



SAP S/4HANA Financial Accounting Configuration

Learn Configuration and Development on
an S/4 System

—
Second Edition

—
Andrew Okungbowa

Apress®

SAP S/4HANA Financial Accounting Configuration

**Learn Configuration
and Development on an S/4 System**

Second Edition

Andrew Okungbowa

Apress®

SAP S/4HANA Financial Accounting Configuration: Learn Configuration and Development on an S/4 System

Andrew Okungbowa
New Addington, UK

ISBN-13 (pbk): 978-1-4842-8956-3
<https://doi.org/10.1007/978-1-4842-8957-0>

ISBN-13 (electronic): 978-1-4842-8957-0

Copyright © 2023 by Andrew Okungbowa

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

Trademarked names, logos, and images may appear in this book. Rather than use a trademark symbol with every occurrence of a trademarked name, logo, or image we use the names, logos, and images only in an editorial fashion and to the benefit of the trademark owner, with no intention of infringement of the trademark.

The use in this publication of trade names, trademarks, service marks, and similar terms, even if they are not identified as such, is not to be taken as an expression of opinion as to whether or not they are subject to proprietary rights.

While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Managing Director, Apress Media LLC: Welmoed Spahr
Acquisitions Editor: Divya Modi
Development Editor: Laura Berendson
Coordinating Editor: Divya Modi

Cover designed by eStudioCalamar

Cover image designed by Pixabay

Distributed to the book trade worldwide by Springer Science+Business Media New York, 1 New York Plaza, New York, NY 10004. Phone 1-800-SPRINGER, fax (201) 348-4505, e-mail orders-ny@springer-sbm.com, or visit www.springeronline.com. Apress Media, LLC is a California LLC and the sole member (owner) is Springer Science + Business Media Finance Inc (SSBM Finance Inc). SSBM Finance Inc is a **Delaware** corporation.

For information on translations, please e-mail booktranslations@springernature.com; for reprint, paperback, or audio rights, please e-mail bookpermissions@springernature.com.

Apress titles may be purchased in bulk for academic, corporate, or promotional use. eBook versions and licenses are also available for most titles. For more information, reference our Print and eBook Bulk Sales web page at <http://www.apress.com/bulk-sales>.

Any source code or other supplementary material referenced by the author in this book is available to readers on GitHub via the book's product page, located at www.apress.com/9781484289563. For more detailed information, please visit <http://www.apress.com/source-code>.

Printed on acid-free paper

This book is dedicated to God Almighty who made it possible for me to complete this book despite all odds.

Table of Contents

About the Author	xv
About the Technical Reviewer	xvii
Acknowledgments	xix
Introduction	xxi
Chapter 1: Customizing Financial Accounting Enterprise Structure in SAP S/4HANA	1
Let's look at the steps involved in this Customizing	2
Define Company	4
Define a Company Code	8
Assign Company Code to Company	12
Fiscal Year Variant.....	14
Year-Specific or Year dependent	17
Maintain Fiscal Year Variant.....	17
Assign Fiscal Year Variant to Company Code	22
Defining Posting Periods.....	23
Define Variants for Open Posting Periods.....	24
Assign Variants to Company Code	26
Open and Close Periods	27
Summary.....	30
Chapter 2: Defining Chart of Accounts	31
Master Data	31
Defining Chart of Accounts	32
Creating Chart of Accounts	34
Assign Company Code to Chart of Accounts	36

TABLE OF CONTENTS

- Define Account Group 38
- Define Retained Earnings Account..... 42
- Summary..... 45
- Chapter 3: Document Control 47**
- Document Control 47
- Document type 48
- Posting Key 50
- Definition of Number Range Intervals 51
- Defining Document Number Ranges using Copy Subobject Function 52
- How to Delete Number Range Intervals 54
- Creating your number range intervals from scratch 55
- Copy Another Company Code to your Company Code 58
- Copying Number Ranges to Fiscal Year 59
- Field Status Variants 60
- Define Field Status Variants..... 61
- Assign Company Code to Field Status Variants 67
- Summary..... 68
- Chapter 4: Defining Tolerance Groups for G/L Accounts and Employees..... 69**
- Tolerance Groups 69
- Define Tolerance Groups for G/L Accounts..... 72
- Default Tolerance Group: 73
- Define Tolerance Groups for Employees 76
- Define Default Tolerance Groups for Employees..... 77
- Define Tolerance Groups for Employees..... 79
- Assign Users to Tolerance Groups 81
- Summary..... 83
- Chapter 5: Creating a General Ledger (G/L) 85**
- General Ledger..... 85
- GL Reconciliation..... 86
- What is a Master Record?..... 87

Creating G/L Account Master Records	88
Creating a G/L Account – Office stationery supplies	89
Creating G/L Account With Template	97
Summary.....	100
Chapter 6: Clearing Open Items.....	101
Objective	101
Clearing Open Items.....	101
Automatic Clearing Customizing.....	103
Create Accounts for Clearing differences	105
Define a Maximum Exchange Rate Difference.....	108
Check Company Code Setting.....	111
Foreign Currency Valuation	113
Exchange Rate Types	114
Define Valuation Methods	114
Prepare Automatic Postings for Foreign Currency Valuation.....	118
Interest Costs Using Exchange Rate key (KDB).....	120
Exchange Rate Difference for Open Items/GL Accounts	122
Exchange Rate Differences for Open Items – Account Payable	125
Summary.....	126
Chapter 7: Maintaining Currency Types and Currency Pairs	129
Currencies.....	129
Exchange Rate types:.....	130
Define Standard Quotation for exchange Rates.....	131
Enter Prefixes for Direct/Indirect Quotation Exchange Rates	133
Define Translation Ratios for Currency Translation	136
Update the following fields.....	137
Summary.....	139

TABLE OF CONTENTS

- Chapter 8: GR/IR Clearing 141**
 - Objective 141
 - GR/IR Clearing 141
 - Invoiced But Not Yet Delivered 144
 - Delivered but not yet invoiced 147
 - Summary..... 149

- Chapter 9: Bank 151**
 - Introduction..... 151
 - Defining House Bank..... 152
 - Define Bank Account for your House Bank 155
 - Bank Statement 156
 - Electronic Bank Statement 158
 - Electronic Bank Statement 159
 - Defining Global Settings for Electronic Bank Statement 159
 - Creating Account symbols 162
 - Assigning Accounts to account symbols 163
 - Manual Bank Statement..... 176
 - Create and Assign Business Transactions 176
 - Define Variants for Manual Bank Statement..... 178
 - Check Deposit..... 183
 - Define Posting Keys and Posting Rules for Check Deposit..... 184
 - Summary..... 195

- Chapter 10: Tax on Sales / Purchases 197**
 - Sales and Purchases Tax 197
 - Basic Settings 199
 - Check Calculation Procedure..... 200
 - Define Tax Codes for Sales..... 201
 - Define Tax Account for Output/Sales..... 205
 - Define Tax Codes for Input/Purchases 207

Define Tax Account for Output/Sales	210
Assign Taxable Codes for Non-Taxable Transactions.....	213
Summary.....	214
Chapter 11: Cash Journal	215
Objective	215
Introduction	215
Create G/L Account for Cash Journal	217
Specify the Amount Limit for a Cash Journal	218
Define Number Range Intervals for Cash Journal Documents	220
Set Up Cash Journal	224
Maintain Business Transactions	227
Summary.....	231
Chapter 12: Financial Statement Versions (FSV)	233
Objective	233
Financial Statement Versions.....	233
Define Financial Statement Versions.....	234
Step 1: Create Items.....	237
Step 2: Assign Items to your FSV as Subordinates	240
Change Nodes Texts.....	242
Creating Subordinates for Liabilities and Equity	244
Completing the Nodes for your FSV	246
Step 3: Assign FSV Nodes to G/L Accounts.....	248
Step 4: Define the Credit/Debit Shift.....	250
Check Assigned G/L Accounts to FSV	253
Summary.....	255
Chapter 13: Integration of FI with other SAP S4 HANA modules	257
Integrate FI with Other SAP Modules	257
Material Management (MM).....	259
Configuring Automatic Postings.....	261

TABLE OF CONTENTS

- Offsetting Entry for Inventory Posting 266
- Integration with Sales & Distribution (SD)..... 269
- Prepare Revenue Account Determination 269
- Summary..... 274
- Chapter 14: Accounts Receivable and Accounts Payable..... 277**
- Accounts Payable and Accounts Receivable..... 278
- Customer Accounts 278
 - What is Customer Account Group? 278
 - The importance of Account Group 279
 - Defining Accounts Groups with Screen Layout (Customer) 280
- Maintaining the Filed Status Group for General Data of the Customer Account Group..... 282
 - Enter Accounting Clerk Identification Code for Customers..... 286
- Creating Number Ranges for Customer Account Groups 287
- Assigning Number Ranges to Customer Account Groups 291
- Vendor Accounts 292
 - What is Vendor Account Group? 292
 - The importance of Vendor Account Group 292
 - Defining Account Groups with Screen Layout (Vendors) 293
- Maintaining the Filed Status Group for General Data of the Vendor Account Group 295
- Enter Accounting Clerk Identification Code for Vendors..... 298
- Creating Number Ranges for Vendor Account Groups..... 299
- Assigning Number Ranges to Vendor Account Groups..... 303
- Terms of Payment 304
 - Cash Discounts..... 304
- Installment Plan 310
 - Maintaining Terms of Payment for an Installment Plan..... 311
- Defining the Payment Terms for Instalment Payments..... 317
 - Defining Cash Discount Base for Incoming Invoices 319
- Incoming Invoices Credit Memos /Credit Memos – Enjoy..... 320
 - Enjoy Transaction..... 320

Defining Document Types for Enjoy Transaction	320
Defining Tax Code per Transaction	322
Cash Discount	323
Cash Discount Granted	323
Defining Accounts for Cash Discount Granted.....	323
Define Account for Cash Discount Taken.....	324
Defining Account for Overpayments/Underpayments.....	325
Defining Accounts for Bank Charges (Vendor).....	326
Manual Outgoing Payments.....	329
Defining Tolerances for Vendors	329
Defining Reason Codes (Manual Outgoing Payments).....	334
Defining Accounts for Payment Differences (Manual Outgoing Payments).....	337
Automatic Outgoing Payments.....	339
All Company Codes.....	339
Paying Company Codes	343
Payment Methods per Company Codes	348
Bank Determination for Payment Transactions.....	355
Ranking Order.....	356
Bank Accounts.....	358
Available Amounts	360
Sort Methods and Adjustment Accounts for Regrouping Receivables/Payables	361
Period Interval for Receivables.....	363
Receivables Due After One Year	367
Define Reasons for Reversal	370
Summary.....	372
Chapter 15: Defining the Dunning Procedure	375
Dunning.....	375
Dunning procedure.....	375
Basic Settings for Dunning	376
Define Dunning Procedures.....	376
Defining Dunning Levels.....	380

TABLE OF CONTENTS

Maintaining Charges.....	382
Maintaining Minimum Amounts.....	383
Dunning texts	384
Special GL Indicator.....	387
Assigning Dunning Procedure to Customer Master Data.....	389
Summary.....	389
Chapter 16: Special GL Transactions	391
Objective	391
Special G/L Transactions.....	391
Special GL - General Ledger types	393
Configuration of Special GL Transactions.	394
Down Payments	394
Introduction	394
Down Payment Received.....	396
Down Payment Requests (Customer).....	399
Defining Account for Tax Clearing (Down payments Customer)	401
Down Payment Made.....	402
Down Payment Request for Vendors	405
Defining Account for Tax Clearing (Down payments – Vendor).....	407
Guarantees.....	408
Defining Alternative Reconciliation Accounts for Vendors (Guarantees).....	409
Defining Accounts for Automatic Offsetting Entry	412
Summary.....	414
Chapter 17: Ledgers	415
Defining Accounting Principles	416
Defining Ledger Group.....	419
Assigning Accounting Principle to Ledger Groups.....	420
Defining Ledger Settings for Ledgers and Currency Types.....	421
Update the following field:.....	421

Define Settings for Ledgers and Currency Types	422
Summary.....	426
Appendix A: Some Useful Transaction Codes	427
Index.....	435

About the Author



Andrew Okungbowa is an accountant and a business advisor with 20+ years of experience solving complex business issues. He is an acclaimed author of several books in accounting and finance. He also co-founded Spoxio App, a sports app designed for sports professionals, sports enthusiasts, and fans to network on a mobile app.

Andrew is a qualified accountant. He holds a combined bachelor's degree in accounting and IT, a master's degree in Investment and Finance. He has over 15 years of experience in SAP FI/CO consulting and over 20 years of accounting and finance experience in a number of FTSE 100/250 companies in the UK and abroad.

Andrew has sat on the board of several companies in the UK, such as Spoxio Ltd, Changing Lives Housing Trust, and Twenty-Fifth Avenue Ltd.

About the Technical Reviewer



Dr. Ravi Surya Subrahmanyam has a Doctorate in Finance. He has been working as an Architect on various SAP S/4HANA Conversion & SAP S/4HANA Upgrade projects in India and the United States. He has been a Visiting Instructor for SAP S/4HANA for SAP Education, SAP India, and SAP Indonesia. He has been a speaker, blogger, and an author. He has conducted the SAP TDI program at the *University of Indonesia* on behalf of SAP Education -SAP Indonesia. He has been a technical and financial writer and his articles have been published in National and International journals.

Acknowledgments

I would like to start first by acknowledging Divya Modi, the acquisition editor, who encouraged me to write a second edition of my first book (SAP ERP Financial Accounting) with Apress Publishing and set me on my toes to make sure the book was completed and published within six months. Your support and encouragement was of immense value and highly appreciated. I also want to thank the Apress editorial team, who contributed to the success of this book.

Secondly, I want to thank Dr. Ravi Surya Subrahmanyam, the technical reviewer for working with me on this book. Dr. Ravi, I appreciate your contributions and the way you professionally coordinated this book project. I also want to thank the developmental editorial team, for their professional editing skills and for painstakingly editing this book line-by-line, page-by-page, and chapter-by-chapter to get it in the finest state. Others whose names have not been mentioned who have contributed one way or another to the success of this book, without you, I don't think this book would have been completed professionally. My thanks also go to Shonmirin P.A, the production editor and technical reviewers of this book and for converting the manuscript into this book.

Finally, I will not forget to say a big God bless to my beautiful daughter Zoe-Chelsea and to my lovely wife Hephzibah for the moral support while I was working on this book.

Introduction

What is SAP?

SAP (Systems, Applications, and Products in Data Processing) is the leading ERP (Enterprise Resource Planning) business application software on the market today and provides a unified platform that allows business processes integration. SAP was developed by SAP AG, a German software company founded in 1972 by five ex-IBM employees. SAP is headquartered in [Walldorf, Baden-Württemberg, Germany](#), with regional offices around the world.

The SAP system is used by major Fortune 500 companies worldwide as a preferred business solution for processing their operations and for generating reports real-time, which aids all aspects of management levels in decision making and enables them to manage their business processes effectively and efficiently.

What is SAP HANA?

SAP HANA (High-performance Analytic Appliance) is a multi-model database that stores data in its memory instead of keeping it on a disk. The column-oriented in-memory database design allows you to run advanced analytics alongside high-speed transactions – in a single system. Why is this so important? Because it lets companies process massive amounts of data with near-zero latency, query data in an instant, and become truly data-driven. By storing data in column-based tables in the main memory and bringing online analytical processing (OLAP) and online transactional processing (OLTP) together, SAP HANA is unique – and significantly faster than other database management systems (DBMS) on the market today.

Launched in 2010, SAP HANA is a modern and mature solution used by tens of thousands of customers around the world. But SAP HANA is much more than a database. In addition to acting as a database server, storing and retrieving data requested by applications, SAP HANA offers advanced search, analytics, and data integration capabilities for all types of data – structured and unstructured. It also functions as an

INTRODUCTION

application server and helps companies build smart, insight-driven applications based on real-time data, in-memory computing, and machine learning technology. These capabilities are available both in the cloud and on premise.

By combining multiple data management capabilities – and making all types of data instantly available from a single system – SAP HANA simplifies IT, helps businesses innovate, and knocks down barriers to digital transformation (Source SAP).

What is SAP FI?

FICO is an acronym for Financial (FI). This is a core module in SAP to help organizations capture financial business transactions, maintain efficient financial records, and generate financial reports for both external and internal reports for efficient decision making and strategic planning.

Financial (FI)

FI Module is a business process designed specifically for organizations to maintain their financial records efficiently on a daily basis, for management to be able to ascertain their financial position, and to generate financial statutory reports for external purposes to meet the needs of various stakeholders real time.

The FI module consists of other sub-modules, which include General Ledger (G/L), Accounts Receivable (AR), Accounts Payable (AP), Bank Accounting, Asset Accounting, Special Purpose Ledger, Travel Management, etc.

FI is integrated with other modules like Controlling (CO), Asset Accounting (FI-AA), Sale and Distribution (SD), and Material management (MM). Postings made in these modules with financial implication are posted real time to FI.

Easy Access

The Easy Access menu is a user-specific point of entry into the SAP system. It is the first screen that comes up when you log on to SAP. It is designed as a tree structure containing a list of several key items, which allow you to navigate the system and perform tasks and business processes. For example, you can perform transactions, generate reports, and access web addresses (where you can access documents from a remote Internet server).

IMG

The IMG is a generic tool that you can use to customize business processes and requirements to meet specific needs of an organization. You are presented with three implementation variants in SAP:

- **SAP Reference IMG.** A standard structured hierarchical tool in the R/3 system (real-time three-tier architecture) that contains the procedure for customizing various country settings and application modules.
- **Project IMG.** The configuration process can be very daunting. To help manage the complexity involved in customizing when using the reference IMG, you can create each implementation project based on specific functions needed for business processes and the project requirements. For example, you can reduce the project scope to specific objects such as countries.
- **Project View IMG.** You choose certain properties by specific criteria in order to generate views to organize your project activities. For example, a project view could hold each activity required in a project IMG.

Matchcodes

Matchcodes are user-friendly search functions designed specifically to help you look up or retrieve data records stored in the system. They provide an efficient way of looking for records stored in the system when you do not remember the key.

Who should use this book?

This book is written for SAP FI, MM, SD and FI-AA functional consultants, application consultants, FI business analysts, accountants, FI project management teams, and FI accountants.

A Quick Review of the Book's Content

Each chapter provides a sequence to be followed in customizing SAP FICO from start to finish. The sequence has been arranged to give you the opportunity to work through a complete FICO customizing lifecycle progressively. Each chapter includes all the configuration concepts or activities necessary for your customizing or draws on a previous chapter.

Chapter 1 sets the scene by looking at organizational structure and explains how to create various objects in SAPR/3. This includes how to create company codes, business areas, segments, country-specific settings, and so forth.

Chapter 2 explains and defines the Master Record, including how to edit the Chart of Accounts and how to assign a company code to the Chart of Accounts. It further explores how to define the Account Group and Retained Earnings account.

Chapter 3 looks at the purpose of document control and various forms of document types in the SAP S4 system. It also looks at the steps involved in defining number ranges and setting field status variants. It emphasizes the various principles along with the importance of posting keys, normal and special posting periods, and how to create variants for posting periods.

Chapter 4 explores posting authorizations by discussing the purpose of posting authorization, defining tolerance groups for G/L accounts and employees, assigning users to defined tolerance groups, and creating accounts for clearing differences.

Chapter 5 takes a look at the general ledger and its sub ledgers. It covers when to use line items and open item management, how to create G/L accounts, and how to set other objects settings to consider when creating G/L accounts.

Chapter 6 discusses clearing open items and various types of open-item clearing issues. It covers configuring automatic open item clearing, maximum exchange rate difference settings, the importance of foreign currency valuation, foreign currency balance sheet accounts, and G/L account balances managed on an open-item basis. It also looks at types of exchange rates and how open items are valued in foreign currency.

Chapter 7 explains how to define local and foreign currencies for company codes, maintain the relationship between currencies per currency type, and the purpose of exchange rates. It also explores how to maintain the various exchange rate types and how to define translation ratios for currency transactions.

Chapter 8 explores how to define GR/IR (Goods Receipt/Invoice Receipt) and how to configure GR/IR settings in the SAP R/3 system.

Chapter 9 deals with the House Bank and how master records are created in it. It explains using the House Bank ID and account ID, bank statements supported by SAP, creating global settings for electronic bank statements, configuring manual bank statements, defining posting keys and posting rules for check deposit, and defining variants for check deposit.

Chapter 10 looks at taxes on sales and purchases, including VAT. It covers how to create sale and purchase taxes in SAP R/3, how to specify the tax category in the G/L accounts to which taxes are posted, how to assign the basic tax code for sales and purchases, how to specify the accounts to which different tax types are posted, and how to assign tax codes for non-taxable transactions.

Chapter 11 covers the cash journal by explaining what it is and explaining which items are defined when setting up a new cash journal. It identifies the document types for cash journal items, explains how to create G/L accounts for cash journals, and how to set up the cash journal.

Chapter 12 explains the Financial Statement Versions (FSV). The chapter looks at how to create an FSV from scratch, covers the specifications to be conducted when defining FSV, how to call up FSV hierarchy nodes, and how to assign appropriate G/L accounts.

Chapter 13 explores the Integration of FI with other modules in SAP R/3. This includes automatic postings of material to FI using the valuation class of material as the key to which the G/L account materials are posted, the settings for automatic posting configuration, how to create inventory accounts using the BSX transaction key, how to create corresponding credit accounts for GR/IR clearing accounts using the WRX transaction key, how integration of FI and SD works, and how to prepare revenue account determination.

Chapter 14 deals with Accounts Receivable and Accounts Payable by looking at what is Accounts Payable/Receivable, the steps involved in creating Payable/Receivable, what is Account Group and the function of Account of Account Group, how to enter Accounting Clerk name under an Identification code (ID), Create Number Range for Vendor/Customer, how to resolve Number Range overlaps, Assign number range to Customer/Vendor group, define account group with screen layout. The use of Payment terms in SAP, Assignment of Payment Terms to business partners, the purpose of defining payment terms in SAP, how to create an Installment Plan. How to configure Cash Discount Taken/Granted, Define Payment Block Reasons and process payment manually, how to Maintain Tolerance groups for Employees, Customers/Vendors, and GL Accounts. Finally, how to Maintain Automatic Outing Payment to allow the system to make multiple payments of open item invoices.

INTRODUCTION

Chapter 15 looks at the various levels involved in defining dunning and the specification of Special GL transactions to allow the system to dun Special GL transactions.

Chapter 16 looks at why it is important to disclose Special GL transactions separately by using alternative reconciliation accounts. An explanation of Special GL Transactions includes Guarantees (Automatic Offsetting Entry (Statistical)) and Down Payments (Free Offsetting Entry). The Configuration of Special GL Transactions, What is Down Payment, Down Payment Made, Received and Requested and how to Define Tax Clearing Account for Down Payments

Chapter 17 looks at ledgers in SAP S4 HANA and the types of ledgers presented in S4, such as standard ledgers and extended ledger, and defines accounting principles that form part of parallel accounting. It also looks at how to define ledger groups, ledger settings for ledgers and currency types, and how to assign accounting principles to ledger groups.

CHAPTER 1

Customizing Financial Accounting Enterprise Structure in SAP S/4HANA

In this chapter, we will explore how to:

- Define Company Code in Global Settings and assign Company to Company Code.
- Define Fiscal Year Variants and the assignment of Fiscal Year Variants to Company Code.
- Define Open and Close Periods, how to define Open and Close Periods Variants, and the assignment of the defined open and close to Company Code.

Enterprise Structure (ES) is the foundation upon which your entire organization is built in the SAP S4 HANA System. The advantage of ES is that it gives you the platform upon which various models in your Organization units are provided. The Financial (FI) Organizational Elements you create in this chapter will form the basis upon which other configurations in subsequent chapters will be built upon.

Note How your project is structured is determined by how your organization unit is defined. Hence definition of your organizational unit is very important. You should only create the new organization unit that is required by your existing data structures. Since you cannot easily change an organization unit once created, it is therefore important to have an understanding of what your organization may look like in the future.

Let's look at the steps involved in this Customizing

When you logon to SAP S4 HANA, the **SAP Easy Access** screen is displayed, as in Figure 1-1.

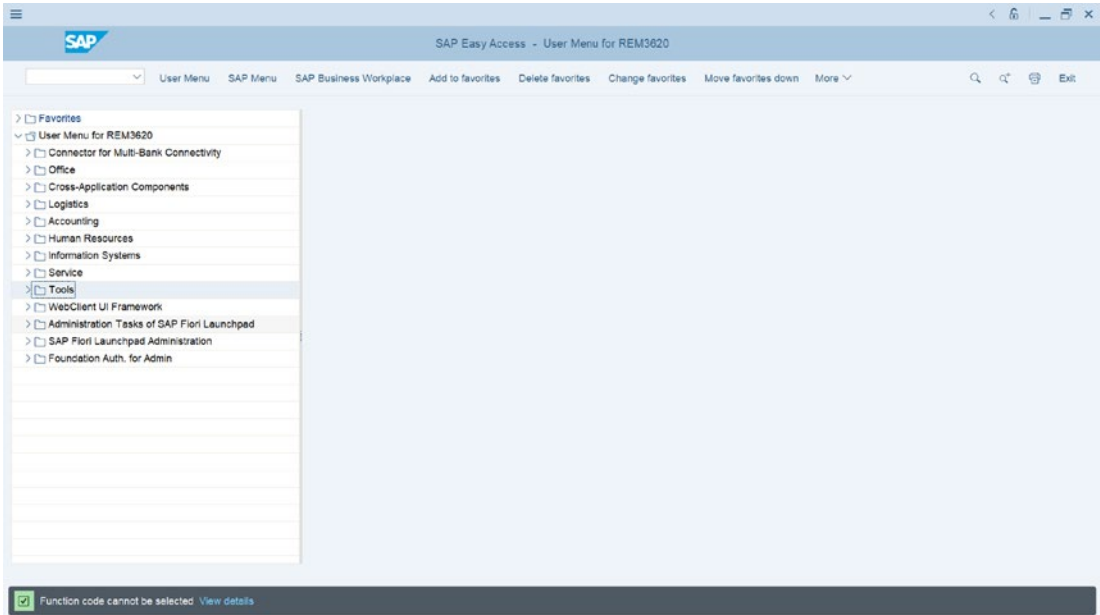


Figure 1-1. Select Tools to start customizing

The Easy Access screen contains a list of functions to choose from. It is the initial point of entry into SAP S4 HANA. To call up the Customizing: Execute Project screen where you will start your customization, follow the menu path: **SAP Easy Access ► Tools – Customizing ► IMG ► Execute Project (SPRO) ► SAP Reference IMG.**

A quicker way to access the Customizing: Execute Project screen is by using a transaction code (SPRO). Transaction codes are used to navigate tasks in a single step thereby bypassing the standard menu path that involves several time-consuming steps. You use a transaction code to access the task you want to execute by simply typing it into the Command Field at the top left hand corner of the Easy Access screen (Figure 1-1). Transaction codes are standard sets of alphabets and figures recognized by the SAP System that allow you to access specific tasks. The advantage of using transaction codes is that it is faster to access tasks or enter a customizing workspace that you want to execute in SAP quicker.

The SAP Project Reference Object (SPRO) is a standard transaction code to access the Customizing: Execute Project screen without having to use the menu path. SAP comes with a set of tables containing predefined transaction codes. This table can be accessed by typing SE38 into the command field to go to ABAP Editor: Initial Screen where you can see a list of transaction codes you may want to use. The ABAP Editor is beyond the scope of this book. However, you can also access transaction codes on the Easy Access Screen by choosing **More ► Extra ► Settings** on the menu bar at the top right hand of the screen or by simply pressing Shift+F9 on your keyboard. The Setting Screen will come up with what you can choose from. Select Display Technical Names, which is the fourth item on the displayed list of available options, by ensuring that the checkbox is activated and by pressing enter on your keyboard. This action will allow the system to display technical names with transaction codes before every function. We have also provided a list of useful technical codes in Appendix 1 which you can use as a reference.

To display the Customizing: Execute Project screen, type SPRO into the Command Field. The screen where you can start your customizing will be displayed, as in Figure 1-2.

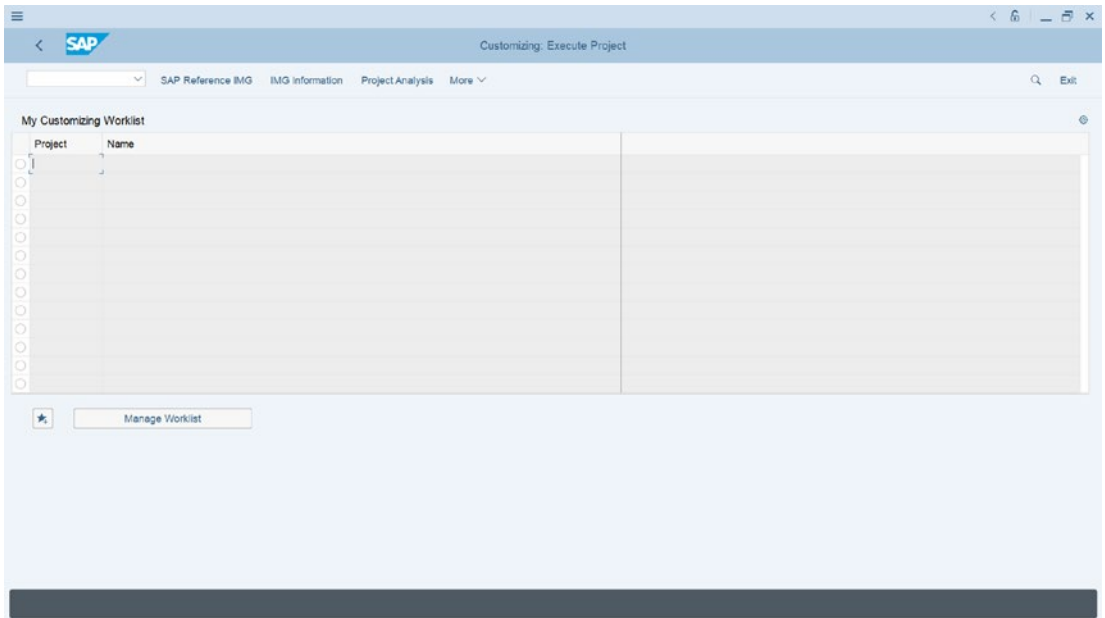


Figure 1-2. SAP reference implementation guide

At the top left hand of the screen, you will see the SAP Reference IMG button. IMG stands for Implementation Guide for customizing in SAP S4 HANA. When you click the SAP Reference IMG button, this action will take you to the *Display IMG* screen, as in Figure 1-3.

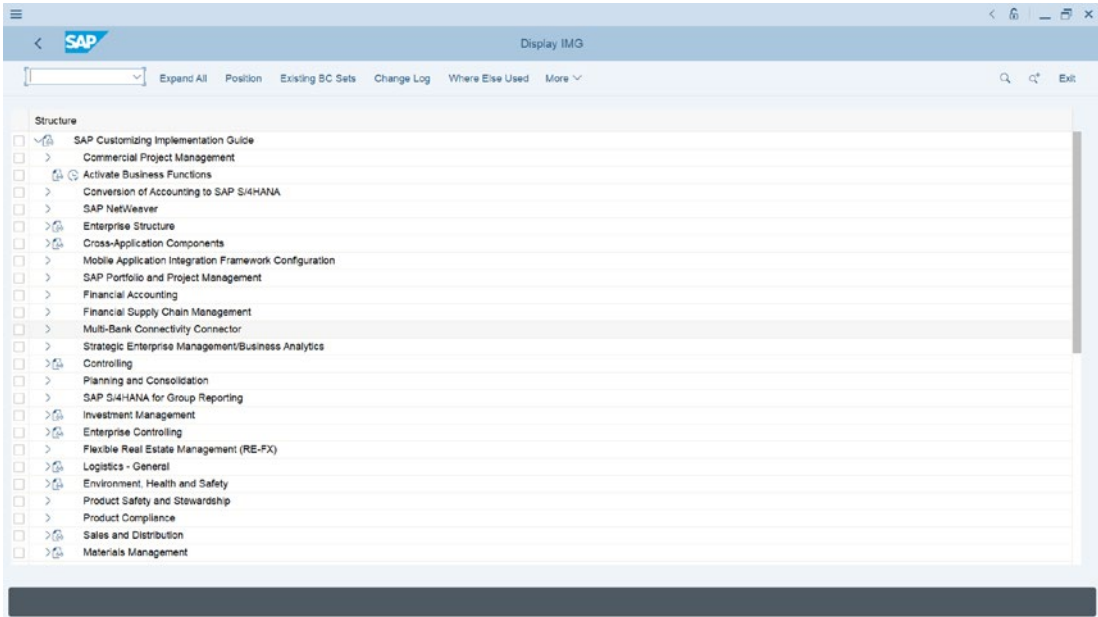


Figure 1-3. *Display IMG screen*

This is where you will start your configuration. In IMG structure, you can select the item you want to customize from the displayed lists on the structure.

Define Company

A company is an organizational unit for accounting purposes from which financial statements are generated in accordance with the legal requirements. Secondly, financial transactions are viewed at company code level. It is important that you define at least one company in the Enterprise Structure as part of the financial accounting component to which one or more company codes are assigned. You will define a company code at this initial stage and then later in this chapter you will also define company codes and assign the company codes you have defined to the company you have defined.

There are two ways to access the screen where you will define your company in SAP S4 HANA. You can either follow this menu path: **Enterprise Structure ► Definition ► Financial Accounting ► Define Company**. This is a standard transaction code for creating a company in SAP S4 HANA. When you use either the menu path or the Transaction code, this will take you to the **Change view “Internal trading partners”**: screen, as in Figure 1-4. This screen is where you will define the parameters for your Company.

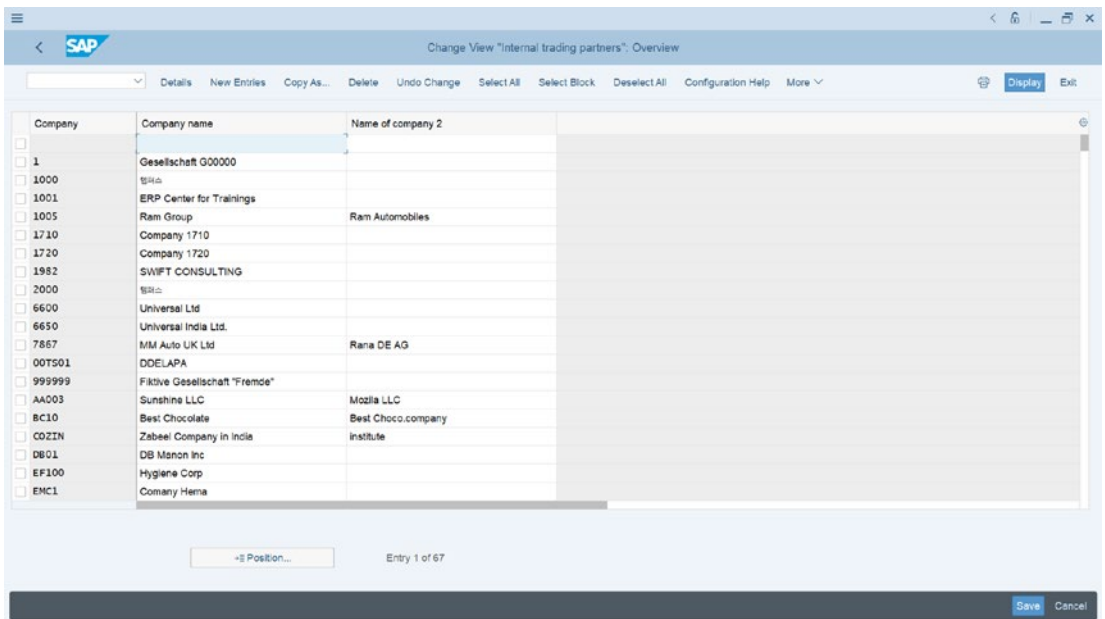


Figure 1-4. Defining company

Note You will notice on the previous screen that a list of company codes are displayed on this screen. This is normal, as other Company codes may already exist in the system. All you need to do is to only create your own company code by hitting the New Entries button above.

Case study: As an SAP functional consultant working in a team of SAP consultant as part of your responsibility you are to customize the company code for your client – Spoxio Inc., a social media app company using C100 as the company code.

Click the New Entries button at the top left of the screen. This function will take you to the next screen *New Entries: Details of Added Entries* where you will define your company using up to a maximum of six characters and your company details, as in Figure 1-5.

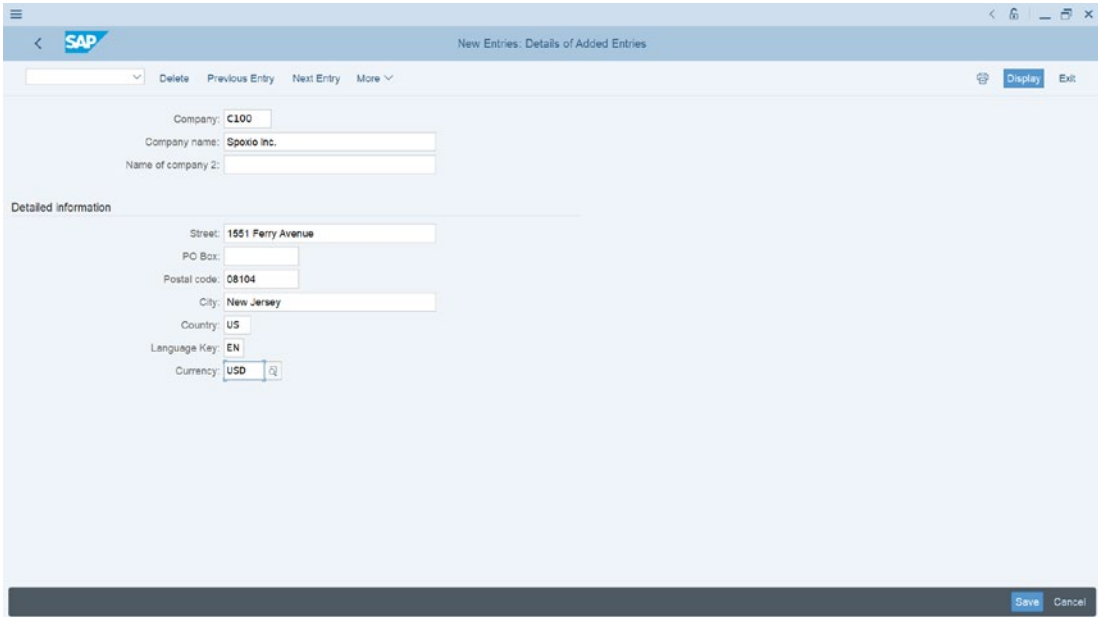


Figure 1-5. *New Entries screen to enter your company’s details*

The New Entries: Details of Added Entries screen, Figure 1-5, is divided into two sections. The first section contains fields where you will enter your Company code and Company name. You have the option of entering a second company in the section if you have more than one company name. The second section is the detailed information section which contains fields that will enable you to enter the company’s address, language key (your company language, for example, if you are in the USA, your company language key will be EN which stands for English) and your company currency (this is your company local currency in the USA, for example, the local currency key is USD which is United States Dollar). Update the following fields using the information below:

- Company:** You can enter up to six characters as your company code in this field. You can use the details in Figure 1-6 as a guide. The code you enter here will serve as your company identifier, especially in an environment where other company codes are existing in the system.
- Company name:** Enter your company

name in this field. For example, the company name we used in this activity is **Sproxio Inc.** This field allows you to use up to a maximum of 25 characters as your company name.

Detail information: This section will allow you to enter further detailed information about your company as part of your company definition. Details entered here will be used as your correspondence address and currency for generating company code financial statements. Enter your company's address, post code, city, country code, language key, and currency code in the appropriate fields.

Note The SAP system comes with standard codes/keys for most countries:

- **Country code/key:** This key is represented in SAP S4 HANA as the country key where your company is operating. For example, the country code for Great Britain is GB, for the United States it is US, Germany it is DE, etc.
- **Language code/key:** This is your company language code. For example, Great Britain Language code is EN, USA is EN, and Germany is DE. Enter your company language key in this field. If you are not sure of your language key, you can search for it using the search function.
- **Currency code/key:** For example, for Great Britain the code is GBP, for the United States it is USD, and for Germany it is EUR. This is your company code local currency.

After you have entered your company code and address, as in Figure 1-5, click the save button at the bottom right of the screen to save your work. Click the Exit button at the top right of the screen to exit the screen.

The next step in this exercise is to define a company code for your company.

Define a Company Code

To meet a country-specific tax and legal reporting requirements, it is important to define at least one company code (you can define more than one company code depending on your requirements) that will be assigned to the company you defined above. All Company Codes are country specific. In SAP S4 HANA, the company code is an organizational unit used in FI (Financial Accounting) to structure a business process for financial reporting purposes.

In SAP S4 HANA you have the option to either define your company code from scratch or you can copy an existing company code supplied by SAP in the system. SAP recommends that you use the standard company code 0001 supplied by SAP in the system when copying an existing company code which you can modify to your own company code. The advantage of copying a company code supplied by SAP is that you are copying the existing company code-specific parameters you can modify to fit your requirements, and this will save you time in customizing.

To define your company code, follow this menu path: **IMG** ► **Enterprise Structure** ► **Definition** ► **Financial Accounting** ► **Edit, Copy, Delete, Check Company Code**.