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SAP® ERP Financials: Configuration and Design
Contents at a Glance

1 Overview .................................................................................................................. 21
2 SAP Enterprise Structure .......................................................................................... 37
3 Global Settings for Financial Accounting in SAP ERP Financials .......................... 85
4 New General Ledger ................................................................................................. 145
5 Accounts Payable ..................................................................................................... 197
6 Accounts Receivable ................................................................................................. 281
7 Asset Accounting ...................................................................................................... 349
8 Controlling in SAP ERP Financials .......................................................................... 431
9 SAP ERP Financials Integration ............................................................................... 487
10 Data Migration .......................................................................................................... 539
11 Period-End Closing .................................................................................................. 573
12 SAP ERP Financials Reporting ............................................................................... 597
13 Implementing and Supporting SAP ERP Financials .............................................. 633
# Contents

Acknowledgments ........................................................................................................... 19

1 Overview ....................................................................................................................... 21

1.1 Introduction .............................................................................................................. 21
  1.1.1 Approach .......................................................................................................... 22
  1.1.2 Versioning ......................................................................................................... 22
  1.1.3 Learning Outcomes .......................................................................................... 23

1.2 Brief History of SAP ................................................................................................. 23

1.3 Different Types of Projects ...................................................................................... 24
  1.3.1 Fresh Implementation Projects ....................................................................... 24
  1.3.2 Upgrade Projects ............................................................................................. 25
  1.3.3 Request-Based Support Projects ....................................................................... 25
  1.3.4 Production-Support Projects .......................................................................... 26
  1.3.5 Rollout Projects ............................................................................................... 26

1.4 Points to Consider for a Successful SAP Implementation ................................... 27
  1.4.1 The Project Team .............................................................................................. 28
  1.4.2 SAP Implementation: More Than an IT Project ............................................. 28
  1.4.3 The Right Resources ....................................................................................... 28
  1.4.4 The Gap Analysis ............................................................................................ 29
  1.4.5 Project Testing .................................................................................................. 29
  1.4.6 Cutover Plans ................................................................................................... 30
  1.4.7 User Training .................................................................................................... 30
  1.4.8 The Change Management Program ................................................................ 30

1.5 SAP Navigation Basics ............................................................................................ 30
  1.5.1 Logging on to the SAP System ........................................................................ 31
  1.5.2 Screen Structure in the SAP System ............................................................... 32
  1.5.3 Creating Your Favorites List ............................................................................ 34
  1.5.4 Calling Functions in SAP System .................................................................... 34
  1.5.5 Accessing the Customization Area ................................................................. 35

1.6 Summary .................................................................................................................... 36

2 SAP Enterprise Structure ............................................................................................. 37

2.1 Building an Enterprise Structure ............................................................................ 38

2.2 Building a Project's Straw Man .............................................................................. 39
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.1 Company Code</td>
<td>40</td>
</tr>
<tr>
<td>2.2.2 Cost Center</td>
<td>41</td>
</tr>
<tr>
<td>2.2.3 Profit Center</td>
<td>41</td>
</tr>
<tr>
<td>2.2.4 Chart of Accounts</td>
<td>42</td>
</tr>
<tr>
<td>2.2.5 Controlling Area</td>
<td>42</td>
</tr>
<tr>
<td>2.2.6 Business Area</td>
<td>42</td>
</tr>
<tr>
<td>2.2.7 Chart of Depreciation</td>
<td>43</td>
</tr>
<tr>
<td>2.3 Designing the Straw Man</td>
<td>43</td>
</tr>
<tr>
<td>2.4 Configuring the Enterprise Structure</td>
<td>44</td>
</tr>
<tr>
<td>2.4.1 Countries</td>
<td>44</td>
</tr>
<tr>
<td>2.4.2 Currencies</td>
<td>51</td>
</tr>
<tr>
<td>2.4.3 Define Company</td>
<td>59</td>
</tr>
<tr>
<td>2.4.4 Define Fiscal Year Variant</td>
<td>60</td>
</tr>
<tr>
<td>2.4.5 Define Posting Period Variant</td>
<td>62</td>
</tr>
<tr>
<td>2.4.6 Define Chart of Accounts</td>
<td>64</td>
</tr>
<tr>
<td>2.4.7 Structure of the Chart of Accounts</td>
<td>66</td>
</tr>
<tr>
<td>2.4.8 Define Credit Control Area</td>
<td>67</td>
</tr>
<tr>
<td>2.4.9 Define Company Code</td>
<td>69</td>
</tr>
<tr>
<td>2.4.10 Assign Company Code to a Fiscal Year Variant</td>
<td>71</td>
</tr>
<tr>
<td>2.4.11 Define Controlling Area</td>
<td>72</td>
</tr>
<tr>
<td>2.4.12 Define Cost Center Group</td>
<td>75</td>
</tr>
<tr>
<td>2.4.13 Activate Controlling Area Submodules</td>
<td>76</td>
</tr>
<tr>
<td>2.4.14 Functional Area</td>
<td>78</td>
</tr>
<tr>
<td>2.4.15 Operating Concern</td>
<td>79</td>
</tr>
<tr>
<td>2.4.16 Create a Default Profit Center</td>
<td>80</td>
</tr>
<tr>
<td>2.4.17 Check Company Code Global Parameters</td>
<td>82</td>
</tr>
<tr>
<td>2.5 Summary</td>
<td>84</td>
</tr>
</tbody>
</table>

## Global Settings for Financial Accounting in SAP ERP

### 3 Global Settings for Financial Accounting in SAP ERP

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 What Is a Document in SAP ERP?</td>
<td>86</td>
</tr>
<tr>
<td>3.1.1 Document Header</td>
<td>86</td>
</tr>
<tr>
<td>3.1.2 Line Items</td>
<td>88</td>
</tr>
<tr>
<td>3.1.3 Master Data</td>
<td>88</td>
</tr>
<tr>
<td>3.2 Configuration of Global Settings</td>
<td>89</td>
</tr>
<tr>
<td>3.2.1 Define the Retained Earnings Account</td>
<td>89</td>
</tr>
<tr>
<td>3.2.2 Field Status Groups</td>
<td>91</td>
</tr>
</tbody>
</table>
## Contents

3.2.3 GL Account Groups ........................................................... 98
3.2.4 Document Types ............................................................. 105
3.2.5 Document Number Ranges ............................................. 111
3.2.6 Purpose of Subledger Reconciliation Accounts ............... 114
3.2.7 Document Posting Keys ................................................ 115
3.2.8 Updating Layout for the Document Entry Screen ............ 118
3.2.9 GL Document Display and Layouts (Default Settings) .... 119
3.2.10 Document Change Rules .............................................. 121
3.2.11 Cross-Company Code Settings .................................... 123
3.2.12 Employee Tolerances .................................................. 124
3.2.13 Change Message Control for Posting to GL Accounts ... 126
3.2.14 Financial Statement Versions ....................................... 128

3.3 Sales and Purchase Tax ........................................................ 131
3.3.1 Basic Settings ............................................................... 134
3.3.2 Posting .................................................................. 138
3.3.3 Changing Tax Laws in the United Kingdom and Europe ... 142

3.4 Summary ............................................................................ 143

4 New General Ledger .............................................................. 145

4.1 Overview of the GL ............................................................. 146
4.1.1 The New GL ................................................................. 146
4.1.2 New Functionality ....................................................... 148
4.1.3 New Tables ................................................................. 149
4.1.4 Document Splitting ..................................................... 149
4.1.5 Parallel Accounting .................................................... 151
4.1.6 Ongoing Use of Classic GL .......................................... 151

4.2 Building Your New GL Blueprint ....................................... 152
4.2.1 New GL or Classic GL? ................................................ 152
4.2.2 What Object to Split .................................................... 152
4.2.3 Which Account Assignment Objects to Incorporate into Your Model ...................................................... 152
4.2.4 How Document Splitting Fits in with Other Add-Ons ... 153

4.3 Configuration Steps to Activate the New GL ...................... 153
4.3.1 Activation of New GL Accounting .................................. 154
4.3.2 Define Ledgers for GL Accounting ............................... 154
4.3.3 Segment ................................................................ 160
4.3.4 Integrating the GL with Subcomponents ..................... 164
4.3.5 Document Splitting .................................................... 174
Contents

4.3.6 Parallel Accounting .......................................................... 186
4.3.7 Setting Up Additional Ledgers ........................................... 188
4.3.8 CO Transfer Postings ........................................................ 190
4.3.9 Planning in the New GL .................................................... 190
4.3.10 Integration with Asset Accounting ................................. 191
4.4 IFRS Compliance ................................................................. 192
  4.4.1 IFRS 5—Noncurrent Assets Held for Sale or Discontinued Operations ............................................. 192
  4.4.2 IFRS 8—Operating Segments .......................................... 193
  4.4.3 IAS 7—Cash Flow Statements ......................................... 193
  4.4.4 IAS 10—Events after the Balance Sheet Date .................. 193
  4.4.5 IAS 16—Property, Plant, and Equipment ......................... 194
  4.4.6 IAS 19—Employee Benefits ............................................ 194
  4.4.7 IAS 36—Impairment of Assets ........................................ 194
4.5 Summary ................................................................. 195

5 Accounts Payable ................................................................... 197
  5.1 Overview of the P2P cycle .................................................... 198
    5.1.1 Purchase Order ......................................................... 199
    5.1.2 Goods Receipt .......................................................... 199
    5.1.3 Invoice Verification ................................................... 200
    5.1.4 AP Invoice ............................................................... 200
    5.1.5 Outgoing Payment ..................................................... 201
  5.2 Building an AP Business Model ........................................... 201
    5.2.1 Design of Vendor Master Records .............................. 201
    5.2.2 Invoice Processing Control ......................................... 202
    5.2.3 The Payment Process ............................................... 202
  5.3 Master Data ................................................................. 202
    5.3.1 Vendor Master Records ............................................. 203
  5.4 Vendor Account Groups ..................................................... 205
    5.4.1 General Data View .................................................. 208
    5.4.2 Company Code View .............................................. 210
    5.4.3 Purchasing Data View .............................................. 211
    5.4.4 Vendor Account Group Variations ............................. 212
  5.5 Vendor Number Ranges ..................................................... 213
    5.5.1 Business Decisions ............................................... 214
    5.5.2 Create Vendor Number Ranges .................................. 215
    5.5.3 Transporting Number Ranges .................................... 216
5.5.4 Assign a Number Range to an Account Group .......... 216
5.5.5 Extending Vendors to Additional Company Codes ....... 217
5.6 Accounting Clerks .............................................................. 219
5.7 Define Sensitive Fields for Dual Control ....................... 220
5.8 House Banks ................................................................. 222
  5.8.1 Configuring the House Bank ................................. 223
  5.8.2 Bank Master Records ............................................. 225
  5.8.3 Define Number Ranges for Checks ....................... 227
5.9 Invoice Processing ........................................................... 228
  5.9.1 Nonstock Invoices ................................................. 228
  5.9.2 Invoice Verification (Processing Stock Invoices) ....... 229
  5.9.3 Duplication Invoice Check .................................. 230
5.10 Document Parking ......................................................... 231
5.11 Configuring Special General Ledger Indicators for AR/AP Down Payment Postings .......................................................................................... 233
5.12 Posting and Clearing Down Payments .............................. 235
  5.12.1 Posting Down Payments ........................................ 235
  5.12.2 Clearing Down Payments ..................................... 238
5.13 Outgoing Payments Processing ........................................... 239
  5.13.1 Processing a Manual (Outgoing) Payment ............. 239
  5.13.2 Vendor Tolerances ................................................. 241
  5.13.3 Automatic Posting of Payment Differences ............ 242
  5.13.4 Cross-Company Code Manual Payments ............. 244
  5.13.5 Payment Block Reasons ...................................... 244
  5.13.6 Automatic Payment Program ............................ 248
  5.13.7 Running the Automatic Payment Program .......... 254
5.14 Cash Journal ................................................................. 257
  5.14.1 Configuring Cash Journals ................................... 257
  5.14.2 Cash Journal Postings ........................................... 264
5.15 Electronic Bank Statements ............................................... 266
  5.15.1 Configuring Electronic Bank Statements .............. 267
  5.15.2 Importing Electronic Bank Statements into SAP .... 276
5.16 Summary ........................................................................ 279

6 Accounts Receivable ........................................................... 281

6.1 Overview of the Order-to-Cash Process .............................. 281
  6.1.1 Sales Order ............................................................ 282
  6.1.2 Delivery Note .......................................................... 283
## 7 Asset Accounting  ................................................................. 349

### 7.1 Overview of Asset Accounting  .................................................. 350
#### 7.1.1 Implementation Considerations ................................... 350
#### 7.1.2 Integration ................................................................. 351

### 7.2 Building Blocks of Asset Accounting  ........................................ 351
#### 7.2.1 Chart of Depreciation .................................................. 352
#### 7.2.2 Asset Assignment to Organizational Units ..................... 353
#### 7.2.3 Integration with the GL ................................................. 354
#### 7.2.4 Structuring Your Fixed Assets Design  ............................ 355

### 7.3 Building an Asset Accounting Business Model  ......................... 355

### 7.4 Asset Accounting Configuration .................................................. 357
#### 7.4.1 Copy Reference Chart of Depreciation  .......................... 357
#### 7.4.2 Assign Chart of Depreciation to a Company Code .......... 359
#### 7.4.3 Specify a Number Assignment across Company Codes ... 360
#### 7.4.4 Specify Account Determination ..................................... 361
#### 7.4.5 Create Screen Layout Rules ........................................... 362
#### 7.4.6 Define Asset Number Range Intervals  ............................. 364
#### 7.4.7 Define Asset Classes ..................................................... 365
#### 7.4.8 Define Depreciation Areas ............................................. 366
#### 7.4.9 Specify Transfer of Acquisition and Production Costs Values .................................................. 368
#### 7.4.10 Specify Transfer of Depreciation Terms  ......................... 369
#### 7.4.11 Determine Depreciation Areas in the Asset Classes ....... 370
#### 7.4.12 Deactivate Asset Classes for Chart of Depreciation ........ 371
#### 7.4.13 Define how Depreciation Areas Post to the GL .......... 372
#### 7.4.14 Maintain Depreciation Key ........................................... 373
#### 7.4.15 Define Base Method ..................................................... 374
#### 7.4.16 Define Declining Balance Method  ................................... 377
#### 7.4.17 Define Multilevel Methods ........................................... 377
#### 7.4.18 Maintain Period Control Methods  ................................. 379
#### 7.4.19 Activate Account Assignment Objects  ........................... 380
#### 7.4.20 Specify Account Assignment Types for Account Assignment Objects .................................................. 382
#### 7.4.21 Assign GL Accounts ...................................................... 383
#### 7.4.22 Parallel Ledgers in SAP New General Ledger and Integration with Asset Accounting .................................................. 386
### Contents

#### 7.4
- 7.4.23 Specify the Document Type for Posting Depreciation ... 389
- 7.4.24 Transaction Types ................................................... 391
- 7.4.25 Configuring the Asset History Sheet ......................... 396
- 7.4.26 Defining Validations for Asset Master Data ............... 399
- 7.4.27 Substitutions for Asset Master Data .......................... 402

#### 7.5
- 7.5 Asset Transaction Processing ......................................... 404
  - 7.5.1 Create a New Asset Master Record ........................... 404
  - 7.5.2 Post Values to an Asset Using External Acquisition ...... 408
  - 7.5.3 Working with Asset Explorer .................................. 411
  - 7.5.4 Post Transfers to Other Assets ................................. 415
  - 7.5.5 Post Retirements with Scrapping .............................. 418
  - 7.5.6 Post Depreciation Run .......................................... 420

#### 7.6
- 7.6 Current Asset Valuation ................................................. 422
  - 7.6.1 Inventory Valuation ............................................... 422
  - 7.6.2 Accounts Receivables Valuation ............................... 425

#### 7.7
- 7.7 Summary ........................................................................ 429

#### 8
- 8 Controlling in SAP ERP Financials ................................. 431
  - 8.1 Overview and Diagram ................................................. 432
  - 8.2 Subcomponents of the Controlling Component ............ 433
    - 8.2.1 Cost Element Accounting .................................... 433
    - 8.2.2 Cost Center Accounting ...................................... 433
    - 8.2.3 Internal Orders .................................................. 433
    - 8.2.4 Profit Center Accounting .................................... 434
  - 8.3 Building a Controlling Model ...................................... 434
    - 8.3.1 Concept of Real and Statistical Postings ............... 436
  - 8.4 Configuration Settings in Controlling ......................... 437
    - 8.4.1 Basic Controlling Area Settings ......................... 437
    - 8.4.2 Cost Element Accounting .................................... 443
    - 8.4.3 Cost Center Accounting (CCA) ............................ 449
    - 8.4.4 Internal Order Accounting Configuration .............. 456
    - 8.4.5 Profit Center Accounting Configuration ............... 463
  - 8.5 Concepts of Periodic Reposting, Distribution, and Assessment .... 469
    - 8.5.1 Periodic Reposting ............................................. 470
    - 8.5.2 Distribution ...................................................... 471
    - 8.5.3 Assessment ........................................................ 473
  - 8.6 Real-Time Integration of Controlling with Financial Accounting ... 476
## Contents

### 8.6.1 Configuration Settings ................................................... 477
### 8.7 Cost Center Planning .......................................................... 480
  - 8.7.1 Versions in Controlling .................................................. 480
  - 8.7.2 Planning Layouts and Planner Profiles ........................... 480
### 8.8 Summary ........................................................................... 485

### 9 SAP ERP Financials Integration ................................................. 487
  - 9.1 Automatic Account Determination ............................................. 490
    - 9.1.1 Inventory Movement Account Determination ..................... 491
    - 9.1.2 Billing: Revenue Account Determination .......................... 501
    - 9.1.3 Payment Processing Account Determination ..................... 508
  - 9.2 Master Data ............................................................................ 510
    - 9.2.1 Account Assignment Objects ........................................ 511
    - 9.2.2 Document Types and Number Ranges ............................ 513
    - 9.2.3 Payment Terms ................................................................. 514
    - 9.2.4 Journal Entry Screen Layouts ......................................... 518
  - 9.3 Integrating SAP Payroll with SAP ERP Financials .............. 519
    - 9.3.1 Employee Master Records ............................................. 520
    - 9.3.2 Payroll Process ............................................................... 523
    - 9.3.3 Wage Types .................................................................. 524
    - 9.3.4 Symbolic Accounts ....................................................... 525
    - 9.3.5 Automatic Account Determination .................................. 526
    - 9.3.6 Finance Posting Variant ................................................. 530
  - 9.4 Interfaces ................................................................................ 531
    - 9.4.1 Purpose of the Interface ................................................ 532
    - 9.4.2 Interface Design ............................................................ 533
    - 9.4.3 Interface Testing ........................................................... 536
  - 9.5 The Value of Integration Testing ........................................ 536
  - 9.6 Summary ................................................................................ 537

### 10 Data Migration ........................................................................ 539
  - 10.1 Key Principles of Data Migration .......................................... 540
  - 10.2 The Six-Step Migration Model ............................................. 541
    - 10.2.1 Source/Data Cleansing .................................................. 542
    - 10.2.2 Field Mapping ............................................................... 543
    - 10.2.3 Define Programs ........................................................... 543
10.2.4 Records Mapping .......................................................... 544
10.2.5 Trial Loads .................................................................. 545
10.2.6 Cutover ...................................................................... 545
10.3 Inventory Transfer ........................................................... 546
10.4 Open Items Transfer .......................................................... 547
10.5 Upgrade to SAP ERP 6.0 ..................................................... 547
10.6 Asset Accounting Legacy Data Transfer ......................... 549
  10.6.1 Define Asset Transfer Date ........................................ 549
  10.6.2 Create Legacy Assets ................................................ 551
  10.6.3 Transfer Balances ..................................................... 554
10.7 Create Your Own LSMWs to Assist in Data Migration ....... 555
  10.7.1 Benefits of LSMW ..................................................... 555
  10.7.2 Define the LSMW Name ........................................... 557
  10.7.3 Maintain Object Attributes ....................................... 558
  10.7.4 Maintain Source Structure ....................................... 561
  10.7.5 Maintain Source Fields ............................................ 561
  10.7.6 Maintain Structure Relations ..................................... 563
  10.7.7 Maintain Field Mapping and Conversion Rules .......... 563
  10.7.8 Maintain Fixed Values, Translations, and User-Defined
       Routines .................................................................... 564
  10.7.9 Specify Files ............................................................ 564
  10.7.10 Assign Files ............................................................ 566
  10.7.11 Create Load File ...................................................... 566
  10.7.12 Upload Load File Data ............................................. 567
  10.7.13 Create Batch Input Session ...................................... 569
  10.7.14 Run Batch Session .................................................. 570
  10.7.15 Cross Application of LSMW ..................................... 572
10.8 Summary ......................................................................... 572

11 Period-End Closing ............................................................. 573
  11.1 Fast Close with the New GL .......................................... 574
  11.2 Key Elements of a Period-End Timetable ....................... 575
  11.3 Dependent Activities Already Completed ...................... 575
  11.4 Analysis of Period-End Activities ................................... 575
  11.5 Foreign Currency Valuation .......................................... 582
    11.5.1 Configuring Foreign Currency Valuations ................ 582
    11.5.2 Foreign Currency Valuation Processing .................. 587
# Contents

11.6 Classic GL versus the New GL ..................................................... 595
11.7 Summary ................................................................. 596

## 12 SAP ERP Financials Reporting ................................................. 597

12.1 Building Your Reporting Suite ..................................................... 597
12.2 Reporting Tools ............................................................... 599
12.3 Common Reporting Requirements .............................................. 600
  12.3.1 Accounts Payable (AP) .................................................. 602
  12.3.2 Accounts Receivable (AR) ............................................. 604
  12.3.3 Asset Accounting (AA) .................................................. 605
  12.3.4 General Ledger ............................................................. 606
12.4 Creating Basic Management Accounting Reports with Report Painter ............................................................... 607
  12.4.1 Decide on the Report Type ........................................... 608
  12.4.2 Define a Row ........................................................ 611
  12.4.3 Define a Column ............................................................ 613
  12.4.4 Define Formula Rows and Columns .................................. 615
  12.4.5 Define your General Data Selection .................................. 616
  12.4.6 Report Layout ............................................................... 618
  12.4.7 Other Report Layout Formatting ...................................... 621
  12.4.8 Assign Report Group ..................................................... 624
  12.4.9 Change Report Group .................................................... 625
12.5 International Financial Reporting Standards (IFRS) ...................... 627
12.6 Parallel Accounting Approaches .................................................. 628
  12.6.1 Accounts Approach ....................................................... 629
  12.6.2 Special Ledgers Approach ............................................. 629
  12.6.3 Multiple Ledger Approach in the New GL ..................... 630
12.7 Summary ................................................................. 631

## 13 Implementing and Supporting SAP ERP Financials ................. 633

13.1 Implementing SAP .......................................................... 633
  13.1.1 Preparation ................................................................. 634
  13.1.2 Design Phase ............................................................. 636
  13.1.3 Build ................................................................. 641
  13.1.4 Final Preparation ................................................................. 645
13.2 Supporting Your SAP ERP Solution .............................................. 646
Contents

13.2.1 Go-Live Support (Stabilization) .......................... 646
13.2.2 Long-Term Support ......................................... 647
13.3 Summary .............................................................. 650

The Authors ................................................................. 651
Index ................................................................. 653
This chapter explains the mysteries of Asset Accounting, which many FI consultants struggle to cope with. Asset Accounting is very different from the other FI subledgers, and good process and configuration knowledge in this area is a valuable asset.

7 Asset Accounting

The objective of this chapter is to explain the functionality of the Asset Accounting (from this point on referred to as AA) submodule (often referred to as fixed assets). AA functionality is designed for the management and supervision of an organization’s fixed assets and is a GL subledger. AA is sometimes considered a specialist topic because many SAP professionals do not understand the processes within this submodule from a company or a statutory point of view. For this reason, this chapter provides a lot of information to help explain this area to beginning users, including the following topics:

- The link between the different organizational elements within AA
- Configuration of asset master records
- Configuration of depreciation methods and postings to the GL in line with statutory requirements
- Asset acquisitions, transfers, and retirement transactions processing
- Asset depreciation processing
- Substitutions and validations in asset master records
- Current asset valuation

This chapter’s order is important because it follows the IMG, which is organized by type of activity. Following this order (which is also the order in which steps are processed) ensures that you complete the configuration in the order required by SAP ERP to take into account the dependencies between the different objects. This also ensures that less experienced users do not miss any steps or get confused with the different dependencies.
The chapter begins by presenting the main concepts of AA. We then look at the key points that should form part of your workshops with your business partners when creating a design for your AA solution in your business blueprint. After that, we take a detailed look at configuring AA.

### 7.1 Overview of Asset Accounting

Asset Accounting in SAP ERP covers the complete lifecycle of an asset, which may start when the purchase order is created or when the asset is capitalized, to its retirement at the end of its useful life. During this time, the system calculates appropriate depreciation values and interest amounts and presents this information in many different reports. The asset lifecycle is shown in Figure 7.1.

![Asset Lifecycle Diagram](image)

**Figure 7.1** Asset Lifecycle

#### 7.1.1 Implementation Considerations

As with any submodule in SAP ERP Financials, you should always be clear on what aspects of functionality you want to implement before you start the configuration. This is certainly true for AA because this submodule is designed to be used internationally. The changes in statutory requirements in different countries require the submodule to be flexible enough to mold to your country- or industry-specific requirements.
You should also ensure that no country-specific settings are hard-coded when you configure your system. Where appropriate, the SAP system delivers many country-specific settings that can be copied to reduce the effort required in implementations.

### 7.1.2 Integration

AA is fully integrated with other components, as indicated in Figure 7.1. At all times, postings to assets are integrated with the GL, so the value of your assets is reflected correctly in your balance sheet.

### 7.2 Building Blocks of Asset Accounting

In Chapter 2, we defined the enterprise structure for your SAP solution design, which outlined the basic building blocks needed to build your solution. Let’s first refresh your memory of this diagram, shown in Figure 7.2, before we look at the AA-specific objects.

In Chapter 2, we decided not to include the AA elements because they would be explained better in this chapter. You will see that the setup of AA is based on its own mini-organizational structure, which is in turn influenced by your organizational design as well as your statutory reporting requirements. This section provides you with a basic definition of how AA is built and structured, which you’ll need to design your AA blueprint.

![Figure 7.2 ENTERPRISE STRUCTURE](image)

*Figure 7.2  Enterprise Structure*
7.2.1 Chart of Depreciation

The chart of depreciation is the organizational element used to manage various legal requirements for the depreciation and valuation of assets. Like company codes, these are usually country-specific but do not need to be aligned with any other organizational units. A chart of depreciation, for example, can be used for all of the company codes in a given country.

Country-Specific Charts of Depreciation

In a simple scenario, you may have one or more company codes in the same country. These can be assigned to the same chart of depreciation because they are all governed by the same legal requirements for asset valuation. Within your chart of depreciation, you need to define the following two settings, which are both discussed in more detail later in the chapter:

- **Depreciation areas**: Your organization may be subject to statutory reporting constraints that control the rules you must obey. Your organization may be a multinational organization, so you’ll also want to report your assets subject to your internal conventions. For this reason, SAP allows you to define depreciation areas, in which you can set up internal and external depreciation rules to provide different analyses.

- **Depreciation keys**: A depreciation key is the convention under which depreciation is calculated. Your depreciation key holds the calculation method and the period control, which are defined at the client level. You can change and add to the standard calculation keys that are delivered with the system.

<table>
<thead>
<tr>
<th>Note</th>
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</thead>
<tbody>
<tr>
<td>SAP supplies a number of charts of depreciation relating to different countries, which you can copy; however, you can’t use them directly. Be sure to make a copy of the appropriate chart of depreciation for your country because the chart contains all of your statutory requirements and provides you with a good base from which to start.</td>
</tr>
</tbody>
</table>

Integration between Company Code and Chart of Depreciation

In AA, you are required to assign company codes to exactly one chart of depreciation. For your company, you should keep the number of charts of depreciation to a minimum to keep your asset values uniform. Country-specific company codes
with similar AA requirements use the same chart of depreciation, and the same applies for industry-specific company codes.

Integration between Chart of Accounts and Chart of Depreciation

The assignment of a company code to a chart of accounts is independent from its assignment to a chart of depreciation. This means that several company codes can use the same chart of accounts, although they have different charts of depreciation (and vice versa). This link passes financial information from AA to GL accounts. The GL account assignment is controlled by means of the asset class in AA. You have to specify an account determination in each asset class. In this account determination, you specify the GL accounts in which automatic posting takes place for different transactions.

7.2.2 Asset Assignment to Organizational Units

In AA, the asset master record serves as a basis for assignments of assets to different organizational units. These assignments are not only important from an AA point of view because they can be used in many reports but also for other applications for detailed analysis. The following assignments are possible:

- **Assignment of company code**: As already mentioned, you must make assignments to company codes based on the information provided regarding charts of depreciation.

- **Assignment of business area**: This assignment is necessary if your design will deliver business area balance sheets. Assets can be assigned to a business area directly during master record creation, or they can be derived automatically from the cost center that you entered. As long as a fixed asset is assigned to a business area, the system makes account assignment of all postings to this asset to this business area, including depreciation and gain, or loss postings on asset retirement.

- **Assignment to plant, location, and address**: The definitions of the plant and location organizational units are primarily specified in the SAP logistics components. In AA, plant has no relevance, but it can be used as a sort and selection criterion for reports. You can assign an asset to one plant for a specific period of time in its master record. This assignment can be changed directly in the asset master record.
Assignment to cost center and profit center: We have already mentioned that GL postings are integrated by asset class. If you think about the account assignment object, you will agree that an asset may belong to a specific department. For this reason, the financial transactions related to an asset must also be assigned to the department it belongs to, which could be a cost center entered on its master record. An asset can only be assigned to one cost center at a time. This assignment enables the following:

- Assignment of all costs (depreciation and interest charges) related to the asset to the correct cost center
- Planning for future depreciation or interest for the asset
- Assignment of gain or loss from the sale of the asset to the correct cost center

You can assign fixed assets to a cost center from a specific point in time, and if the assignment changes, the system is smart enough to distribute the depreciation or interest amount to the subsequent cost center. Profit center assignment is achieved through the cost center–profit center assignment in the cost center master record.

Note

Assets are not directly assigned to profit centers.

7.2.3 Integration with the GL

From a high-level point of view, your AA solution needs to provide you with two pieces of information:

- An asset register that provides an analysis of the assets you own, along with their original cost and net book value
- An accurate financial position in terms of the current gross book value of your assets
  - The real-time integration with the GL is straightforward because AA is a sub-ledger of the GL.
7.2.4 Structuring Your Fixed Assets Design

Different options are available concerning how you want to see figures reported on your asset statements. You should consider the current conventions in place at your organization before making a decision. The following are common approaches:

- **Balance sheet approach**: If you want to structure assets according to the structure of your balance sheets, you have three options available in the standard system:
  - Use the financial statement version.
  - Use balance sheet items.
  - Use GL accounts.

- **Asset class approach**: Asset classes can represent the structure of your assets. Every asset you create in the system is created with reference to an asset class. You use the settings of account determination in the asset class to assign each asset to an item in the balance sheet.

- **Asset approach**: This approach is more practical and may be more relevant for organizations with many assets that can be combined due to the size and nature of the assets. For instance, a laboratory may be an asset as a whole that is made up of many smaller assets. In this scenario, you have the following:
  - The asset “main number” represents the overall asset.
  - Below the main asset, you can use asset “subnumbers” to represent the many component parts, and you can depreciate them individually if their acquisition dates are different from the original asset.

**Note**

You can use an asset main number to represent a fixed asset if your requirements are simple.

In the next section, we’ll look at how to build an AA business model.

7.3 Building an Asset Accounting Business Model

After you understand the main concepts in AA, you should think about the questions you need to ask your business partners as part of your workshops to understand
their requirements from an AA point of view. The answers to these questions will help you build an AA model according to the exact requirements of your business partners. Examples of the questions could include:

- **How many different types of assets do you have?**
  This will help you determine the number of asset classes you need in the system to represent their current structure within the SAP system.

- **Do you want to represent different types of assets with individual balance sheet accounts in your financial statements?**
  This will determine if you need to create separate account determinations for every type of asset and also for the same type of assets with different useful lives, or if you can assign the same account determination to an asset, for example, furniture and fixtures, with different useful lives. This means you don’t have to create a separate account determination for this asset with different useful lives. Most companies prefer to use one account determination for each type of asset and use the AA reports to view more details about asset types with different useful lives.

- **Do you want your different asset types to have unique number ranges?**
  This will help you to determine if you need to add more number ranges so they can be assigned to different types of assets using their respective asset classes. Most of the time, companies want to assign a different number range to different types of assets so that they can be easily identified.

- **How many different types of depreciation calculations are required?**
  This will help you determine how many different depreciation areas are required within your chart of depreciation and which of these will post to the GL and which will post, for example, only to the Controlling component (CO) for cost accounting purposes. Remember that the settings required for straight-line depreciation as well as for declining methods and so on are also connected to the depreciation area through the depreciation key. Settings such as when to start or stop depreciating assets (when they are acquired, transferred in or out, or retired) are also linked to the depreciation key. These settings are also determined at this stage so that the same can be reflected when the configuration of depreciation keys are done.

We have now spent some time explaining the concepts of AA to provide you with a solid understanding of the key elements involved. AA is sometimes seen as a specialist subject that will start making sense as we begin our configuration activities.
7.4 **Asset Accounting Configuration**

In this section, we'll look at the important AA configuration steps, following a logical sequence. This ensures that you don't miss any important steps while also making sure that after following these steps, your AA submodule is fully functional. We'll start by copying a reference chart of depreciation to define your own chart of depreciation.

### 7.4.1 Copy Reference Chart of Depreciation

To define your chart of depreciation, you copy a reference chart of depreciation, including all of the depreciation areas from the reference chart. As already explained in the previous section, your chart of depreciation is a directory of depreciation areas arranged according to your business and legal requirements. You can use the chart of depreciation to manage all different types of valuation rules for your assets in a specific country or economic region.

If necessary, you can delete any depreciation areas that you do not need in your copied chart of depreciation.

The IMG path for this configuration step is SPRO • FINANCIAL ACCOUNTING (NEW) • ASSET ACCOUNTING • ORGANIZATIONAL STRUCTURE • COPY REFERENCE CHART OF DEPRECIATION/DEPRECIATION AREAS. A screen with activities, including COPY REFERENCE CHART OF DEPRECIATION, appears as shown in Figure 7.3.

![Figure 7.3 Copy Reference Chart of Depreciation](image-url)
Index

0B57, 125
0BA4, 124
1KEK, 149
3KEH, 164, 469
999 lines
   In a journal, 88

A
ABAP report, 600
ABAVN, 418
ABST2, 594
ABUMN, 415
Access sequences, 136
Account Assignment Groups, 504
Account Assignment Objects, 380
   Activate, 380
Account Determination, 361
   AUA, 498
   AUF, 498
   AUI, 498
   BSA, 498
   BSX, 492
   Configure, 493
   DST, 498
   FR1, 493
   FR3, 493
   GBB-BSA, 492
   GBB-VBR, 492
   GBB-VNG, 492
   INV, 498
   New GL real-time integration, 168
   Specify, 361
   UPF, 493
   VAX, 498
   VAY, 498
   VBR, 498
   VKA, 498
   VKP, 498
   VNG, 498
   WRX, 492
   ZOB, 498
   ZOF, 498
Account group
   Customer, 287, 290
   Accounting clerk, 219
   Customer master, 302
Accounts Approach, 629
Accounts Payable (AP), 602
Accounts Receivable (AR), 281, 425, 604
   Calculation of Interest on Arrears, 343
   Valuation, 425
Acquisitions, 393
ACSET, 382
Active splitting, 151
Additional Rows, 622
AFAB, 580
AFAMA, 374
AFAMD, 377
AFAMP, 380
AFAMS, 378
AJAB, 595
AJRW, 589, 593
Alternative reporting hierarchies
   Document splitting, 187
AM05, 372
ANLA, 400
ANLB, 400
AO11, 360
AO71, 389
AO73, 391
AO74, 391
AO76, 391
AO90, 383
AS01, 404
AS02, 402
AS08, 364
AS91, 551
Assessment, 166, 190, 470, 473
Asset Accounting (AA), 349, 605
  Building Blocks, 351
  Business Model, 355
  New General Ledger, 386
  New GL integration, 191
Asset Assignment, 353
Asset Balance, 554
Asset Classes, 355, 365, 370
  Define, 365
Asset Explorer, 411, 605
Asset History Sheet, 396, 605
  Groups, 396, 397
  Position Allocation, 398
  Version, 397
Asset Master Record, 404, 405, 406
  Create, 404
Asset Number Range, 364
  Intervals, 364
Assets
  Legacy asset migration, 551
Asset Transaction, 404
Asset Transfer Date, 549
  Data Migration, 549
Assign Accounts to Account Symbol, 270
Assign Bank Accounts to Transaction Types, 268
Assign External Transaction Types to Posting Rules, 274
Assign GL accounts, 383
Assign number range
  Customer account group, 301
Assign Report Group, 624
Assign the valuation areas and accounting principles, 582
Assign the Valuation Areas to the Accounting Principles, 585
Attribute, 482
Automatic account assignments
  Maintain, 468
Automatic Account Determination, 526
Automatic credit control, 319
Automatic payment program, 248
AW01N, 411

B
Balance sheet, 355
  Accounts, 383
Bank, 222
Bank master record, 225
Base method, 374
  Define, 374
Base value, 378
Basic controlling area settings, 437
Batch Input Session, 569
Business Transactions, 257
Billing, 282
  Account determination, 501
Billing document, 283
  Release to accounting, 304
Bill of exchange payable, 234
Bill of exchange receivable, 233
Bill To, 285
  Customer master, 285
Blocked, 244, 324
BSX, 493
Build, 641
Business Analysis, 637
Business area
  Definition, 42
Business Intelligence (BI), 600
Business Roles, 643
Business transaction
  Document splitting, 182
Business transformation, 636

C
Calculating Interest, 345
Cash Journal, 257
Cash Journal Postings, 264
Change Management, 634
Change message control, 126
Change Report Group, 625
Change Report Layout, 618
Characteristics, 598
Chart of accounts, 42
  Company code assignment, 89
  Configuration, 64, 66
Chart of depreciation, 352

Asset Classes, 371
Assignment to company code, 359
Chart of Accounts, 353
Company Code, 359
Country-Specific, 352
Define, 357
Definition, 43
Integration, 352
Checks, 227
Clearing
  incoming payments, 311
Clerk ID
  Accounting clerks, 302
  Customer master, 302
Close material period, 579
Close old sales period, 579
Closing Cockpit, 576
CO1, 169
Command field, 33
Company
  Configuration, 59
Company code, 38, 352
  Configuration, 69
  Definition, 40
  Fiscal year assignment, 71
  Global parameters, 82
  Transfer, 417
Comparisons, 414
Configuration Settings, 477
Configuration specifications, 642
Configuring Cash Journals, 257
Configuring Electronic Bank Statements, 267
Configuring Foreign Currency Valuations, 582
Configuring Interest Calculations, 335
Configuring the Asset History Sheet, 396
Considerations, 350
Constants
  Document splitting, 176
Consumables, 423
Controlling area, 438
  Activate, 438
  Activate components, 76
  Configuration, 72
  Definition, 42
Controlling model, 434

Control Methods, 379
Conversion programs, 641
Conversion Rules, 563
Converting your bank statement, 276
Copy Reference, 357
Cost center, 617
  Assignment, 41
  Create, 453
  Definition, 41
  Group, 75
  Hierarchy, 75
Cost Center Accounting (CCA), 449
  Configuration, 450
Cost Center Categories
  Create, 451
Cost Center Planning, 480
Cost Distribution, 523
Cost element, 443
Create Account Symbols, 269
Create, Change, or Delete Business Transactions, 262
Create Cost Elements
  Automatically, 444
  Manually, 447
Create Keys for Posting Rules, 272
Create Legacy Assets, 551
  Data Migration, 551
Create report
  Report Painter, 609
Create Transaction Types, 268
Creating a Transaction Type for Acquisitions, 391
Creating a Transaction Type for Retirements, 393
Creating a Transaction Type for Transfers, 394
Credit control area, 321
  Configuration, 67
Credit exposure, 324
Credit limit, 324
Credit master, 321, 323, 324
Credit representative, 322
Credit representative group, 324
  Credit control, 321
Currency
  New GL, 156
Current Asset Valuation, 422
Customer
   Master data, 285
Customer and Vendor Balance Carry Forward, 591
Customer invoice, 304
   Layout, 304
Customer master record, 285
Customer Relationship Management (CRM), 281
Customer tolerance group, 313
Cutover, 545, 645

D
Data cleansing, 542, 641
Data migration, 634
   Asset Accounting, 549
   Definition, 539
   Segment, 162
   Strategy, 644
Data warehouse, 600
   Definition, 600
Deactivate Asset Class, 372
Debtors
   Management of, 319
Decision Making, 639
Declining balance method
   Define, 377
Declining Balance Method, 377
DEFAULT, 176
Default profit center, 80
Define a Column, 613
Define a Row, 611
Define Automatic Credit Control, 325
Define Document Types for Cash Journal
   Documents, 259
Define Formula Rows and Columns, 615
Define Interest Calculation Types, 336
Define Posting Rules, 272
Define Reference Interest Rates, 341
Define the Valuation Areas, 582, 584
Define the Valuation Method, 582
Define Time-Based Terms, 341
Defining Validations for Asset Master Data, 399
Delivery note, 283
Depreciation Accounts, 385
Depreciation Area, 366, 372
   Define, 366
Depreciation calculation method, 376
Depreciation key, 373
   Maintain, 373
Depreciation run
   Post, 420
Depreciation Terms, 369
Depreciation Types, 374
Design Document, 639
Design Phase, 636
Dimension, 598
   Splitting, 152
Display GL Balances, 606
Display GL Line Items, 606
Distribution, 166, 190, 470, 471
Document
   Default values, 120
Document change rules, 121
Document entry screen
   User-defined layout, 118
Document header Text
   Document type, 110
Document parking, 231
Document principle, 86
Document splitting, 148, 174
   Activate, 178
Document type, 105, 303
   Actual postings to PCA, 464
   Customer, 303
   Splitting classification, 185
Down payment made, 234
Down Payment Postings, 233
Down payment received, 233, 306
Dunning, 319, 328
   Charges, 332
   Interval, 330
   Program, 328
   Recipient, 334
Dunning area
   Configure, 329
   Customer master, 296
Dunning blocks
   Configure, 329
Dunning procedure
   Assignment to a customer, 334
   Customer master, 296
   Maintain, 330
Duplicate invoice, 231
Dynamic Selections, 601

E

Electronic Bank Statements, 266
Employee Bank Details, 522
Employee Basic Pay, 521
Employee Master, 520
Employee Master Records, 520
Employee Organizational Assignment, 521
Employee tolerances, 124
   Assignment, 125
End-user training, 642, 645
Engagement, 638
Enhancements, 640
Enterprise structure, 37
   Configuration, 57
   Purpose, 40
Enterprise Structure, 351
ERP system, 487
Exempt
   Tax, 133
Extended data structure, 148
Extending
   Customer master records into additional company codes, 298
External Acquisition, 408
External number range
   Documents, 113

F

F.05, 587
F.07, 592
F.29, 308
F.39, 310
F.48, 235
F.53, 239
F-54, 238
F.65, 589
F.80, 580
F-90, 408
F110, 576, 577
F150, 334, 576
FAGL_ACTIVATION, 154
FAGLB03, 577, 606, 626
   Period-end timetable, 577
FAGLCOFITRACEADMIN, 167, 478
FAGL_FC_VAL, 580, 587
FAGLFLEXA, 149
FAGLGVTR, 590
FAGLL03, 577, 601, 606, 626
   Period-end timetable, 577
FAGLTFLEX, 149
Fast close, 148
   Activity, 574
   New GL, 152
Favorites list, 34
FB02, 245
FBCJ, 264
FBCJC0, 261
FBCJC1, 260
FBCJC2, 262
FBL1N, 237
FBL3N, 606
FBL5N, 310
FD11, 605
FD15, 298
FD16, 299
FD23, 323
FD32, 307
FD32, 234
FD33, 307
FEBC, 276
FF_5, 277
Field Mapping, 543, 563
   Data Migration, 543
Field status
   Customer master data, 291
   Segment, 163
Field status group
   Configuration, 91
   Customer master, 291
Index

Field status variant
  Assignment to company code, 97
  Customer master, 303
FIFO, 424
Final Preparation, 645
Finance Payroll Posting Variant, 531
Financial ledger, 146
Financial reporting
  External, 40
  SOX, 147
Financial statement version, 128
  FIN_CCA, 157
  FIN_GSBER, 157
  FIN_PCA, 157
  FIN_SEGME, 157
FINT/FINTSHOW, 345
Fiscal Year, 617
  Change, 592, 593
  Fiscal year variant, 575
  Configuration, 60
Fixed Assets Design, 355
Fixed Values, 564
Flat-Rate Individual Value Adjustment, 425
Flexible dimensions
  Report Painter, 621
Flexible Dimensions within the Report, 621
Foreign Currency Update, 580
Foreign Currency Valuation, 582
  Processing, 587
Formula, 482
  Report Painter, 615
FS00, 257
FS10, 606
FS10N, 606
FTXP, 139
Functional specifications, 642
FV50, 86, 576

GL

GL account group, 98
GLT0, 154
Go-Live Support, 646
Go no-go decision, 645
Goods receipt, 199
GR52, 624, 625
Grace periods, 330
GRR1, 607

H

Head office
  Customer master, 295, 347

I

IFRS, 147, 627
Implementation Guide (IMG), 35
Implementation projects, 24
Implementing SAP, 633
Importing Bank Statements, 277
Importing Electronic Bank Statements, 276
Industry
  Customer master, 293
Infotype 0001, 521
Infotype 0008, 521
Infotype 0009, 522
Infotype 0014, 522
Infotype 0027, 523
Integrate, 487
  GL with subcomponents, 164
Integration testing, 536, 642
Intercompany
  New GL clearing, 172
  Postings, 172
Interface, 531
Interface programs, 641
Interfaces, 39
  Internal, 159
Internal Order
  Create, 459
Internal Order Accounting
  Configuration, 456
International Financial Reporting Standards, 627

GCBX, 464
General Data Selection, 616
General Ledger, 606
German Commercial Code, 186
GL account, 383
  Classification for splitting, 183

658
Inventory Transfer, 546

Data Migration, 546

Inventory Valuation, 422

Invoice Verification, 200

J

Journal entry

Screen, 86

K

KA01, 447

KA06, 447

KANK, 439

KCH1, 80

KDHI, 187

KE52, 162

Key Figure, 482

Kick-off meeting, 636

KO01, 460

KOFI

Account Determination, 503

KOT2, 456

KP06, 483

KS01, 453

KSH1, 75

KSH2, 450

L

Last Dunned, 335

Leading ledger, 154

Ledger, 617

New GL, 146

Ledger group, 159

Ledger-specific lines table, 149

Legacy System Migration Workbench (LSMW), 544, 555

Cross Application, 572

Data migration, 543

Legacy systems

Data migration, 540

LIFO, 424

Line Item, 238

Logon pad, 31

Long-Term Support, 647

M

Maintain Number Range Intervals

Customer master, 300

Maintain Terms of Payment, 515

Manual configuration log, 643

Manual outgoing payment, 239

MASS, 402

Master data

Operational, 285

Static, 285

Matchcode, 203

Customer, 288

Material masters

Migration, 546

Materials Management

Account Determination, 490

Menu bar, 33

Messages

Customization, 126

Migration service

New GL, 548

Minimum amounts

Dunning procedure, 333

MMPV, 578

Period-end timetable, 578

Movement Type

Account Determination, 493

MR11, 580

Period-end timetable, 580

Multicash, 267

Multilevel method

Define, 377

Multilevel Methods, 377

Multiple Ledger Approach, 630

Multiple ledgers, 38

MWAS, 136

MWST, 136

MWVS, 136
Index

N

Netting, 295
New GL, 25
New Totals Table, 149
Non-leading ledger, 186
Nonstock invoice, 228
Number range, 216
  Customer, 299, 300
  Document type, 112
  GL master record, 111

O

OA77, 362
OA79, 396
OAAQ, 594
OAAR, 594
OAB1, 359
OABC, 368
OABD, 370
OACS, 402
OACV, 400
OAOA, 365
OAAP, 357
OASV, 554
OAV9, 396
OAYZ, 370
OB01
  Risk category, 322
OB02, 323
OB13, 65
OB37, 71
OB41, 115
OB46, 336
OB52, 578, 580
  Period-end timetable, 578
OB53, 90
OB58, 129
OB82, 337
OB83, 343
OBA1, 585, 586
OBA7, 107, 112, 259
OBBG, 138
OBBP, 64
OBC4, 92
OBC5, 97
OBD4, 98
Object Attributes, 558
OBL, 133
OBU1, 120
OBV1, 343
OBXR, 233, 306
OBY6, 82
OBYC, 493
OBYR, 233, 306
OBYZ, 134
OK17, 479
OKB2, 445
OKB3, 446
OKB9, 468, 512
OKE5, 81
OKEQ, 440
OKKP, 76, 438
Open item
  Customer invoices, 311
  Migration, 547
  Management, 105
Open Item Transfer, 547
  Data Migration, 547
Open new period, 579
Operational
  Master data, 285
Order number range
  Assignment, 458
Order-to-cash, 281
  Process, 281
Order type, 456
OSS
  Online SAP Support, 51
Outgoing payment, 201
Output determination procedure
  Customer master, 290
  Customer master records, 290
OVA8, 325
Overpayment
  Customer, 316
OX02, 69
OX06, 438
OX15, 68
Index

P
PA30, 520
Parallel Accounting, 186
Approaches, 628
Parallel ledger, 148
Parameters, 414
Parking lot, 640
Partial payment, 313
Customer payment, 313
Partner field
Document splitting, 174
Partner functions, 212
Passive splitting, 151
Password, 31
Payables
Integration with GL, 164
Payer, 286
Customer master, 286
Payment difference, 243
Payment on account
Customer payment, 313
Payment term, 515
Payroll Posting Variant, 530
Period, 617
Period control method
Maintain, 379
Period Controls, 380
Period end
Closing, 573
Definition, 573
Timetable, 575
Periodic reposting, 470
Permitted Payment Differences, 314
Planned Values, 412
Planning, 38
Planning Layouts and Planner Profiles, 480
PMO, 635
Posted Values, 413
Post final adjustments, 581
Posting Depreciation, 389
Posting Down Payments, 235, 308
Posting keys
Customer, 303
Customer master record, 303
Document, 115
Posting period variant, 575
Configuration, 62
Post transfers
Assets, 415
Post values to an asset, 408
Preparation, 634
Prepare Automatic Postings for Foreign
Currency Valuation, 585
Prepare Interest on Arrears Calculation, 337
Prepare Item Interest Calculation, 338
Pricing, 503
Primary cost element, 443
PRINCE, 633
Process down pmnts, 238
Process Flows, 639
Production support projects, 24
Production system preparation, 645
Profit Center
Accounting, 463
Create, 80, 466
Create default, 80
Definition, 41
Determination, 467
Segment, 162
Project Management Office, 635
Purchase order, 199
Purchase price variance, 230
Purchasing view, 211
Quality check sign off, 644
Rationalization
Data migration, 542
Real and statistical postings, 436
Realization phase, 641
Real postings, 436
Real-Time Integration, 476
CO to New GL, 165
Reason code, 242
Document type, 117
Index

Receivables
Integration, 164

Reconciliation
Data migration, 540
FI to CO, 190
Interfaces, 535

Reconciliation account
Customer master, 294
Customer master record, 294
GL Master record, 104

Records mapping
Data migration, 544
Record Type, 614

Recurring Payments and Deductions, 522

Reference Number
Document type, 109
Release invoices blocked, 247
Release to accounting
Billing, 304

Report group
Report Painter, 624

Reporting requirements, 38
Reporting Suite, 597

Reporting Tools, 599

Report Layout, 618
Report Painter, 618

Report Painter
Create, 607
Report Definition, 600

Report Texts, 622

Report Type, 608
Report Variants, 602
Creation, 602

Request-based support projects, 24

Residual item
Customer payment, 313

Retained earnings account, 89

Retiring assets
By scrapping, 418

Revenue Account Determination, 502
CEX, 509
ERF, 504
ERL, 504
ERS, 504
EVV, 504
KOFI, 503
MWS, 504

RDF, 509
SKE, 509
VKOA, 505
ZDI, 509
RFBIDE10, 299

Extending customer master data, 299
RFEBDK00, 276

Risk category, 322, 324
Credit control, 321

Roll-out projects, 24, 26
Run all settlements, 579
Run customer billing, 577
Run depreciation, 580, 581
Run GR/IR, 580

S

Sales and Distribution (SD), 281
Sales order, 282
S_ALR_87012277, 580
S_ALR_87012291, 576, 577
S_ALR_87012347, 576, 577
SAP, 23
SAP ERP Central Component (ECC), 22
SAP knowledge, 648
SAP Lifecycle, 650
saplogin.ini, 31
SAP navigation
Basics, 30
SAP Payroll, 525
SAP Query, 600
Definition, 600
SAP R/3, 23
SAP report
Definition, 600
Standard, 599
SAP Support Model, 649
Sarbanes-Oxley (SOX), 147, 220
S_BCE_68000174, 580
Scenarios
New GL, 157
Schedule Manager, 576
Scraping, 418
Screen Layout, 362
Create, 362
Search term
<table>
<thead>
<tr>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer master</strong>, 293</td>
</tr>
<tr>
<td>Secondary cost element, 444</td>
</tr>
<tr>
<td>Segment, 148, 160</td>
</tr>
<tr>
<td><strong>Dimension</strong>, 152</td>
</tr>
<tr>
<td>Segment Reporting, 148</td>
</tr>
<tr>
<td>Set the account determination, 582</td>
</tr>
<tr>
<td>Set the Amount Limit, 258</td>
</tr>
<tr>
<td>Settlements, 166</td>
</tr>
<tr>
<td>Set up payment methods, 252</td>
</tr>
<tr>
<td>Set Up the Cash Journal, 257, 260</td>
</tr>
<tr>
<td>Ship To, 285</td>
</tr>
<tr>
<td><strong>Customer master</strong>, 285</td>
</tr>
<tr>
<td>Sign off, 640</td>
</tr>
<tr>
<td>Simulate the transaction, 411</td>
</tr>
<tr>
<td>Six-step data migration model, 541</td>
</tr>
<tr>
<td>SM35, 447</td>
</tr>
<tr>
<td>Sold To, 285</td>
</tr>
<tr>
<td><strong>Customer master</strong>, 285</td>
</tr>
<tr>
<td>Sort key</td>
</tr>
<tr>
<td><strong>GL master record</strong>, 103</td>
</tr>
<tr>
<td>Source Fields, 561</td>
</tr>
<tr>
<td>Source Structure, 561</td>
</tr>
<tr>
<td>Special General Ledger Indicators, 233, 305</td>
</tr>
<tr>
<td>Special ledger, 146</td>
</tr>
<tr>
<td>Special Ledgers Approach, 629</td>
</tr>
<tr>
<td>Splitting, 150</td>
</tr>
<tr>
<td><strong>Activate method</strong>, 182</td>
</tr>
<tr>
<td><strong>Active</strong>, 151</td>
</tr>
<tr>
<td><strong>Method</strong>, 178, 180</td>
</tr>
<tr>
<td><strong>Passive</strong>, 151</td>
</tr>
<tr>
<td>Rules, 178</td>
</tr>
<tr>
<td>Stabilization, 646</td>
</tr>
<tr>
<td>Standard hierarchy</td>
</tr>
<tr>
<td><strong>Cost centers</strong>, 450</td>
</tr>
<tr>
<td><strong>Profit Center Accounting (PCA)</strong>, 463</td>
</tr>
<tr>
<td>Standard toolbar, 33</td>
</tr>
<tr>
<td>Static</td>
</tr>
<tr>
<td><strong>Master data</strong>, 285</td>
</tr>
<tr>
<td>Statistical postings, 436</td>
</tr>
<tr>
<td>Status bar, 34</td>
</tr>
<tr>
<td>Straw man, 39</td>
</tr>
<tr>
<td>Design, 43</td>
</tr>
<tr>
<td>Structure Relations, 563</td>
</tr>
<tr>
<td>Substitutions for Asset Master Data, 402</td>
</tr>
<tr>
<td>SWIFT, 267</td>
</tr>
<tr>
<td>Symbolic Accounts, 525, 526</td>
</tr>
<tr>
<td><strong>T</strong></td>
</tr>
<tr>
<td>Target special general ledgerGL, 234</td>
</tr>
<tr>
<td>Tax</td>
</tr>
<tr>
<td><strong>Account</strong>, 140</td>
</tr>
<tr>
<td><strong>Calculation procedure</strong>, 134</td>
</tr>
<tr>
<td><strong>Condition type</strong>, 136</td>
</tr>
<tr>
<td><strong>Definition</strong>, 131</td>
</tr>
<tr>
<td><strong>United States</strong>, 131</td>
</tr>
<tr>
<td>Tax post, 138</td>
</tr>
<tr>
<td>Terms of payment</td>
</tr>
<tr>
<td><strong>Customer master</strong>, 295</td>
</tr>
<tr>
<td>Testing strategy, 643</td>
</tr>
<tr>
<td>Tolerance groups</td>
</tr>
<tr>
<td><strong>Customer</strong>, 313</td>
</tr>
<tr>
<td>Tolerances</td>
</tr>
<tr>
<td><strong>GL posting</strong>, 124</td>
</tr>
<tr>
<td>Trace Active, 478</td>
</tr>
<tr>
<td>Training strategy, 644</td>
</tr>
<tr>
<td>Transaction</td>
</tr>
<tr>
<td>Simulate the, 411</td>
</tr>
<tr>
<td>Transaction KDF, 586</td>
</tr>
<tr>
<td>Transaction Types, 391</td>
</tr>
<tr>
<td>for acquisitions, 391</td>
</tr>
<tr>
<td>for retirements, 391</td>
</tr>
<tr>
<td>for transfers, 391</td>
</tr>
<tr>
<td>Transfer of APC values</td>
</tr>
<tr>
<td>Specify, 368</td>
</tr>
<tr>
<td>Transfer of depreciation terms</td>
</tr>
<tr>
<td>Specify, 370</td>
</tr>
<tr>
<td>Transfer postings</td>
</tr>
<tr>
<td>Asset migration, 555</td>
</tr>
<tr>
<td>Transfers, 394</td>
</tr>
<tr>
<td>Transporting</td>
</tr>
<tr>
<td><strong>Customer number range</strong>, 301</td>
</tr>
<tr>
<td>Trial Load, 545</td>
</tr>
<tr>
<td><strong>Data Migration</strong>, 545</td>
</tr>
<tr>
<td>Trial loads</td>
</tr>
<tr>
<td><strong>Data migration</strong>, 545</td>
</tr>
<tr>
<td><strong>U</strong></td>
</tr>
<tr>
<td>Underpayment</td>
</tr>
<tr>
<td><strong>Customer</strong>, 316</td>
</tr>
<tr>
<td>Upgrade</td>
</tr>
<tr>
<td><strong>Activate New GL</strong>, 153</td>
</tr>
</tbody>
</table>
Index

Data migration, 547
Projects, 24
User acceptance testing, 642
User-Defined Routines, 564
User name, 31
U.S. GAAP, 147
U.S. Securities and Exchange Commission, 574
U.S. tax laws, 137

V

Valuation class
  account determination, 494
Valuation modifier
  account determination, 494
Value Adjustment Key, 426
Vendor account group, 205
Vendor account number, 213
Vendor master record, 203
Vendor tolerance, 241
Versions, 440, 625
  Controlling, 480
  Maintain, 440

Void, 227
VST, 140

W

Wage Type, 524, 526
Work package, 634
Workshops, 638

Y

Year end
  Definition, 573
Year-end closing, 592

Z

Z-CCTR1, 598
ZDI, 316
Zero-balancing, 151, 174
  Document splitting, 175