# Material Ledger Is Required for SAP S/4HANA Finance: What Does That Mean for Your Company?

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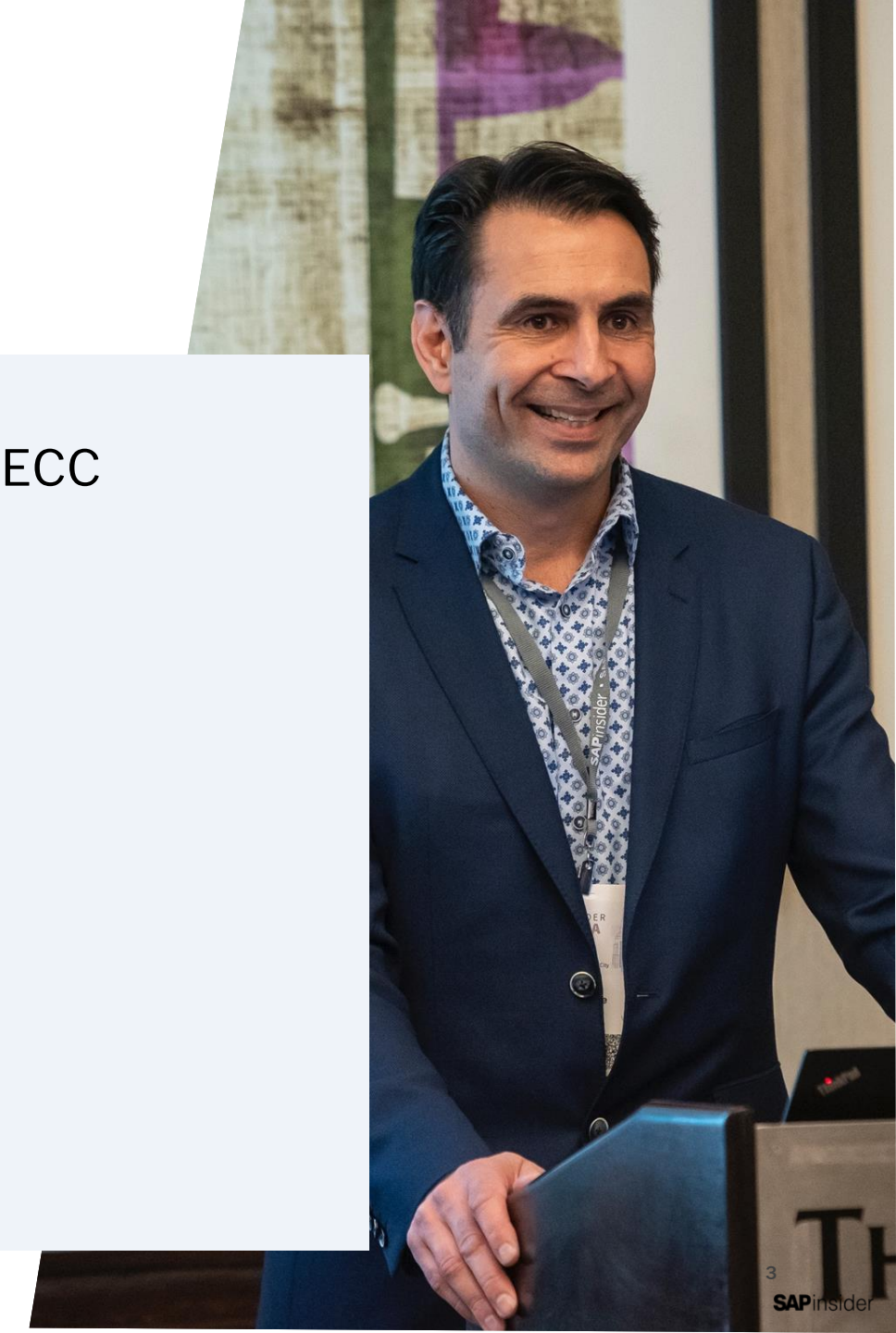
# In This Session

- How to prepare your system for a Material Ledger conversion.
- What questions you need to ask when considering which Material Ledger functionality will be beneficial to your organization.
- What criteria you can use to determine whether to convert to Material Ledger before or after an S/4HANA conversion.
- Typical mistakes that occur with a Material Ledger implementation.
- What is the recommended point in time in the month/year to convert to Material Ledger?

# What We'll Cover

- Converting to Material Ledger in the ECC System
- Converting to Material Ledger in the S/4HANA System
- Wrap-Up

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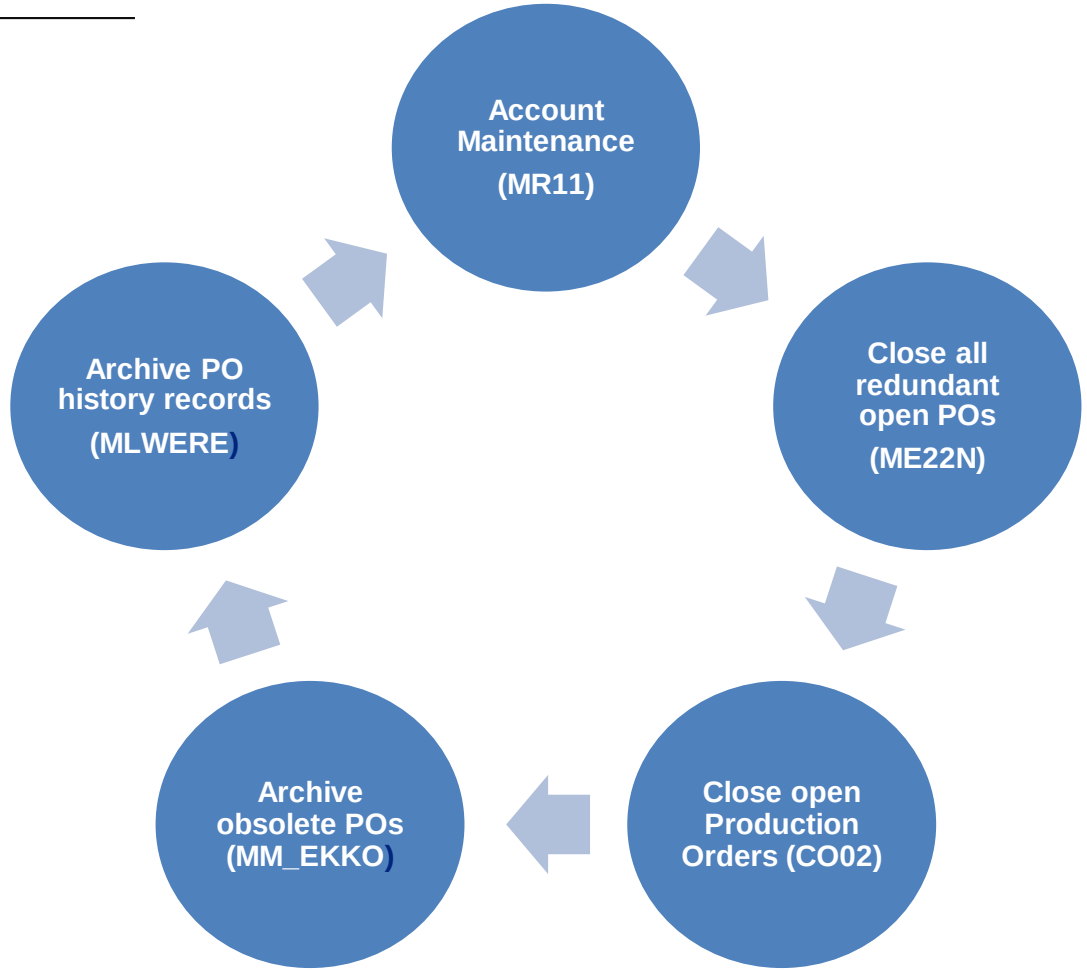
# Converting to Material Ledger in the ECC System

## Preparing the System for Conversion

- Ensure that all plants in a company code are activated for material ledger
- Between activation and production startup, no material master or inventory transactions should be made
- 24 – 48 hours downtime (normally during a weekend)
- To facilitate reconciliation, all FI currencies should be enabled in material ledger

# Reducing Existing Data Volumes



## Clearing PO Line Items and History

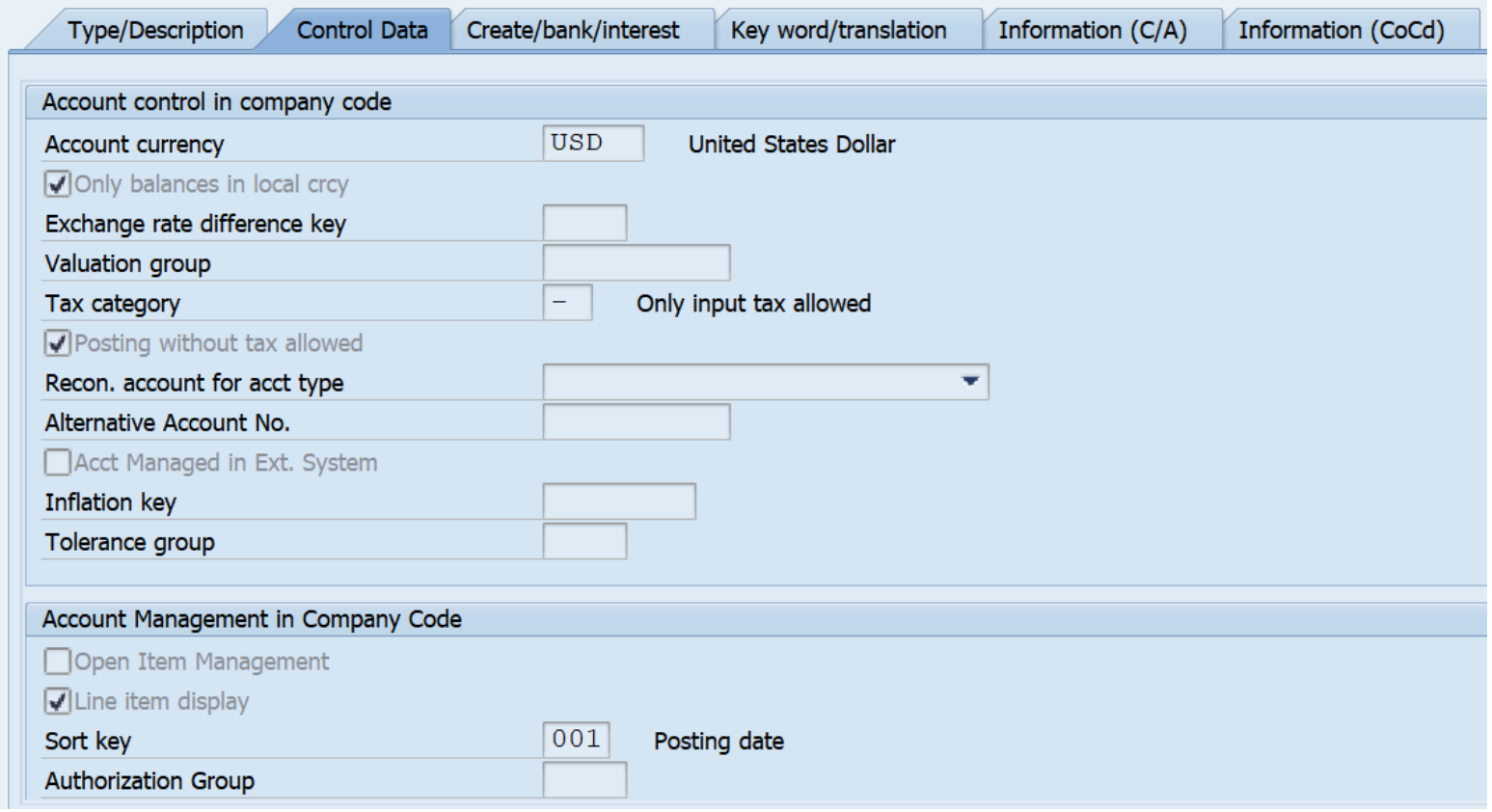
- Purchase Order Histories are converted from first Local Currency to Parallel Currencies.
- Note that this only takes effect if you have parallel currencies in material ledger (i.e., ML Currencies are pulled from FI, CO or entered manually).
- If you plan to use only one currency in Material Ledger, the system will still go through all your PO history; it just will not do any conversion.
- Therefore, you need to do the following (if possible) to reduce PO volumes:
    - Use transaction MR11 to perform account maintenance.
    - Archive purchase order data that you no longer require (archiving object MM_EKKO).

## Closing Existing Production Orders

- Up until recently, Production Orders were not converted with a Material Ledger conversion.
- With SAP Note 1801449, Production Order histories are now converted as well.
- Closing Existing Production Orders will therefore reduce the runtime of the conversion program.
- Even if Production Orders are not converted, it is advisable to close them because of inconsistencies with Goods Movements before and after conversion with Actual Costing.

## “Balance in Local Currency” for GL Accounts

- Make sure that the exchange rates between the company code Local and Parallel currencies are updated.
- Failing to do so may lead to issues with the conversion program.



# Update Exchange Rates

- Make sure that the exchange rates between the company code Local and Parallel currencies are updated.
- Failing to do so may lead to issues with the conversion program.

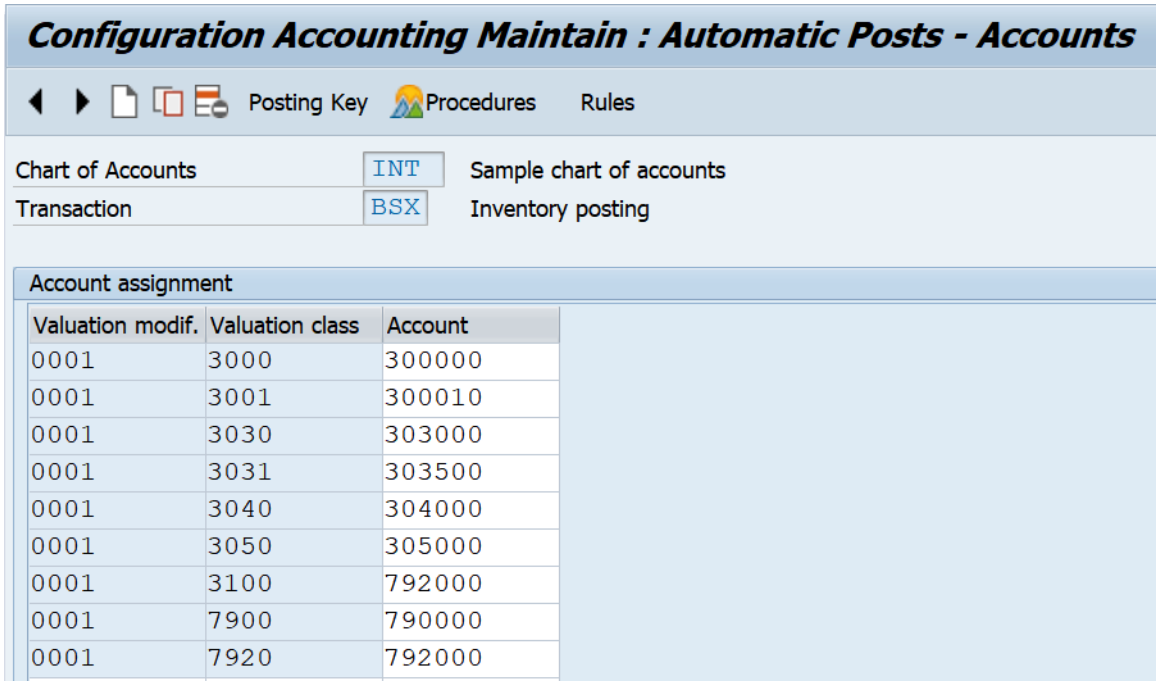
**Change View "Currency Exchange Rates": Overview**

New Entries

| ExRt | ValidFrom | Indir.quot | X | Ratio(from) | From | = | Dir.quot. | X | Ratio (to) | To |
|---|---|---|---|---|---|---|---|---|---|---|
| M | 03/08/2015 | 15.45750 | X | 1 | MXN | = | | X | 1 | USD |
| M | 03/01/2015 | 15.27120 | X | 1 | MXN | = | | X | 1 | USD |
| M | 02/22/2015 | 14.97610 | X | 1 | MXN | = | | X | 1 | USD |
| M | 02/15/2015 | 15.00610 | X | 1 | MXN | = | | X | 1 | USD |
| M | 02/08/2015 | 14.91790 | X | 1 | MXN | = | | X | 1 | USD |
| M | 02/01/2015 | 14.80680 | X | 1 | MXN | = | | X | 1 | USD |
| M | 01/25/2015 | 14.84950 | X | 1 | MXN | = | | X | 1 | USD |
| M | 01/18/2015 | 14.64070 | X | 1 | MXN | = | | X | 1 | USD |
| M | 01/11/2015 | 14.64780 | X | 1 | MXN | = | | X | 1 | USD |
| M | 01/04/2015 | 14.64090 | X | 1 | MXN | = | | X | 1 | USD |
| M | 12/28/2014 | 14.78920 | X | 1 | MXN | = | | X | 1 | USD |
| M | 12/21/2014 | 14.70970 | X | 1 | MXN | = | | X | 1 | USD |

# MM-FI Integration OBYC

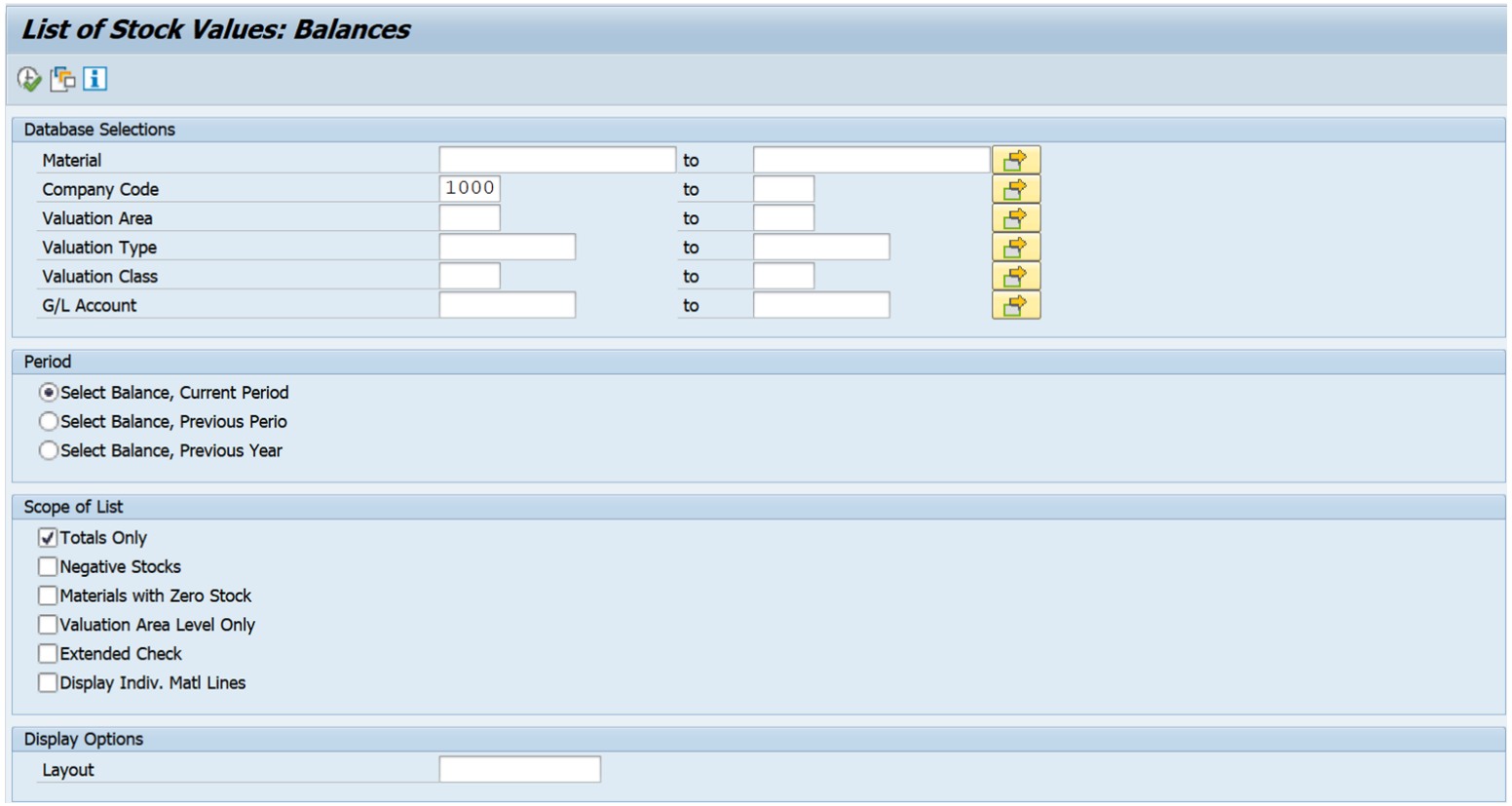
- Make sure that there are no missing General Ledger accounts in the Account determination between FI and MM (transaction OBYC).
- For example, an account that exists for a Valuation Class that has not been used, may not have been set up.




| Valuation modif. | Valuation class | Account |
|---|---|---|
| 0001 | 3000 | 300000 |
| 0001 | 3001 | 300010 |
| 0001 | 3030 | 303000 |
| 0001 | 3031 | 303500 |
| 0001 | 3040 | 304000 |
| 0001 | 3050 | 305000 |
| 0001 | 3100 | 792000 |
| 0001 | 7900 | 790000 |
| 0001 | 7920 | 792000 |

# MM-FI Balance Reconciliation

- Before running the Material Ledger conversion program, make sure that the Inventory balances in FI and MM are reconciled by using transaction MB5L (or program RM07MMFI)



# MM-FI Balance Reconciliation

- If you have the New G/L, you can use transaction FAGL_MM_RECON to display the reconciliation between MM and the General Ledger

**Available from Release ECC 6.0 EHP5**

***Balance Reconciliation Between General Ledger and Materials Management***

Material Details | Balance Display: General Ledger

## Balance Reconciliation Between General Ledger and Materials Management

*Data Source for Material Stock:Material Ledger*

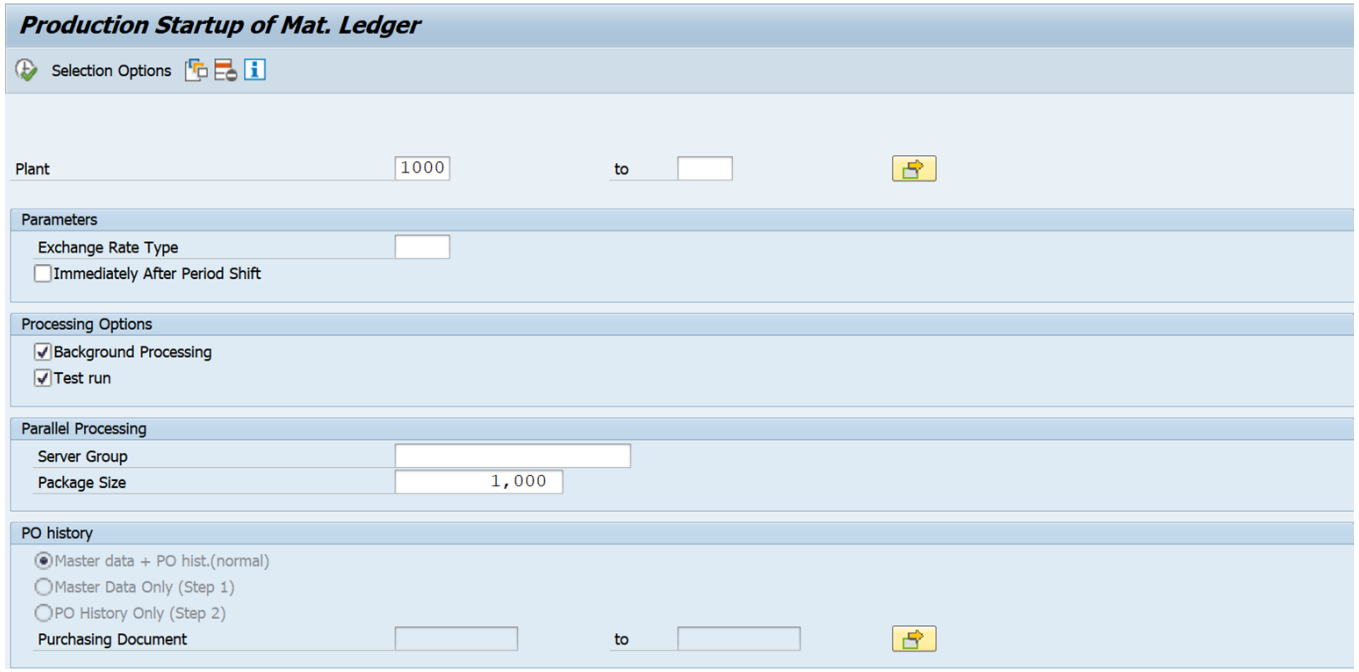
Company Code: 1000
Fiscal Year: 2012
Posting Period (MM): 12
General Ledger: 0L

| G/L acct | Profit Center | Segment | Crcy type | Currency | Σ Material Stock | Σ GL Balance | Σ Difference |
|---|---|---|---|---|---|---|---|
| 131000 | | BP01_C | 10 | USD | 0.00 | 929.96 | 929.96- |
| | 100 | BP01_C | 10 | USD | 0.00 | 13,878.93- | 13,878.93 |
| | 200 | BP01_B | 10 | USD | 1,736.38 | 1,736.38 | 0.00 |
| | 200 | BP01_C | 10 | USD | 0.00 | 57,597.60- | 57,597.60 |
| | 300 | BP01_C | 10 | USD | 7,132.11 | 6,447.91- | 13,580.02 |
| | MISCUS | BP01_A | 10 | USD | 0.00 | 3,357,486.66 | 3,357,486.66- |
| | UNDEFINED | | 10 | USD | 5,495,421.06 | 1,801,811.15 | 3,693,609.91 |
| | UNDEFINED | BP01_C | 10 | USD | 0.00 | 420,249.84 | 420,249.84- |
| 131000 | | | | | **5,504,289.55** | **5,504,289.55** | **0.00** |
| 133000 | | BP01_C | 10 | USD | 0.00 | 0.15 | 0.15- |
| | 100 | BP01_A | 10 | USD | 215,538.15 | 87,517.92 | 128,020.23 |
| | 100 | BP01_C | 10 | USD | 0.00 | 804.09- | 804.09 |
| | 200 | BP01_B | 10 | USD | 1,025.46 | 30,060.26 | 29,034.80- |
| | 300 | BP01_C | 10 | USD | 3,409,222.84 | 857,822.87 | 2,551,399.97 |
| | 100US | BP01_A | 10 | USD | 0.00 | 128,020.22 | 128,020.22- |
| | 200US | BP01_B | 10 | USD | 0.00 | 124,519.28 | 124,519.28- |
| | 300US | BP01_C | 10 | USD | 0.00 | 2,397,845.89 | 2,397,845.89- |
| | MISCUS | BP01_A | 10 | USD | 0.00 | 10,594.29 | 10,594.29- |
| | UNDEFINED | | 10 | USD | 10,920.52 | 1,130.18 | 9,790.34 |

# Convert Existing Data into the Material Ledger

Once the Material Ledger configuration has been done, the transaction CKMSTART will need to be run, and this will do the following:

- Convert Material Master
- Convert PO History into Parallel Currencies
- Activate Actual Cost Component Split (if needed)



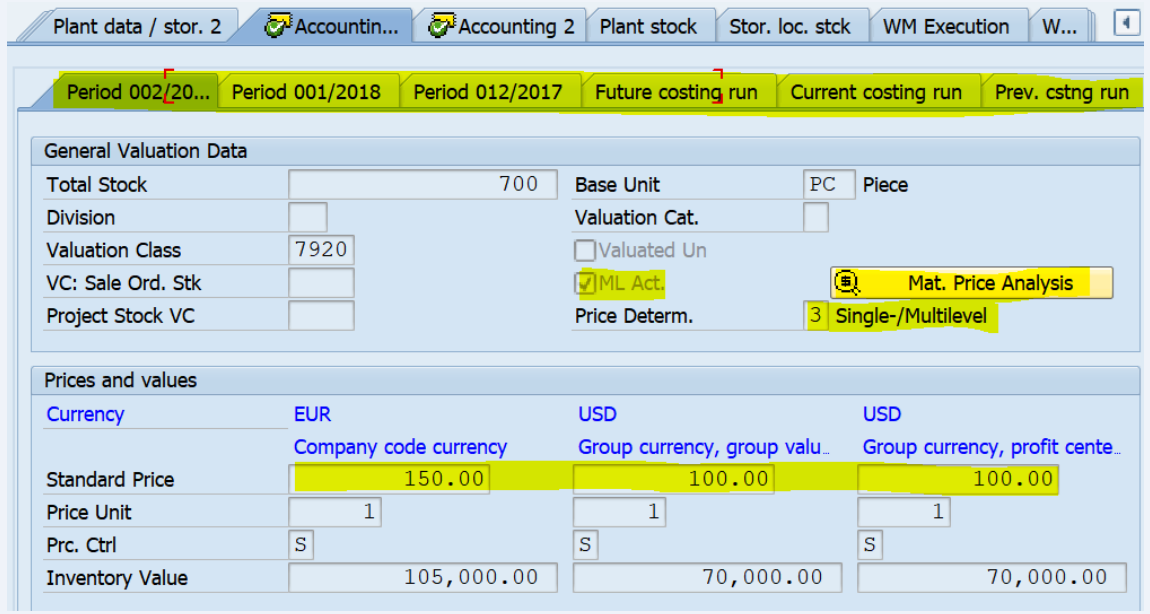
# Material Ledger Table Replication in ECC

| Material Valuation Tables | Material Ledger Tables |
|---|---|
| **MBEW** - Material Valuation<br>OBEW - Valuated Stock with Subcontractor<br>**EBEW** - Sales Order Stock Valuation<br>**QBEW** - Project Stock Valuation | **CKMLHD** - Material Ledger: Header Record<br>**CKMLPP** - Material Ledger Period Totals Records Quantity<br>**CKMLPR** - Material Ledger: Prices<br>**CKMLCR** - Material Ledger: Period Totals Records Values |
| **Purchase Order History Tables** | **Material Ledger Tables** |
| **EKBE** - History per Purchasing Document<br>**EKBZ** - History per Purchasing Document: Delivery Costs | **MLWERE** - Conversion Table between Purchasing and Material Ledger<br>**MLBE** - Material Ledger FS Item Table for GR/IR relevant transaction<br>**MLBECR** - Material Ledger Currency Table for GR/IR relevant transact. |

# Convert Existing Data into the Material Ledger

Once the conversion is done, the Material Master changes are:

- Multiple tabs in Accounting 1 view for different periods
- "ML Active" Indicator is set
- Price Determination field is populated
- Multiple Currencies/Valuation for Standard Cost

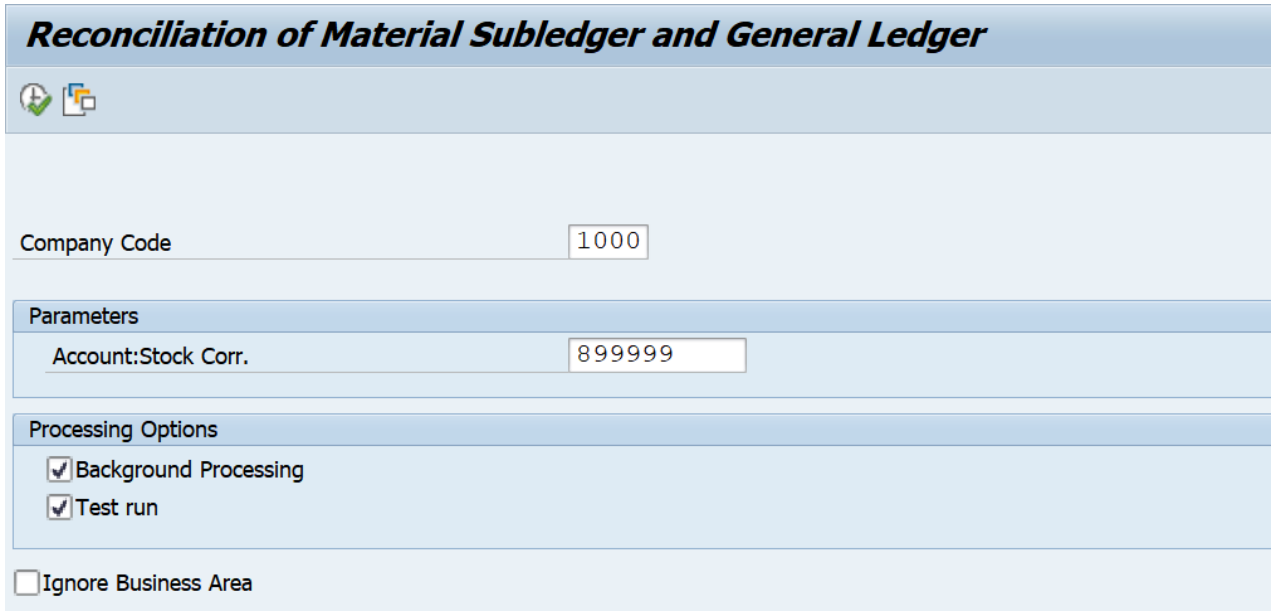


# Translation to Parallel Currencies

- Reconcile first local currency to parallel currencies and display inconsistencies
- Material inventory values are translated on a key date from local to parallel currencies
- Transaction CKMADJUST is used to reconcile inventory values in parallel currencies to the G/L
- This transaction can be run even after inventory movements have been made

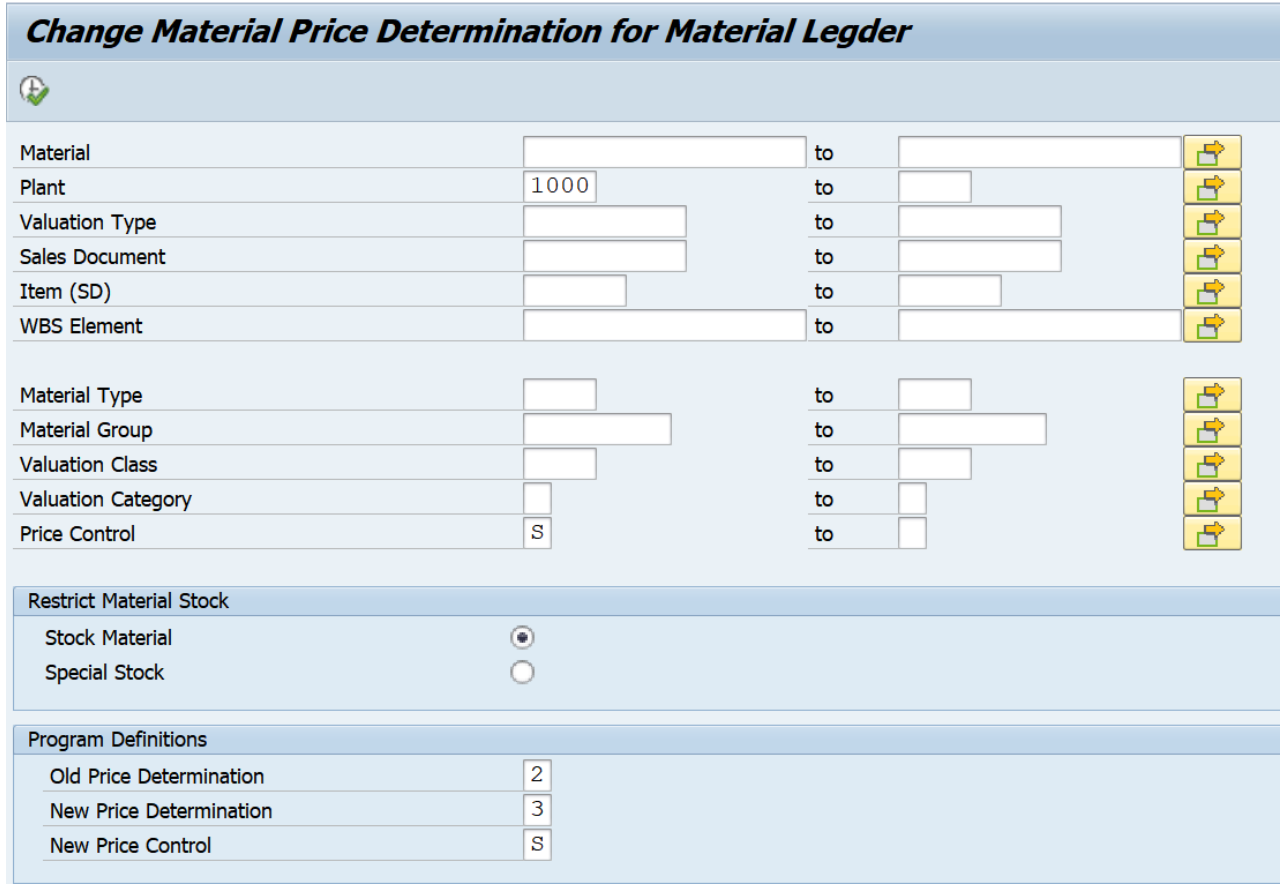
## Reconciliation of Inventory Balances cont.

- If you plan to have parallel currencies in Material Ledger, the conversion program reconciles the first local currency to the second and third local currencies.
- Transaction CKMADJUST (or FAGL_ML_ADJUST if you have New G/L) is used to reconcile these Currency Types.



# Change Price Indicator in the Material Master

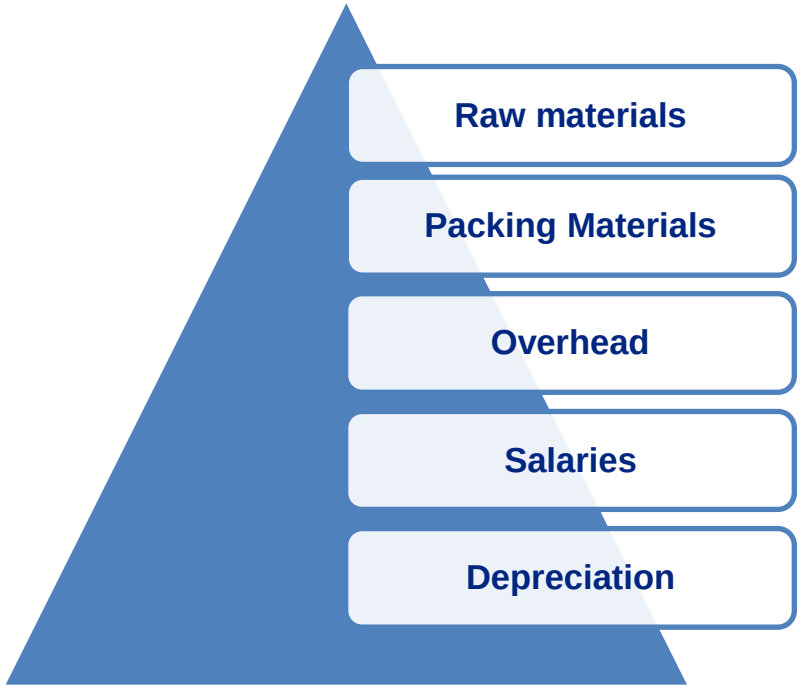
- If you plan to use Actual Costing, you will need to change the Price Determination from “2” to “3” by running transaction CKMM



# Actual Cost Components

Cost components break down the cost estimate into various factors

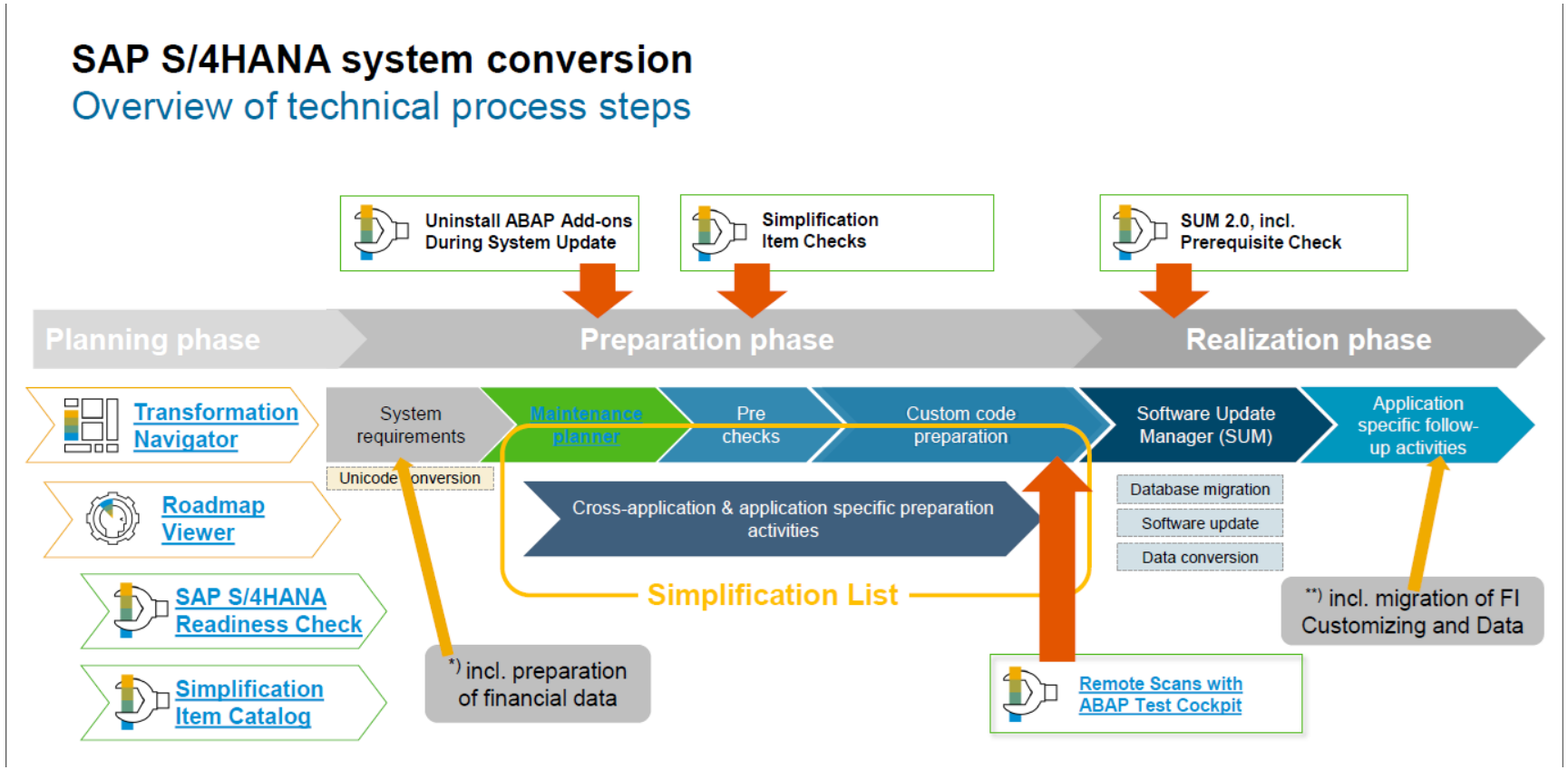
- Initialized by executing program MLCCS_STARTUP in transaction SE38
- All materials with price determination “3” get an initial cost component split by standard price



# Converting to Material Ledger in the S/4HANA System

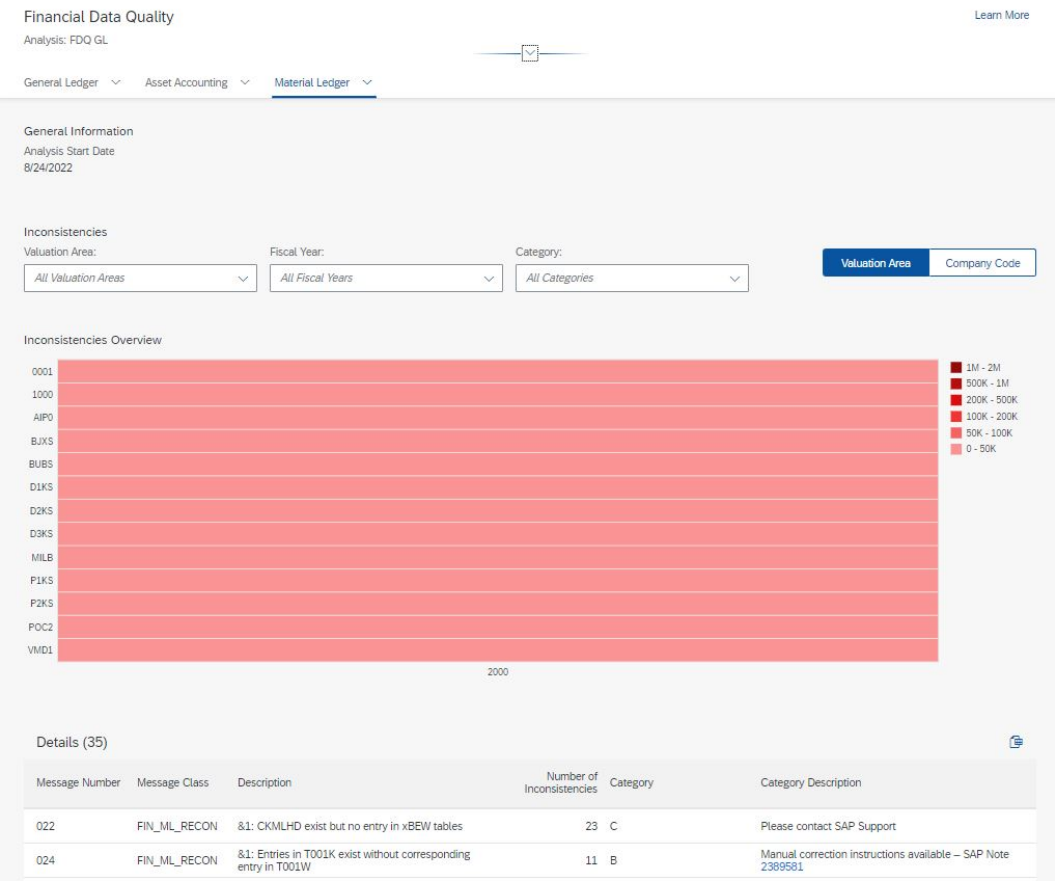
# S/4HANA System Conversion

- Material Ledger Master data is created for all valuation areas/materials (CKMLHD, CKMLPP, CKMLCR)
- MATDOC combines MSEG, MKPF, plus information from MARC, MARD, MCHB,



# Material Ledger Reconciliation Report

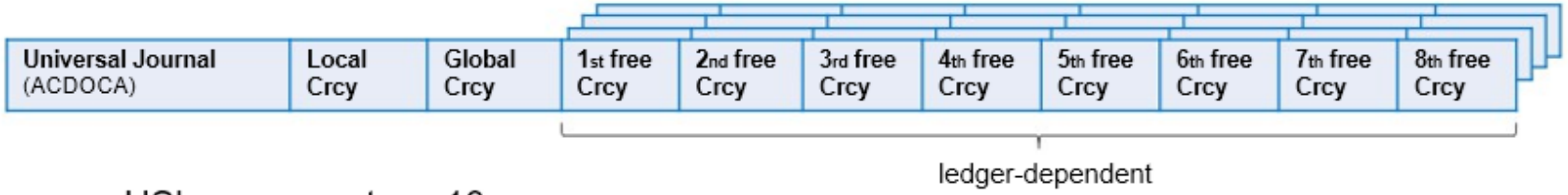
- Part of SAP Readiness check is the Financial Data Quality
- Identifies inconsistencies in ECC Financial Data



# S/4HANA Currencies

## SAP ERP

- 3 local currencies in FI (including New GL)
- 2 currencies in CO
- 3 currencies in Material Ledger

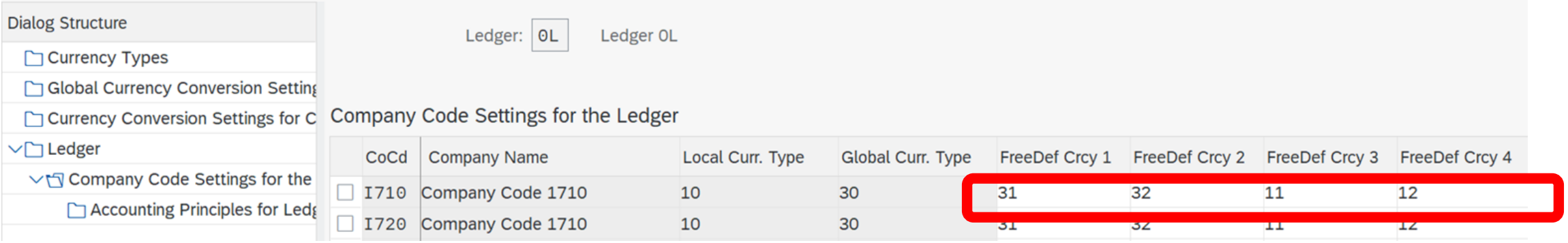



## SAP S/4HANA Finance

- Local currency: ACDOCA field name = HSL, currency type 10
- Global currency: ACDOCA field name = KSL, currency type of controlling area
- Freely Defined Currencies 1 - 8
  - You can configure any currency type.
  - There is no dependency on the currency types of the leading ledger.
  - ACDOCA fieldnames OSL, VSL, BSL, CSL, DSL, ESL, FSL, GSL
- If you activate parallel valuations with transfer prices, then additional rules / constraints apply.

# S/4HANA Currency Types/Valuation Views

- Up to 8 additional Currency Types can be assigned to Company Codes
- Currency/Valuation Profile can be set up for Group and/or Profit Center Valuation




- ➢ If you had Group/Profit Center Valuation in ECC, the relevant currency type(s) will automatically transfer to S/4HANA.
- ➢ You cannot introduce Group/Profit Center Valuation with a Brownfield implementation!

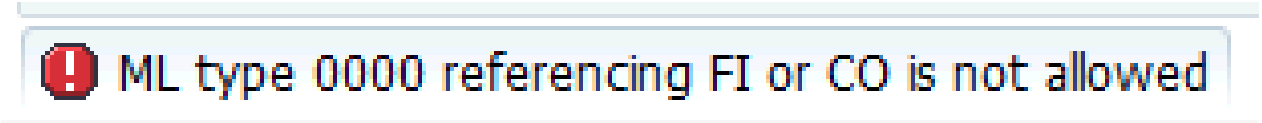
| Currency Type | Description |
|---|---|
| 10 | Company Code Currency/Legal Valuation |
| 11 | Company Code Currency/Group Valuation |
| 12 | Company Code Currency/Profit Center Valuation |
| 30 | Group Currency/Legal Valuation |
| 31 | Group Currency/Group Valuation |
| 32 | Group Currency/Profit Center Valuation |

## What Are the New Material Ledger Tables?

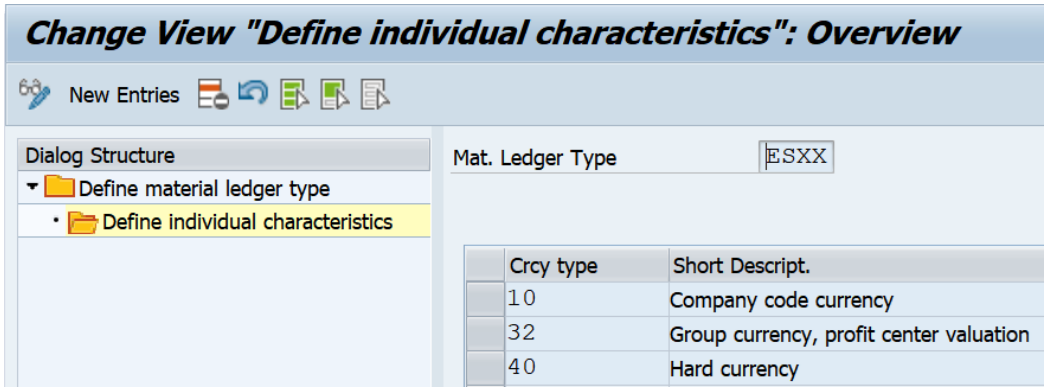
- Material Ledger Master data is created for all valuation areas/materials (CKMLHD,  CKMLPP, CKMLCR)
- MATDOC combines MSEG, MKPF, plus information from MARC, MARD, MCHB, MKOL, etc.
- MBEW, EBEW, QBEW, OBEW, MBEWH EBEWH, QBEWH, OBEWH values and quantity migrated to ACDOCA, meaning one single source of data.
- MLDOC = MLHD, MLIT, MLPP, MLPPF, MLCR, MLCRF, CKMLPP, CKMLCR, MLCD, CKMLMV003, CKMLMV004, CKMLPPWIP etc.
- MLDOCCCS = MLKEPH, CKMLKEPH, (CKMLPRKEKO)
- MLDOC_EXTRACT
- MLDOCCCS_EXTRACT (cost component split report)
- CKLMLCR still source for Standard Price, Periodic Unit Price, and Price Control
- CKMLPRKEKO and CKMLPRKEPH still valid for cost component split
- MLRUNLIST replaces CKMLMV011

## Technical Changes in Material Ledger

- Core information is now retrieved from ACDOCA.
  - V-2 Materials
- Custom ML Type must now be defined as no default is available. Type 0000 is not supported anymore.

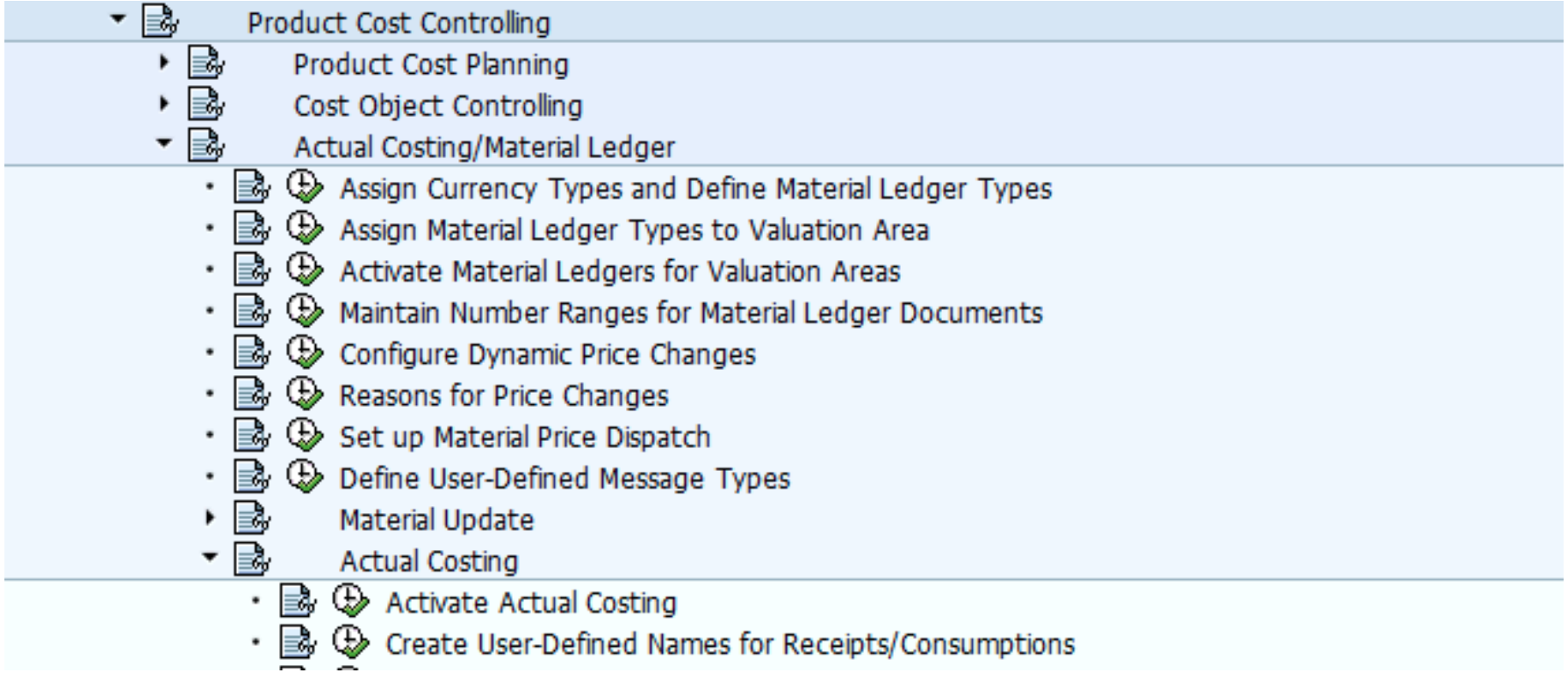



  - The main reason is that you can assign > 3 currencies to a company code and ML still has limit of 3.



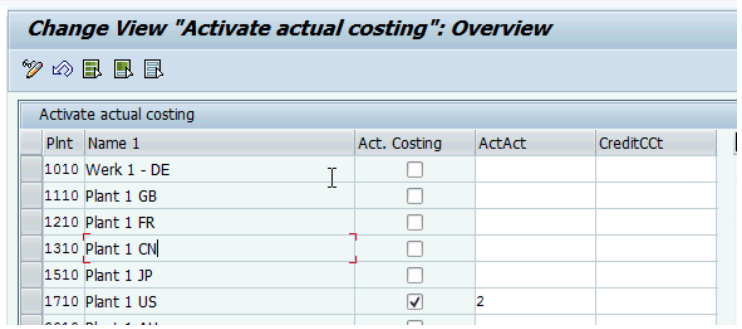
# Is Actual Costing Mandatory in SAP S/4HANA?

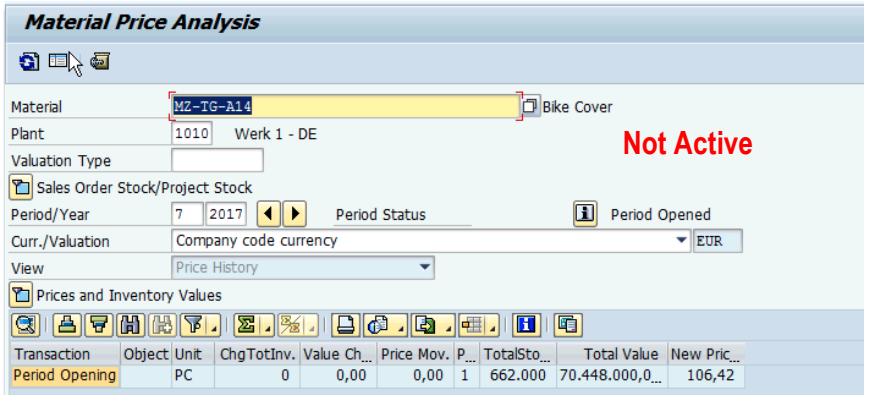
- Material Ledger is mandatory in SAP S/4HANA
- Actual costing is not mandatory

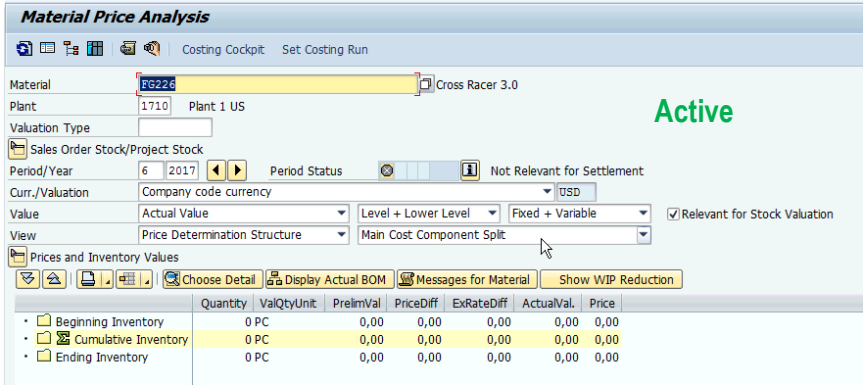


# Is Actual Costing Mandatory in SAP S/4HANA?

- Actual costing
  - Not mandatory
  - CKM3 is available with limited functionality
  - N actual cost component split

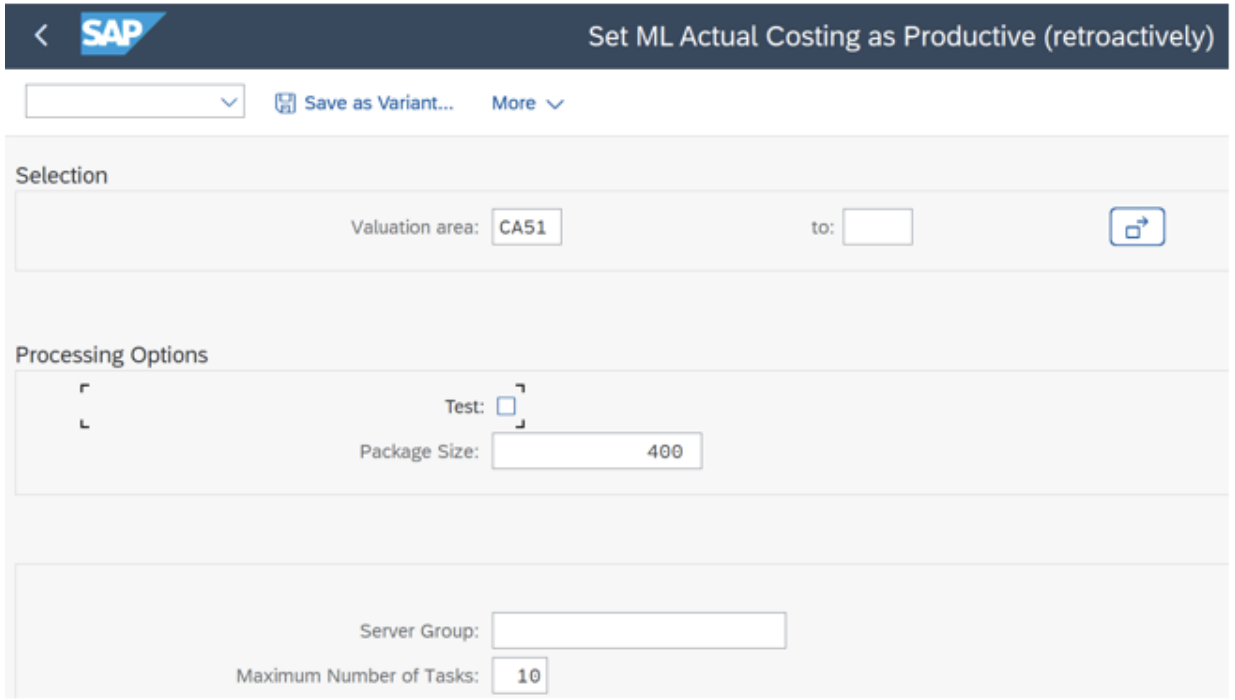


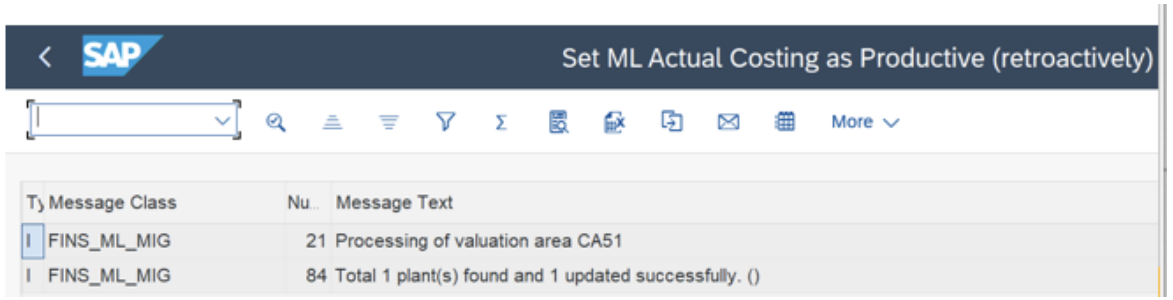



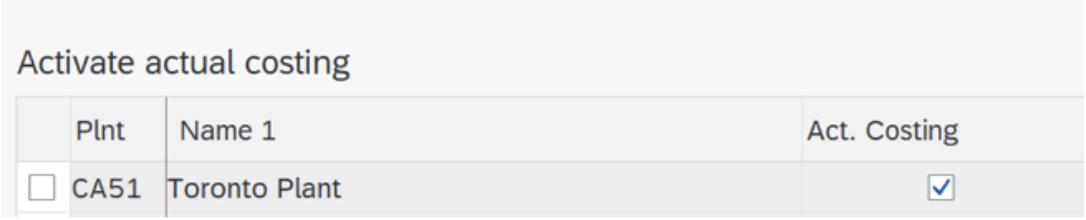



# Activating Actual Costing Retroactively

- To activate actual costing after moving to S/4HANA:
  - ➢ Activate Actual Costing for the relevant plant(s)
  - ➢ Execute program FCML4H_STARTUP

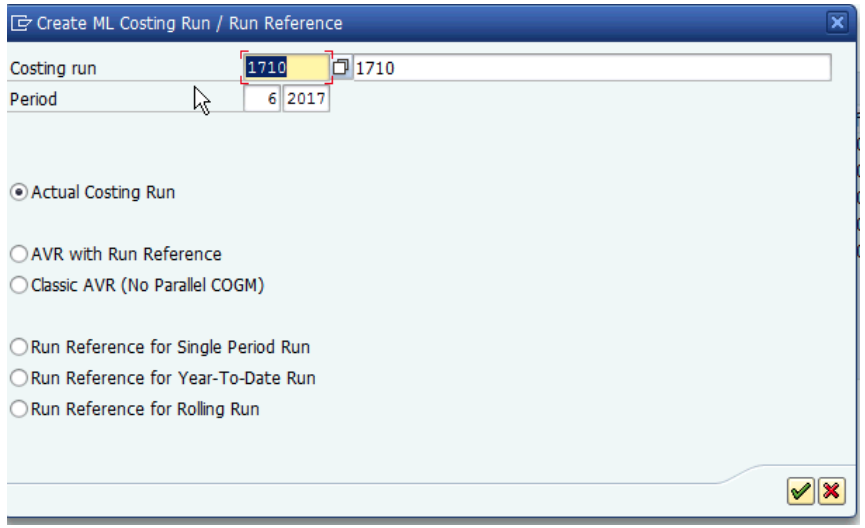


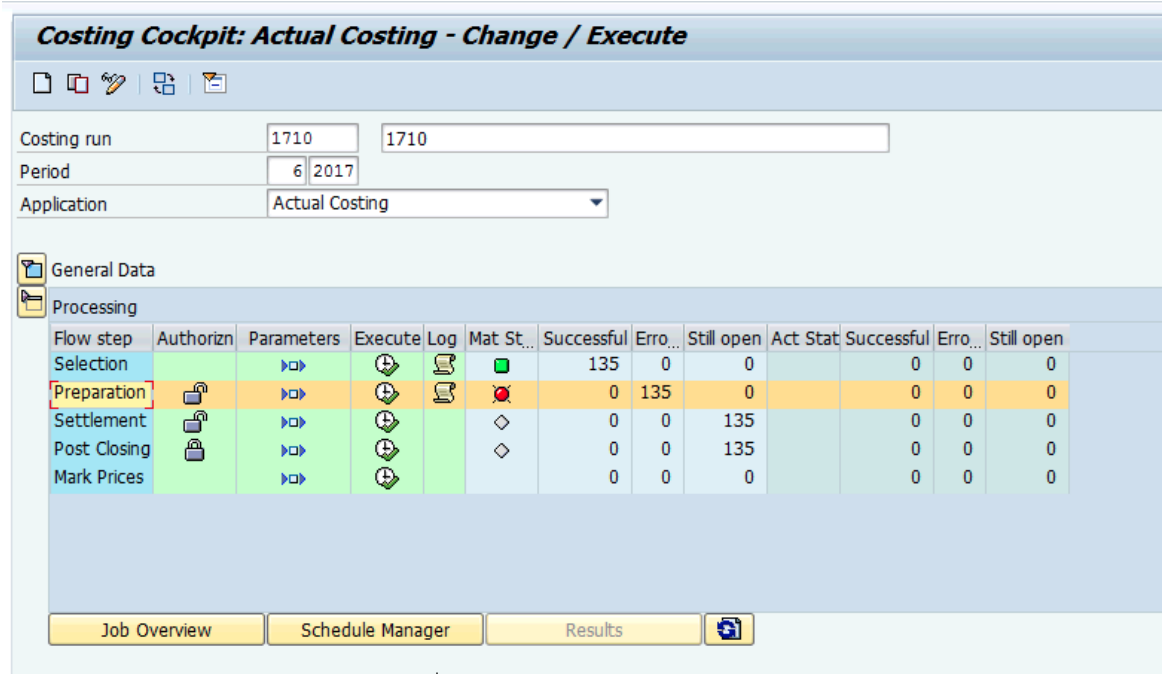



# Additional Features with SAP S/4HANA

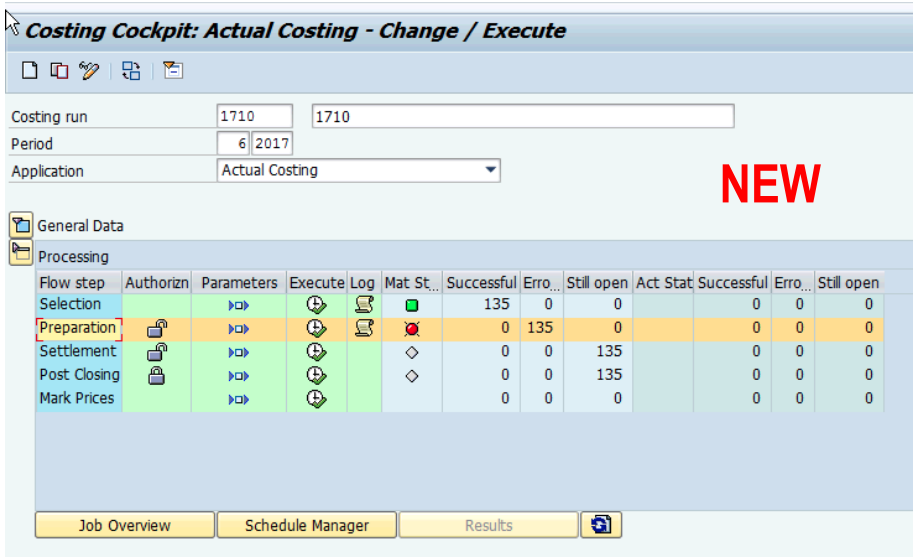
- CKMLCP
  - Same transaction for actual closing and AVR, instead of CKMLCP and CKMLCPAVR
  - New process called preparation
  - Single Level Price Determination, Multilevel Price Determination, Revaluation of Consumption and WIP Revaluation have been replaced by the new step settlement



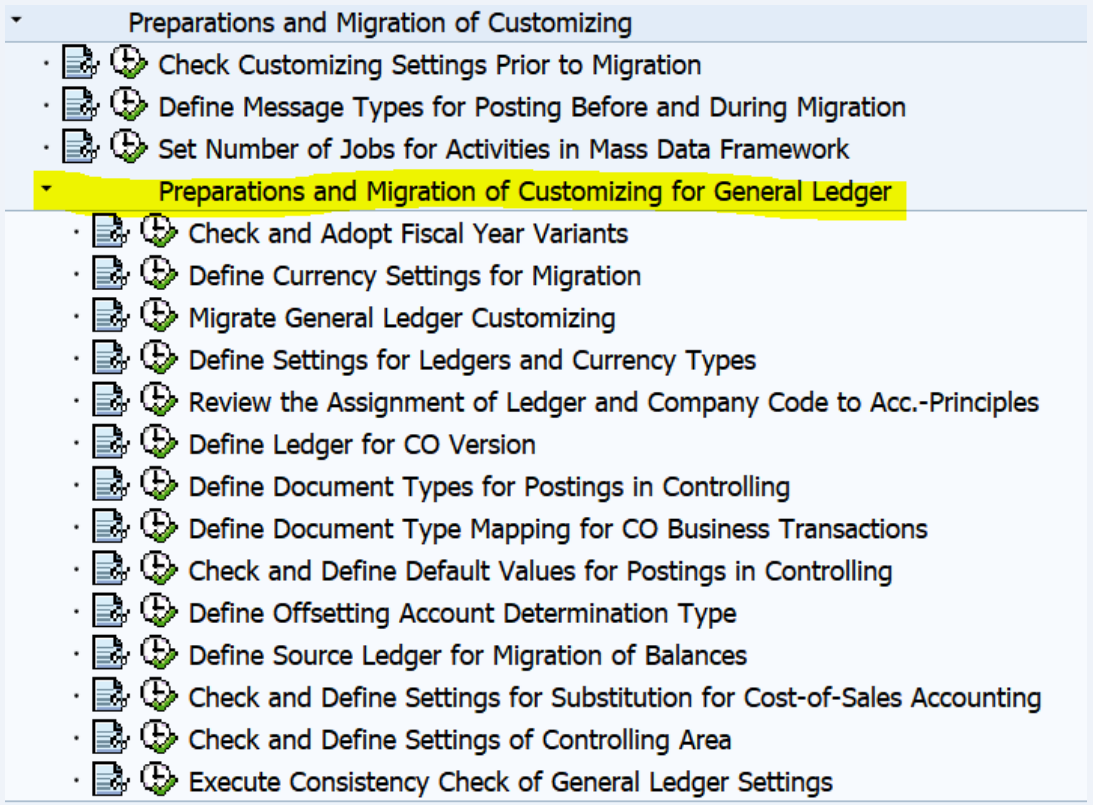
# Additional Features with SAP S/4HANA cont.

- CKMLCP
  - Selection (program FCML4H_SELECTION)
  - Preparation (program FCML4H_PREPROCESSOR)
  - Settlement (program FCML4H_SETTLEMENot)
  - Post Closing (program FCML4H_POST_CLOSING)
- Does not distinguish anymore between single and multilevel price difference in accounting
  - PRV and KDV are obsolete
  - AUI must be without valuation class
  - New Key PRL



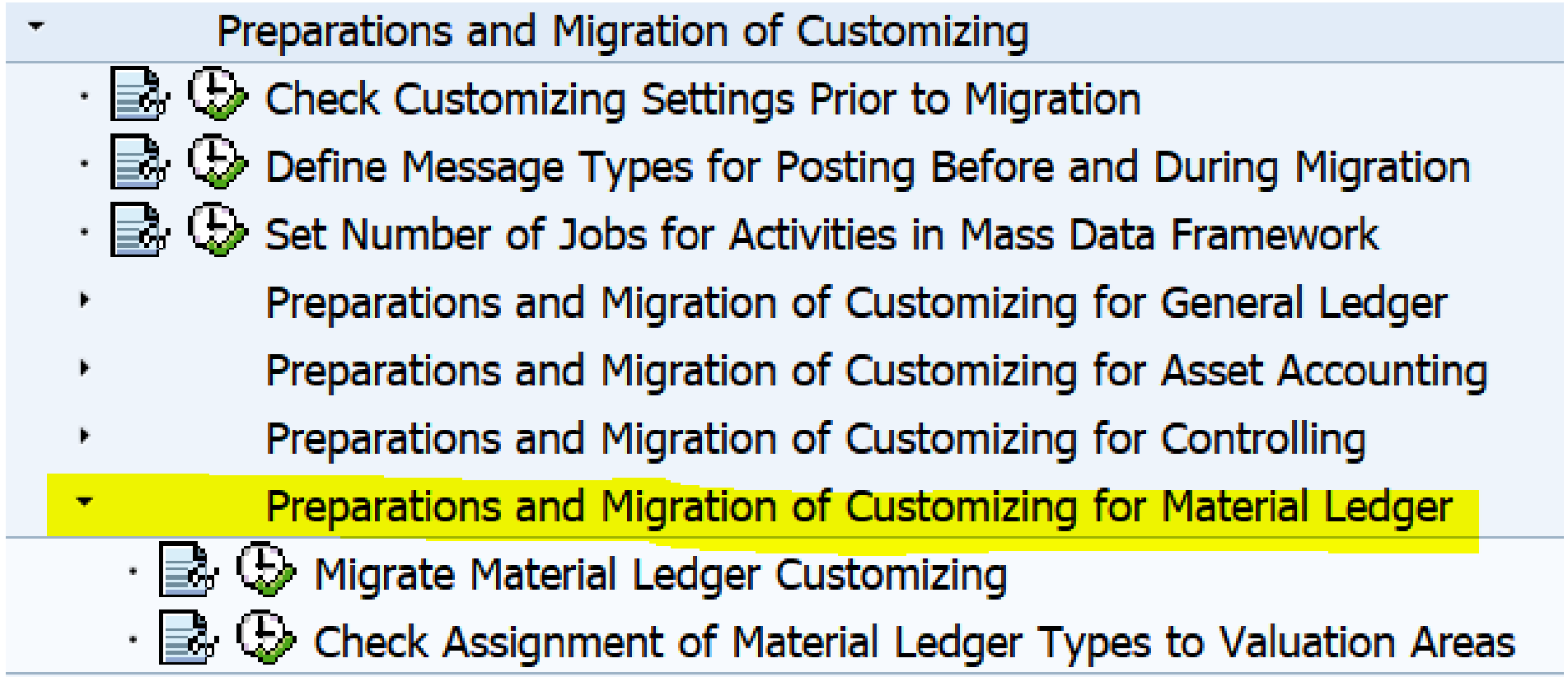
# Preparations and Migration of Customizing for General Ledger

- There are two Data Preparation activities that need to be completed before you start the process for converting to Material Ledger
- The first is the “Preparations and Migration of Customizing for General Ledger”



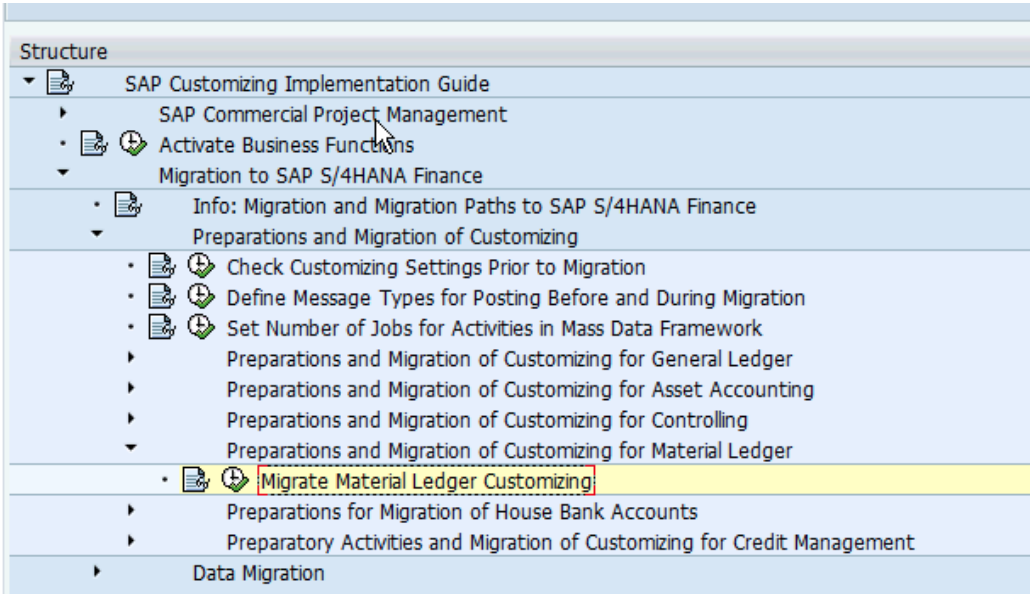
## Preparing Migration of Customizing for Material Ledger

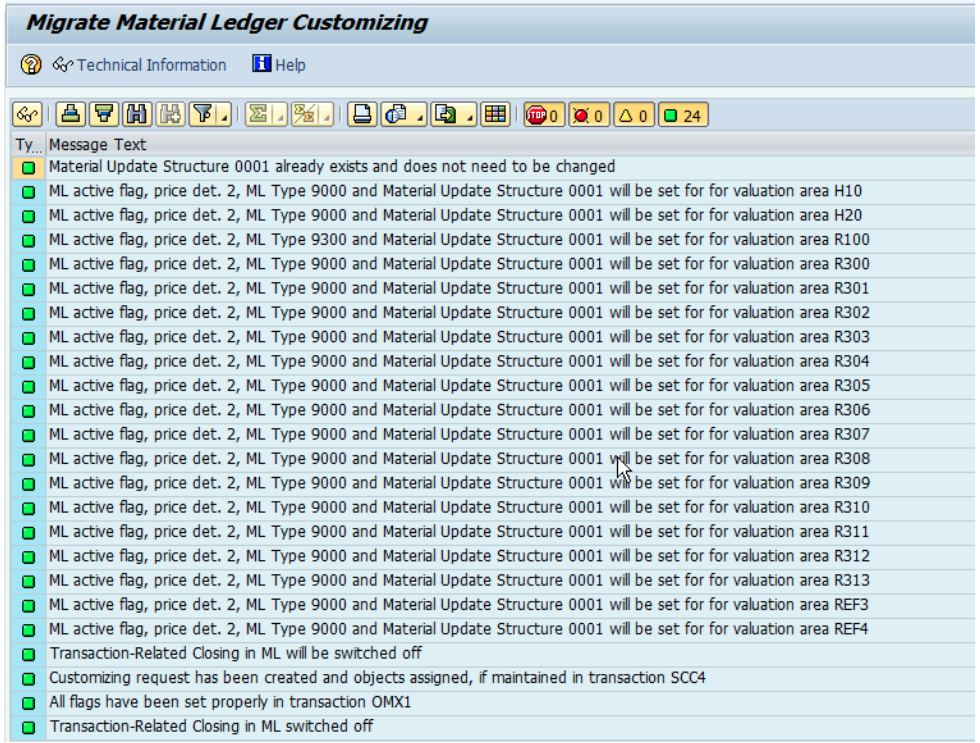
- The second step is the “Preparations and Migration of Customizing for Material Ledger”



# Migration Step for Material Ledger

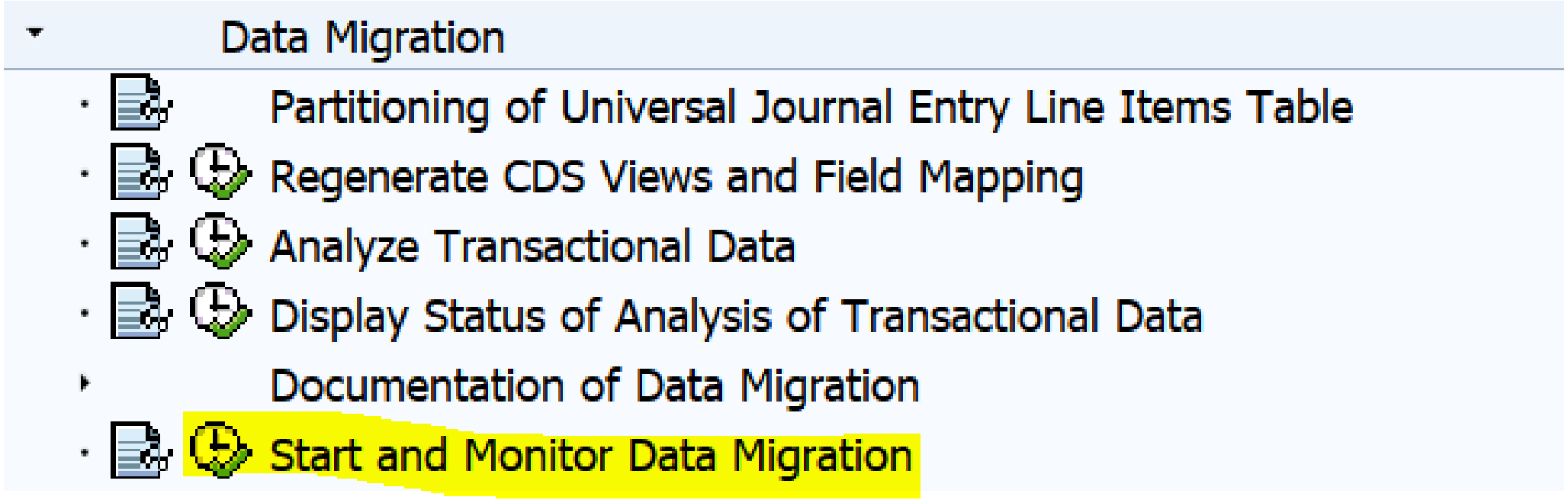
- Archive prior to migration is suggested
- Activate ML in ECC before moving to SAP S/4HANA also suggested to reduce the impact and also get knowledge of functionality before changing



## Preparing Migration of Customizing for Material Ledger

- Once these preparation activities are completed, then you can run the steps to Start and Monitor the Data Migration



## M10: Migrate Material Ledger Master Data

- This activity populates data in the Material Ledger tables CKMLHD, CKMLPR, CKMLPP and CKMLCR in all Material Ledger currencies, from the last period of the previous year to the current period and activates Material Ledger in all Valuation Areas (Plants).
- Also, all the data in the Inventory Valuation tables xBEW(H) and Material Ledger tables CKMLPP and CKMLCR (if you already use Material Ledger) are migrated into the universal journal entry tables ACDOCA and ACDOCA_M_EXTRACT, from the last period of the previous year to the current period.

# Existing tables to be replaced with the new tables

| Old Table | New Table | Explanation |
|---|---|---|
| MLHD, MLIT, MLPP, MLPPF, MLCR, MLCRF, CKMLPP, CKMLCR, MLCD, CKMLMV003, CKMLMV004, CKMLPPWIP etc. | MLDOC & MLDOC_EXTRACT | These tables will be populated from Material Ledger transactional data updates and settlement. |
| MLKEPH, CKMLKEPH, (CKMLPRKEKO) | MLDOCCCS & MLDOCCCS_EXTRACT | These tables will update the cost component split in actual costing. |
| CKMLMV011 | MLRUNLIST | This table will contain the material and activity type status from a costing run. |

# Existing tables to be replaced with the new tables cont.

| Old Table | New Table | Explanation |
|---|---|---|
| MKPF, MSEG | MATDOC | This table will hold the header and item data of a material document |
| MBEW, OBEW, QBEW, MBEWH, OBEWH, EBEWH | ACDOCCA | This table will contain the inventory valuation transactional data |

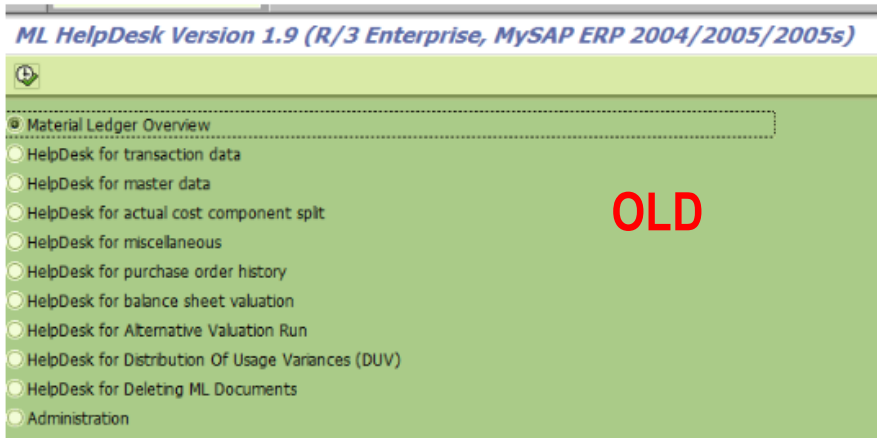
# Other Migration Steps

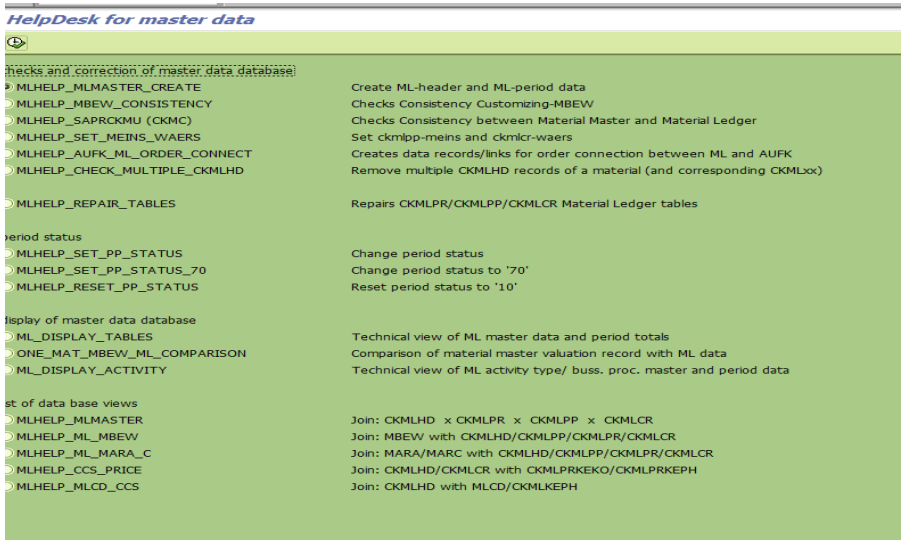
- M11: Migrate Material Ledger Order History:
  - This activity converts all existing purchase order history tables (EKBE, EKBEH, EKBZ, EKBZH) and production order history tables (MLAUFCR and MLAUFCRH) into the Material ledger currencies.
- M20: Check Material Ledger Master Data:
  - This activity checks and verifies the migrated data by comparing values from the inventory and material ledger tables with the Universal Journal table ACDOCA.
- M21: Check ML Production Order and Purchase Order History:
  - This activity verifies that all production and purchase order history records have been converted into the material ledger currencies.

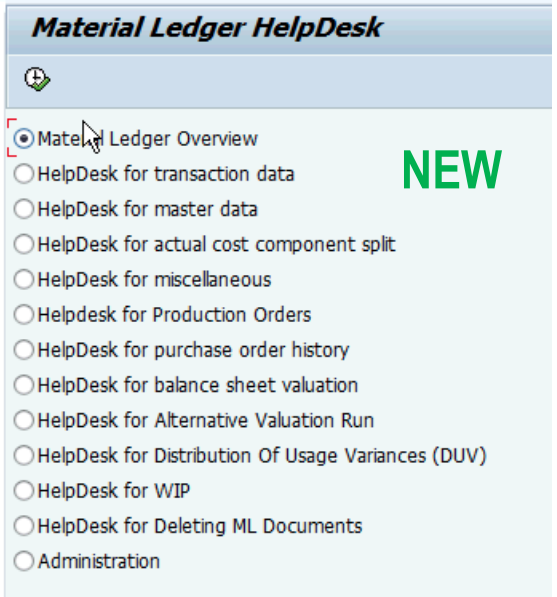
# Material Ledger Help Desk

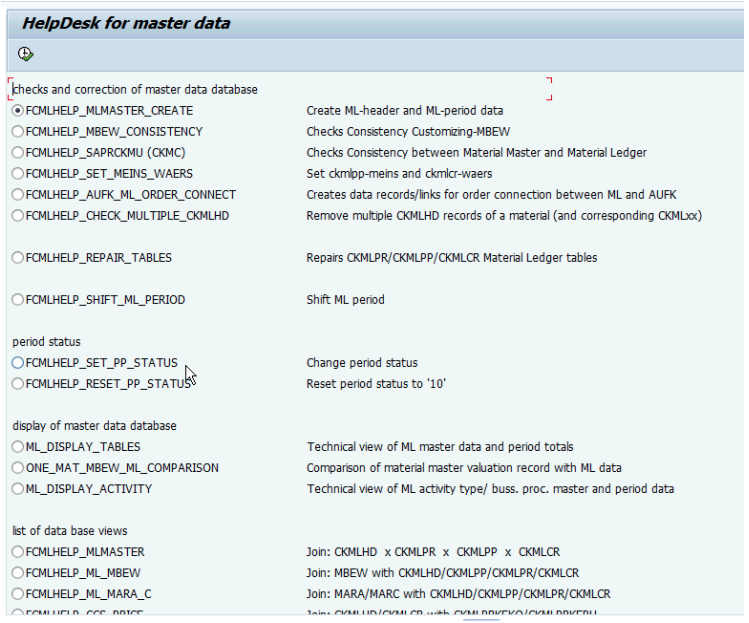
- Prior to S/4HANA 1610
  - SAP Note 364368 - Material Ledger help desk
  - CKMHELP
- SAP S/4HANA 1610
  - 2433733 - ML Helpdesk tool in SAP S/4HANA
  - Require password or debug access to change mode in execution
  - FCMLHELP

# Material Ledger Help Desk cont.



## Questions You Need to Ask Before Converting to Material Ledger

- What currencies do we want to value inventory with, at a historical rate?
- Do we need to use transfer pricing and parallel valuation?
- Do we want our products to be valued at Actual Cost?
- Should we revalue our inventory at a FIFO, LIFO, or some other basis?
- Should we value our inventory according to multiple GAAP approaches?
- Do we want our Cost of Sales to be valued at standard or actual cost?
- Can we reduce the impact of foreign exchange differences on our inventory values?

## Timing Your Material Ledger Conversion

- Look out for other projects (particularly relating to inventory) that could take place around the same time
- If you are activating Actual Costing plan for a 3 – 6-month project
- If you are activating Actual Costing, it is best to do it at the beginning of the month, otherwise not all variances will be used in calculation
- Allow a couple of months to work through kinks
- If you are not planning to move to S/4 in 2 or more years, and there is a business justification, then consider activating Material Ledger sooner

## Universal Parallel Accounting

NEW FEATURE!!

New SAP features that allows end-to-end view of parallel accounting across different functions such as Asset Accounting, Overhead Accounting, Inventory Accounting, and Product Cost Accounting.

### Functionality

- Allows separate Valuation Views (Legal and Group) per Ledger (i.e., Single Valuation Ledger approach)
- Uses same Accounting Principle for Leading Ledger (for Legal Valuation) and Parallel Ledger (in Group Valuation)
- Consolidated View (in Group Valuation) eliminates intercompany revenue and COGS as well as intercompany profit in inventory (Advanced Intercompany Sales process)

### Limitations

- Only available for greenfield implementations
- Only available in S/4HANA Cloud (from 2105) and S/4HANA 2022

# Wrap Up

# Your Comprehensive Guide to the Material Ledger in SAP S/4HANA!

- Configure and run actual costing with SAP S/4HANA
- Master parallel valuation: group valuation, profit center valuation, balance sheet valuation, stock-in-transit, and more
- Analyze your results with SAP S/4HANA reporting tools

**Purchase the print or e-book at sap-press.com/5565**
Save 15% with the code **MTLED15** at checkout.

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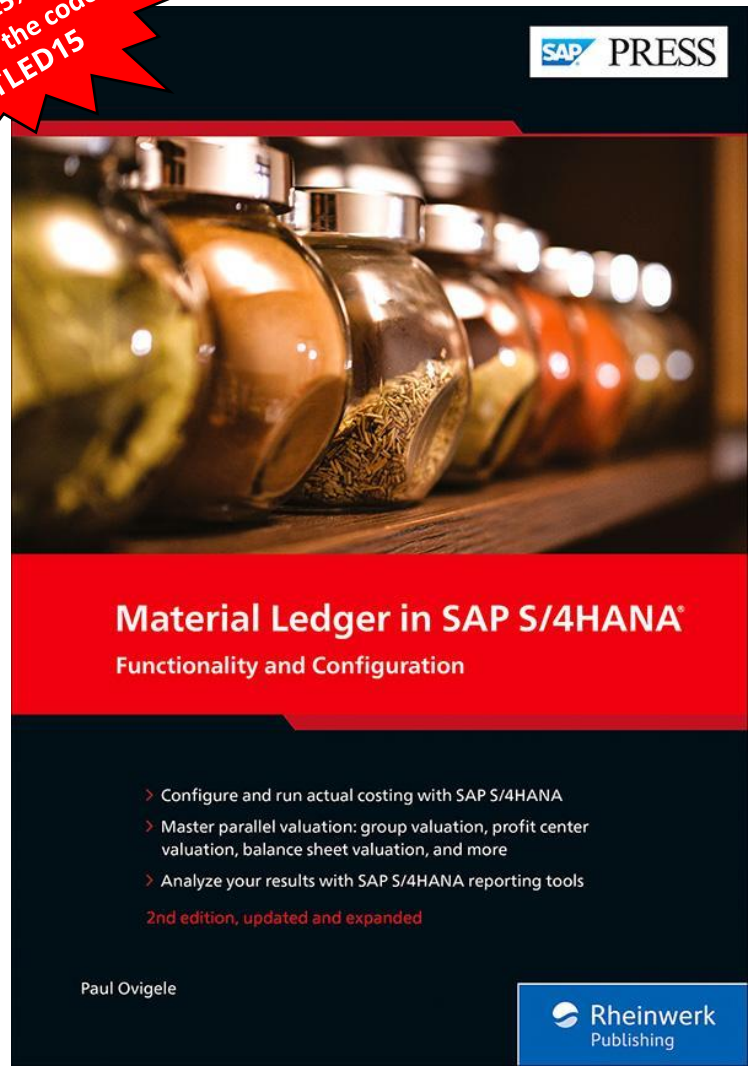


**Material Ledger in SAP S/4HANA: Functionality and Configuration**
Written by: Paul Ovigele
535 pages | 11/2022 | **E-book:** $84.99 | **Print:** $89.95 | **Bundle:** $99.99

# Where to Find More Information

- https://www.erpfixers.com/blog-series
- ERPfixers Resources Page - Various blogs and articles on SAP S/4HANA and other topics
- https://www.erpfixers.com/ask-a-fixer-webcast
- ERPfixers Webcast Page – Monthly Webcasts on various SAP topics including Universal Allocation

# Key Points to Take Home

- All Plants in a Company Code should be activated with Material Ledger in ECC
- Reduce as much data as possible before converting to ML in ECC
- Even in S/4HANA a reduction of ML data will help the Migration process
- Material Ledger is mandatory in S/4, Actual Costing is optional
- Material Ledger conversion is one of the Migration Steps in S/4HANA

# Thank You! Any Questions?

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Please remember to complete your session evaluation.

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