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First Steps in SAP[®] S/4HANA Finance

- ▶ Understand the basics of SAP S/4HANA Finance
- ▶ Explore the new architecture, configuration options, and SAP Fiori
- ▶ Examine SAP S/4HANA Finance migration steps
- ▶ Assess the impact on business processes

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2 Accounting and Controlling

The German-speaking world has long since separated the Accounting modules from the Controlling modules and the move to bring the two applications into a single journal entry is one of the most significant changes of SAP S/4HANA Finance. The goal of this move is to provide internal and external reporting from the same data source. If you have struggled in the past to make sense of the SAP approach, the idea of having accounts, cost centers, profit centers, and so on in a single posting string, the universal journal, will make immediate sense.

2.1 Introducing the universal journal

The universal journal (table ACDOCA) significantly changes the way transactional data is stored for financial reporting. It offers huge benefits in terms of the ability to harmonize internal and external reporting requirements by having both read from the same document store where the account is the unifying element. You will still need to understand the different applications to the extent that you need to perform different business transactions in each application. This means that you still have to create general journal entries in General Ledger Accounting, acquire and retire assets in Asset Accounting, run allocations and settlement in Controlling, capitalize research and development costs in Investment Management, and so on, but in reporting, you read from one source, regardless of whether you want to supply data to your consolidation system, report to the tax authorities, or make internal management decisions.

Figure 2.1 illustrates the way the universal journal combines reporting dimensions from the separate applications (General Ledger Accounting, Profitability Analysis, Controlling, Asset Accounting, and Material Ledger) to provide a unified data structure for reporting that includes all relevant dimensions.

Universal Journal as the Single Source of Truth

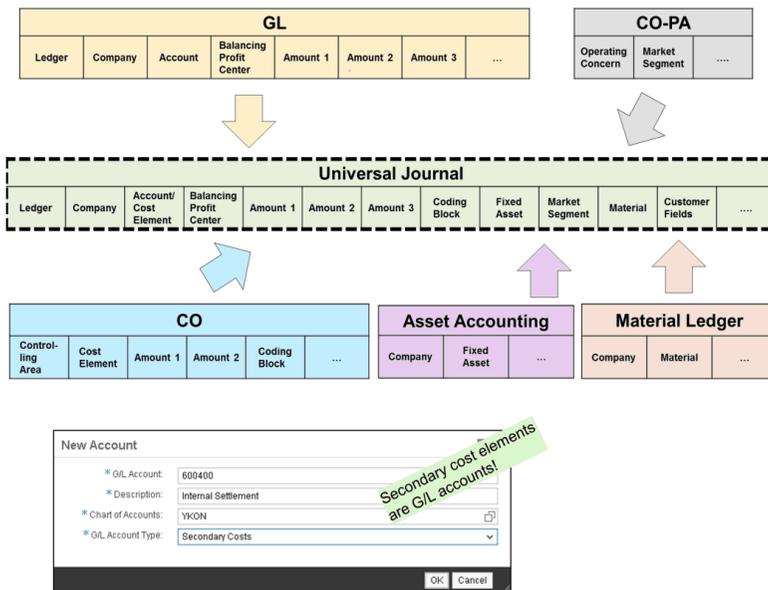


Figure 2.1: Combining reporting dimensions in the universal journal

The massive simplification inherent in this structure is that instead of having a separate set of revenue lines in Profitability Analysis, Profit Center Accounting, and Financial Accounting, you can report from a *single source document* in table ACDOCA. For internal reporting for example, you might select revenue lines for a particular product or customer (information captured as characteristics that you can choose when you generate your operating concern in Profitability Analysis) and for external reporting, you select the same revenue lines based on the profit center or company code in the document. When we talk about a *single source of truth*, what we mean is that instead of looking at datasets in multiple applications, we are looking at different aggregations of the same dataset. Here, the idea of the column store is significant. We may have hundreds of company codes, thousands of profit centers, and tens of thousands of customers, but these can be queried much more efficiently

than in the past when each application built its own data store for these entities.

In this context, it is also worth understanding how the different applications used to aggregate their data in the past. Even though many of the relevant fields were available in table BSEG, organizations would configure their Financial Accounting applications to remove the individual cost centers from a large payroll document using *summarization*, or to remove the individual materials from a large invoice and only keep the cost center detail in Cost Center Accounting and the material detail in Profitability Analysis. This different granularity provided its own challenges when reconciling the various applications.

Before we look at what is new, let us remind ourselves of the high-level differences between the datasets in the various applications. However, if you are new to SAP S/4HANA Finance, you can skip straight to the next section because you do not have to worry about the historical differences between the various applications. All the Financials applications aggregate by period and fiscal year, but the other reporting dimensions are different in each application, making reconciliation tricky and meaning that management meetings are often spent discussing whose version of the truth is correct rather than what to do about the business situation the figures are showing.

2.1.1 Structure of General Ledger Accounting

Depending on which version of the SAP software you are using, there are actually two General Ledger Accounting options available:

- ▶ *Classic General Ledger Accounting* available from SAP R/3 onwards stores data by account, company code, and business area, as we saw when we looked at table GLT0 in Figure 1.2. If you needed reporting dimensions other than company code and business area, you could activate additional applications for Profit Center Accounting and Consolidation Preparation or build your own special ledger applications for Cost of Goods Sold Reporting, Segment Reporting, and so on. In addition to these ledgers, a *reconciliation ledger* stored the results of any allocations or settlements in Controlling that crossed company code boundaries and had to be reflected in General Ledger Account-

ing at period close by running transaction KALC to generate the appropriate journal entries. Moving to the universal journal makes the reconciliation ledger and transaction KALC obsolete because there is only one document in Accounting and Controlling.

- ▶ *SAP ERP General Ledger Accounting* (formerly known as *new General Ledger Accounting*) available from SAP ERP onwards allowed you to extend the basic account, company code, business area approach by activating additional scenarios to support Profit Center Accounting, Cost of Goods Sold Reporting, Consolidation Preparation, Segment Reporting, and so on. Activating these scenarios extends table FAGLFLEXA to store details of the profit centers and partner profit centers, functional areas and partner functional areas, trading partners and partner trading partners, segments and partner segments, and so on. What the scenarios enable is essentially drill-down reporting for these dimensions within the general ledger. Technically, you were creating additional aggregates for each of the scenarios that you added to the general ledger. The reconciliation ledger became obsolete if you activated real-time integration with CO so that any allocation or settlement that crosses a company code boundary (or a profit center boundary, a functional area boundary, and so on) would trigger a posting in the general ledger to reflect the change. This was progress compared to classic General Ledger Accounting, but there were limits to the number of dimensions that you could safely add to aggregate table FAGLFLEXA. With the universal journal, you no longer need to activate the various reporting scenarios separately—the columns are automatically updated if you maintain the proper assignments in your master data and you can add further dimensions to the coding block as required.

2.1.2 Structure of Asset Accounting

SAP S/4HANA Finance includes new Asset Accounting. The new asset accounting functions were first introduced as the business functions FIN_AA_CI_1 in EhP6 and FIN_AA_PARALLEL_VAL in EhP7. The original motivation was the need to switch between accounting principles as it became increasingly common for US customers to switch their leading valuation from US GAAP to IFRS. If you refer back to Figure 2.1, you will

notice that the *ledger* is one of the key fields in the universal journal. This means that the asset valuations for IFRS and for local GAAP are stored in separate ledgers which are independent of each other, whereas in early versions of the software, the second valuation was stored as a delta or difference to the first valuation.

While Asset Accounting was always integrated with General Ledger Accounting in the sense that journal entries were created for the acquisition, retirement, and revaluation of an asset, or to account for the depreciation of the fixed asset in the general ledger, this did not mean that the account, the profit center, or any of the items we listed for the general ledger were included in the line item table for Asset Accounting (table ANEP) or conversely that the asset was available in Financial Accounting or Controlling. The only reporting dimension **common** to General Ledger Accounting and Asset Accounting other than the period and year is the company code. Reconciliation between the applications involved finding the postings in the general ledger that applied to fixed assets (those of account type A) and comparing them against the sum of the items in the Asset Accounting application. If you created a manual journal entry to an asset account, then the two would not match because this manual posting would not exist in the asset accounting table. Now, the asset is simply an additional dimension in the general ledger and sits alongside the company code, cost center, profit center, and so on in the posting string, which makes it substantially easier to report across applications than in the past.

2.1.3 Account assignments in Controlling

Although Cost Center Accounting, Order Accounting, and Project Accounting are generally considered to be separate applications in Controlling, the basic principle of assigning costs to an account assignment (a cost center, order, WBS element, and so on) is the same in each application.

In general, Controlling involves two types of posting for actual costs:

- ▶ The first type of posting is a *primary cost posting*. This simply means that the general ledger posting also includes an assignment to the cost center, order, or project responsible for the costs—for example, payroll postings and asset depreciation

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