Real World Tips & Tricks for a Central Finance Implementation

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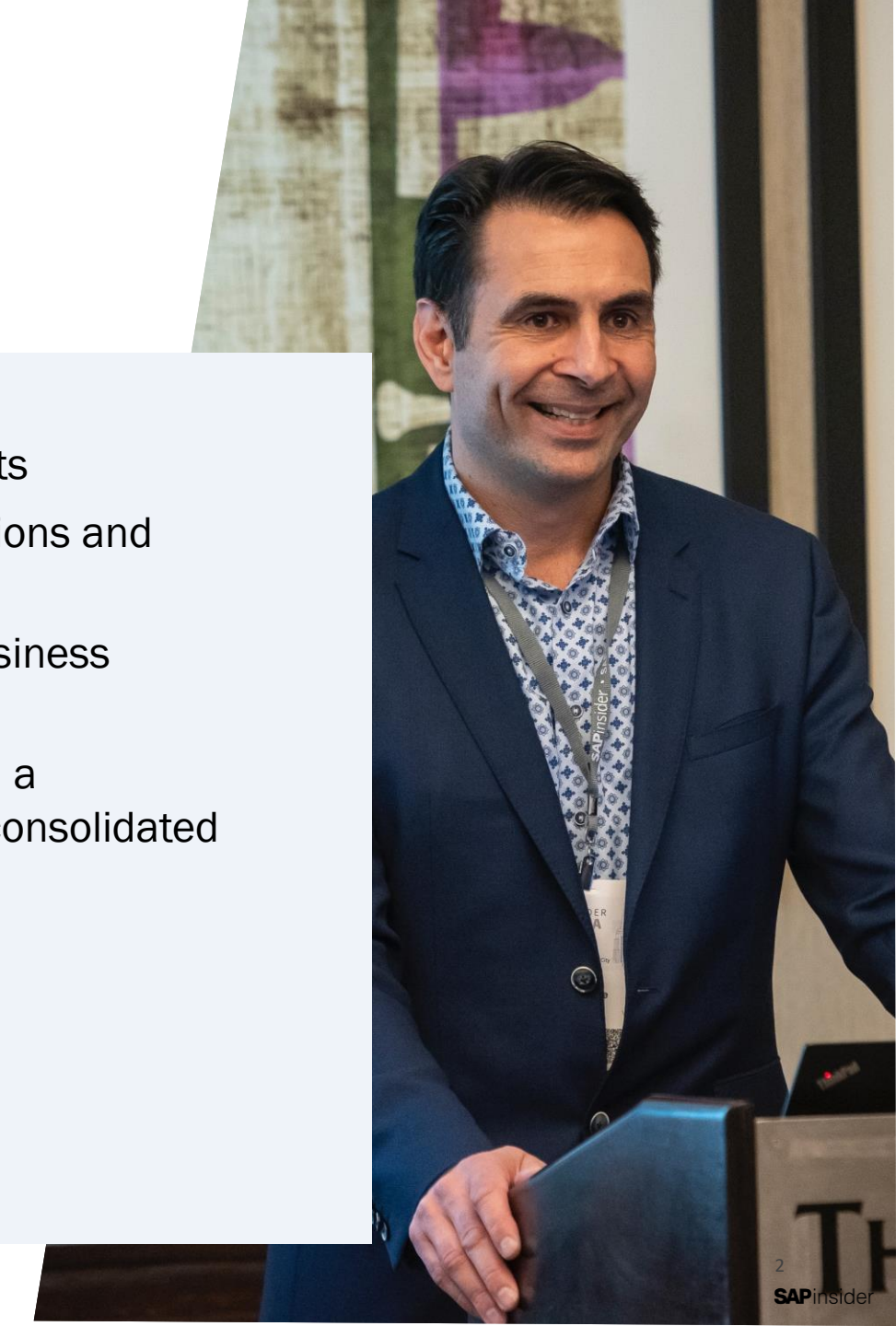
What We'll Cover

- Critical Configuration and Design Components
- Importance of key architectural design decisions and their impact on Financial Data Model
- Key Master Data Objects for Future State Business Functions
- How the Financial Data Model can help build a foundation for statutory, management, and consolidated reporting
- Wrap-Up

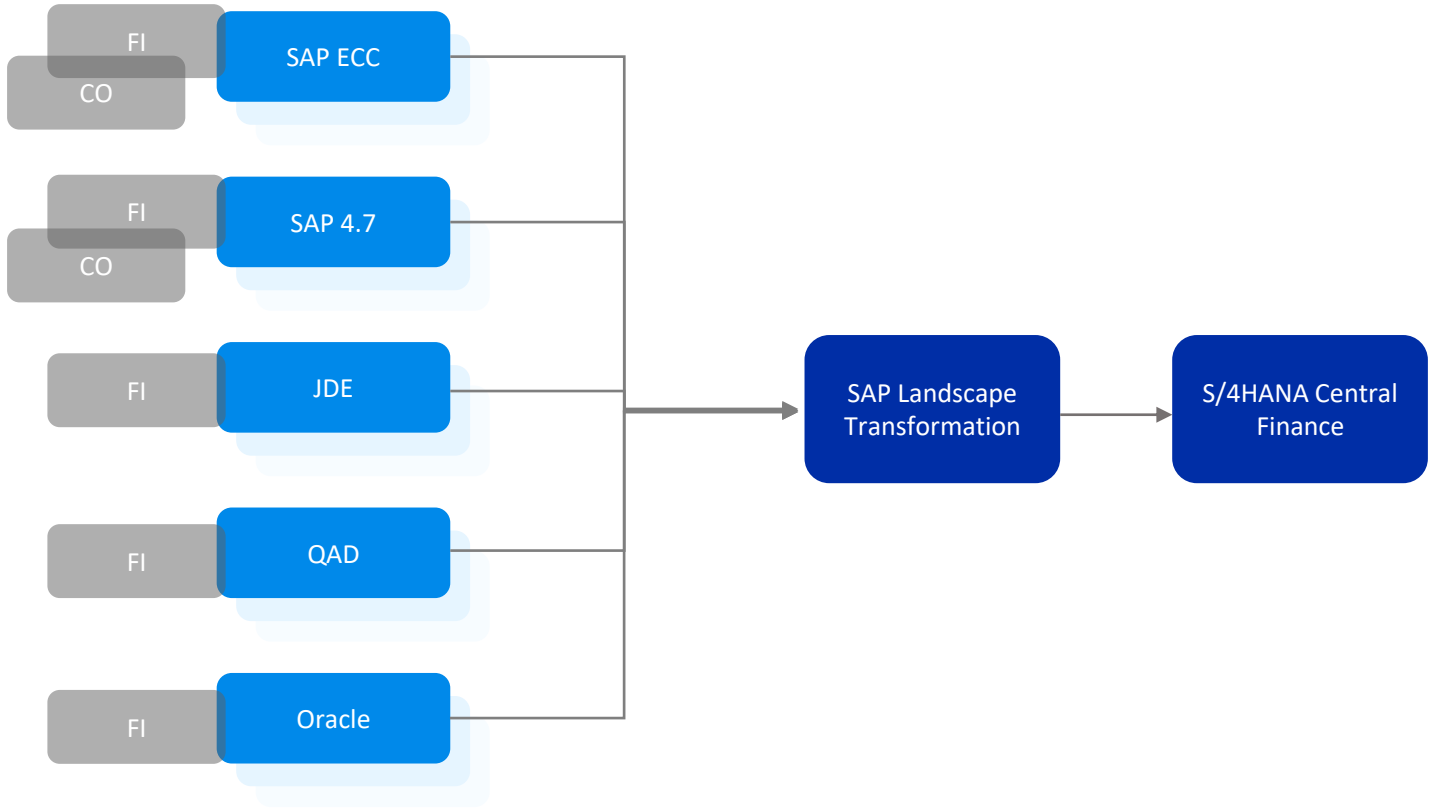


Critical Configuration and Design Components

What is Central Finance?

SAP Central Finance is a finance focused deployment option of SAP S/4HANA:

- Multiple SAP or non-SAP ERPs are connected to S/4HANA as a sidecar enterprise management system via SAP Landscape Transformation (SLT)
- SLT facilitates the replication of finance and management (FI/CO) data in real-time to the S/4HANA system
- Connecting SAP systems is a standard out of the box functionality. Custom development required for non-SAP source systems
- Non-SAP source systems require a staging area and staging tables in SAP Landscape Transformation (SLT) in order to translate the data



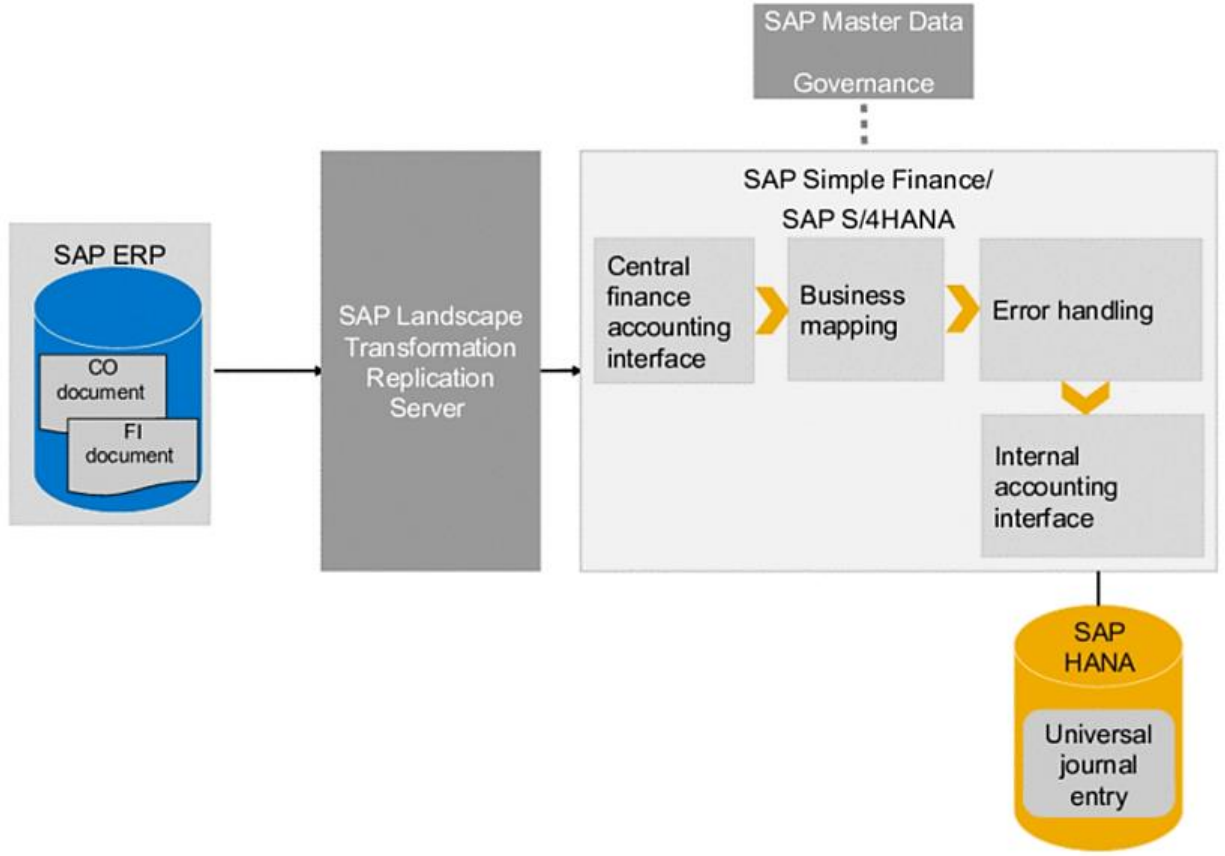
What is Central Finance?

- Central Finance itself is a S/4HANA system; however, with SLT enterprises can adopt a smooth and non-disruptive approach to S/4 HANA

- The data elements and organization entities in the source system(s) are mapped for posting in SAP MDG or other master data governance tool

- The FICO documents posted in the source system are replicated to the S/4 HANA system and posted in the universal journal

- Errors during the document replication are captured in the Application Interface Framework (AIF)



Central Finance System Landscape

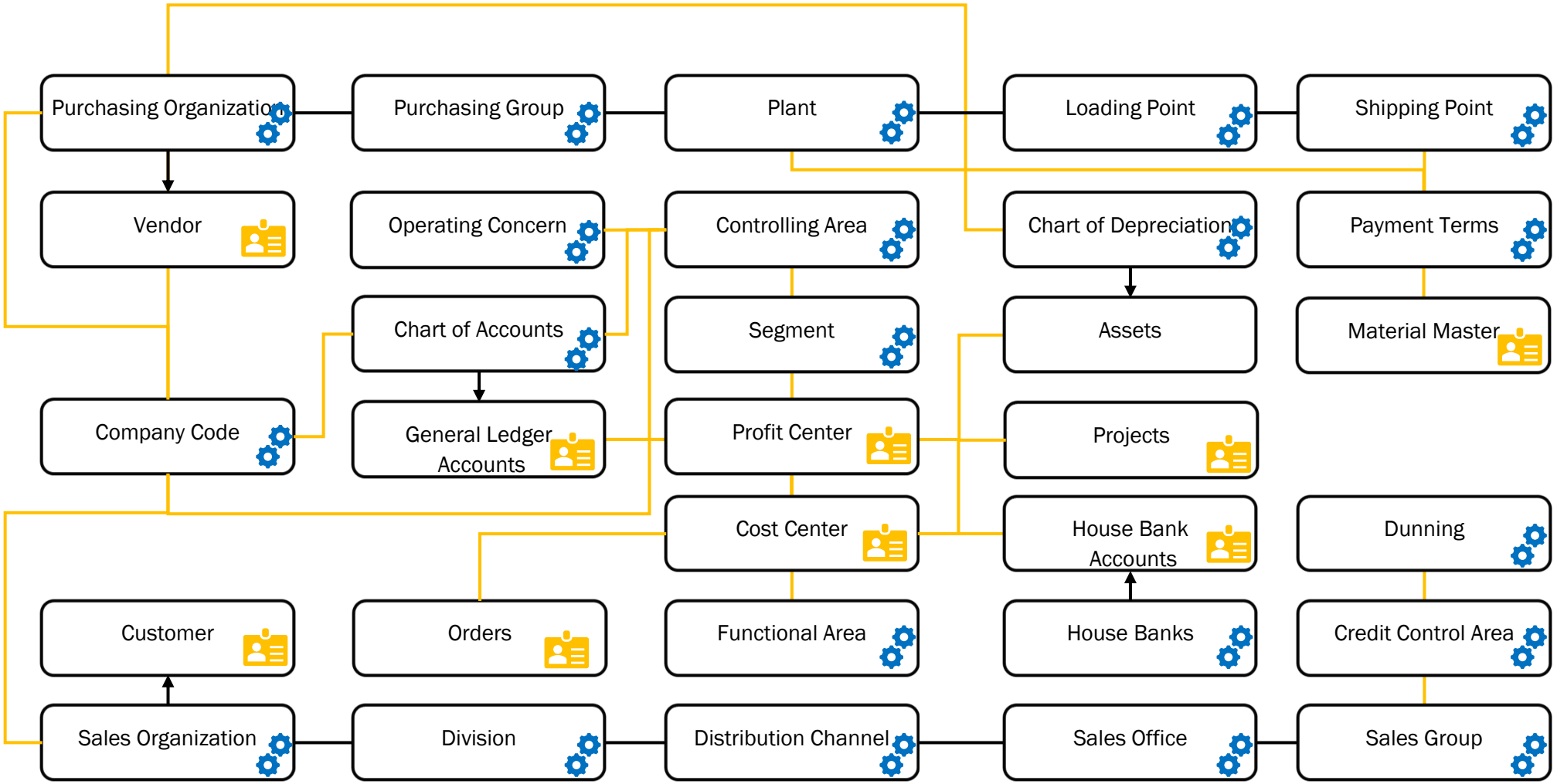
Must understand what data is coming from the source systems

Design for the Future

- Understand as-is business processes across all SAP and Non-SAP systems
  - What business processes are pivotal to reporting, month-end close, consolidations?
  - Do these business processes differ from system to system?
- Discuss current pain points and understand where/if SAP Fundamentals can help optimize
  - Will current master data be kept or transformed?
  - Can current configuration be optimized or tied into SAP Best Practices?
  - How can the intersection of Master Data and Configuration be leveraged?

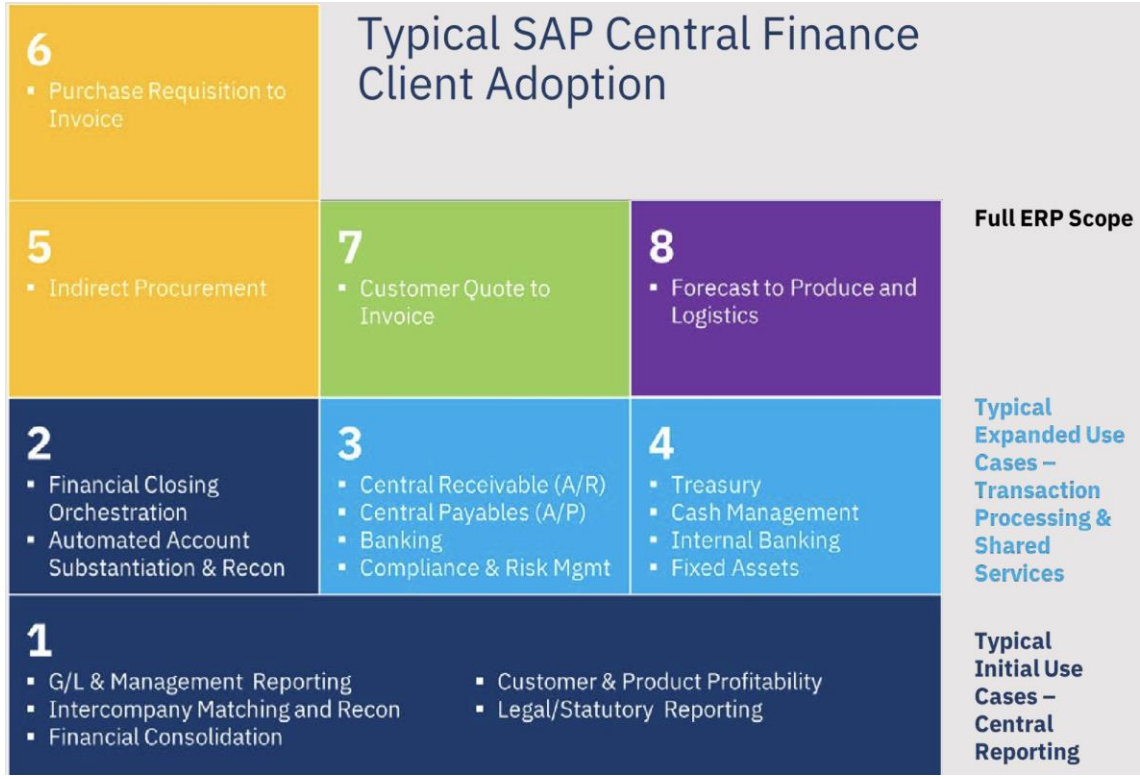
Master Data and Configuration are Intertwined

Designing of Master Data and Configuration is essential to a Central Finance implementation



Master Data and Configuration Example

- Need to understand the critical design/configuration elements that will affect multiple Building Blocks
  - Currency
  - Ledger
  - Tax
- Where is the complexity → Must consider source system design
  - What if there are multiple ERPs?
  - What should the Central Finance design look like and how does this align with source systems?
  - What if the same process/procedure is configured differently in two different source systems?



Design and Configuration Fundamentals - Currency

Currency should be approached from two key angles:

- What are the Financial Accounting (FI) currencies (Transaction, Local, Group) in the source systems?
- What are the reporting requirements (Local, Global, Tax, etc) in the Central Finance system?

Why do the source system FI currencies matter?

- Integrated FI currencies must be setup the EXACT same way in CFIN as they are in source (SAP Note 2863836)
- Historical clearings and open items from source systems will create currency differences in CFIN for additional FI currencies that do not exist in source

How to design for additional currency requirements?

- Understand what the local and global currency requirements are.
- Leverage ACDOCA Freely Defined Currencies

Target CoCd & Scenario	Source System Information			Target System Information - FINSC_LEDGER						
Target Company Code	S LC1	S LC2	S LC3	Local Currency Type	Global Curr Type (CO Area)	FDC1	FDC2 - M rate	FDC3 - P rate	FI LC1	FI LC2
[redacted]	10 - USD	None	None	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	10 - USD	None	None							
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	10 - CAD	30 - USD (10)	None	10 - CAD	30 - USD	None	ZU - USD (30)	Z1 - USD (00)	10 - CAD	30 - USD (10)
	N/A	N/A	N/A							
	10 - EUR	None	None	10 - EUR	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - EUR	None
	N/A	N/A	N/A							
	10 - EUR	None	None	10 - EUR	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - EUR	None
	10 - EUR	None	None	10 - EUR	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - EUR	None
	10 - EUR	None	None	10 - EUR	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - EUR	None
	10 - EUR	None	None	10 - EUR	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - EUR	None
	10 - EUR	None	None	10 - EUR	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - EUR	None
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	N/A	N/A	N/A	10 - GBP	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - GBP	None
	N/A	N/A	N/A	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	N/A	N/A	N/A	10 - GBP	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - GBP	None
	10 - SGD	30 - USD (00)	None	10 - SGD	30 - USD	None	ZU - USD (30)	Z1 - USD (00)	10 - SGD	30 - USD (00
	10 - SGD	30 - USD (00)	None							
	10 - RMB	None	None	10 - RMB	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - RMB	None
	10 - USD	None	None	10 - USD	30 - USD	None	ZU - USD (10)	Z1 - USD (10)	10 - USD	None
	10 - USD	50 - PHP (00)	None	10 - USD	30 - USD	50 - PHP (00)	ZU - USD (10)	Z1 - USD (10)	10 - USD	50 - PHP (00)

Table	ACDOCA						
Field Name	HSL	KSL	OSL	VSL	BSL	...	GSL
Description	Local Curr.	Global Curr.	Free Curr. 1	Free Curr. 2	Free Curr. 3	...	Free Curr. 8
Currency Type	10	30	Z1	Z2	Z3	...	Z8

Design and Configuration Fundamentals - Ledger

Better to setup now and use later then not setup and need later (think about Central Processing)

Ledgers are critical for reporting – Need to get this right before data is loaded!

- Local
- Statutory
- Management
- Tax

Understand the ledger options

- Leading
- Parallel
- Extension

CoCd Assignment & Usage	Ledger	Ledger Name	Leading	Ledger Type	Extension Ledger Typ	Underlying Ledger	Accounting Principle
Assign to all Company Codes	0L	US GAAP Leading Ledger	X	Standard Ledger			GAAP
Assign to all Company Codes	E0	US Tax Extension Ledger		Extension Ledge	Standard Journals	0L	USTX
Assign to all Company Codes	E1	Mgmt Reporting Extension Ledger		Extension Ledge	Standard Journals	0L	MGMT
Do not assign to US Company Codes; redundant with 0L	2L	Domestic GAAP Parallel Ledger		Standard Ledger			<based on country>
Do not assign to US Company Codes; redundant with E2	E2	Domestic Tax Extension Ledger		Extension Ledge	Standard Journals	2L	<based on country>

Key questions to consider:

- Will the organization need a separate ledger to track management entries?
- Will the organization need a separate ledger to track tax adjustments?
- What are the Accounting Principles needed for local and statutory reporting?
- How do these requirements apply to the Central Finance Company Code structure?

Design and Configuration Fundamentals - Tax

Tax harmonization across source system and country is a detailed and comprehensive exercise

- Tax Codes
- Tax Rates
- Tolerance Limits
- Tax Procedures
- Condition Types
- Account Determination

Consider the following scenario:

- Tax Procedure assignment to Country can only be 1:1 – What Tax Procedure will be assigned in CFIN?

Source Company Code	Source System	Country	Source Tax Procedure	CFIN Company Code	CFIN Tax Procedure
1000	A	U.S.	TAXUSJ	1000	???
2000	B	U.S.	TAXUSX	2000	???

Tax harmonization requires a coordinated effort across master data, configuration, CFIN mapping, and tax-based reporting requirements!

Key Master Data Objects for Future State Business Functions

Master Data

Master data in Central Finance needs to be approached in two steps

The **creation** of master data should allow for:

- The cleansing of duplicate or redundant master data objects
- The harmonizing of master data from several heterogenous systems

Master data can be created via:

- Manual procedures
- Master Data Governance
- S/4HANA Migration Cockpit
- Data Services
- 3rd party tool/others

The **mapping** of master data allows for:

- Master data objects from different systems to be inline with future state design
- The ability to reengineer master data structure within S/4HANA (reporting, business process, financial data model)

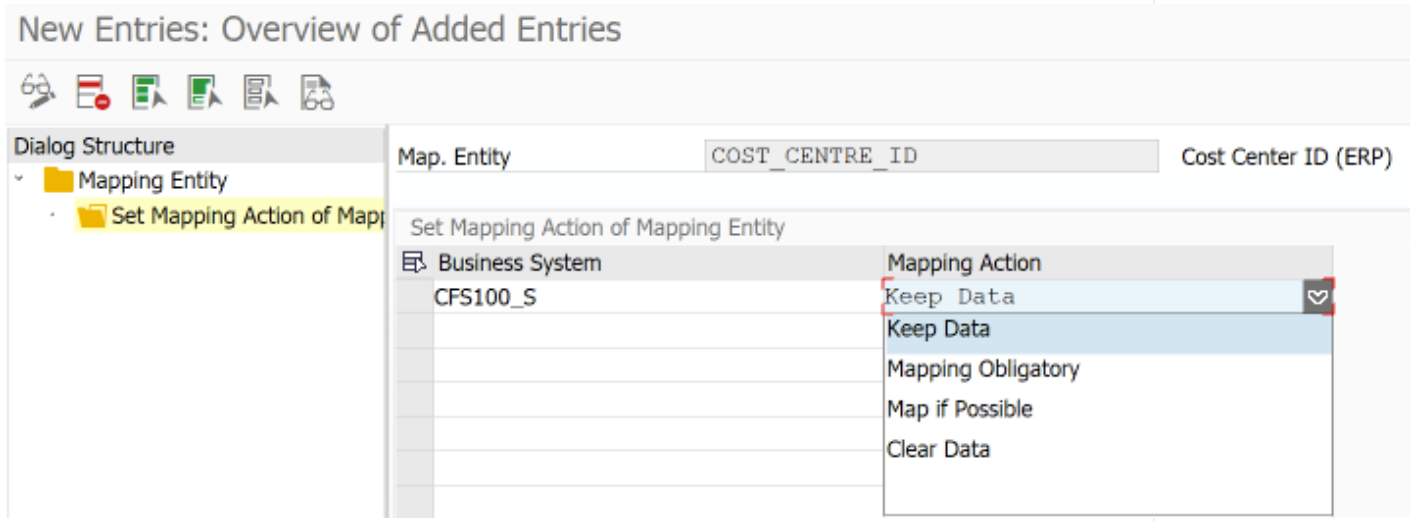
Master data can be mapped via:

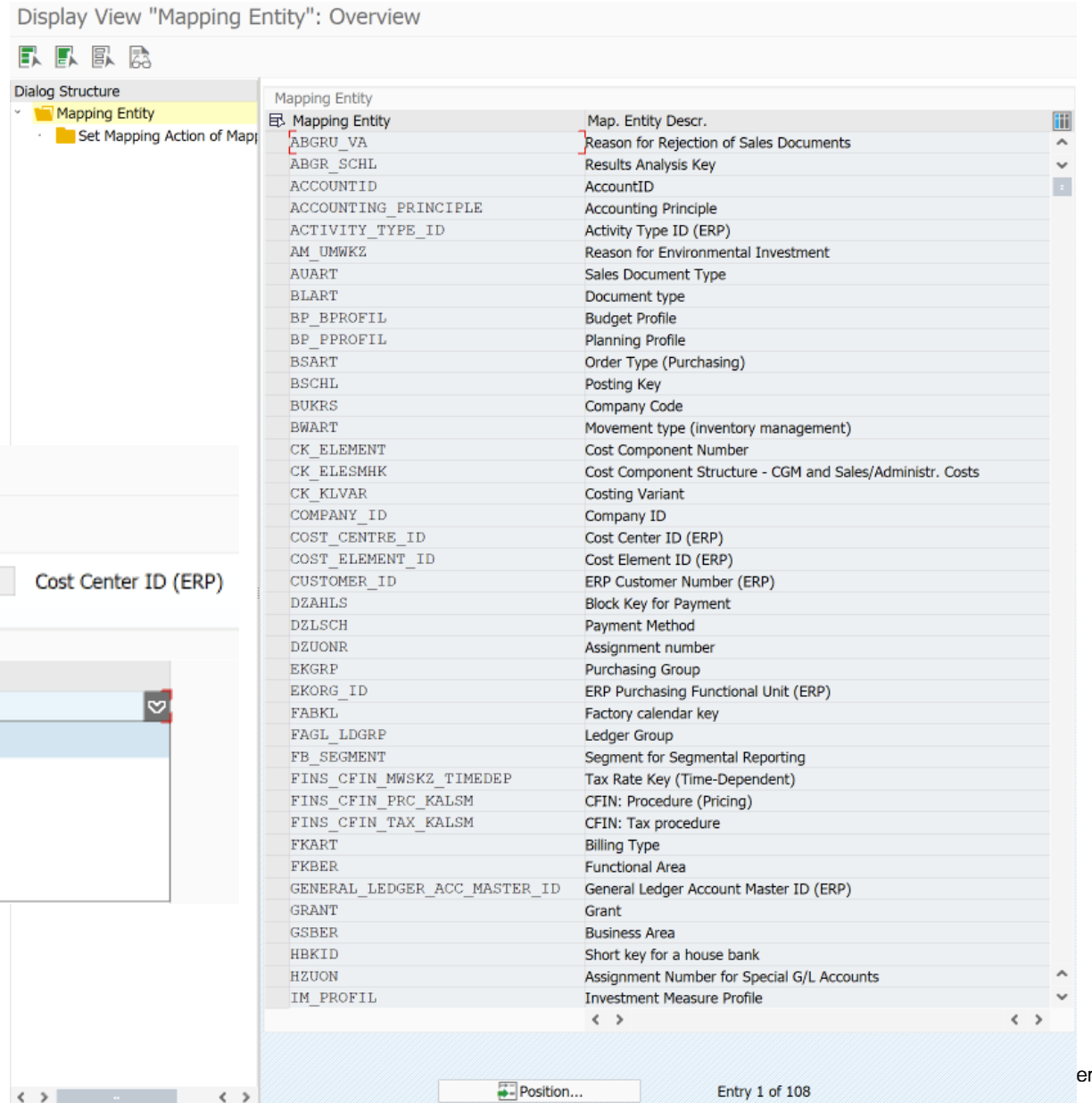
- Key Mapping: ”Id” mapping, created frequently, short-lived, master data based (G/L account, vendor, customer, cost center, materials, etc.)
- Value Mapping: “Code” mapping, created infrequently, long-lived, configuration based (controlling area, document type, tax code, company code, etc.)
- Cost Object Mapping: The mapping of cost collectors (orders) from the source system to the Central Finance system

Mapping Entities and Actions

"Mapping Entities" are the framework for WHAT can be mapped

"Mapping Actions" are the framework for HOW mapping entities are mapped





Mapping Actions

Keep Data - In line with design

- Bring over as-is from source. Does this naturally (don't have to specify)

Mapping Obligatory – Change always

- Mapping must be maintained

Map if Possible – Change sometimes

- Map if a mapping is maintained, if not default to keep data

Clear Data – Don't need

- Clear Data coming from the source

A	B	C	F	G	H	I
Mapping Entity	Mapping Entity Description	Type of Mapping	Source Syste	Source Syste	Source Syste	Source Syste
ACTIVITY_TYPE_ID	Activity Type ID (ERP)	Key	Keep Data	Keep Data	Keep Data	Keep Data
BLART	Document type	Value	Map if Possible	Map if Possible	Map if Possible	Map if Possible
BSCHL	Posting Key	Value	Keep Data	Keep Data	Keep Data	Keep Data
BUKRS	Company Code	Value	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
COMPANY_ID	Company ID	Key	Keep Data	Keep Data	Map if Possible	Keep Data
COST_ELEMENT_ID	Cost Element ID (ERP)	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
CUSTOMER_ID	ERP Customer Number (ERP)	Key	Mapping Obligatory	pping Obligatory	Mapping Obligatory	Mapping Obligatory
DZAHLS	Block Key for Payment	Value	Keep Data	Keep Data	Keep Data	Keep Data
DZLSCH	Payment Method	Value	Map if Possible	Map if Possible	Map if Possible	Map if Possible
FB_SEGMENT	Segment for Segmental Reporting	Value	Clear Data	Clear Data	Clear Data	Clear Data
FINS_CFIN_TAX_KALSM	CFIN: Tax procedure	Value	Map if Possible	Map if Possible	Map if Possible	Map if Possible
FKBER	Functional Area	Value	Clear Data	Clear Data	Clear Data	Clear Data
GENERAL_LEDGER_ACC_MASTER_ID	General Ledger Account Master ID (ERP)	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
INTERNAL_ORDER	Internal Order	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
KOKRS	Controlling Area	Value	Map if Possible	Map if Possible	Map if Possible	Map if Possible
MAINTENANCE_ORDER	Maintenance Order	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
MDGCO_COUNTRY_CODE	CountryCode	Value	Keep Data	Keep Data	Keep Data	Keep Data
MWSKZ	Tax on sales/purchases code	Value	Map if Possible	Map if Possible	Map if Possible	Map if Possible
PLANT_ID	Plant ID (ERP)	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
PRODUCTION_ORDER	Production Order	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
PRODUCT_COST_COLLECTOR	Product Cost Collector	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
PROFIT_CENTRE_ID	Profit Center ID (ERP)	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory
RMVCT	Transaction type	Value	Keep Data	Keep Data	Keep Data	Keep Data
SUPPLIER_ID	ERP Vendor Number	Key	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory	Mapping Obligatory

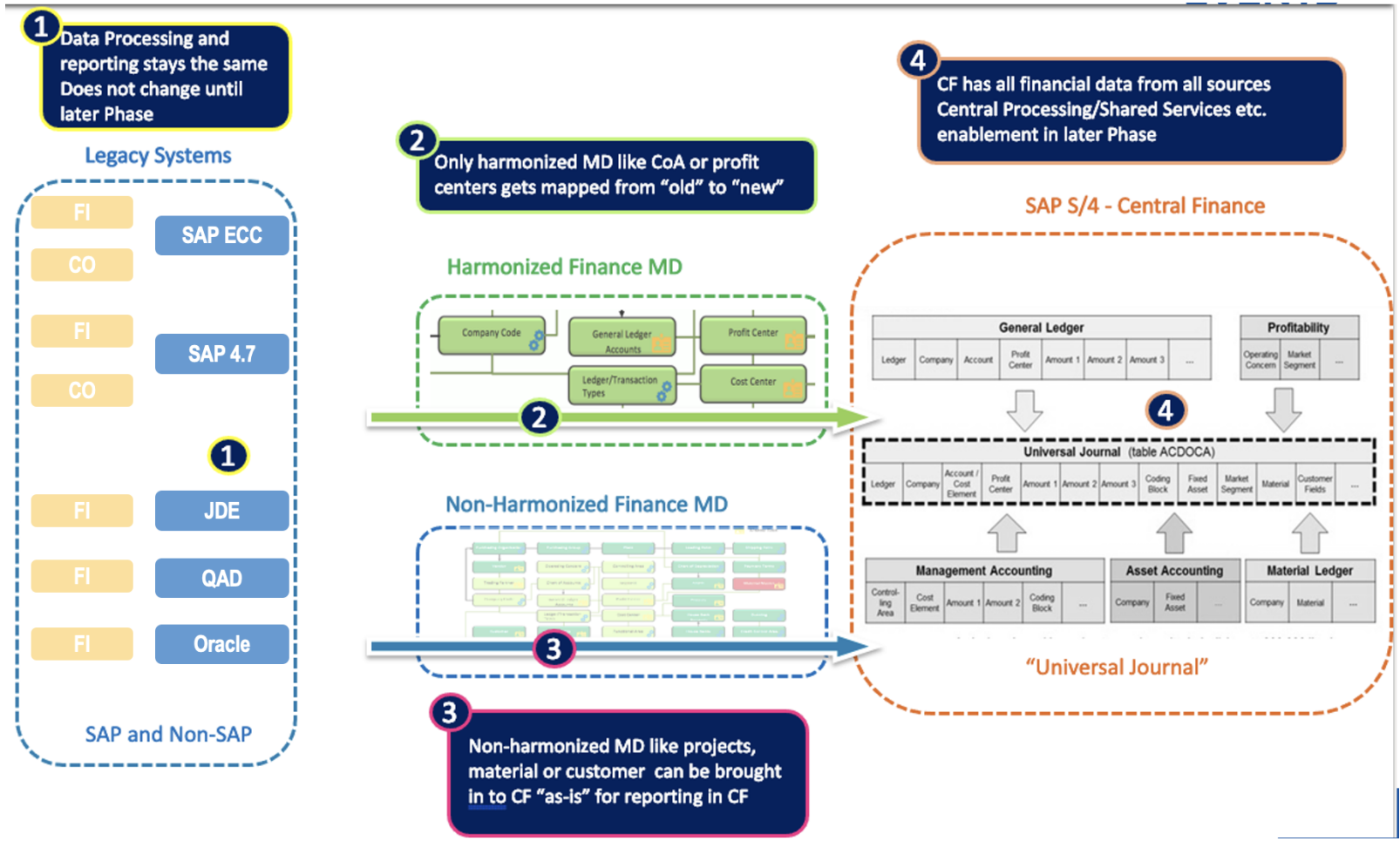
Master Data Methodology

Introspection of current Master Data setup

Design with future state and future phases in mind (COA is critical!)

What master data needs to be “harmonized” and how?

How will the master data be used and what processes will it support?



What Master Data Should be Setup?

Consider the Financial Data Model & Reporting Requirements

- Profit Center/Segment
- Cost Center/Functional Area
- Business Partner
- Trading Partner
- Transaction Type

- What is specific to S/4HANA Central Finance?
  - Business Partners and Customer Vendor Integration (CVI)
  - Cost Elements are now GL's
  - Central Finance G/L Account Harmonization Best Practices
- Central Finance Master Data Nuances – Mapping Action vs Standard SAP
  - Profit Center/Segment/Functional Area

Master Data Nuances in CFIN

Central Finance Master Data Nuances – Mapping Action vs Standard SAP

- Profit Center
  - Will be rederived based on CO Master Data setup (mapping loses)
- Segment
  - Will not be rederived based on PC master data in Central Finance (mapping wins)
    - If you want rederivation: Mapping Action – Clear Data
- Functional Area
  - Will not be rederived based on Cost Object (Order/Cost Center) master data in Central Finance (mapping wins)

	SAP Central Finance	
Source System A	Mapping	Master Data
Profit Center 1000	Profit Center 2000	Profit Center 2100
Cost Center 10001000	Cost Center 20002000	Cost Center 20002000

25. **Why are some values overwritten although I have mapped them?**
Certain values are overwritten in order to ensure consistency within the Central Finance system. These are typically the values that would also be overwritten if a user entered them manually while posting a new document in any SAP ERP system.
Examples:
Profit centers are always derived from the cost object (e.g. cost center, order...) - a deviating profit center is overwritten. For further information, see note 2310493

Derivation of the segment and functional area:

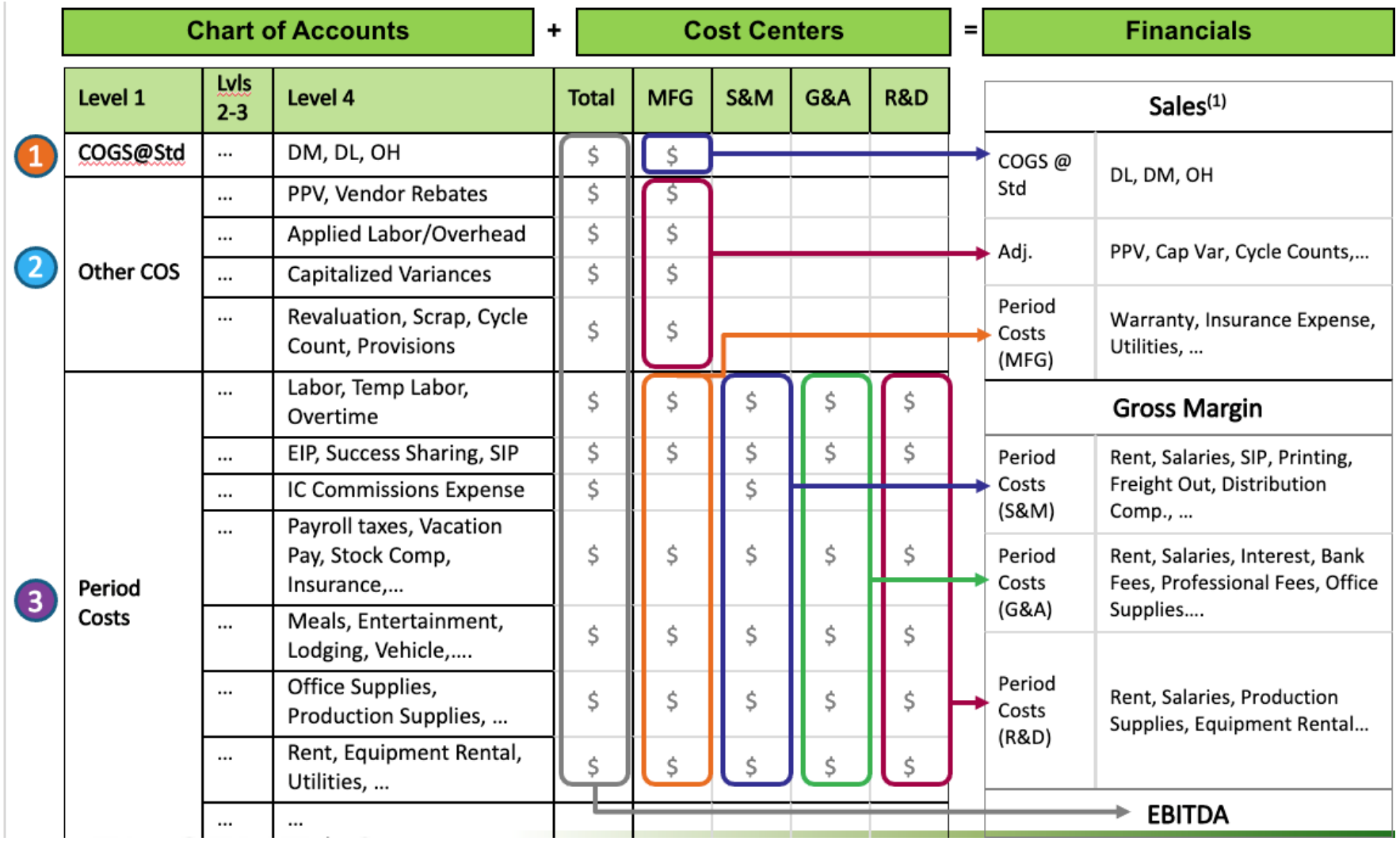
- The segment and functional area can be derived in various ways from the master data of the account assignment objects or from the G/L account, or they can be set using substitution exits or a BAdI. You can find more information in SAP Notes 740519 and 686531.
- The characteristics are therefore not automatically derived again if the account assignment object is changed. If you want to force a new derivation, the characteristics must be deleted explicitly (manually or using a substitution exit or BAdI).

Example: Chart of Accounts

- Discuss with various stakeholders, controllers, heads of FP&A
- What can be preserved vs removed?
- What would you like to see incorporated?

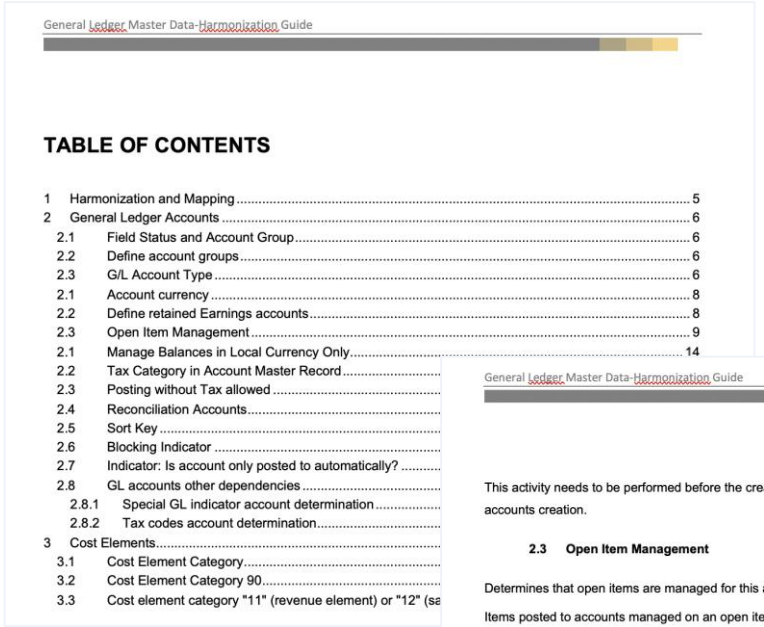
	Local CoA[1]	Consolidation CoA
Preserve	•Separate cash accounts by currency •Primary general ledger accounts	•ASC 606 Adjustment accounts •Revenue type breakdown (Manufactured goods vs Services)
Remove	•Accounts for specific, limited or no usage •Dimensions built directly into the COA (Intercompany partner, foreign currency, roll forward, functional department, Strategic Business Unit (“SBU”), outdated product family, company code) •Inconsistent naming conventions •Accounts created solely to facilitate the mapping to HFM •Credit Agreement Addback Accounts	•Accounts for specific, limited or no usage •Accounts lacking the detail required for GAAP and statutoryreporting purposes (i.e. “Control”) account •Accounts by functional area
	Additions to Existing COAs	
Incorporate	•Revenue separated by contract type (POC vs. Non-POC) •Breakdown of capital variance (BS Adjustment and P&LExpense) •Natural expense accounts •Standard account definitions •SAP technical requirements	•Smart numbering •Standard naming convention •Other US GAAP reporting requirements

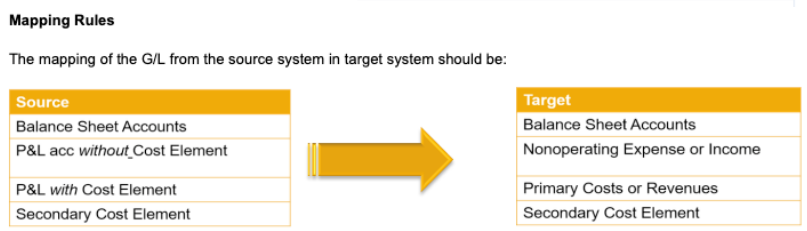
Example: Chart of Accounts

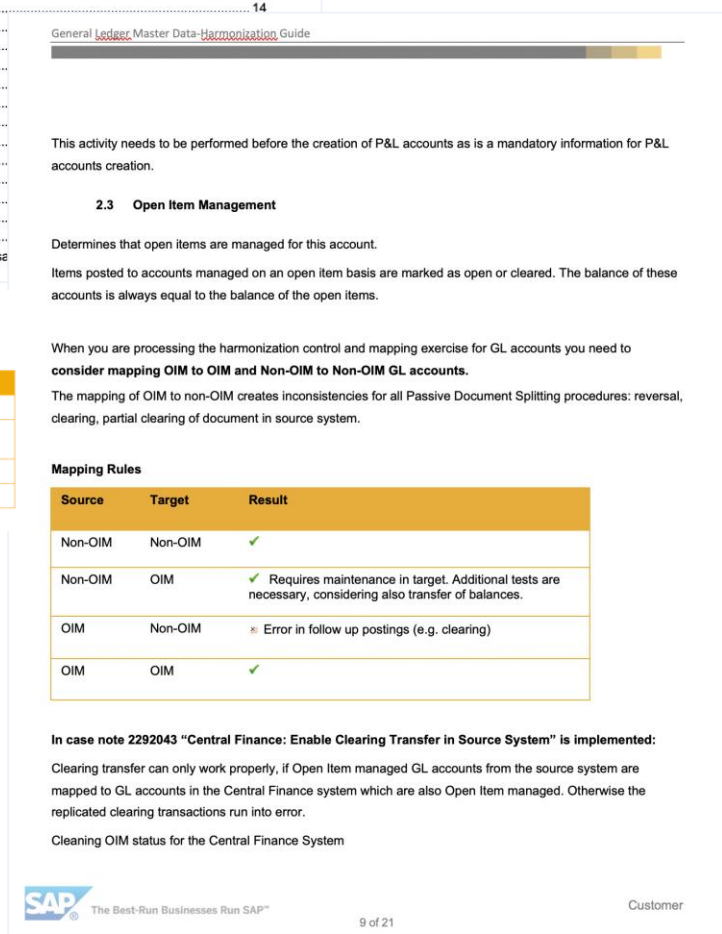


Why is Chart of Accounts so Critical?

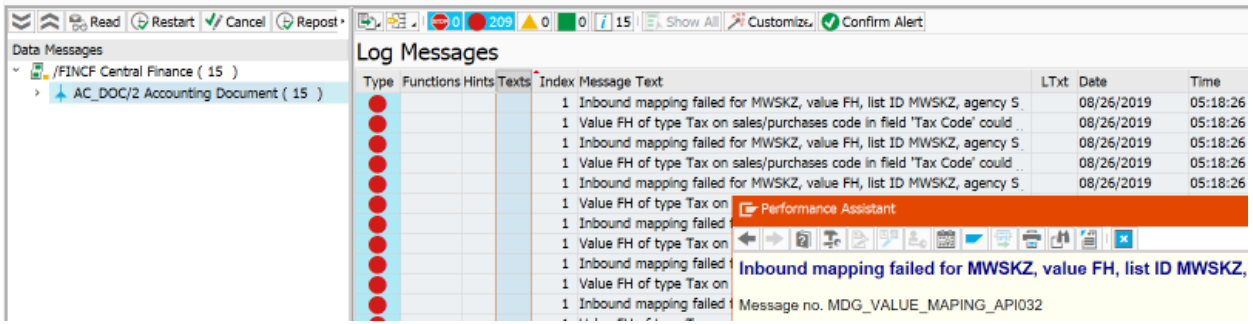
- What are the source settings on a given G/L Account?
  - OIM/Reconciliation
  - Open Item
  - Tax Type
  - Account Type
- Must harmonize CFIN accounts based on ALL source settings
  - Base accounts end in 00
  - Replication accounts end in 0X
    - 01 – OIM supported
    - 02 – Tax Category supported
    - 03 – Balance in local currency
- Defines the level of detail in which data is broken down (reporting)
  - Direct vs indirect
  - Above and below the line
  - General & Admin vs Sales & Marketing



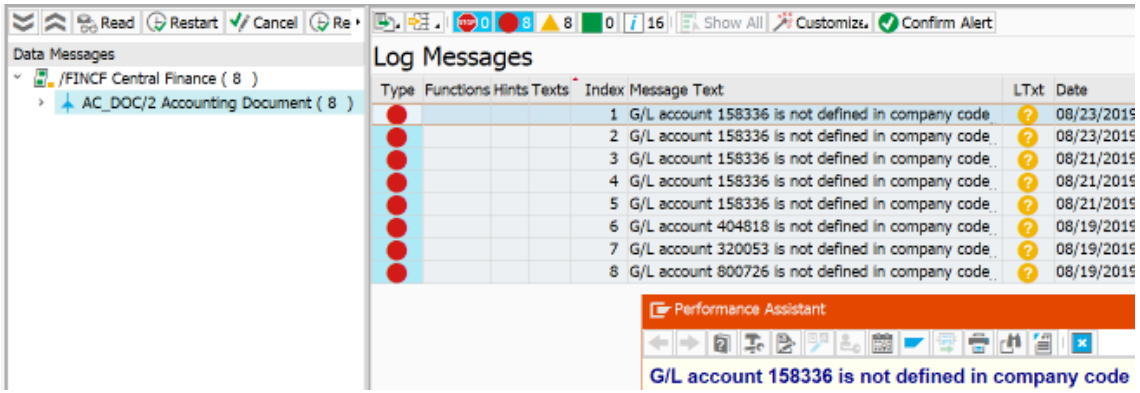




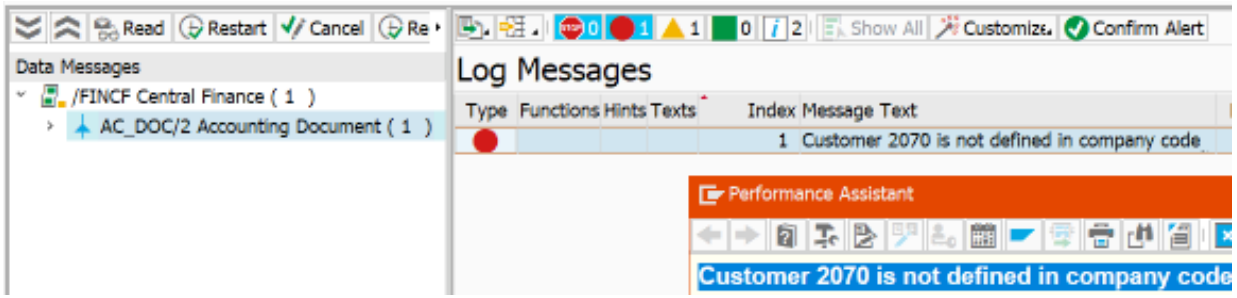
AIF Master Data Examples



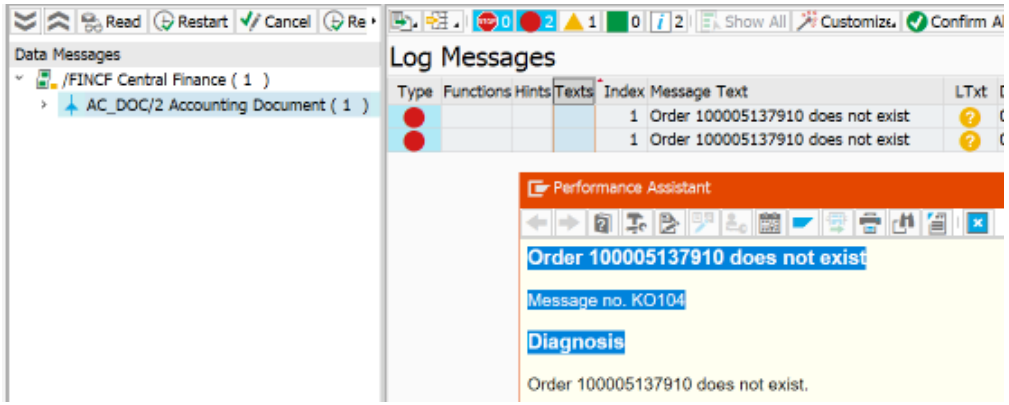
Tax Codes



General Ledger Accounts



Customer



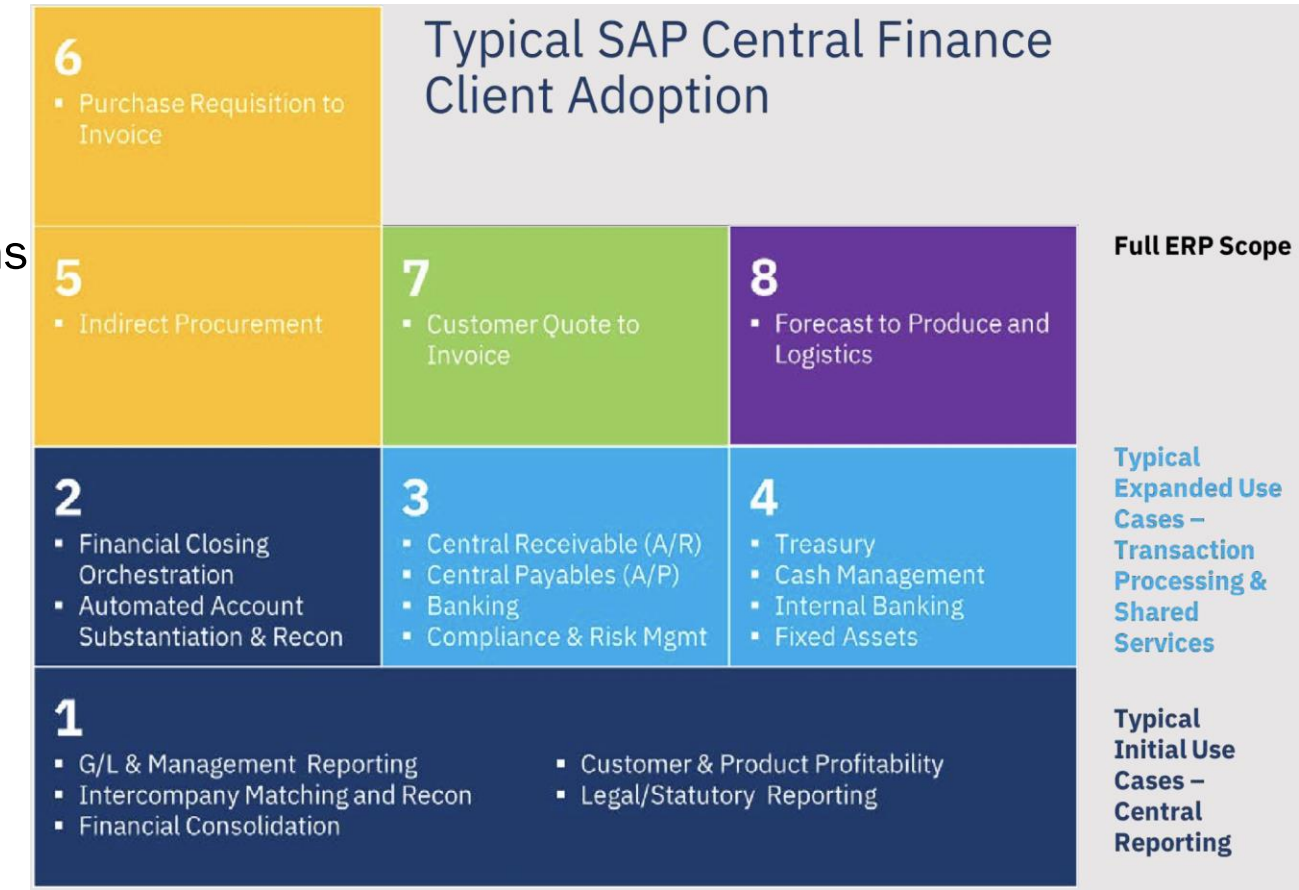
Orders

Finance First Foundation

Finance First Foundation

Don’t design in a vacuum, keep the future in mind!

- Start by laying out the relevant building blocks for your business
  - What processes/functions are important?
- Have detailed and forward-thinking Key Design Decisions (KDDs)
  - Don’t just design for one building block, design for all
- What are the critical Master Data and Configuration components driving or supporting the KDDs?
  - Master Data: COA/BPs/Cost & Profit Centers
  - Configuration: Currency/Ledgers/Tax
- What are the expected business outcomes from each building block?
  - Statutory and Management Reporting?
  - Faster Month-End close processes?
  - Financial Consolidations?



S/4HANA Finance First Example

- TruQua leveraged the Building Block framework to design and build the existing finance foundation (blocks 1-4) in a clients S/4HANA Central Finance system.
- Value and importance of the Building Block framework is centered around the understanding that the finance foundation would need to support current finance processes while also serving as a future enabler for downstream processes (PTP, O2C, PTM, and RTR).
- Building and designing a system for both current and future processes requires diligent planning and a comprehensive understanding of the existing Key Design Decisions and how they will impact the building blocks.
- When building out S/4HANA in an existing Central Finance system you don't have the freedom/flexibility of a net new design, must leverage existing design and build on top of that
  - Pre-existing knowledge of Building Blocks 1 and 2 are critical to building out future business processes

Relevant Building Blocks

- For this client, a Central Reporting use case (Block 1 and 2 of Figure 3) provides the most initial value, followed by Central Transaction Processing & Shared Services (Block 3 and 4 of Figure 3)

Key Design Decision: Currency

- The client wants to report Group Currency based on source system configuration, as well as report using a freely defined Global USD currency in SAP Central Finance

Assembling the Building Blocks

Once the foundation for the currency design is architected then the downstream aspects/building blocks can start to be incorporated as a unique deployment within the SAP Central Finance system

- How does the decision to retain Group Currency and introduce a freely defined Global USD currency effect the Ledger and Currency setup in Financial Accounting (FI)?
- Does anything need to be considered as it relates to the Controlling area currency in Management Accounting (CO)?
- What currencies are going to be pertinent for AR/AP/Banking & Treasury?
- What should the valuation currency be for Fixed Assets and Inventory Management?

Wrap Up

SAP Central Finance is a finance focused deployment option of SAP S/4HANA

Enterprises are embracing Financial Transformation (via Central Finance) to transform their businesses with a heavy focus priority on transparency, accountability, speed, and efficiency.

Leverage Central Finance to design for the future by assembling your key Building Blocks and understanding the quality of data coming from source systems

All crucial and forward-looking design decisions (master data/configuration) must be analyzed through a lens of SAP standard behavior, Central Finance Mapping, and an intersection of Master Data vs Configuration

Understand what the business priorities are as early as possible and account for them in your Building Blocks and Key Design Decision Framework

Where to Find More Information

TruQua, an IBM Company Central Finance as a Stepping Stone Whitepaper Series:

- How to use SAP Central Finance as a Stepping Stone to SAP S/4HANA
- SAP Central Finance Key Design Decisions for Reporting Deployments
- Deployment Strategies and Benefits of a Finance First Approach

SAP Notes

- Allowed Currency Configuration Settings in Central Finance – 2863836
- Central Finance FAQ (item #25) – 2184567
- Using CO Account Assignments in Central Finance Scenario – 2310493

Central Finance Case Study

- SAPInsider Central Finance Case Study - Excelitas

Key Points to Take Home

- Central Finance is an S/4HANA system and a deployment approach
- The intersection of Configuration and Master Data is a critical component to building out a Central Finance system
- Understanding the Building Blocks for your organization will help set the Finance First Foundation
- Master Data Mapping and Creation is something that should be discussed and addressed from the very beginning of the project (if not sooner)
- Key Design Decisions that are critical to the global design need to consider current and future phases

Thank you! Any Questions?

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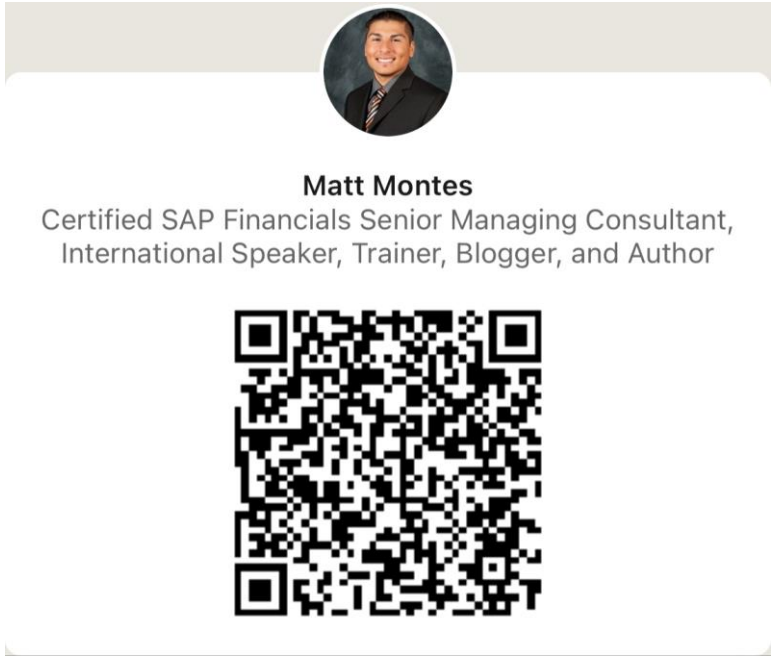

Please remember to complete your session evaluation.

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