

THE EXPERT'S VOICE® IN SAP ERP

SAP ERP Financial Accounting and Controlling

Configuration and Use Management

Andrew Okungbowa

Apress®

For your convenience Apress has placed some of the front matter material after the index. Please use the Bookmarks and Contents at a Glance links to access them.



Apress®

Contents at a Glance

About the Author	xxi
Acknowledgments	xxiii
Introduction	xxv
■ Chapter 1: Customizing Organizational Structure in SAP ERP	1
■ Chapter 2: Defining the Chart of Accounts	27
■ Chapter 3: Document Control	41
■ Chapter 4: Defining Tolerance Groups for G/L Accounts and Employees.....	55
■ Chapter 5: Creating a General Ledger (G/L).....	65
■ Chapter 6: Clearing Open Items.....	81
■ Chapter 7: Maintaining Currency Types and Currency Pairs	101
■ Chapter 8: Defining Adjustment Accounts for GR/IR Clearing	111
■ Chapter 9: Defining the House Bank.....	117
■ Chapter 10: Defining Tax on Sales and Purchases	151
■ Chapter 11: Customizing a Cash Journal	163
■ Chapter 12: Financial Statement Versions (FSV).....	173
■ Chapter 13: Integration of FI with Other SAP ERP Modules	189
■ Chapter 14: Defining FI Accounts Receivable and Accounts Payable.....	203
■ Chapter 15: Defining the Dunning Procedure and Correspondence	263
■ Chapter 16: Customizing Special G/L Transactions.....	281
■ Chapter 17: End User - Accounting Document Posting	297

■ CONTENTS AT A GLANCE

■ Chapter 18: Customizing the Controlling Module	359
■ Chapter 19: Customizing New General Ledger Accounting	421
■ Appendix A: Useful General Ledger Accounts	469
■ Appendix B: Some Useful Transaction Codes	547
Index	555

Introduction

In this introduction, I explain the meaning of the acronym SAP, the origin of SAP, and the concept of SAP implementation. We will go further to look at Enterprise Resource Planning (ERP) as it relates to SAP, the importance of SAP, and the steps involved in implementing SAP ERP.

What Is SAP?

SAP (Systems, Applications, and Products) in data processing is the leading ERP (Enterprise Resource Planning) business application software in the market today. The software provides a unified platform that allows business processes integration. SAP is developed by SAP AG, a German software company founded in 1972 by five ex-IBM employees. With its headquarters in Germany, SAP has regional offices around the world.

SAP is used by many Fortune 500 companies worldwide as a business solution for processing operational data and for generating reports in real-time, which helps all levels of management make better decisions and enables them to manage business processes effectively and efficiently.

ERP (Enterprise Resource Planning)

ERP is accomplished through business software packages like SAP that are made up of application modules that companies use to store data and manage business processes as a whole. Modules involve accounting, human resources, security, supply chain management, and more. These modules are used to manage the “8Ms,” (Man, Material, Machine, Money, Method, Minutes, Management, and Marketing). The idea is to improve efficient management enterprise resources.

Besides SAP, ERP packages are produced by Oracle (PeopleSoft), BAAN, JD Edwards, and Siebel, among others.

The Importance of SAP ERP

Since its inception in 1972, SAP has gained international acceptance across the world by large organizations as the most preferred business solution package. SAP ERP is structured in three-tier layers, which makes it a robust ERP software solution. Apart from being the most widely used application software in the world today, the following benefits are derived from the use of SAPERP.

Real-Time Three-Tier Architecture

SAP supports a real-time three-tier (R/3) architecture made up of these three layers:

- *Presentation Layer:* This is the first layer in a typical three-tier architecture and it serves as the input device that controls the SAP system. It is user-friendly Graphical User Interface (GUI) that's used by the end-user to input data into the system. It also serves as a data-output device. The presentation layer communicates with the application layer.
- *Application Layer:* This layer serves as the middleman in a SAP system. It's where the all processing is done. The application layer can be referred to as the central processing unit (CPU). It collects data from the database, processes it, and passes it to the presentation layer.
- *Database:* Allows the data to be stored, called up, and modified.

The real-time three-tier architecture allows separate business processes to function under a single, integrated business management information system.

Customizable Solution

SAP ERP 6.0 is scalable and suited for medium and large organizations, since it provides a customizable solution using the structured programming language, ABAP/4. This flexibility allows companies to customize the system to meet their specific needs. In order to enable customers and partners to customize the SAP application to meet their specific-business requirements, SAP comes with the Easy Access menu and the Implementation Guide (IMG) menus.

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 logon to SAP. It is designed in a tree structure containing a list several key items that provide the options that allow you to navigate the system and perform tasks and business processes. For example, you can perform transactions and generate reports and access web addresses (where you can access documents from a remote internet server).

IMG (Implementation Guide)

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

- *SAP Reference IMG.* This is a standard structured hierarchical tool in R/3 system (real-time three-tier architecture) that contains the procedures for customizing various country settings and application modules in the SAP system.
- *Project IMG.* Configuration process can be very daunting. To help manage the complexity involved when using the reference IMG, you can create each implementation project based on specific functions needed for business processes and requirements. For example, you could use it to 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.

Matchcode

Matchcode is a user-friendly search function designed to help you lookup or retrieve data records stored in the system. It's an efficient way of looking for records stored in the system when you do not remember their keys.

Supports Other Operating Systems

SAPERP 6.0 EHP7 is very versatile and supports various operating systems, such as:

- Microsoft Windows 2000 professional, Microsoft XP professional, and Microsoft Server 2003
- HP UX 11.11 and HP UX 11.23
- Novell SUSE SLES9
- Sun Solaris 9 and Sun Solaris 1
- IBM AIX 5.2 and IBM AIX 5.3

Unified Platform

SAP provides the platform where all business processes are executed in a single system and share common information.

Incorporating Multiple Languages and Currencies

SAP ERP is ideal for multinational organizations because of the flexibility incorporated, which allows the system to run on multiple currencies and use different languages. These features make SAP a global software solution.

Integrated ERP Solutions

SAPERP is an integrated ERP package that incorporates other modules. These include Financial (FI), Controlling (CO), Material Management (MM), Sales and Distribution (SD), Production Planning (PP), Human Resources (HR), Financial Supply Chain Management (FSCM), Customer Relationship Management (CRM), and others.

Reduced Implementation Cost

The cost and time needed to implement SAP can be reduced by applying rapid-implementation techniques using global and industry-specific templates during customization.

Global Presence

As the market leader in ERP, the SAPERP solution is currently used in over 28 industry sectors and has a strong global presence in more than 120 countries worldwide. This number is predicted to rise.

SAP FICO

FICO stands for Financial (FI) and Controlling (CO). These are the two core modules in SAP and are tightly integrated to help management maintain and generate financial reports for efficient decision-making and strategic planning.

Financial (FI)

The 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 for those who need to generate financial statutory reports for external purposes to meet the needs of various stakeholders in real-time.

The FI module consists of other sub modules, including: General Ledger (G/L), Accounts Receivable (AR), Accounts Payable (AP), Bank Accounting, Asset Accounting, Special Purpose Ledger, Travel Management, and so on.

FI is integrated into other modules like Sales and Distribution (SD) and Material Management (MM). Postings made in these modules with financial implications are posted real-time to FI.

Controlling (CO)

The Controlling module is designed specifically to provide operational information to management to aid better decision-making, and for formulating strategic and operational planning. In SAP ERP, the Controlling module is composed of the following sub modules: Cost Element, Cost Center, Internal Order, Activity-Based Costing, Product Costing, Profitability Analysis, and Profit Center.

Why This Book?

This book arose out of my sincere desire to simplify the complexity involved in SAP FICO configuration. It is also an attempt to make SAP FICO configuration an interesting career path for those so inclined.

As a SAP trainer at the corporate and individual level, I've learned that the best way to teach is to design a systematic approach that guides beginners step by step through using all learning resources available. This can make learning fun and interesting. That is what I have done in this book.

You'll find that *SAP ERP Financial Accounting and Controlling: Configuration and Use Management* is one of the most illustrative SAP FI books on the market. It includes numerous screenshots and practical examples. Even those without prior configuration knowledge or skills of any sort will be able to follow each step with ease, which is what makes this book unique.

To promote a better understanding of the complexities and concepts of the activities throughout the book, I followed a problem-based approach that tries to replicate real-world situations. As you work through each problem, you will gain the practical experience needed to become an expert in the world of SAP. Every problem used in the book is geared to meet business processes and requirements unique to each customizing step, but the overall objective is to equip you as a functional SAP consultant on the completion of this book.

The book covers the financial (FI) module, the controlling (CO) module, the new general ledger (G/L) accounting modules, and some aspects of end-user postings.

This book is unlike others in that it incorporates IMG (Implementation Guide) and accounting. The IMG side of the system is where SAP configurations are performed and the accounting side of the system is where end-users input data into the system. It is also unique in giving readers a great opportunity to learn the rudiments of FI, CO, new G/L implementation, and accounting for end-users simultaneously. The benefit of combining the SAP implementation and Easy Access is that you have an opportunity to explore both sides of the system to gain an in-depth understanding of how data flows in the system. Additionally, trainers will find the book excellent material for those charged with showing others how to configure and use SAP FICO.

A Quick Overview of the Book's Contents

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 SAP R/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 R/3 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 account using the WRX transaction key, how integration of FI and SD works, how to prepare revenue account determination, and how to define accounts for overhead cost controlling.

Chapter 14 deals with Accounts Receivable and Accounts Payable, including the steps involved in creating a payables/receivables, the function of the account group, how to create IDs for accounting clerks, how to create vendor/customer details, how to resolve number range overlaps, and more. It also covers payment terms in SAP, the purpose of defining payment terms in SAP R/3, and how to create installment plans. The chapter also defines the sort method and adjustment accounts for regrouping receivables/payables, and adjustment accounts for receivables/payables by maturity. Finally, the chapter shows you how to adjust or post document reversals using the negative posting method, and how to define reasons for reversal.

Chapter 15 covers correspondence and dunning, including how to define correspondence types, sender details, the various levels involved in defining dunning. It explains how to determine special G/L transactions so the system can dun them.

Chapter 16 looks at why it is important to disclose special G/L transactions separately by using alternative reconciliation accounts. It provides an explanation of special G/L transactions, including guarantees, down payments, and bills of exchange. It also covers down payments in depth.

Chapter 17 looks at how to create and change vendor/customer master records in Easy Access, how to post invoices in the system, how to treat credit memos, how to hold and park documents, how to manage incoming and outgoing payments, how to process partial payments and residual items, how to generate dunning, and how to manage cash journal postings.

Chapter 18 explores some of the Controlling modules, starting with the overall organizational structure. It then looks at cost element accounting, cost center accounting, and profit centers.

Chapter 19 looks at the new general ledger and its benefits, the leading/non-leading ledgers, how to define ledgers and currencies, what scenarios are and how to assign them to ledgers. It also briefly explains accounting principles and how to assign them to ledger groups. Finally, it covers real-time integration of controlling (CO) with FI, how to define documents for entry view in a ledger, the classification of G/L accounts for document splitting, zero-balance clearing, and more.

Appendix A covers all the appropriate G/L accounts needed for your configuration.

Appendix B provides some useful transaction codes that allow you to access tasks easily rather than going through the menu path, which may be time-consuming.

CHAPTER 1



Customizing Organizational Structure in SAP ERP

In this chapter, you learn how to customize the key organizational units in Financial Accounting (FI). At the end of this chapter, you will be able to:

- Define a company
- Define a company code
- Assign a company to a company code
- Define a business area
- Define a segment
- Define and assign fiscal year variants to a company code
- Define open and closing periods variants and assign variants to a company code

Organizational Structure

Organizational structure is a formal line of command structured systematically to highlight the order of authority, relationships, position, communication, duties, responsibilities, and reporting procedure in an organization. The primary objective of an organization is to utilize its resources effectively to maximize return to the shareholders. To do this, an organization needs a formal organizational chart (organogram) spelling out how tasks and activities are allocated, coordinated, and supervised. In addition, it shows how information flows between various management levels.

SAP tends to mimic the conventional organizational structure in the representation and distribution of tasks in the system based on functions and departments. In SAP, the structure is made up of organizational units just like the conventional organizational structure in a business.

The organizational units in FI in SAP ERP are specifically geared toward meeting business functions and generating reports (financial statements) for external purposes while meeting legal regulations. Creating an organizational unit is a minimum requirement in SAP FI.

Organizational structure in FI is company code-specific. As part of organizational structure customization in a SAP system, it is therefore mandatory to define appropriate organizational units in the system for the system to be able to perform your business processes effectively.

Figure 1-1 depicts the organizational units in Financial Accounting and the sub-modules within Financial Accounting in SAP ERP using an organizational chart. The sub-modules in Financial Accounting include Accounts Payable, Accounts Receivable, General Ledger, Asset Accounting, and so on. Data entered at this level is valid for all company codes and organizational units in the client.

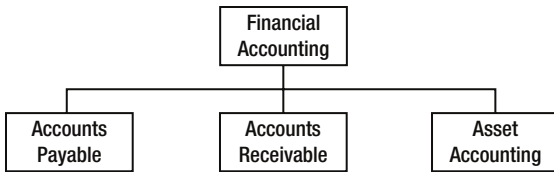


Figure 1-1. Example of organizational units of Financial Accounting in SAP

The Client

The *client* is an independent unit in the SAP ERP with its own master records and sets of tables. Data entered at this level is valid for all company codes (defined in the next section) and organizational units in the client. In other words, all the company codes in the client will have access to data created at this level. For that reason, the client is said to be the highest level in a SAP system hierarchy. The benefit of the client is that data is entered only once, thus eliminating duplication, reducing redundancies, and saving resources like storage space. As all company codes in the client can have access to the same data created at this level, the need to create individual data for each company code is eliminated.

Each client has its own unique log-on key, which must be entered by the user in order to access the client and perform business processes.

In a client, you can define one or more company codes. Likewise, one or more business areas can be assigned to one or multiple company codes, as depicted in Figure 1-2.

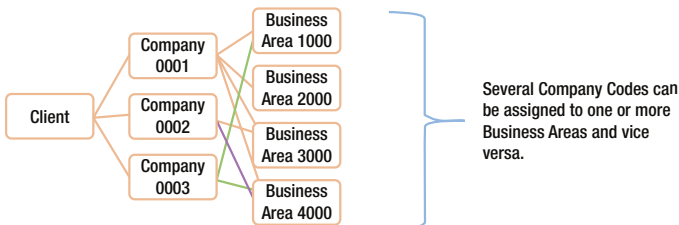


Figure 1-2. Many-to-many relationships between company codes and business areas

Company Code

A company code is a separate independent and legal entity that allows you to model and remodel your business organization based on financial reporting requirements (such as the profit and loss statements and balance sheets). Every company code in SAP ERP is represented with a unique four-character code. The code allows you to identify a company in a client. This is the case in an environment where you have more than one company code in a client.

In practice, global corporations have operations in several countries across the globe and it is often mandatory for global corporates by law to meet legal reporting and disclosure requirements in each country of their operation. Every country has its own accounting regulations with which companies operating within their border must comply. SAP ERP is beneficial in this aspect, because it allows organizational units in the same corporate organization functioning in various countries to function independently for reporting purposes. This enables you to meet specific tax and other legal reporting requirements by allowing you to use a separate unique company code for a company in each country.

In the SAP ERP when customizing company code, you define the following items:

- Company name
- Country
- Language key
- Currency

In addition, a company code must be assigned at least one operational or primary chart of accounts needed for business processes in the company code. Occasionally, a group chart of accounts may be needed for controlling purposes and a country-specific chart of accounts may be needed to meet country-specific reporting requirements. A group chart of accounts is optional. You will learn about chart of accounts in detail in Chapter 2.

Let's Start Customizing

When you log on to SAP ERP, the SAP Easy Access screen is displayed (Figure 1-3).

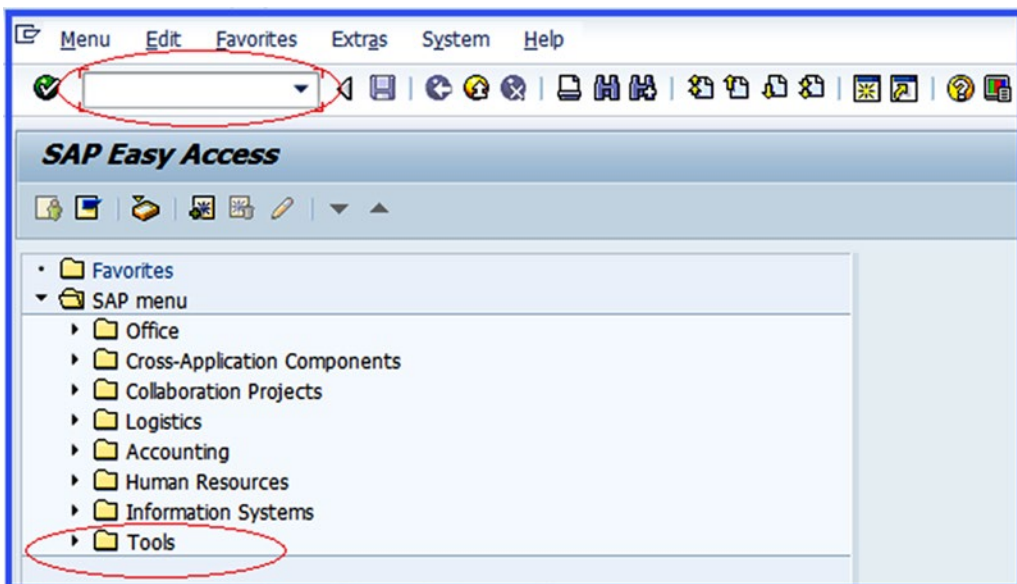


Figure 1-3. Select Tools to commence customizing

The Easy Access screen contains a list of functions to choose from. It is the initial point of entry into the SAP ERP. In order to call up the Customizing: Execute Project screen where you will commence your customizing, follow the menu path: SAP Easy Access ► Tools ► Customizing ► IMG ► Execute Project (SPRO) ► SAP Reference IMG.

A quicker way to access the same screen is by using transaction codes. Transaction codes are used to navigate a task in a single step, by bypassing the standard menu path that involves several time-consuming steps. You use a transaction code (TC) to access the task you want to execute by typing it into the Command Field, which is the blank field circled in red on the top-left side of the screen in Figure 1-3. Transaction codes are standard sets of alphabets and figures recognized by a SAP system that allow you to access specific tasks in SAP. The benefit of using transaction codes is that it is faster to access tasks or enter a customizing workspace that you want to execute in SAP.

The SAP Project Reference Object (SPRO) is a standard transaction code that allows you to access the Customizing: Execute Project screen without using the menu path. SAP ERP comes with a set of tables containing transaction codes. This table can be assessed by typing **SE38** into the Command Field to go to the ABAP Editor: Initial, where you will look for the transaction code you want to use. The ABAP Editor: Initial is beyond the scope of this book. However, you can also access transaction codes on the Easy Access screen by choosing Extras ► Settings on the menu bar at the top of the screen or simply by pressing Shift+F9 on your keyboard. The Settings screen pops up with several options to choose from. Select Display Technical Names, which is the last item of the displayed list of available options by making sure that the checkbox is activated. Then press Enter. This action allows the system to display technical names before every function. A list of useful transaction codes appears in Appendix 2, which you can use as a reference.

To call up the Customizing: Execute Project screen, type **SPRO** into the Command Field now. Figure 1-4 will appear. This screen allows you to go to IMG Display screen, where you can select from the list of displayed tasks to commence your customizing.

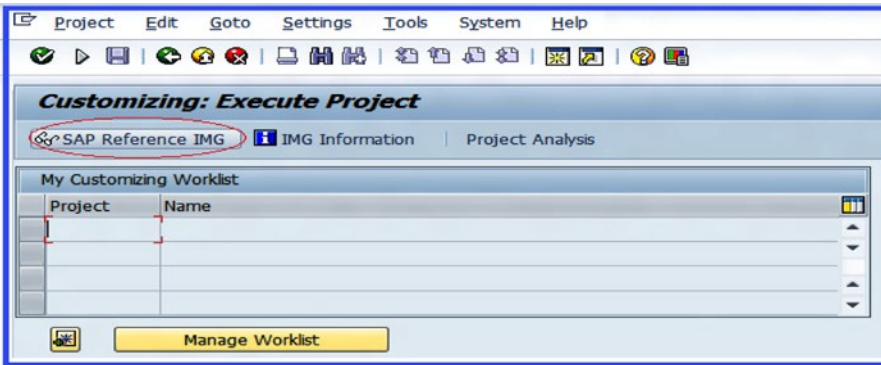


Figure 1-4. SAP Reference Implementation Guide

In the top-left of this screen, you'll see the SAP Reference IMG button. IMG simply stands for *Implementation Guide* for customizing in SAP R/3. The button takes you to the lists of all the tasks that constitute implementations in the SAP ERP system that you can choose from as part of your configuration.

Click the **SAP Reference IMG** button to go to the Display IMG screen (Figure 1-5). Display IMG contains a list of customizing steps available in the SAP ERP. Select Enterprise Structure from the tree structure. This is where you will start your configuration for this activity.

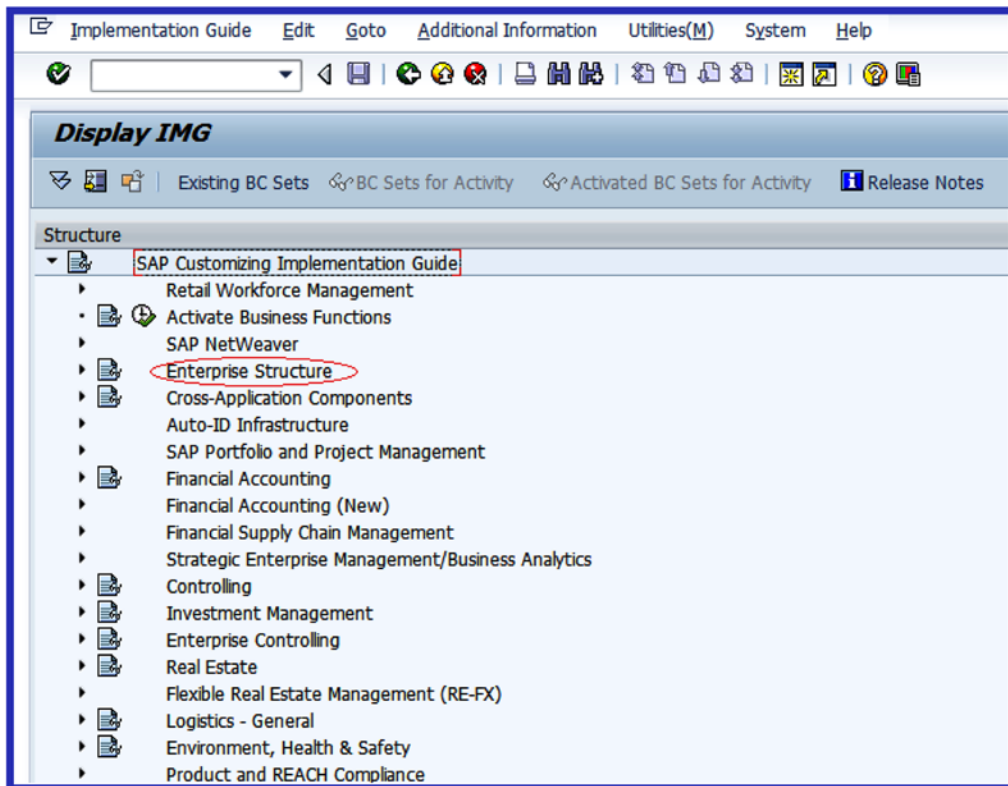


Figure 1-5. Customizing the Display IMG screen

In the Enterprise Structure under Financial Accounting, you will define your company, Company Code, Business Area, and Segment and assign a company code to your company.

Define a Company

In SAP, a *company* is an organizational unit treated as a legal entity from which a financial statement is generated in line with legal requirements. It is mandatory that a company be defined at least as part of financial accounting component to which one or more company codes are assigned in the SAP ERP system. You will define a company at this initial stage and then later in this chapter you will also define a company code and assign the company to the company code.

There are two ways to access the screen where company is defined in SAP R/3. You can follow this menu path: IMG ► Enterprise Structure ► Definition ► Financial Accounting ► Define Company or you can use the transaction code OX15. This is a standard transaction code for creating your . When you use either the menu path or the TC, the Change View “Internal Trading Partners”: Overview screen appears (Figure 1-6). This is where you define the parameters for your new company. This screen displays the list of company codes in the system as an overview before you define your own company code.

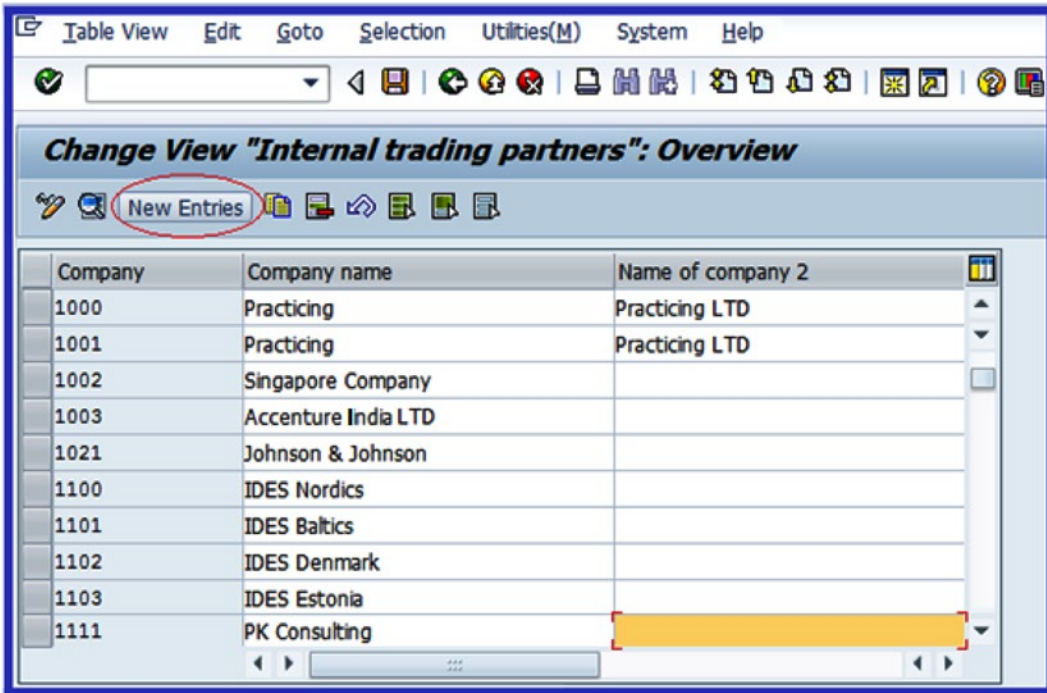


Figure 1-6. Defining the company code

■ **Note** Notice in Figure 1-6 that a list of company codes is displayed on the screen. This is normal, as other company codes may already exist in the system.

Click the **New Entries** button to go to the next screen, which is called New Entries: Details of Added Entries (Figure 1-7). You will define your company code using four characters and your company details.

The screenshot shows the SAP 'New Entries: Details of Added Entries' screen. The interface includes a menu bar with options like 'Table View', 'Edit', 'Goto', 'Selection', 'Utilities(M)', 'System', and 'Help'. Below the menu bar is a toolbar with various icons, including a green circle around the 'Save' icon. The main content area is titled 'New Entries: Details of Added Entries' and is divided into two sections. The first section contains fields for 'Company' (C900), 'Company name' (Company C900 Plc), and 'Name of company 2'. The second section, titled 'Detailed information', contains fields for 'Street' (Bond Street), 'PO Box', 'Postal code' (W1 1YY), 'City' (London), 'Country' (GB), 'Language Key' (EN), and 'Currency' (GBP). A red box highlights the 'Detailed information' section, and a green circle highlights the 'Save' icon in the top toolbar.

Figure 1-7. *New Entries screen to enter your company's details*

The New Entries: Details of Added Entries screen 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 and it contains the field that will enable you to enter the company's address, language key, and your company currency. Update the following fields using this information:

Company: Enter four alphanumeric characters as your company code in this field. This code will serve as your company identifier in an environment where multiple company codes exist in the system. You can use up to four characters of your choice as you deem fit.

Company Name: Enter your company name in this field. For example, the company name we use in this activity is Company C900 Plc. This field allows up to 25 characters.


Detail Information: This section allows you to enter information about your company. Details entered here can include a correspondence address and the currency used when 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:


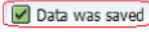
—**Country code/key:** This key is represented in the SAP ERP as the country key where your company is operating. For example, Great Britain’s code is GB, the United States’ is US, Germany’s is DE, and so on.

—**Language code/key:** This is your company language code. For example, Great Britain’s language code is EN, USA’s is EN, Germany’s is DE, and so on. 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.




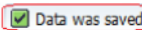
—**Currency code/key:** For example, for Great Britain the code is GBP, for the United States it is USD, for Germany it is EUR, and so on.


After you have entered your company code and address, press Enter on your keyboard or click the Enter  button on the top-left side of the screen to confirm your entries.

■ **Note** You cannot use an existing company code. If your company code already exists, the system will issue an error message when you click the Enter button, at the bottom of the screen. You will see “An entry already exists with the same key” on the status bar. If this happens, use another four characters as your company code.

Finally, click Save . The system will notify you that  on the status bar at the bottom of the screen.

Since this is your first configuration exercise, when you try to save a newly created item the Prompt for Customizing Request screen will pop up. Customizing request allows the system to store your entries for transportation to other SAP systems. This happens only once, when you save your configuration the first time. If this screen pops up, follow these steps to create your request:

1. Click the Create Request  icon on the Prompt Customizing Request pop-up screen. This allows you to create your unique change request. You can create your own request number or choose from existing request numbers.
2. The Create Request screen is displayed. This screen allows you to enter a short description as a request description. Enter any description of your choice in the Short Description field and click the Save  button.
3. The Prompt for Customizing Request dialog box is displayed again. Click the Enter  button to save your configuration so far. Once the system has saved your settings, the system will notify you that  on the status bar.

The next step in your configuration process is to return to the IMG Structure to perform another customizing task. Click the Back  button on top-right side of the screen twice to return to the IMG Structure Implementation Guide. The implementation guide contains lists of all actions requiring implementation in SAP R/3.

Define a Company Code

In this exercise, you define your company code. You can define more than one company code if required. In the SAP ERP, the company code is an organizational unit used in FI to structure a business process for financial reporting purposes. SAP FI gives you the option to edit (create from scratch) your company code or copy the parameters of an existing company code and modify them to meet your requirements.

In this activity you will create your company code from scratch instead of copying existing company code parameters. Choose Edit Company Code Data from the displayed list in Figure 1-8. Follow the menu path: IMG ► Enterprise Structure ► Definition ► Financial Accounting ► Edit, Copy, Delete, Check Company Code or use the transaction code OX02 to go to the Choose Activity screen.

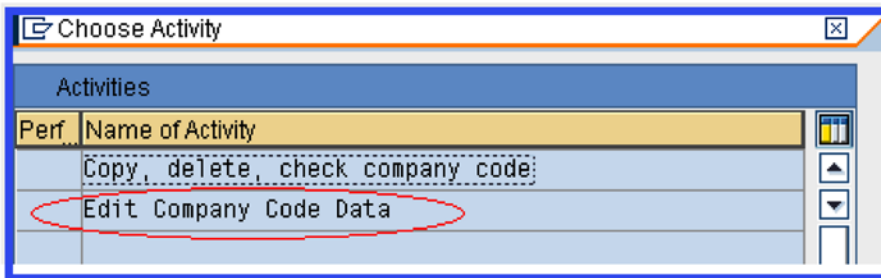


Figure 1-8. Editing the company code data

■ **Note** If you choose to copy an existing company's data from the list of displayed company codes in the system instead of creating a new company code from scratch, use the activity Copy, Delete, Check Company Code in Figure 1-8. This allows you to copy an existing company's code data that comes standard in the SAP system. Examples of standard company codes in SAP are 0001, 1000, 2000, and so on. The company code you have copied will retain most of the properties of the copied company code. Not all the properties are retained, so make sure you go through each step involved in customizing and update all the inherited properties of the copied company code to your own company code as appropriate.

■ **Tip** It is advisable to create your company code from scratch, as this will give you the opportunity to cover every step involved in customizing your company code.

When you choose Edit Company Code Data, the New Entries: Details of Added Entries screen is displayed (Figure 1-9). This screen allows you to enter your company code details in the appropriate fields. The company code details you enter in this screen will be treated by the system as your company data. The screen is divided into two sections. The first section contains the fields for your company code and name. The second section, which is the Additional Data section, contains your company's city, country, currency, and language.

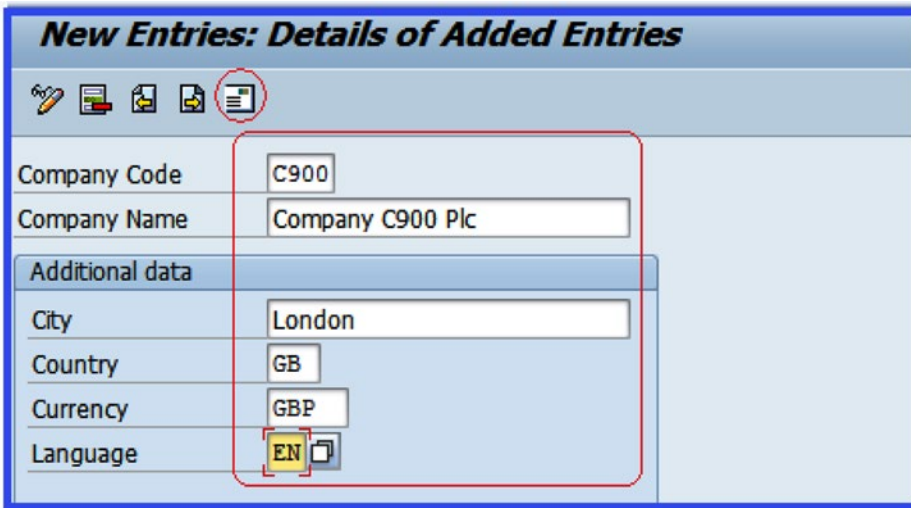



Figure 1-9. The New Entries screen is where you add your company's details

Update the New Entries: Details of Added Entries screen with your company code data. To enter further address details, click the Address (Shift+F5)  button at the top of the screen. This action will call up the Edit Address screen (Figure 1-10). This screen enables you to update your company code master record with the relevant information.

Edit address: 0005




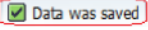
Name		
Title	Company	
Name	Company C900 Plc	
	IDES intern	
Search Terms		
Search term 1/2	COMP	
Street Address		
Street/House number	Bond Street 1	
Postal Code/City	W1 1YY London	
Country	GB Great Britain Region LO Greater London	
Time zone	GMTUK	
PO Box Address		
PO Box		
Postal Code		
Company postal code		
Communication		
Language	English	Other communication
Telephone		Extension
Mobile Phone		
Fax		Extension
E-Mail		
Standard Comm.Method		
Comments		


Preview International Versions

Figure 1-10. The screen to enter your company's address and contact details

This screen is divided into five sections: Name, Search Terms, Street Address, PO Box Address, and Communication. Update each section with your company code information. It is not mandatory that you complete every field on this screen. Update the relevant fields only:

- **Name:** In this section you can enter your company title and name in the appropriate fields. The example uses Company C900 Plc as the company name. The name you enter here will represent your company code name in the system.
- **Search Term 1 / 2:** You have the choice of entering up to two search terms in this section. This is optional, but I recommend that you use meaningful terms. You can use the first four characters of your company name. For example, if your company name is Company C900 PLC, you could use COMP as your search term, as in Figure 1-10. The advantage of using search terms is that they allow you to search for a company code quicker in a situation where you have several company codes in the system.
- **Street Address:** This section allows you to enter a street/house number. This is usually your company's street/house number, postal code/city, country, and region. Upon entering your country and region, the system will automatically display the timezone and region, which is your city code. This is usually the first two letters of your company code's city.
- **Post Box Address:** If your company uses a post box address, you can enter it in this section. This may include a company's post box, postal code, and company postal code.
- **Communication:** This section allows you to enter the language, phone number, mobile phone number, fax number, email, and so on used by your company for correspondence and contacts.

Update the Edit Address screen as in Figure 1-10. Click the Enter  button or press Enter on the keyboard to confirm your entries. The Edit Address screen disappears and the new Entries: Details of Added Entries screen containing your company code data is displayed. Click the Save  button. The Prompt for Customizing Request screen pops up. Click the Enter  button at the bottom of the Prompt for Customizing Request screen. The system will then save your company code data and issue a notification that  on the Status bar at the bottom of the New Entries: Details of Added Entries screen.

Since you have just defined your company code, the next step in this activity is to assign your company code to your company. Return to the Display IMG screen by clicking the Back  button twice, in order to assign the company code you have created for your company. The Display IMG screen is a tree structure containing all the customizing tasks in SAP R/3. Choose Assign Company Code to Company from the list of displayed items. This will take you to the screen where you will assign your company code to your company.

Assign Company Code to Company

To complete the customizing task of defining your company code, you must assign the company code to your company. The entire process is a simple, logical sequence. You define your company code, set the values for your company code, and assign your company code to your company (Figure 1-11).

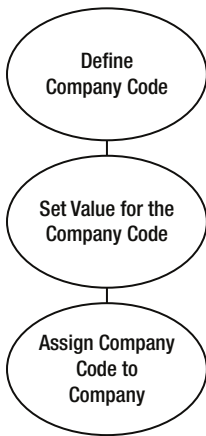


Figure 1-11. Steps involved in defining and assigning a company code to a company

You assign your company code to your company from the Change View “Assign Company Code -> Company”: Overview screen (Figure 1-12). To access this screen, use the menu path: Enterprise Structure ► Assignment ► Financial Accounting ► Assign Company Code to Company or use the transaction code OX16.

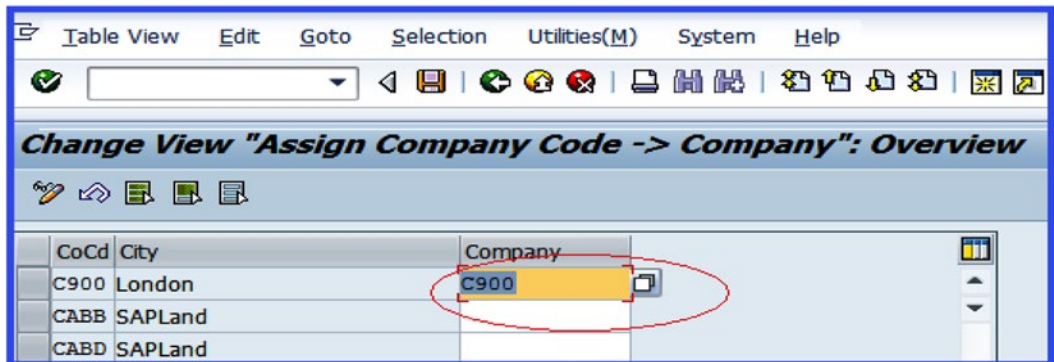




Figure 1-12. Assignment of your company to its company code

The Change View “Assign Company Code -> Company” Overview screen contains a list of company codes in the system. You may have a large number of companies in the system. Instead of having to scroll to search for your company among the company codes in the system, you can simply click the  Position... button at the bottom of the Change View “Assign Company Code -> Company”: Overview screen. The Another Entry screen pops up. Enter four identifier characters that make up your company code into the company code field and click the Enter  button. Your company code will automatically be displayed on top of the company code list on the Change View “Assign Company Code -> Company” Overview screen.

■ **Note** In SAP ERP R/3, you can create more than one company code depending on your client's needs. If you chose to define another company code, repeat the previous steps by defining a company and a company code using another company code and name, and then assigning that company code to the company.

You will notice that your company code is displayed on top of all the company codes in the system. Your company code and city are displayed and the company field is blank. Simply type your company code into the company field. If you cannot remember your company code, use the Search function or Matchcode button next to the company field to search for your company code, as depicted Figure 1-12. After you enter your company code, save your company code settings.

Now that you have assigned your company code to your company, let's look at how to define a business area, which will serve as an organizational unit for a specific segment of your business operations. You can use this for internal reporting purposes.

Business Area

A *business area* is an organizational unit that represents a specific business segment in SAP that defines a functional area of operation, a plant, or an area of responsibility. For example, business areas can be a product the company sells, a geographical location, and so on. Business area is optional and is intended purely for internal financial reporting. They can be used across company codes for reporting. They are also viewed as balancing entities that can produce their own set of financial statements.

You define a business area in SAP ERP using four characters. A business area can be assigned to a company code or several company codes. Likewise, it is also possible to assign a company code to a business area or several business areas. The advantage of using a business area is that it allows management to generate internal financial reports on a business function or a combination of business functions. These reports aid management in decision-making, because they make it easy to tell how well a business area is performing.

You can create more than one business area, depending on your client's requirements. In the exercise that follows, you will create two business areas: *London and Manchester*. Once business areas are created, it is then possible to generate profit-and-loss statements and balance sheets for business areas below the company code level. The financial statements created at this level are for internal purposes only and help management to determine the performance of each business area.

Define a Business Area

Problem: *Your client wants to be able to access the performance of their business divisions by generating internal performance reports consisting of P&Ls and balance sheets for two business areas. You have been asked to define two business areas for your company code for Manchester and London to satisfy this requirement.*

Defining a business area enables you to complete the settings that will allow your company to maintain financial statements by function, sales area, plant, or geographical location. Let's define the business areas for Manchester and London. Follow the menu path: IMG ► Enterprise Structure ► Definition ► Financial or use transaction code OX03.

The Change View "Business areas": Overview screen is displayed. This is a table containing the list of business areas in the system. Click the **New Entries** button at the top-right side of the screen to access the screen where you will define your business area. The New Entries: Overview of Added Entries screen is displayed. This is a blank table of several rows and two columns that allows you to specify your business area code and add a description of your business area (Figure 1-13).

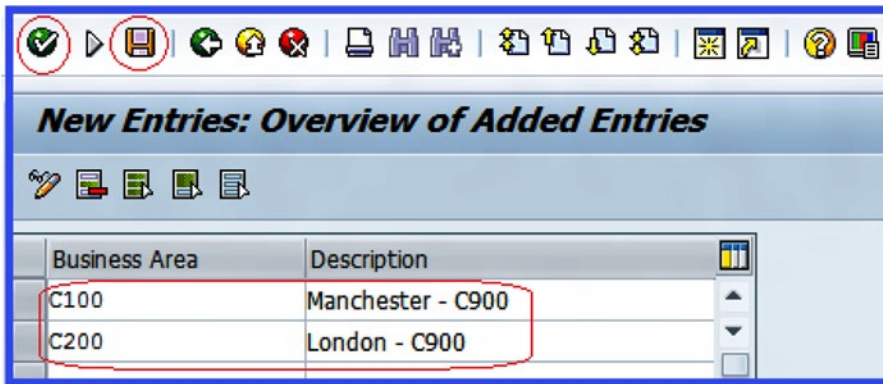




Figure 1-13. The main screen for defining business areas

Update the following fields:

- **Business Area:** Enter four characters for the business area. This code will enable you to identify your business areas. Figure 1-13 shows that we have created two business area codes: C100 for London and C200 for Manchester.
- **Description:** This field will enable you to enter the names or short descriptions of your business areas.

When you're satisfied with your settings, in order to ensure that the system accepts your entries, click Enter  to confirm your entries. Then save  your business areas.

Segment

A *segment* is used to highlight items disclosed in financial reporting by segment. This is opposed to a business area, which forms part of an organizational unit for which a financial statement is drawn for internal purposes. Accounting principles and standards (U.S. GAAP, IFRS, IAS, and so on) mandate that companies produce segmental reporting in certain situations for external purposes. A segment may be a department, product, or geographic location. Segmental reporting is purely for transparency purposes when reporting the profit and risk situations of segments within an enterprise. The underlying reason behind this requirement is to assist users of the financial information to make better judgments about an entity's involvement in different activities. Segment accounting allows a company to report the performance of their segment's activities individually. The importance of segment reporting is that it places more emphasis on segment performance.

Define a Segment

Problem: Company C900 wants to be able to produce segmental reporting for two divisions of their operations. Your task is to define the two segments for Company C900 thus:

1. Television and video systems as SEG-A
2. Refrigerators and coolers as SEG-B

In the SAP ERP, you can carry out customization that allows you to meet segmental reporting requirements. To define a segment, follow this menu path: IMG ► Enterprise Structure ► Definition ► Financial Accounting ► Define Segment. (Unfortunately, segments do not have transaction codes.) We will look at the segment you define in this activity in depth in Chapter 20, in the section entitled “Profit Center.”

The Change View “Segments for Segment Reporting”: Overview screen is displayed. This is the screen where you will begin customizing your segments for segment reporting. Click the **New Entries** button at the top of the screen to go to the next screen (Figure 1-14).

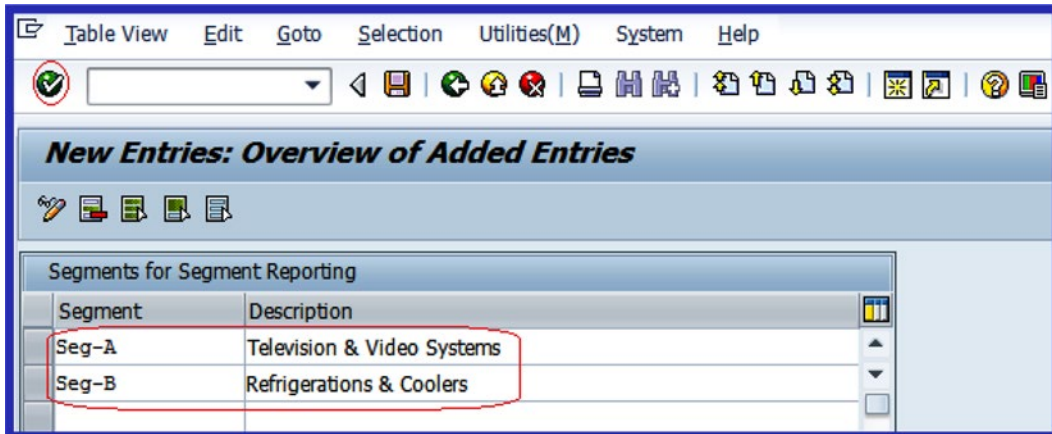


Figure 1-14. The main screen for defining segments

You will enter your segments in the system by updating the following fields:

- **Segment:** Enter a segment key in this field. This key will enable you to identify the segment in the system. We used segment key SEG-A for Television & Video Systems and SEG-B for Refrigerators & Coolers in this activity.
- **Description:** Enter your segment name or description in this field.

When you have updated the segments for segment reporting, click the Enter button at the top of the screen to confirm your entries and save your segment configuration.

The next step in this customizing activity is to create a fiscal year variant for your company code.

Fiscal Year Variant

The *fiscal year* represents the accounting year or annual accounting period. A *fiscal year variant* defines your company’s accounting posting periods. A proper business accounting transaction normally covers a 12-month period. The normal rule is that business transactions are assigned to the period during which the transaction took place. The fiscal year variant is customized to match your company’s fiscal year, which does not necessarily have to be the same as the normal calendar year (that is, January to December). SAP ERP is dynamic enough to fit into your company’s calendar or fiscal year.

Fiscal year variant is defined with posting periods. *Posting periods* are technical terms used to refer to months. In SAP ERP, the fiscal year is made up of 12 posting periods. Besides the normal 12 posting periods, you can define up to four special posting periods, which are used for posting year-end adjustments to closed periods. For example, if the normal fiscal period is closed, adjustments can still be posted in one of the four special periods.

■ **Note** In SAP ERP you cannot exceed a maximum of 16 periods at any given time.

In SAP ERP, posting periods are identified by posting dates. As you can see in Figure 1-15, a fiscal year variant can be defined either as:

- Year independent
- Year specific (dependent)

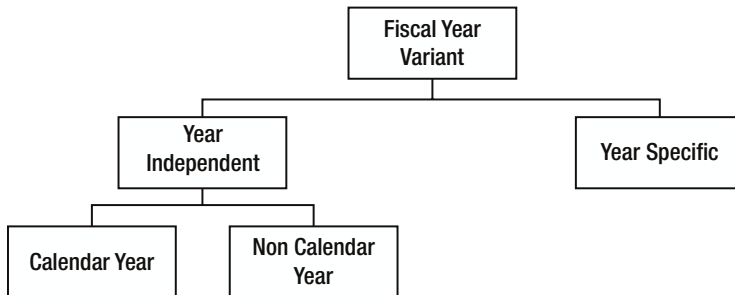


Figure 1-15. Types of fiscal year variants

Year Independent

With *year independent*, the accounting periods of a company remain the same each year (that is, the financial reporting year is constant). For example, an enterprise fiscal year is January to December of each year. There are two types of year independent fiscal year variants in SAP:

- **Calendar year:** The posting period is the same as the calendar year, usually 12 months. The posting period runs 12 months each year. For example, the U.S. financial year starts in January and ends in December.
- **Non-calendar year:** These are time periods that start and end any month of the year, except January and December. In the UK, for example, the fiscal year starts in April and ends in March. Since the non-calendar year did not start in January 1st, you use indicator -1 or +1 for the period of the year that belongs to the former or latter fiscal year.

■ **Note** February is counted as 29 days irrespective of actual number of days in February in order for the system to take leap year into consideration.

The SAP system comes with standard fiscal year variants. We recommend that you use the standard fiscal year variants supplied by the system. As examples, the fiscal year variant for the United States (January to December) is K4 and the fiscal year variant for the UK (April to March) is V3.

You can copy and modify the standard fiscal year variant.

If you decide to define your own fiscal year variant, use a two-digit alphanumeric identifier of your choice as your variant and maintain your fiscal year variant as appropriate.

Year Specific or Year Dependent


Year specific is used when the fiscal year/posting periods vary from year to year. This is uncommon in practice.

An example of a situation when this will arise is when posting periods are either greater than 12 months (extended fiscal year) or are less than 12 months (shortened fiscal year). The reason for a shortened fiscal year could be as a result of a company winding up or any other special reasons.

Maintain Fiscal Year Variant

Problem: *The accounting team has asked you to define a calendar year fiscal variant (January–December) for your company code. You were advised by your colleagues to copy K4—the standard fiscal year variant supplied by SAP—and modify it to meet this requirement.*

To access the screen where you will maintain your fiscal year variant, use the menu path: IMG ► Financial Accounting (New) ► Financial Accounting Global Settings (New) ► Ledgers ► Fiscal Year and Posting Period ► Maintain Fiscal Year Variant (Maintain Shortened Fiscal Year). The transaction code is OB29.

The Change View “Fiscal Year Variants” Overview screen is displayed. This screen is split into two sections, the Dialog Structure section and the Fiscal Year Variants section (Figure 1-16), where you can customize your fiscal year. Since you want to copy the fiscal year variant K4 supplied by SAP in the system, you should use the  button at the bottom to search for the fiscal year variant you want to use (in this case, it’s K4).

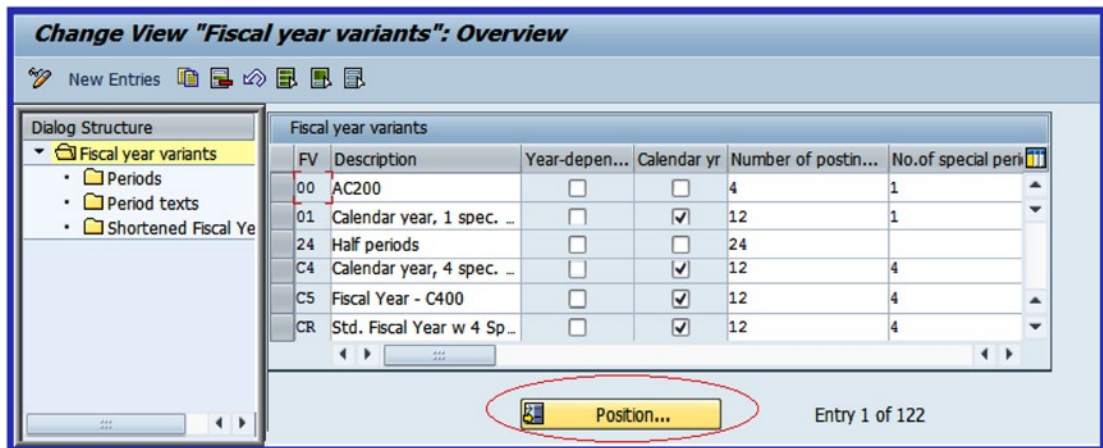


Figure 1-16. Searching for the fiscal year variant you want to copy

When you click the Position button, a dialog box called Another Entry (Figure 1-17) pops up. This dialog box enables you to search for the fiscal year variant supplied by the system (K4) that you want to adapt to your fiscal year variant.

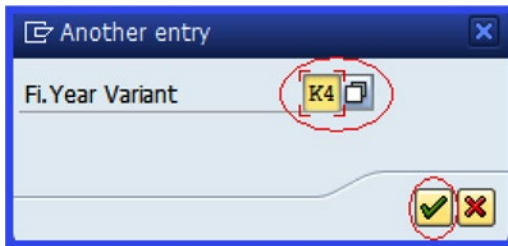


Figure 1-17. Entering the fiscal year variant

Enter **K4** in the FI. Year Variant field to call up K4 from the list of variants in the system.

Select K4 from the variant list and click the Enter button . The Change View “Fiscal Year Variants”: Overview screen is displayed (Figure 1-18). This screen allows you to copy an existing fiscal year supplied by the system or create your own fiscal year variant from scratch (see the following tip to create your own). To copy a fiscal year variant, select it and click the Copy icon on the top of the screen. When you copy a fiscal year variant, you are also copying its dependent settings defined by SAP.

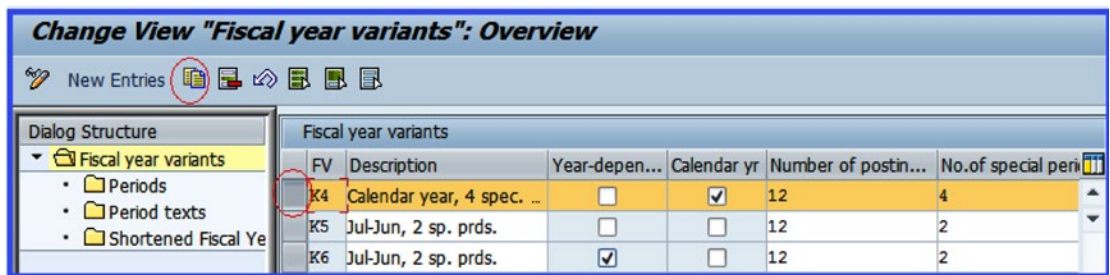


Figure 1-18. Copying the fiscal year variant

■ **Note** When you copy a fiscal year variant, you have to change the fiscal year variant key to your own. Otherwise, you will not be able to save the fiscal year variant you have copied, because the system does not allow duplicate fiscal year keys. Once you have copied K4, change the fiscal year variant from K4 to any variant of your choice.

If possible, avoid using the letters K or V as part of your fiscal year variant key, because many of the standard fiscal year variant keys supplied by the system start with either K or V.

To match the example we’re using in Figure 1-19, change the content of FV to C4 and change the Description field to Fiscal Year Variant – C900.

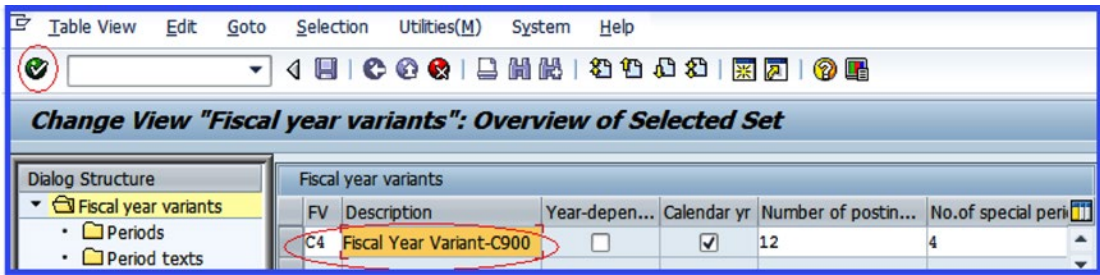
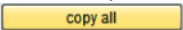


Figure 1-19. Updating the fiscal year variant

When you click the Enter button or press Enter on your keyboard, the Specify Object to be Copied screen pops up. This screen allows you to copy just the dependent entries or all of the dependent entries of the fiscal year variant you have marked for copying.

Since you want to copy all of the dependent entries of the fiscal year variant K4, click the



command button.

The Information dialog pops up, telling you the number of dependent entries you have copied from fiscal year variant K4.

Click the Enter button at the bottom of the information pop-up screen or press Enter on your keyboard to confirm.

Save your variant. The system will notify you on the status bar that Number of entries copied: 1.

■ **Tip** If you choose to define your own fiscal year variant, click the New Entries button at the top of the screen in Figure 1-16 and update the following fields:

FV: Enter a two-digit character as your fiscal year variant identifier key. It is recommended that you use an alphanumeric identifier. In the example in this section, the standard fiscal year variant supplied by SAP in the system, K4 (calendar year), was copied and modified to meet our desired requirement.

Description: This field allows you to describe or name your fiscal year variant. In the example in this section, the fiscal year variant C900 was used.

Year Dependent: If the fiscal year/posting periods vary each year, check the Year-Dependent checkbox. This is not very common in practice.

Calendar Yr: If the fiscal year is the same as the normal calendar year each year, check the Calendar Year checkbox.

Number of Posting Periods: Here you specify the number of posting periods. This will normally be a 12-month period.

No. of Special Posting Periods: SAP R/3 system allows up to four special periods for making postings outside the normal accounting periods.