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# Guide to SAP<sup>®</sup> In-House Cash (IHC)

- ▶ SAP payment management fundamentals and tools
- ▶ In-House Cash and In-House Bank functionality and scenarios
- ▶ Useful transaction codes and reports
- ▶ Tips and tricks for resolving common errors

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# 2 Introduction to SAP's In-House Cash module

In this chapter, we introduce how SAP's IHC module fits into an organization that is running SAP, and introduce some of the terminology used in SAP's IHC module.

## 2.1 In-House Cash overview

The In-House Cash module is part of SAP's broader Treasury offering. As shown in Figure 2.1, the IHC module falls under Payment Factory in the Payments and Bank Communications portion of the Treasury Management solution map.

**End-to-end Treasury Management**  
Treasury Solution Map

Payments and Bank Communications	Payment Operations	Workflow and Signatures	Monitoring and Status Tracking	<b>Payment Factory</b>	Bank and SWIFT Connectivity
Cash and Liquidity Management	Electronic Bank Statements		Cash Operations	Liquidity Management	Bank Account Management
Debt and Investment Management	Front Office Deal capture	Mid Office Risk Controlling	Accounting	Back Office Correspondence, Settlement and Regulatory Reporting	
Financial Risk Management	Risk Identification Type and Origin of Risk	Risk Quantification Exposure Mgmt	Risk Analysis	Risk Management Hedge with Financial Instruments	
Suite Capabilities	Shared Service Center	Working Capital Management	Governance Risk and Compliance	Commodity Risk Management	Trade Finance

Figure 2.1: SAP Treasury solution map

SAP's IHC module supports the following processes, which are focused on in this book:

- ▶ centralized payments – also known as payments on behalf of (POBO)
- ▶ intercompany payments
- ▶ centralized receipts – also known as receivables on behalf of (ROBO)

- ▶ manual payments
- ▶ end-of-day processing

First, a high-level description of the functionality of these five IHC processes is given. Next, the master data related to the IHC module is outlined in detail. This is followed by Chapter 5 which details each of the five IHC processes, showing screenshots in SAP as well as additional information about these processes. Chapter 6 walks through the accounting entries for the examples described in Chapter 5. Chapter 7 outlines the SAP configuration required for the company codes where the subsidiary has an account at the in-house bank. Chapter 8 describes the key configuration for the in-house bank. The next chapter shows how to resolve typical issues encountered when testing the IHC functionality. This book finishes up with a chapter on tips and guidance when encountering errors during implementation of the IHC module, as well as a listing of the IHC transaction codes.

There is an additional process known as cash pooling, which is also supported by the IHC module, but is not covered in further detail in this book. Cash pooling involves aggregating the balances of several bank accounts at an external bank. The IHB is notified of the movement of funds when the external bank statements are processed in SAP, at which time the IHB posts the cash movements to the participants' current accounts. Cash pooling is supported by using the note to payee text in the external bank statements to determine the correct IHB current account.

## **2.2 In-House Cash landscape**

With SAP's In-House Cash module, companies can create a virtual house bank within their organization. The organizational units involved in an IHC implementation are the subsidiaries that have at least one current account at the in-house bank, and the legal entity where the in-house bank resides. A current account is the name given to a bank account at the in-house bank. A current account and virtual account are the same thing. Throughout this book, we use the terms current account and virtual account interchangeably. Please refer to Section 10.1.2 Definition of Terms, in Chapter 10.

The in-house bank is created as a house bank in SAP, and the current (bank) accounts at the in-house bank are created as house bank accounts in the subsidiary company codes. Payments are sent between the subsidiaries and the in-house bank, and the in-house bank sends bank statements to the subsidiaries. External bank accounts are necessary and are used by the in-house bank for centralized outgoing and incoming payments.

Figure 2.2 outlines the landscape of the IHC module. As the reader of this book will see, the beauty of the IHC module is how it fits in so well with existing Accounts Receivable (AR), Accounts Payable (AP), and bank statement functionality in SAP.

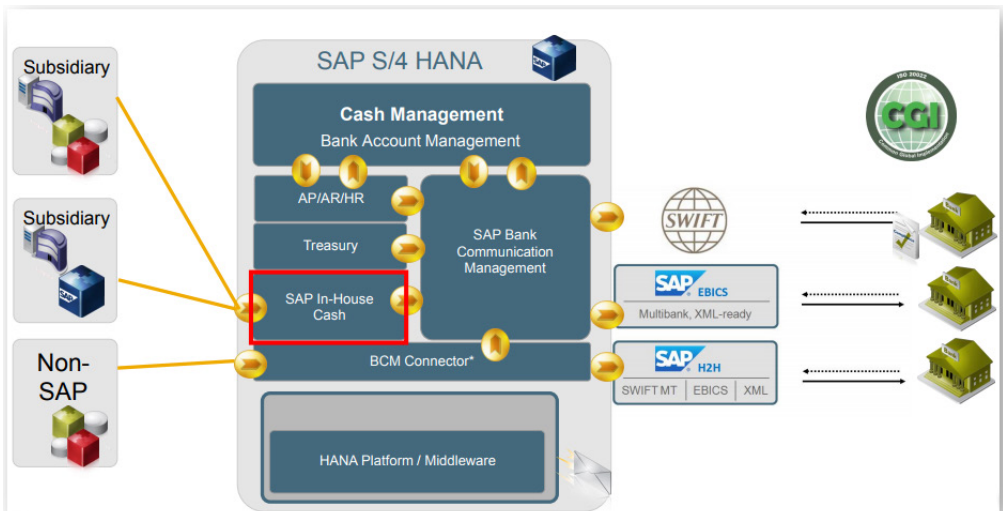


Figure 2.2: Landscape of SAP's IHC module

One last important point to mention regarding implementing SAP's IHC module is that the module can be implemented either with the initial SAP implementation, or after a company is already live in SAP. This is because implementing an in-house bank fits into productive company codes just like adding a new house bank would. The difference is that the new house bank is an internal house bank as opposed to an external house bank.

## 2.3 Example scenario

In this section, we outline the example scenario on which the configuration and accounting entries in this book are based. The example scenario was selected to show the reader the basic functionality of SAP's IHC module, and is not meant to be representative of an actual SAP IHC implementation.

In the example scenario, there is one IHC center located in Belgium. The bank area is defined as "IHC" for our example. The in-house bank resides and posts to the SAP general ledger under company code 3010. Keep in mind that it is possible to configure SAP's IHC module to have multiple bank areas globally.

Table 2.1 shows our sample corporate group's subsidiaries that have current accounts at the in-house bank (bank area IHC). In our example, each subsidiary has one current account at the in-house bank, and the account is in the local currency of the subsidiary. Note that it is possible for subsidiaries to have multiple current accounts at the in-house bank.

Company code	Company code name	Ctry	Business partner	IHC current account
2100	IDES Portugal	PT	SUB_2100	SUB_2100_EUR
2300	IDES Spain	ES	SUB_2300	SUB_2300_EUR
2500	IDES Netherlands	NL	SUB_2500	SUB_2500_EUR
2900	IDES Sweden	SE	SUB_2900	SUB_2900_SEK
3000	IDES U.S.	US	SUB_3000	SUB_3000_USD

*Table 2.1: IHC participating entities*

The following are the AP payment methods that are defined as IHC payment methods. These payment methods need to be configured in the subsidiary company codes listed in Table 2.1.



**AP IHC Payment Methods (F110):**

- ▶ I – IHC Intercompany Settlement
- ▶ J – Payment via IHC (external)

The following are the more common Treasury payment methods that are used when the in-house bank makes payments. These payment methods need to be configured only in the company code to which the in-house bank is assigned, which in our case is company code 3010. (Note: the formal name for transaction code F111 is the Payment Program for Payment Requests, but we refer to the program as the Treasury payment program throughout this book.)

**Treasury/IHC Payment Methods (F111):**

- ▶ 1 – IHC Domestic Wire
- ▶ 2 – IHC Local Payments (ACH/SEPA/BACS)
- ▶ 3 – IHC Cross-Border Wire

Payments sent through SAP's IHC module are referred to as payment orders. Payment order transaction types are the different types of IHC payment orders used; for example, there can be internal payment orders such as IPD, which do not generate an external payment, and external payment orders where a payment is sent to an external bank by the in-house bank, such as XPD.

SAP refers to payment orders created by running the AP payment program as “payment orders generated automatically”, versus payment orders that are manually entered at the in-house bank as “payment orders generated manually”.

A payment order is an IHC subledger transaction that is not posted to the SAP general ledger until the end-of-day processing steps are run. The end-of-day processing steps include the activities to finalize the IHC activity for a day, such as posting the balances of the IHC current accounts to the SAP general ledger, calculating interest and other fees, as well as creating and generating daily bank statements. Any payments received by the in-house bank after end-of-day processing is run roll into the next business day.

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