Parallel Currencies in SAP Part II: Supporting Local Legal Reporting

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Parallel Currencies in SAP Part II: Supporting Local Legal Reporting

Editor`s Note: A world apart? Not these days when globalization seems more the rule than the exception. If you`re not currently involved in multi-national manufacturing, the odds are that you will be. When that time arrives you`ll be glad you had a “heads up” on financial reporting issues and solu

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Financial Statements

Company in Slovakia — Financial Statements — Time 17:10:26 — Date
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Company code 0001 Business area **** — Amounts in ZSKK

C F	Comp code	Bus. area	Texts	Reporting period (01.2008-16.2008)	Comparison period (01.2008-16.2008)	Absolute difference
	0001		49203000 Accrued interests - Group companies	2,078.39-	2,078.39-	0.00
			BL4923 ACCRUED FINANCIAL PAYABLES GROUP	2,078.39-	2,078.39-	0.00
			BL4299 Short Term financial Liabilities	2,078.39-	2,078.39-	0.00
			TOTAL LIABILITIES & EQUITY	2,078.39-	2,078.39-	0.00

Figure 14: Financial Statements Using the Local National Bank's Exchange Rates (Transaction F.01)

By selecting currency type 40-Hard currency, we get the displayed financial statements in the parallel currency ZSKK (Figure 14).

Closing this section, let's consider the slightly more complex situation where many subsidiaries from different countries also have a similar requirement; i.e., they also need to valuate their financial transactions and generate their financial statements using different exchange rates than the ones you receive centrally from your financial data provider. I have come across this request from customers operating companies in Poland, Slovakia, and the Baltic States (Lithuania, Latvia, and Estonia). Some South American countries, due to their high inflation rates, may also have this requirement (see OSS Note 110550 "Parallel currencies Colombia, Mexico, Venezuela").

Usage of parallel currencies for more than one country-subsidiary therefore will not be such an unusual request for a multinational company operating in numerous countries around the world. In such a situation, you will have not only one but many parallel currencies in your system, one for every country where a subsidiary exists that has a need for such functionality. The table in Figure 15 lists some examples.

Country	Official Currency	Parallel Currency
Slovakia	SKK	ZSKK
Poland	PLN	ZPLN
Latvia	LVL	ZLVL
Lithuania	LTL	ZLTL
Mexico	MXN	ZMXN

Figure 15: Example List of Subsidiaries That Use a Parallel Currency

Even more in this case, with multiple parallel currencies, it is necessary to adopt this solution; otherwise it would be impossible to accommodate the local legal requirements. Without parallel currencies, each subsidiary would need to update its local currency in its own required way, which of course would affect not only its own local business but all postings between that subsidiary's company code and any other internal or external business partner. The additional parallel currencies, along with the segregation of exchange rate maintenance, are the only way to allow for local legal financial reporting without any negative impact to the Group Finance' s exchange rate-related processes and requirements.

Before closing this article, it is worth looking at some of the questions that usually come up relating to the setup and use of parallel currencies.

Miscellaneous Questions That May Come Up

The first question I usually get asked when discussing the parallel currency functionality with a customer is how many parallel currencies can we set up in the system? For those that have been reading through this article carefully, the answer should be obvious by now: you can have up to two parallel currencies ("index-based" and "hard" currency) in addition to the primary company code currency. In other words, the FI system can store a total of up to three parallel currency valuations; an FI document can accommodate up to four different currencies including the transaction currency.

Another question that may come up sometimes is if it is possible to use these parallel currency figures for internal-management reporting via the Controlling

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(CO) modules, like for example Profit Center Accounting (PCA) and CO-Profitability Analysis (CO-PA). The simple answer has to be "no"; parallel currencies are a very helpful functionality allowing you to accommodate local legal financial reporting requirements, but it is not meant to be used for internal-management reporting purposes. Even though it is possible to create your own parallel currency reporting using the report painter/writer functionality, you should aim to restrict these activities to externally required fiscal reporting. As I have shown, it is not very difficult to set this functionality up for business processes directly affecting your legal financial statements, because it is based on SAP standard FI customizing, but the same does not apply for SAP's Controlling modules.

The parallel currency functionality has remained basically unaffected in the New G/L, so there is nothing to worry about!

With many implementations of the New General Ledger (New G/L) currently under way or in planning, the question will surely come up if and how the New G/L affects parallel currencies or the other way around. The answer is again very simple: the parallel currency functionality has remained basically unaffected in the New G/L, so there is nothing to worry about! You can implement parallel currencies irrespective of whether you use the classic G/L or the New G/L. You might also refer to OSS Note 1070629 "FAQs: New General Ledger Migration".

Finally, a delicate topic is often the issue of activating and de-activating parallel currencies. As I mentioned earlier, parallel currencies should ideally be set up from the productive go-live of a new company code. If you have missed that chance and are considering setting up this functionality later, then you should consult OSS Note 39919 "Introducing parallel currencies in FI". I would, however, strongly recommend introducing parallel currencies only at a Fiscal Year change. Also, please take into account that if you are using the Material Ledger module, the exercise will be extra tricky (ML is not mentioned at all in OSS Note 39919).

De-activating parallel currencies, on the other hand, is a little bit more straightforward, but again it should be attempted at a Fiscal Year change. If you are considering de-activating a parallel currency, please also consult OSS Note 89531 "Deactivating parallel currencies in FI".

Conclusion

Considering that the parallel currency functionality has been available for ages (actually, it has been available since SAP R/3 release 2.2!), it is amazing how little attention it has received in the literature and how many misconceptions still exist about it. In this two-installment article, I tried to provide a detailed account of the functionality, its purpose and uses, go through all the relevant configuration steps in the various SAP financials modules, and provide answers to some of the questions that often come up relating to it.

Parallel currencies can accommodate very well the local legal requirements that exist in some countries to use locally provided exchange rates. Whether the request is to valuate only your assets and liabilities in the local National Bank's exchange rates, or there is a legal requirement to produce your complete financial statements in those rates, you can set up and use a parallel currency to give the local finance community the flexibility and reporting that is required without the need to worry at all about your Group Finance processes.

As I have shown in this article, it is worth it to take the time to implement parallel currencies if you have subsidiaries in countries where such requirements exist. It is a relatively simple and straightforward functionality to implement, and it will certainly pay off!

Dimitris Langas *is an independent SAP consultant specializing in the Financials modules.* He has participated in numerous SAP implementations across many European countries and has worked with customers of almost any size, industry sector, and nationality in the EU. Working with business software since 1992 and with SAP products since 1998, he has undertaken many technical, functional, and management roles in a large number of IT projects. His current interests include financial process automation, accommodating financial reporting standards and local legal requirements on SAP ERP, and using SAP software and tools to turn transactional data and figures into valuable management information and insight. You may contact the author at SAPtips.Authors@ERPtips.com. Be sure to mention the author's name and/or the article title.

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