fiscal year in non-leading ledgers.
- There is exactly one leading ledger! Only the values from the leading ledger are posted to CO in the standard system.
- In addition to the ledger approach, there is also the accounts approach. In this approach, different valuation approaches and valuations are posted to different accounts. When financial statements are prepared, the system determines which accounts are relevant and need to be evaluated for IAS, for example, according to the respective "financial statement version.

Accounts Approach	Ledger Approach
Specific account areas for each GAAP → complex chart of accounts structure	No specific account areas → no change to chart of accounts
At least one retained earnings account for each GAAP	Only one retained earnings account for all GAAPs
Complex fin. statement definition	Standard financial statement definition
Relevance of postings for local / international GAAP specified at account level	Relevance of postings for local / international GAAP specified at document level
All valuation approaches can be posted to controlling	Only the leading valuation can be posted to controlling

- A scenario defines which fields are updated in the ledger (in the general ledger view) during posting (from other application component)
- These scenarios are available in customizing which are assigned to Ledger and cannot be created. A ledger can be assigned one or all six scenarios.



Lesson 2 – Variant Principle

- The variant principle is a 3 step method in SAP system to assign particular properties to one or more objects i.e.
    - Define Variant (K4 fiscal year)
    - Determine values for the variant (properties)
    - Assign the variant to object (K4 to Co Code)
- Major examples include Field Status, Posting Periods, Fiscal Year etc,

Lesson 3 – Fiscal Year

- FY can be defined as
    - Year Independent (No and start/end dates for the period are same for every year)
    - Year Specific (Periods can vary from year to year)
- The fiscal year variant contains the definition of posting periods and special periods. Special periods are used for postings that are not assigned to time periods, but to the business process of year-end closing. In total, you can define 16 periods.
- A year-independent fiscal year variant can be defined as:
  Calendar year (Jan – dec)
  Non-calendar year
- A fiscal year variant has to be defined as year-specific if one or both of the following conditions is fulfilled:
    - The start and the end date of the posting periods of some fiscal years will be different from the dates of other fiscal years.
    - Some fiscal years use a different number of posting periods.
- If one year of a fiscal year variant has less posting periods than the others, it is called a shortened fiscal year

Lesson 4 – Currencies

- A currency key must be assigned to every currency used with a validity date
- For every combination of two currencies, we can maintain different exchange rates which are distinguished by an exchange rate type. This can be used for various purposes such as valuation, conversion, translation, and planning.
- The relationship between currencies must be maintained per exchange rate type and currency pair using translation ratios. This usually has to be performed only once.
- A very efficient combination of the exchange rate tools is:
    - Using a base currency for the average rate (M)
    - Using the exchange rate spreads to calculate the buying and selling rates (B and G)
- A base currency can be assigned to an exchange rate type. We then only have to maintain exchange rates for all other currencies into this base currency. A translation between two foreign currencies is calculated via the base currency, that is, by combining two exchange rates.

- In direct quotation, one unit of foreign currency is quoted for the local currency, whereas in indirect quotation, one unit of local currency is quoted for the foreign currency.
- Exchange rates can be entered as a direct or indirect quotation. We can maintain two prefixes that can be used to differentiate between direct and indirect quotation exchange rates during input and display. If we do not enter a prefix, the standard setting is valid:
- “ “ (blank, without a prefix) for direct quotation exchange rates
- “/” for indirect quotation exchange rates

Unit 2 – Master Data

Lesson 1 – General Ledger Accounts

- There are 3 steps to create and use chart of accounts
    - Define COA
    - Define Properties of COA
    - Assign it to Co Code

- The chart of accounts is a variant that contains the structure and the basic
- Information about general ledger accounts.
- You define the chart of accounts with a four-character ID.
- You define the individual components of the chart of account, for example,
- language, length of the G/L account number, group chart of accounts, status

The definition of a chart of accounts contains:

- **Chart of accounts key**
- **Description**

General Information

- **Maintenance language**
- **Length of the G/L account number**

Controlling Integration

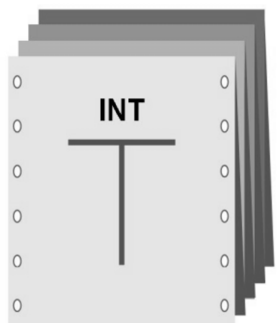
- **Manual or automatic creation of cost elements**

Consolidation

- **Group chart of accounts**

Status

- **"Blocked" indicator**



- The length of the G/L account numbers can be from 1 to 10 digits.
- Every company code must have a chart of accounts assigned to it. One chart of accounts can be assigned to several company codes (variant principle).
- If company codes intend to use cross-company code controlling, they must use the same chart of accounts.

- The information for an account is summarized in a chart of accounts segment.
    - It contains:
        - Account number
        - Name of the account (as short and as long text)
        - Control fields (see the following graphics)
        - Consolidation fields

- The information entered in the chart of account segment for a G/L account applies to all company codes.
- Texts entered for the chart of accounts segment are managed by text ID and language.
- We can define and change the layout of the tab pages for the individual processing of the G/L account master data. We can define:
    - The number of tab pages
    - The title of the tab pages
    - The field groups that we require and their position on the tab pages
    - We can select the layouts for central processing, and processing in the chart of accounts- and company code-specific area.
- To use one of the accounts from the assigned chart of accounts in our company code, we must create a company code segment for the account.
- We define the information that is relevant to each company code in Co Code Segment:
    - Currency
    - Taxes
    - Reconciliation account
    - Line item display
    - Sort key
    - Field status group
    - House bank
    - Interest calculation information
- In the chart of accounts segment, we have to specify whether the account is a balance sheet or a profit and loss statement account because of their treatment in the closing procedure.
    - For balance sheet accounts, the balance is carried forward to the same account.
    - For profit and loss statement accounts, the balance is carried forward to a retained earnings account and the profit and loss statement account is set to zero.
- If there is only one retained earnings account, the system automatically uses the one defined in Customizing. If there is more than one retained earnings account, when we create a master record, we can select the retained earnings account for each profit and loss statement account.
- Since a chart of accounts contains many different types of accounts, they can be grouped into different account groups.
- The Account groups control two main things
    - Number ranges of accounts
    - Field status in the company code segment of master record
- The field status enables to control the display and maintenance of an account's master data.
    - Hide - fields that we do not use.
    - Display - Fields whose values must not be changed (even in change mode).
    - Required – For fields where we must enter a value.
    - Optional - Fields that can contain an entry, but are not required

- The following fields are always have status of REQUIRED and can't changed
    - Account currency
    - Field status group
- For each field, the field status definitions from the account group and the transaction are taken into consideration and the one with higher priority is used. The priorities are (starting with the highest):
    - Hide
    - Display
    - Required entry
    - Optional entry
- Reconciliation accounts are general ledger accounts assigned to the business partner master records to record all transactions in the sub ledger. All postings to the sub ledger accounts are automatically posted to the assigned reconciliation accounts.
- Following are main account types in the field Reconciliation Account for Account Type:
    - D for Accounts Receivable
    - K for Accounts Payable
- For accounts without "line item display" only the transaction figures are updated when a document is posted to this account. When a user wants to look at this account online, they can only view the balance.
- For accounts with "line item display", the most important data from the posted line items is stored in a special index table. When a user wants to look at this account online, they can view both the balance and the individual line items.
- We should not activate the line item display for:
    - Reconciliation accounts (line items are managed in the sub ledgers)
    - Revenue accounts (line items are managed by the Sales Order Management application)
    - Material stock accounts (line items are managed by the Purchasing
    - Management application)
    - Tax accounts (Tax items are only useful in connection with the document; the tax amounts were already checked when the document was posted.)
- Items in accounts with open item management are specified as open or cleared.
- Accounts with open item management must have line item display activated.
- We should use open item management for the following accounts:
    - Bank clearing accounts
    - Clearing accounts for goods receipt/invoice receipt
    - Salary clearing accounts
- We can only activate or deactivate open item management if the account has a zero balance.
- If the account currency is the local currency, the account can be posted to in any currency. The other currencies are converted into the local currency for each line item.
- If the indicator "Only Balances in Local Currency" is selected in the master data record, transaction figures are only managed for amounts converted into local currency. The indicator must be set in cash discount and GR/IR clearing accounts. It must not be set in reconciliation accounts for customers or vendors.

- **Manually**
  - One-Step: Create both segments simultaneously (centrally)
  - Two-step:
    1. Chart of accounts segment
    2. Company code segment
- **Copying**
  - Copying an individual G/L account with reference to another G/L account
  - Copy the entire company code segment
  - Copy the entire chart of accounts segment
- **Data transfer**
  - Transfer a new chart of accounts from an external system

- We can use a group chart of accounts. The group chart of accounts must be assigned to each operational chart of accounts. If this is done, the field Group account number in the chart of account segments of the operational charts of accounts is a required entry field. Disadvantage: Because the company codes use different operational charts of accounts, no inter-company code controlling can be performed.
- An alternative to using a group chart of accounts is to use a country chart of accounts. The country chart of accounts number (alternative account number) is entered in every company code segment. Every country chart of accounts number can only be used once. Disadvantage: Accounting clerks who may be familiar with the country charts of accounts first have to get used to using the operational chart of accounts.

The field/characteristic *Segment* is a new standard account assignment object which is available from the SAP ERP solution onwards (in FI) in order to create evaluations for objects/entities below the company code level.

The objective is to give a detailed look at the various business activities (*markets* or *products* – in general: *activity areas*) at a (broad-based) enterprise – keyword: Segment Reporting

Alternative account assignments already used (in practice) which are **still** available:

- Profit Center
- Business Area
- Profitability segment of CO-PA
- User-defined field

Lesson 2 – Profit Center and Segments

- SAP enables to save a segment in the master data of a profit center thus segment is posted to automatically when the profit center is posted to.
- There is no dummy segment posting as in the profit center logic
- Segment is derived thru Profit Center in following cases:
    - Material Management/Production – Material Master or Controlling Object
    - Sales & Distribution – Sales Order
    - Controlling – Cost objects like Cost Center, Internal Order etc.
    - Other cases
        - Manual entry
        - BAdI implementation (FAGL_DERIVE_SEGMENT)
        - defining substitution rules
        - Standard account assignment.

- Profit Center Accounting has its historical origin in Controlling. However, due to its increased significance for external accounting, it is now also a part of Financial Accounting.
- Each individual company decides whether Profit Center Accounting is an instrument of internal or external accounting.

Lesson 3 – Customer/Vendor Accounts

- Just like general ledger accounts, customer and vendor accounts also have two segments:
    - One segment at client level that contains general data. This data can be accessed throughout the whole organization.
    - A segment at company code level that contains company code-specific data. Any company code that wishes to do business with a specific customer or vendor has to create a company code segment for this customer or vendor. Extension to company code.
- Because the sales and distribution department also stays in contact with a customer and has to know specific data about this customer, a .sales area segment can be created for each customer.
- Any purchasing organization that wants to do business with a vendor has to create a purchasing organization segment first. The purchasing organization segment contains purchasing organization-specific data.
- A complete customer account consists of the following three segments:
    - General data at the client level
    - Company code segment
    - Sales area segment
- A complete vendor account consists of the following three segments:
    - General data at the client level
    - Company code segment
    - Purchasing organization segment
- Customer / Master Data records can be maintained centrally for all areas or separately for Financial Accounting and Sales and Distribution/Material Master.

- We can prevent the creation of duplicate accounts as follows:
  - Use the match code before you create a new account
  - Activate the automatic duplication check
- Line item display and open item management are configured as standard for every customer/vendor account.
- The Account group in Customer/Vendor controls the following:
  - Number Ranges of Account
  - Status field in the master record
  - One time Vendor/customer
- For each number range you can define whether the number assignment is internal or external. Internal numbers are assigned by the system, whereas external numbers are entered by the user who creates the record. External numbers may be alphanumeric.
- For all customers or vendors with whom you rarely do business, create a special customer and a special vendor master record. These master records contain receivables and payables for one-time customers/vendors (one-time accounts).
- The layout of customer/vendor master data screens can be affected by several factors:
  - Account group-specific control: Usually, the field status is controlled only by the account group. This means that all accounts of one account group have the same screen layout.
  - Transaction-dependent control: The field status can be dependent on the master data transaction (Create, Change or Display). The transaction-dependent field status should be set to display; for the change transaction if the field is not to be changed after it has been created, such as the reconciliation account field, for example.
  - Company code-dependent control: We are already familiar with the account group- and transaction-dependent field status from general ledger account groups. We can control the field status for fields in the company code segment of customer and vendor master records via the company code-specific screen layout. We can hide fields that are not used in a specific company code, but enter values in these fields in other company codes. For example, if a company code does not want to use the dunning program, hide the relevant fields for this company code.
- The account group-specific field status, the transaction-specific field status and the company code-specific field status are compared, and the field status with the highest priority is used.
- We now can define that one person makes changes to customer or vendor master data while another person is responsible for confirming the changes, usually for critical customer/vendor changes.
- If a customer is also a vendor, or vice versa, the payment and the dunning program can clear open items against each other. The open items of the assigned account can also be displayed in the line item display and the open item selection screens. To clear open items, we have to carry out the following steps:
  - We have to enter the vendor account number in the customer account, or vice versa.
  - Each company code can decide separately whether it wants to clear open items between customers and vendors. If clearing is to be used, you have to select the “Clearing with Vendor” field in the customer account, or the corresponding field in the vendor account.
- At the client and company code level, you can enter an alternative payer/payee. The entry in the company code segment has higher priority than the entry at client level.
- All items posted to a branch account are automatically transferred to the head office account via usage of Head Office/Branch Concept.

Unit 3 – Document Control

Lesson 1 – Document Structure

- Document principle: A document is saved for every posting. The document remains as a complete unit in the system until it is archived. Every document is uniquely identified by the following fields:
  - Document Number
  - Company Code
  - Fiscal Year
- Documents in SAP ERP Financials contain the following:
  - A document header (information that applies to the entire document)
  - Between 2 and 999 line items
- Two important control keys:
  - Document type for the document header
  - Posting key for the line items
- The SAP system generates at least one document for every business transaction. Each document receives a unique document number. The system can assign the document numbers (= internal number assignment) or the user can assign the number when entering the document (= external assignment).
- The document type controls the document header and is used to differentiate the business transactions to be posted, for example, vendor invoices, customer payments, and so on.
- Document types are defined at client level and are therefore valid for all company codes.
- Document types define the following:
  - Number ranges for document numbers
  - Account types permitted for postings
  - The field status of the Document Header Text and Reference Number
  - Whether invoices are posted with the net procedure
- Except for Document type AB that allows postings to all account types; all other document types limit the types of accounts you can post to.
- The document number range defines the range of numbers that must be assigned as document numbers.
  - Internal numbering: The system saves the last document number that was taken from the number range in the Current Number field and assigns the number following the current number as the next document number
  - External number assignment: The user enters the number of the original document, or the number is transferred automatically from another system. The numbers can be alphanumeric.
- The document number range must be defined for the year in which it is used. There are two options:
  - To a fiscal year in the future: At the beginning of a new fiscal year, the system continues to use the number after the current number as the next number. It does not restart at the first number of the number range.
  - For every fiscal year: At the beginning of a new fiscal year, the system starts again with the first number of the number range. This helps to ensure that the number range is sufficient
- One number range can be assigned to several document types.

- Like document types, posting keys are also defined at client level. The Posting Key has control functions within line items which controls
  - To which type of account the line item can be posted to
  - If the item is posted as a Debit or Credit
  - The field status of additional details
  - Whether the line item is connected to a payment transaction
  - Whether the posting is sales-relevant and the sales figure of the account is to be updated by the transaction,
- The Hide field status cannot be combined with the Required Entry field status. This combination causes an error.
- Exception Rules for Field Status Group
  - If business areas are used, the business area field must be ready for input. We can activate it by enabling business area financial statements for the company code.
  - Entries in tax fields are only possible if the general ledger account is relevant for tax.
- The field status groups are summarized in one field status variant. The field status variant is assigned to your company code(s). No posting can be made until this is complete.
- If a document is posted to a sub ledger account, the field status group of the reconciliation account is used.
- By changing the field status definitions of posting keys and the field status group, we can make the field status either transaction-dependent or account-dependent.

Lesson 2 – Posting Periods

- During period closing, you open special periods for closing postings. Thus, two period intervals must be open at the same time.
- Several company codes can use the same posting period variant.
- In the document header, the periods assigned to the account type "+" are checked. This is the first check. Therefore the account type "+" must be open for all periods that are supposed to be open for any other account type.
- At the line item level, the system checks the account type of the posting key to ensure that the period is open for the assigned account type.
- An authorization group may be assigned to the first period interval. Then, only users belonging to this authorization group have the permission to post in the first period interval. It makes sense to use the first range for the special periods and authorize only the accountants involved in closing to post in the special periods.
- With the new General Ledger Accounting, a third period interval is displayed. In this interval, open periods are stored for the real-time integration CO → FI.
- The third interval is used to control whether FI postings triggered from CO really should be able to be posted in the periods. If the third interval is not filled, the entries in intervals 1 and 2 are also valid for these postings.
- When entering a document, among other items, you enter the posting date – the system automatically determines the posting period and fiscal year based on the posting date entered.

Lesson 3 – Posting Authorization

- The maximum amount is defined per company code in "tolerance group". This is also where the processing of payment differences is controlled.
- In tolerance groups you can enter upper limits for the following:
    - Total amount per document
    - Amount per customer/vendor item
    - Cash discount a user with this tolerance group is able to grant
- The currency is the local currency of the company code
- Tolerance group "____" usually contains values which are meant to apply to most employees. Also if any user is not assigned any tolerance group, same is applicable to it.

Lesson 4 - Simple Documents in Financial Accounting

- The SAP Financial Accounting component uses one posting transaction for several different postings, for example:
    - G/L account postings
    - Customer invoice postings
    - Customer credit memo postings
    - Vendor invoice postings
    - Vendor credit memo postings

Unit 4 – Posting Control

Lesson 1 – Document Splitting

A financial accounting document always has <u>two views</u> in new general ledger accounting:

The <u>entry view</u> <u>and</u> the <u>general ledger view</u>

Besides the leading ledger, you may also see the document in other, non-leading ledgers in the general ledger view.

<u>Definition</u>:

<u>Entry view</u>: **View** of how a document appears to the document creator and therefore **how** it is shown in the **subledgers** (AP/AR/AA).

<u>General ledger view</u>: **View** of **how** a document appears (only) in the **general ledger.**

- Displaying a document in the entry view and general ledger view is defined in the new G/L accounting and cannot be switched on or off using customizing.
- The entities defined as splitting characteristics (balancing characteristics) are inherited in non-account-assigned posting line
- Document splitting (also often called online split) ensures that companies can create complete balance sheets for desired objects.
- Splitting method 0000000012 is the default procedure provided by SAP, and is usually copied to a client entry (e.g. Z000000012).

- Since document splitting can be activated for each client and deactivated for each company code, the decision of whether to split the document or not is made at company code level. However, all company codes of a client can only use one document splitting procedure, that is, different procedures cannot be assigned to different company codes.
- The inheritance concept: If an account assignment object is unique in a document, it is inherited online in all missing positions. The indicator should always be set when document setting is activated.
- The default account assignment concept: It is possible to work with default account assignment, that is, if the position is not provided with the necessary object for any reason, then a default value (such as a profit center or segment) can be set automatically.
- Passive Split - During clearing, the entities (such as segments) of the document being cleared are copied to the clearing document without being changed. Example: Payment of an incoming invoice that has been assigned to multiple accounts. The incoming invoice was divided over two segments A and B in the proportion 60:40. During clearing, the payment is split 60:40 over the segments (only general ledger view).
- Active split - For documents, which do not show clearing, individual distribution rules can be created in customizing to decide which positions of a document are divided according to which basic positions. The document type is the basis for the rule. Example: An incoming invoice that has been assigned to multiple accounts.
- Creating clearing lines/zero balance formation is always used if, in addition to the total document, the objects to be balanced “within” the document (e.g. profit center, segment) should be balanced to 0.
- Document splitting characteristics determine which objects document splitting is used for (where to divide/balance).
- Always set the Zero balance indicator if you want to create a financial statement for the characteristic. The balance of the defined entities is then always 0 for every posting ensuring entity balancing.
- The Mandatory Field works in addition to field status control in the
- account or in the posting key and has two meanings:
  - Firstly, it is an extension of the field status for accounts in which the characteristics cannot be “entered” during document entry, and/or for accounts that cannot be controlled using the field status. (Example: Vendor lines should always include a profit center or a segment.)
  - Secondly, it is a check as to whether a business process-equivalent business transaction variant was selected (which determines whether a splitting rule can be found).
- A splitting procedure, defined in brief, is the total of all splitting rules of all business transactions. As such, the splitting procedure defines how and under which circumstances document splits will be performed. In detail, this means each splitting procedure defines how each item category will be handled in the individual business transactions.
- A business transaction is a general breakdown of the actual business processes that SAP provides and is assigned a wide variety of item categories.
- A business transaction variant is a specific version of the predefined business transaction provided by SAP and the (technical) modeling of a real business process for document splitting.
- An item category is a (technical) map of the posted line items. It describes the items that appear within a document (business transaction). They are derived from, among other things, the general ledger account categories.

- An individual splitting rule defines which item categories can/should be split (→ item categories to be processed) and at the same time defines which foundation (→ base) can be used (→ base item categories).

Lesson 2 – Default Values

- Parameter IDs allow users to set default values for fields whose value does not change very often, for example, company code, and currency.
- Using the editing options, you can configure your screens for the following areas:
    - Receipt Entry: Users can hide fields that may not be relevant for their jobs, such as foreign currency or cross company code transactions.
    - Document display: Using the List Viewer, the user can select different display options for displaying documents.
    - Open Items: Users can choose line layout displays and posting options for processing open items, in other words, they can enter the amount of a partial payment or the balance of the new open item.

Lesson 3 – Change Control

- Users can change certain fields in the posted documents these rules can either be predefined by the system or be user-specific.
- Certain fields in both the document header and the line items can be changed.
    - Document Header: Only the reference number and document header text can be changed.
    - Line Items: The system does not allow changes to the amount, the posting key, the account, or any other fields that would affect the reconciliation of a posting.
- As users make changes to documents, the following information is logged:
    - The field that was changed
    - The new and old values
    - The user who made the change
    - The time and date of the change
- We can differentiate between document change rules according to the following criteria:
    - Account Type: The account type allows users to define rules for customer, vendor, and general ledger accounts.
    - Transaction Class: Transaction classes are only used for the special G/L transactions bill of exchange and down payment.
    - Company code: If the field is blank, the rule applies to every company code.
- The conditions for changing a field are predefined. We can change them as follows:
    - The posting period is still open
    - The line item is not yet cleared
    - The line item is either a debit in a customer account or a credit in a vendor account
    - The document is not a credit memo for an invoice
    - The document is not a credit memo from a down payment

Lesson 4 – Document Reversal

- A document can be reversed by:
    - Normal reversal posting
    - Negative posting
- When we reverse a document, we have to enter a reversal reason that explains the reversal. It also controls whether the reversal date is allowed to be different to the original posting date.
- The normal reversal posting causes the system to post the incorrect debit as a credit and the incorrect credit as a debit. The normal reversal posting therefore causes an additional increase in the transaction figures.
- The negative posting also posts the incorrect debit as a credit and the incorrect credit as a debit. This time the posted amount is not added to the transaction figures, but is subtracted from the transaction figures of the other side of the account.
- The following prerequisites must be fulfilled to enable negative postings:
    - The company code permits negative postings
    - The reversal reason must be defined for negative reversal.

Lesson 5 – Payment Terms and Cash Discount

- Terms of payment are conditions agreed between business partners for the payment of invoices. The conditions define the due date and the cash discount offered for payment of the invoice within a certain period. It enable the system to calculate a cash discount and invoice due date
- In order to do this, the system needs the following data:
    - Baseline date: The date from which the due date is derived.
    - Cash discount terms: The terms by which the cash discount can be taken.
    - Cash discount percentage rate: The percentage rate used to calculate cash discount.
- The terms of payment defaulted when posting an invoice depends on where the invoice is created:
    - If the invoice is created in Financials, the terms of payment from the company code segment are defaulted.
    - If a customer invoice is created in Sales order Management, the terms of payment from the sales area segment are defaulted.
    - If a vendor invoice is created in Purchasing Management, terms of payment from the purchasing organization segment are defaulted.
- For Invoice related credit memos:
    - Credit memos can be linked to the original invoice by entering the invoice number in the "Invoice Reference" field during document entry. In this case, the terms of payment are copied from the invoice so that the invoice and the credit memo are due on the same date.
    - Other credit memos: Terms of payment in other credit memos are invalid. These credit memos are due on the baseline date. To activate the payment terms on these non-invoice related credit memos, enter a “V” in the "Invoice Reference" field when entering the document.

- General Info:
    - The day limit is the calendar day to which the terms of payment are valid.
    - The description for terms of payment includes the an explanation generated automatically by the system which can be replaced by your own explanation of the terms of payment and a Sales Order
    - The account type defines the sub ledger in which terms of payment can be used. If you want to use terms of payment for both vendors and customers, you should define these using separate terms of payment keys and then only use them for one account type accordingly.
- Using payment term, there is Payment control:
    - Using block keys, which can be entered in line items or accounts, you can block line items or accounts for payment or collection. These block keys can also be entered in payment terms.
    - A payment method (for each country, the system has payment methods defined that you can use in that country) is entered in the line items or the accounts. Like payment blocks, payment methods can be entered in the terms of payment.
- The baseline date is the starting date the system uses to calculate the invoice due date. The following rules apply for the calculation of the baseline date:
    - The default values from which the baseline date can be determined are as follows: no default, document date, posting date or entry date.
    - Specifications for calculating the baseline date: Fixed day used to overwrite the calendar day of the baseline date.
    - The number of month(s) to be added to the calendar month of the baseline month.
- An invoice can be paid over several months using an installment plan, or a portion of the invoice amount may be retained for payment at a later date. The total invoice amount is divided into partial amounts due on different dates. The system carries out this split automatically if installment payment is defined in the terms of payment. The terms of payment for the line items are the terms of payment defined for the individual installments.
- Depending on the national regulations of your country, the cash discount base amount is the net value (total of G/L account and fixed assets line items, taxes not included, for example in the USA) or gross value (including taxes, as is the case in Germany).

Lesson 6 – Taxes

- SAP supports the tax systems for different countries:
    - Tax on sales and purchases
    - US sales tax
    - Additional taxes (country-specific, for example, investment tax in Norway, clearing tax in Belgium)
    - Withholding tax (not covered in this course)
- There are basically two types of taxation that can be processed in the SAP ERP system:
    - Taxes are levied at a national level, with uniformly defined rates.
    - Taxes are levied at a state/jurisdictional level, with rates defined by the state/jurisdiction

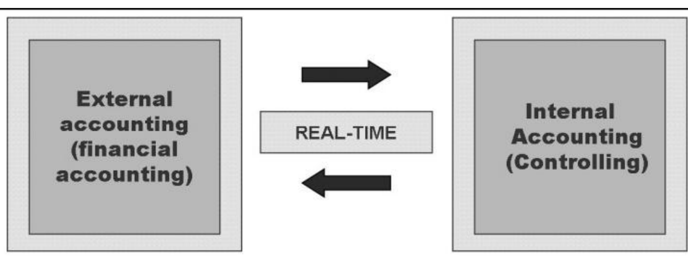
- The system supports the treatment of taxes as follows:
  - Checks the tax amount entered or automatically calculates the tax
  - Posts the tax amount to tax accounts.
  - Performs tax adjustments for cash discounts or other forms of deductions
- National regulations determine whether the tax base amount must be:
  - Net amount (taxable expense or revenue items minus cash discount)
  - Gross amount (taxable expense or revenue items including cash discount)
- The tax on sales and purchases is the balance of the sales tax (SAP term: output tax) and prior tax (SAP term: input tax).
  - The output tax is levied on the net value of the goods and is billed to the customer. It is a liability of the company to the tax authorities.
  - Input tax is levied on the net invoice amount and is billed by the vendor. The input tax is a receivable which the company claims from the tax authority.
- The tax calculation procedure contains:
  - The order of steps which have to be taken in the tax calculation procedure (the “from step” indicates where the system calls the base value for the “step”).
  - Tax types (condition types) that apply for the country. The system is delivered with the condition types necessary for each type of tax calculation. The tax calculation procedure already covers the correct condition types.
  - Account key/transaction key that covers additional specifications and is used for the automatic account determination for the taxes concerned. Predefined accounts keys are included in the SAP ERP system. We recommend that you use these standard account keys.
- A jurisdiction code is a combination of the codes of tax authorities that tax movements of goods and use their own tax rates.
- Tax Postings - The taxes calculated by the system are usually posted via a separate line item to a special tax account. This is the standard scenario.
- Taxes with certain transaction/account keys (for example, NVV) are distributed to the relevant expense/revenue item. This is the case for sales tax payables or other non-deductible input taxes.
- To enable the automatic tax account determination you have to assign the following data to the account/transaction keys that generate the tax items during posting:
  - Posting keys (40 and 50 are recommended)
  - Rules that determine which fields the account determination is based on (the account determination can be based on the tax code or the account key)
  - Tax accounts
- We define tax accounts, that is, accounts to which tax items are posted, in the field Tax Category by entering one of the following signs:
  - < For input tax
  - > For output tax
  - The properties of the tax code define whether or not the tax posted is an input or an output tax.
- "Post automatically only" must be selected if you do not want to post tax manually.

- All other G/L accounts may have one of the following entries in the "Tax Category" field:
  - "For non-tax-relevant postings (e.g. bank postings)
  - "-" For postings that require an input tax code (for example, reconciliation account for payables from goods and services)
  - "+" For postings that require an output tax code (for example, reconciliation account for receivables from goods and services)
  - "*" For postings that require any tax code
  - "xx" For postings with the predefined tax code xx
  - The properties of the tax code define whether or not the tax posted is an input or an output tax.

Lesson 7 – Cross Company Transactions

- A cross-company code transaction involves two or more company codes in one business transaction. Examples:
  - One company code makes purchases for other company codes (Central Procurement)
  - One company code pays invoices for other company codes (Central Payment)
  - One company code sells goods to other company codes
- The system creates and posts a separate document in each company code involved. In order to balance debits and credits within these documents, the system generates automatic line items which are posted to clearing accounts, for payables or receivables
- The documents which belong to one cross-company code transaction are linked by a common cross-company code transaction number.
- Clearing accounts must be defined in every company code before a cross-company code transaction may be carried out. The clearing accounts may be G/L accounts, customer, or vendor accounts

Lesson 8 – Real Time Integration

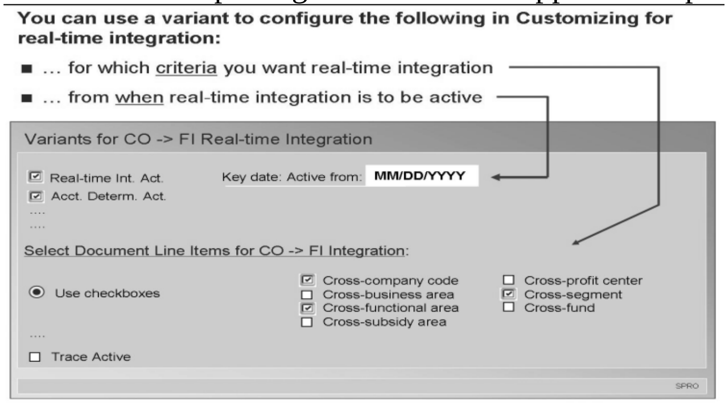


The real-time integration of controlling / accounting makes ad hoc valid reporting possible.

This enables full compliance with the transparency requirements for Corporate Governance.

<u>Note:</u> Real-time integration is only possible if the controlling-relevant entities of accounting are addressed (for example, using cost-of-sales accounting and the derivation of functional areas using controlling objects).

- Real-time integration mostly affects the following cases:
  - As a result of a posting between controlling objects, a change results for an accounting object (profit center, segment business area or functional area) stored in a controlling object.
  - Costs are posted across company codes in cross-company code cost accounting In this case such postings must also be mapped correspondingly in accounting.



Unit 5 – Clearing

Lesson 1 – Open Item Clearing

- Open items are incomplete transactions, such as invoices that have not been paid. For a transaction to be considered as completed, it must be cleared. A transaction is cleared when a clearing posting has been carried out for an item or group of items, so that the resulting balance of the items is zero.
- Documents with open items cannot be archived and stay in the system until all open items are cleared
- A clearing transaction always creates a clearing document.
- Posting with clearing can be carried out for several accounts, account types, and for any currency simultaneously.
- We can also carry out the Post with Clearing transaction manually or automatically using the automatic payment program.
- Using the Clear Account function, we select those open items from an account that balance to zero. The system marks them as cleared and creates a clearing document.
- The program groups together the items of an account that have the same entries in the following fields:
    - Reconciliation account number
    - Currency
    - Special G/L indicator
    - Five freely defined criteria from document header or line item, for example, assignment field, reference number, and so on.
- If the balance (in local currency) of the items within a group is zero, the system automatically clears them and creates clearing documents.
- The automatic clearing program does not clear:
    - Noted items
    - Statistical postings and certain special G/L transactions relating to bills of exchange
    - Down payments can only be cleared if down payment clearing items of the same amount have already been posted.
    - Items with withholding tax entries
- The system automatically fills the assignment field for a line item when you post items according to the "Sort Field" entry in the master record. The assignment field can be a combination of up to 4 fields with a maximum of 18 characters.

Lesson 2 – Incoming & Outgoing Payments

- A manual payment is a transaction that clears an open item, typically an invoice,
- An incoming payment, typically used in Accounts Receivable, clears an open debit amount where as an outgoing payment, typically used in Accounts Payable, clears an open credit amount.
- A manual payment is processed in three steps:
    - Data is entered in the document header.
    - Open items are selected to be cleared.
    - The transaction is saved.

- You can enter bank charges when you enter the bank data; they are automatically posted to the G/L account.
- Users can reset clearing for individual documents. When you reset clearing, the clearing data is removed from the items

Lesson 3 – Payment Differences

- In accounting, tolerances can be divided into three types:
  - Employee tolerance groups, to control:
    - Upper limits for posting transactions (see lesson "Posting Authorizations"),
    - Permitted payment differences
  - G/L account tolerance groups is used to control:
    - Permitted payment differences (for example, for automatic clearing procedures).
  - customer/vendor tolerance groups provide specifications for:
    - Clearing transactions
    - Permitted payment differences
    - Posting residual items from payment differences
    - Tolerances for payment advice notes
- We Assign the tolerance groups to
  - User master data
  - G/L account master records
  - Customer/vendor master records

- To define above Tolerance group we have to carry out two steps
  - Group definition
    - The tolerance group is defined by a group key, company code, and a currency code.
    - The group key is a four character alphanumeric key.
    - The key "____" (BLANK) is the standard tolerance group and is required as the minimum tolerance group.
  - Group assignment
    - Employee tolerance groups may be assigned to employees.
    - G/L account tolerance groups may be assigned to G/L account master records.
    - Customer/vendor tolerance groups may be assigned to a customer or vendor master record.
    - If no tolerances are assigned, the default tolerance group ____ (blank) applies.
- The specifications for permitted payment differences can be found in both customer/vendor and employee group. They control the automatic posting of cash discount adjustments and unauthorized customer deductions. The system takes the entries in both groups into account during clearing.
- A payment difference normally occurs during the clearing of an open item. The difference is then compared to the tolerance groups of the employee and the customer/vendor and is handled accordingly.
  - Within tolerances
    - Automatically posted as either cash discount adjustment or unauthorized deduction
  - Outside tolerances
    - Processed manually
- If the payment difference is too high to be immaterial, it must be processed manually. The payment can be posted as follows:

- Partial payment
- The payment difference may be posted as a residual item
- The payment difference can be posted to an account assigned to a reason code or written off by manually entering a new posting item.
- Payment on account

- If the payment difference is outside of the tolerances it has to be processed manually. The user can:
  - Post the payment as a partial payment, where all the documents remain in the account as open items
  - Post the payment difference as a residual item, whereby only the residual item remains in the account and the original document and the payment are cleared. A new document number is created with reference to the original documents.
  - Post the payment difference to a different account as a difference posting using reason codes and automatic determination.
  - Write off the difference (manual account assignment)
- The customer/vendor tolerance groups contain entries that control the residual items. These specify:
  - Whether the terms of payment of a residual item are the same as those of the cleared item or whether the terms of payment are fixed
  - Whether cash discount is granted only partially and not for the whole amount
  - By specifying a dunning key, whether the residual item has a maximum dunning level or is printed separately
- If we know the reason for a payment difference, we can enter a reason code.
- Reason codes are used to describe the reason for the payment difference. Which can be assigned to:
  - Difference postings
  - Partial payments
  - Residual item
- The reason codes can be used to analyze and post process payment differences. Additional optional functions are:
  - Control of the type of payment notice which is sent to the customer
  - Control of the account where a residual item is posted
  - Automatic posting of a residual item to a specified G/L account.
  - Exclusion of residual items from credit limit checks because they are disputed

Lesson 4 – Exchange Rate Differences

- When clearing open items in a foreign currency, exchange rate differences may occur due to fluctuations in exchange rates. The system posts these exchange rate differences automatically as realized gains or losses. The realized difference is stored in the cleared line item.
- Exchange rate differences are also posted when open items are valuated for the financial statements. These exchange rate differences from valuation are posted to another exchange rate difference account and to a financial statement adjustment account. When clearing an open item that has already been valuated, the system reverses the balance sheet correction account and posts the remaining exchange rate difference to the account for realized exchange rate differences.
- All reconciliation accounts and all G/L accounts with open item transactions in foreign currency must be assigned revenue/expense accounts for realized losses and gains. One gain/loss account can be assigned:
  - To all currencies and currency types
  - Per currencies and currency type
  - Per currency
  - Per currency type

Unit 6 – Cash Journal

Lesson 1 – Cash Journal Configuration

- The cash journal is a tool for managing cash that supports posting cash receipts and payments. It allows:
  - Create a separate cash journal for each currency
  - Post to customer, vendor, and general ledger accounts
  - Run several cash journals in each company code
  - Choose a random number for cash journal identification (a four-digit alphanumeric key)
- To set up a new cash journal for a company code, we have to enter the appropriate values for the following fields:
  - The company code in which you want to use the cash journal
  - The four digit cash journal identification and name
  - The G/L accounts to which you want to post the cash journal business transactions
  - The currency in which you want to run the cash journal
  - The document types for:
    - G/L account postings
    - Outgoing payments to vendors
    - Incoming payments from vendors
    - Outgoing payments to customers
    - Incoming payments from customers
- There are two places where you can define new cash journal business transactions:
  - in the cash journal itself
  - In Customizing (IMG).
- To create a business transaction, make the following settings:
  - The company code
  - The type of business transaction (note: you cannot make an entry in the field G/L account for accounting transaction types D and K.)
  - Specify tax codes for the business transactions E (Expense) and R (Revenue)
  - For business transaction categories E, R, C, and B, you can set and indicator to enable the general ledger account for the business transaction to be changed when the document is entered. In this case, the general ledger account is only a default value.
  - For business transaction categories E and R, you can set and indicator to enable the tax code for the business transaction to be changed when the document is entered. If no tax code has been defined, you have to specify one (if required for the account) when you create the document.
  - Once saved, the business transaction is assigned a number automatically. During document entry, the business transaction can be called up by its name or its number.
  - You can set an indicator that blocks the business transaction for further postings.

Lesson 2 – Cash Journal Transactions

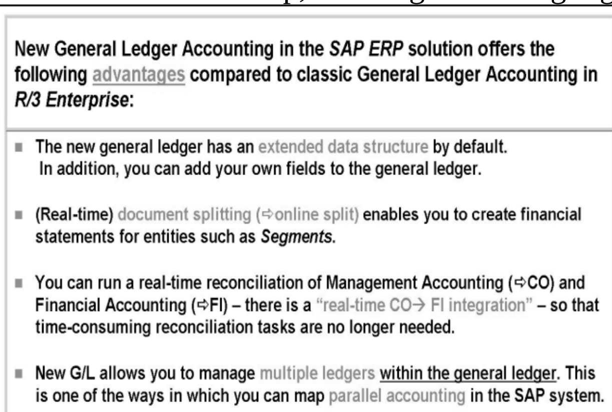
- The cash journal is one of the Enjoy business transactions that you can process on a single screen.
- A cash journal document can contain several items with different tax codes and/or account assignments relevant to cost accounting. When the cash journal document is forwarded to Financial Accounting, only one accounting document is therefore created.

- In the cash journal you can create a business transaction linked to a one-time account. If you use a one-time account in the cash journal, the dialog box for entering the one-time data is called automatically and the entries saved in the cash journal.

Unit 7 – Additional Topic

Lesson 1 – Other Topics in New General Ledger Accounting

- A typical period-end closing for allocations may involve the following steps - Allocation sequence:
    - Allocation of the cost centers (as before) in CO
    - End-of-period tasks in FI (=> foreign currency valuation)
    - Allocation of the profit centers (or segments) in FI
- How are the allocations of the different components integrated with FI when new General Ledger Accounting is active?
    - Actual allocations in CO-OM: Changes are also updated in the new G/L if real-time integration is active CO -> FI.
    - Actual allocations of classic profit center accounting: No update into FI - a pure EC-PCA document is created.
    - Actual allocations in the new general ledger: No integration into other components - a pure FI document is created.
- When you use the ledger approach in the new general ledger, the valuation variances are not shown in different accounts but rather by using different ledgers on the same account.
- The object used to address accounts for specific ledgers is the ledger group, as it is known. Most transactions are posted to all ledgers. No ledger group is specified for these documents (e.g. invoices, payments, and so on). If, however, there are valuation variances, either the closing programs (e.g. depreciation posting run, foreign currency valuation) provide the appropriate ledger group by making an assignment in Customizing, or separate transactions are used to supply the ledger group manually. In these cases, the value is only posted to the ledgers in that group.
- It is a 1:n relationship, meaning that a ledger group can either have one ledger or several.



- New General Ledger Accounting facilitates the following:
    - All conceivable requirements across the world in legal external accounting are addressed from one dataset.
    - Accounts can be balanced for objects other than the company code (such as profit center, segments, and so on) by means of document splitting.
    - Financial Accounting and Controlling are joined bilaterally by means of real-time integration.

- Parallel accounting is possible across different ledgers within new General Ledger Accounting, which means that transaction figures are managed not only for each account but also for each ledger (view).

- The Functional Area field is now stored in the General Ledger too. This means you no longer have to activate the cost of sales ledger 0F to create a profit and loss statement in accordance with cost-of-sales accounting.
- The Profit Center field (and the Partner Profit Center field) is also maintained in the general ledger. You are therefore able to carry out management analyses via the general ledger.
- The Segment field is a new entity (characteristic/category). You can use this to carry out segment reporting.
- The table structure in the New General Ledger can be flexibly extended. This means that customer fields can be included and their totals updated. Standard reports are available for all the purposes listed above.