

Central Finance: The Gateway to Financial Transformation and Optimization

Bobby Schudler, MBA,
Solution Advisor, SAP America

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SAPinsider



In This Session

You will understand what is driving companies towards financial transformation.

Why are companies looking at transforming finance today and into the future.

How does S/4HANA Central Finance help companies transform and what is Central Finance specifically.

You will see some reporting examples utilizing Central Finance, and understand the value that can be achieved once implemented.

What We'll Cover

- What are the drivers for finance transformation
- What is Central Finance and how does it help
- See a reporting example of Central Finance in action
- What value can be achieved with Central Finance
- Understand the value of Central Finance and how it is helping companies today to achieve Financial Transformation



Drivers of Financial Transformation



Insight and Automation are Driving Finance Transformation

Process and analysis improvements that reduce cost needed in dynamic business environments

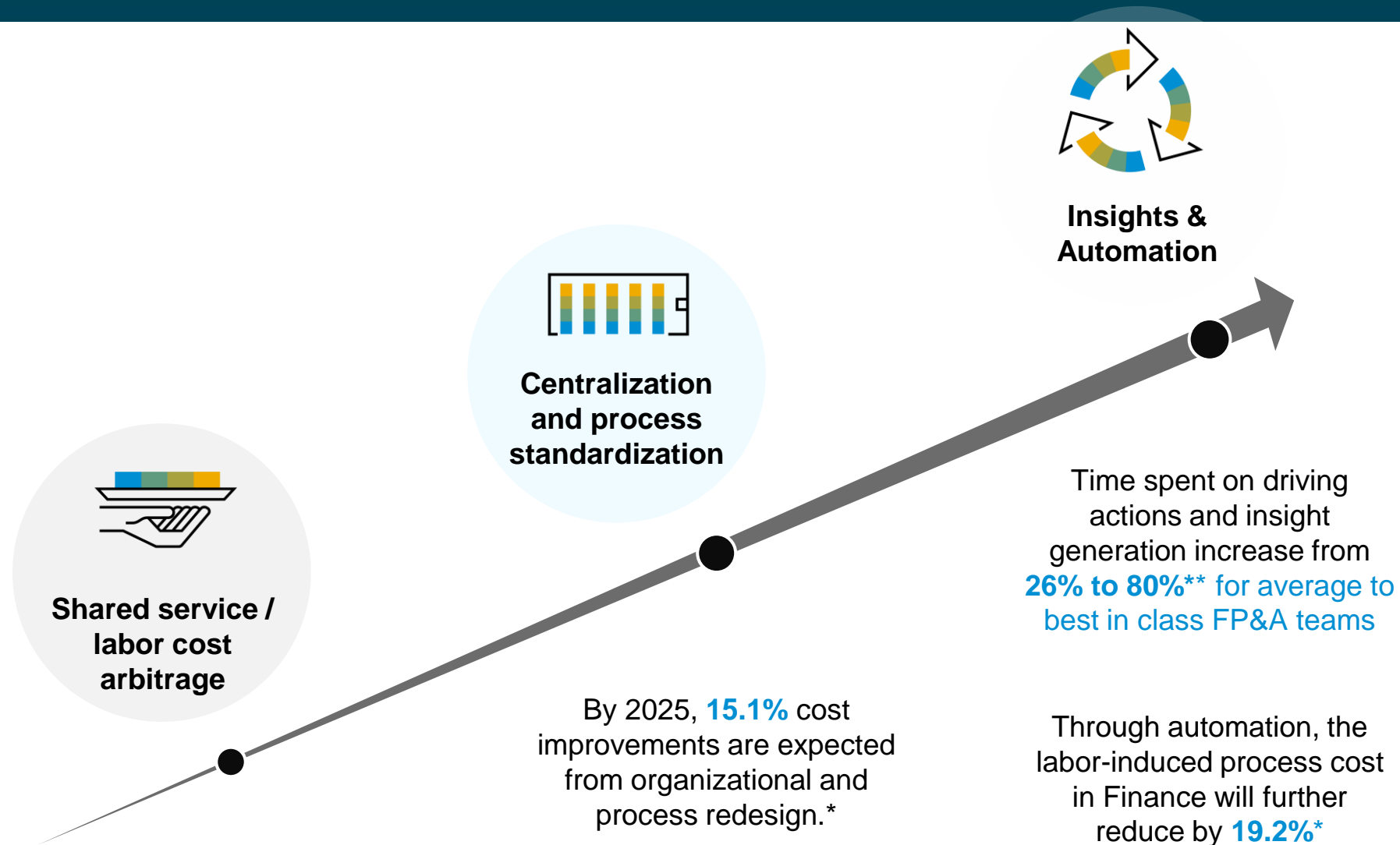


The Evolution of Finance Transformation

From business stewardship to

Why Finance Transformation?

- **Stabilize** operations
- Reduce **cost of finance**
- Improve **compliance**
- Become more **agile**
- **Steering** the business



*Source: Finance Automation Potentials, July 2019, The Hackett Group

**Source: FP&A Trends Survey 2020: Becoming an Intelligent Enterprise

What is Central Finance?

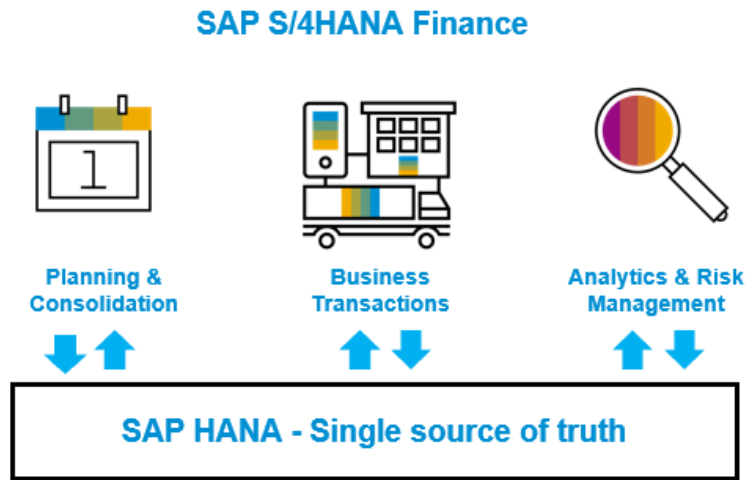
What can it do for businesses?



SAP S/4HANA Central Finance Removes Limitations From the Past

A single source of truth for prediction, transactions and analytics in real-time

Single Source of Truth



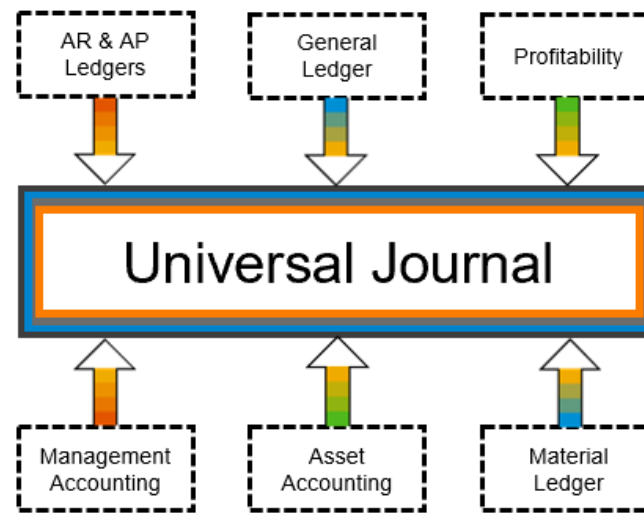
One platform for prediction, transactions and analytics

Removal of data silos and batch-processes

Real-time analysis and drill-down

Embedded risk monitoring and controls

Optimized Accounting



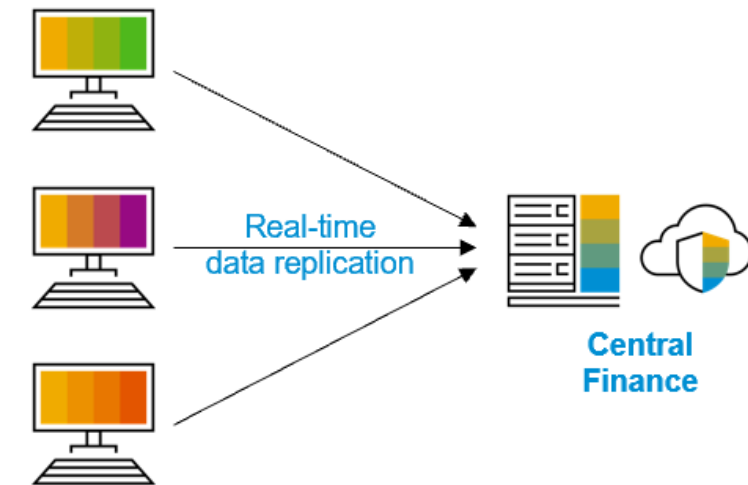
Powered by SAP HANA

One universal journal for financial and management accounting

Automatic reconciliation

On-the-fly aggregation

Across Your Enterprise



Rapid access to innovations using SAP S/4 Finance

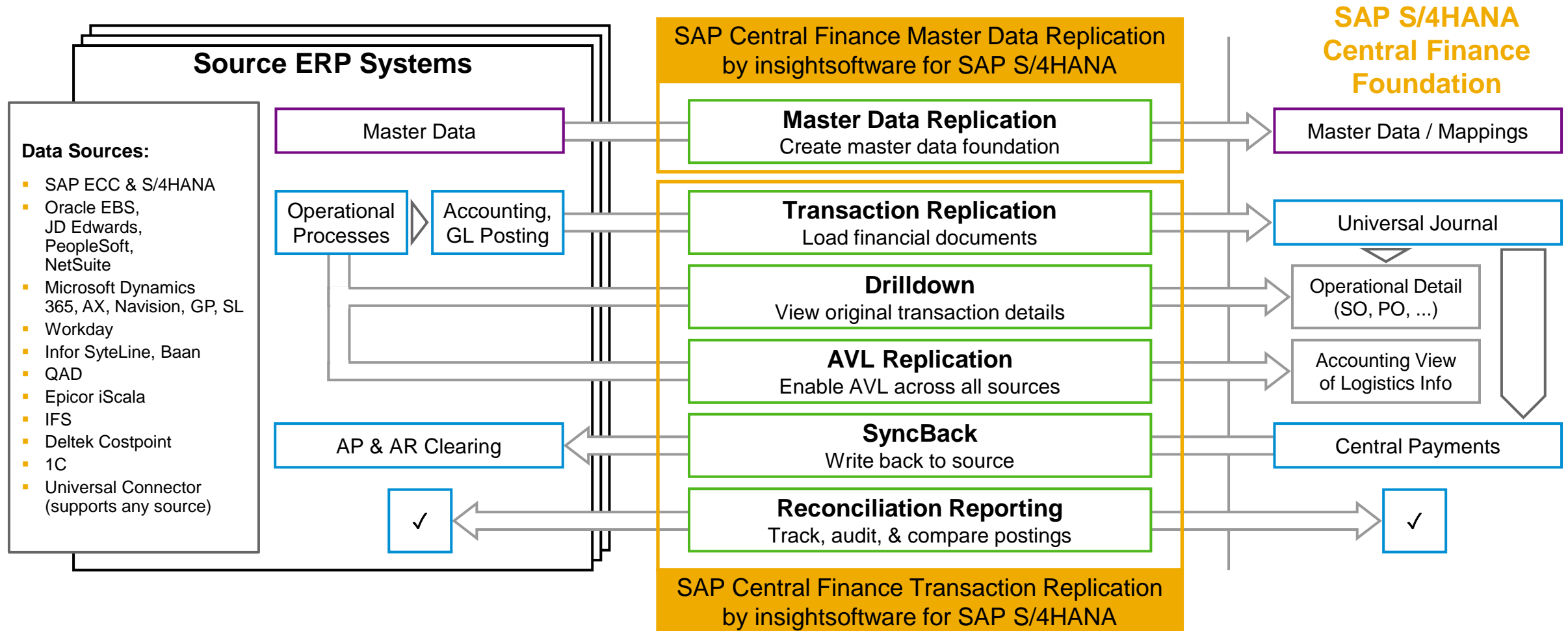
Real-time data replication connects heterogeneous landscapes

Consolidated finance processes

Accelerated finance transformation

SAP Central Finance Solution Extensions from insightsoftware

A suite of pre-built solutions to accelerate and manage key data integration aspects between source ERPs and Central Finance



**Higher
business value**



**Faster time
to value**

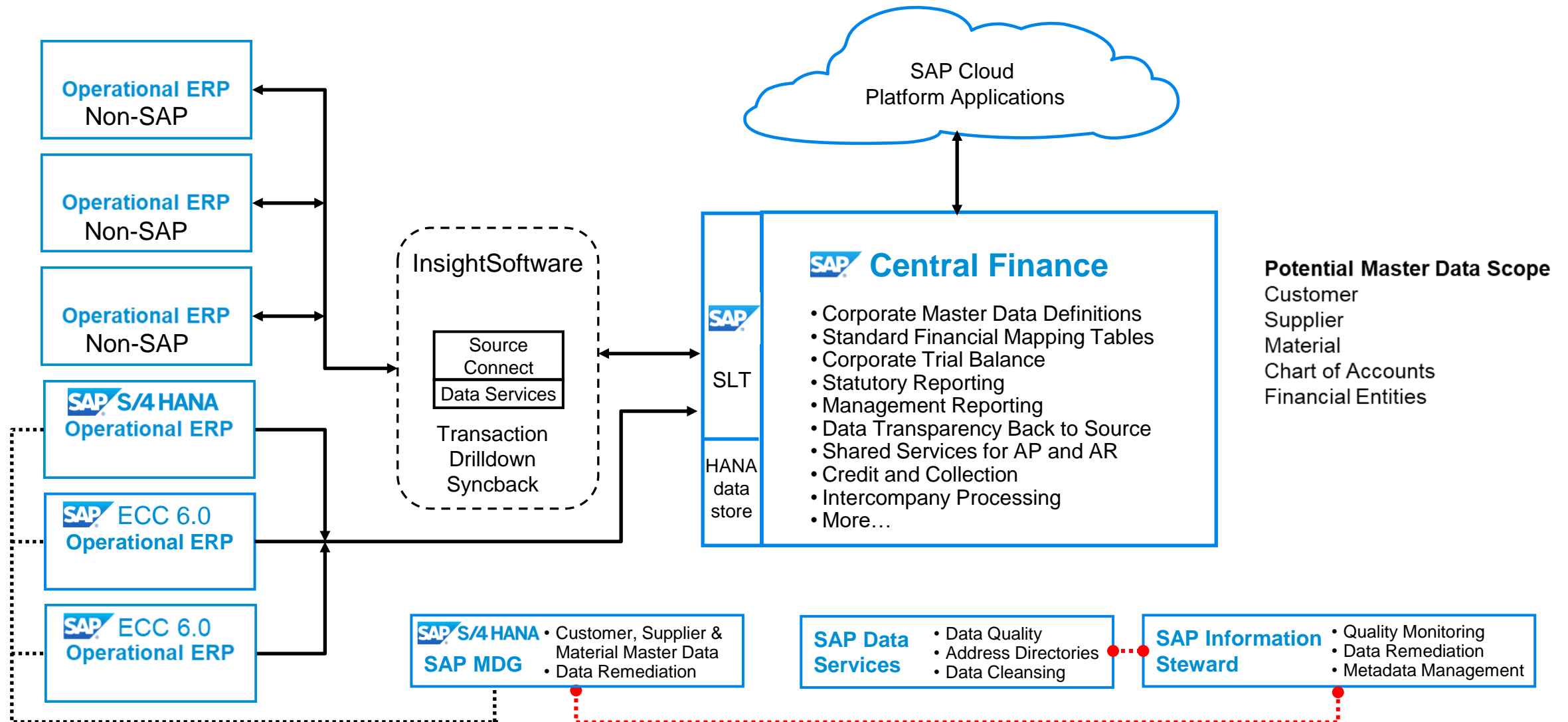


**Lower cost
of ownership**



Reduced risk

Typical Financial System Landscape Optimized with SAP Central Finance



The Non-Disruptive Step Towards Modernized Finance

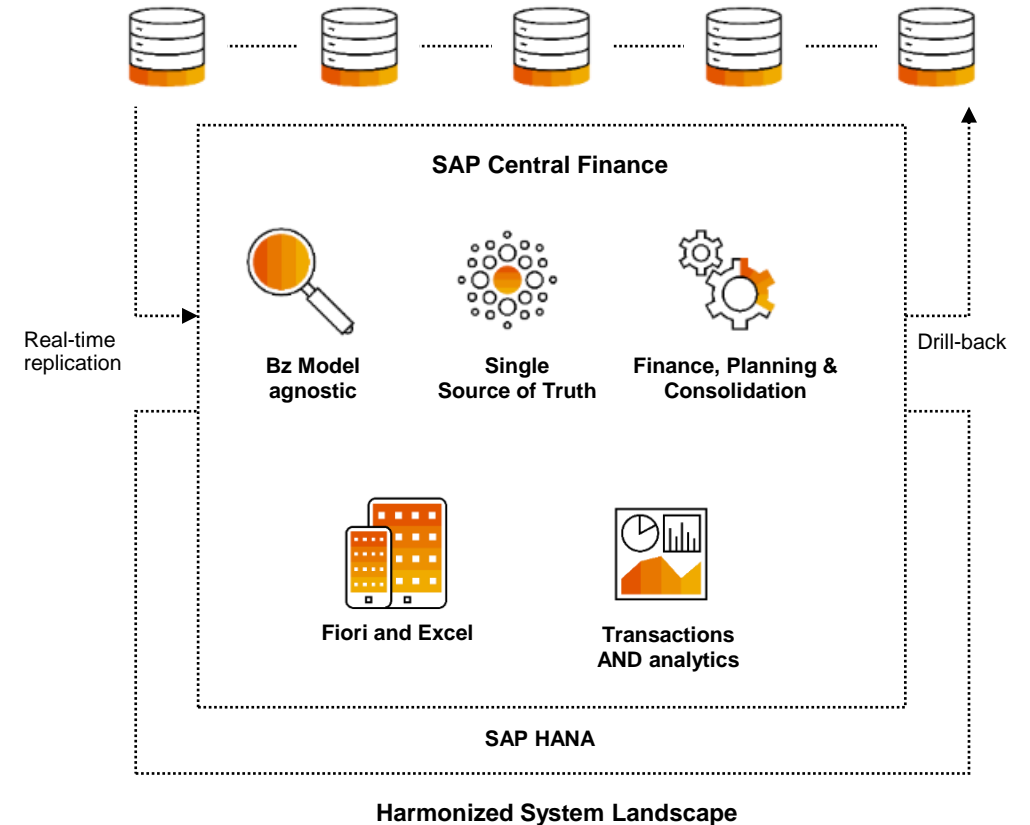
Central Finance as Your Future Finance Foundation

SAP Central Finance Foundation (Central Finance) is an **S/4HANA** system, receiving financial accounting transactions via **real-time replication** from **SAP or non-SAP ERP source systems**.

Central Finance Provides:

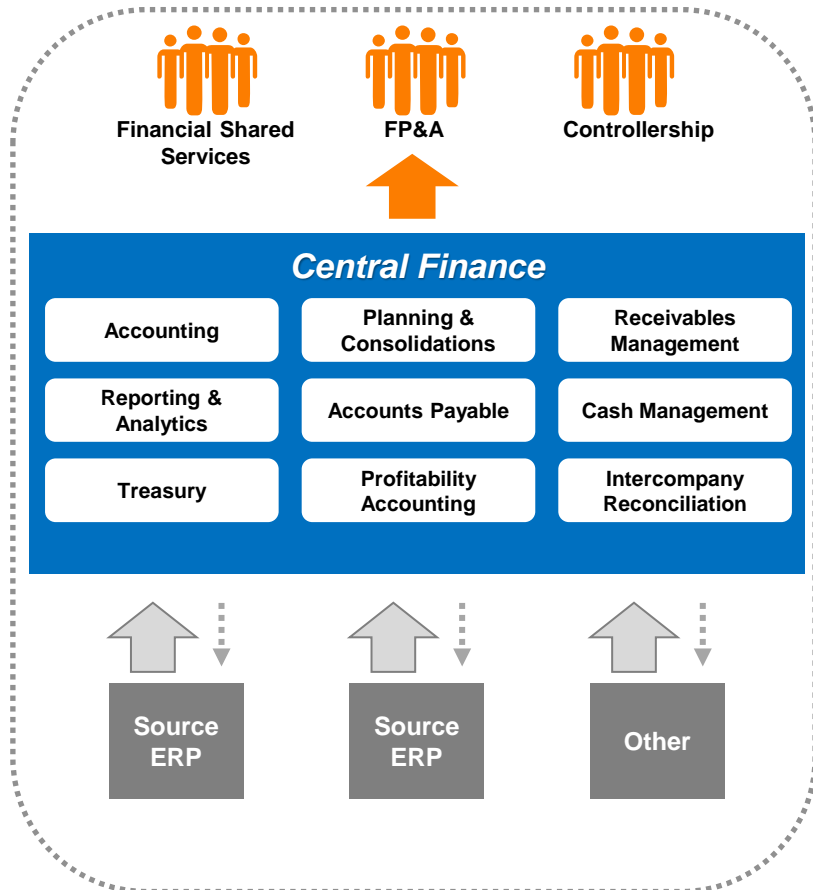
- Advanced reporting on segment, entity and group level
- Scalable execution of local and central processes
- A transformation platform for the digital business

Central Finance comes with a set of enabling technologies that allow any enterprise to start using SAP S/4HANA Finance innovations faster.

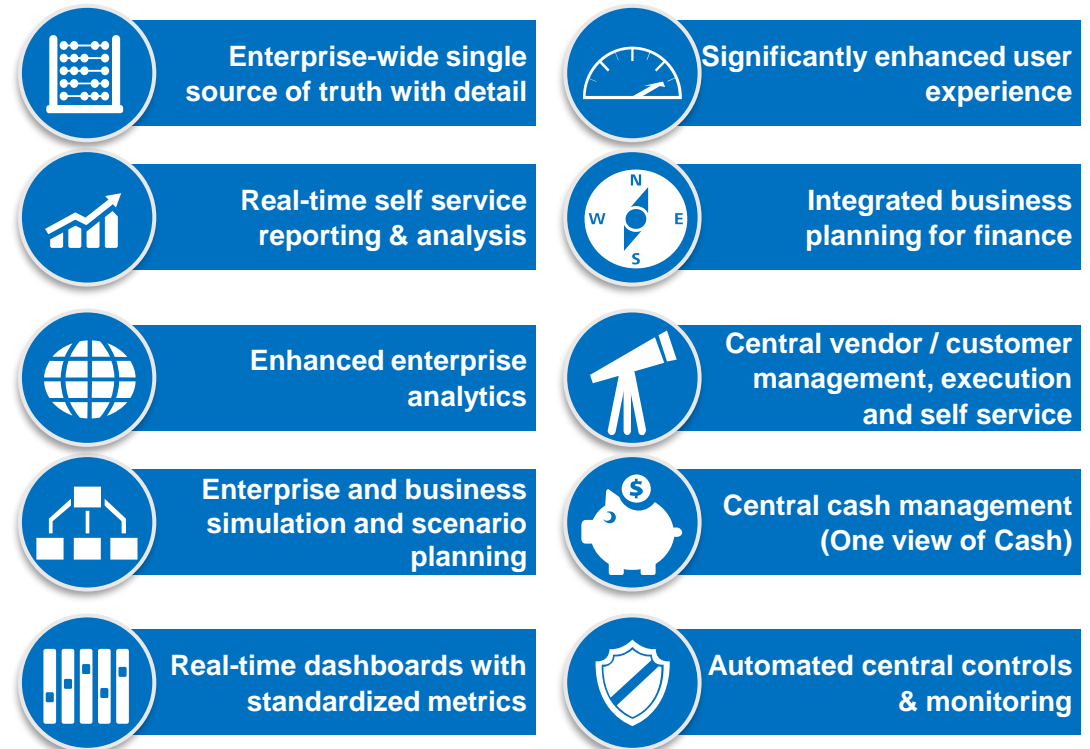


Central Finance – Delivering Finance Value to Complex Businesses

Central Finance is an SAP® S/4HANA platform that receives real-time financial transactions from multiple source systems for the purpose of central financial reporting or central transactional processing.



Central Finance Platform Key Capabilities:



Step into the Future with a Phased Approach to Business System Transformation Powered by SAP S/4HANA Central Finance

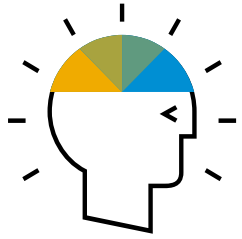
Breaking a system transformation into phases, led by finance capabilities provides significant value to a business:

- **Optimized configuration** based on current and perceived future requirements
- **Faster time to value**, delivering incremental ROI after each of a series of phases
- **Controlled disruption** across the workforce, based on the functional roles affected by each phase
- Overall **mitigation of risk**, while providing the business the ideal capabilities



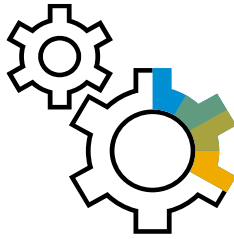
This is an example for finance transformation. These capabilities and phases can be adjusted based on business priorities

How Central Finance can help in M&A Strategy?



Reduce Complexity

- Single instance of SAP S/4HANA is leveraged without changing or disrupting the existing systems, process and people.
- On board new organization ERPs without having to decommission in the short term.



Template Based Model

- Develop a template with the existing knowledge of systems and enhance it with each transaction.
- Standardize consolidation, reporting & planning in the immediate team while leveraging data harmonization.



Quick M&A integration

- Fast implementation with reduced need for specialized skill in the immediate term due to template.
- Continue acquired companies operations while integrating data with the addition of one new source system.



Agile Framework

- Reduced time & effort to provide business-critical financial and management accounting insight, and practices.
- Agile methodology allows for adjustments to be made based on new insights learned during integration from insights found in Central Finance.

S/4HANA Central Finance reporting

Recently Added Apps

Balance
Sheet/Income
Statement



Balance Sheet/Income Statement

General Ledger
Overview



Upload General
Journal Entries



Financials Overview
SAC



Ad hoc Analysis
AO Workbook



Supplier Invoices List

 463_K

Journal Entry

Material Price
Analysis



Costing Variants
Product Costing



Display Material Cost
Estimates



Display Material

Schedule Accounts
Receivable Jobs



Reprocess Bank
Statement Items

 577

To be processed

Accounts Payable
Overview



Create Supplier
Invoice



Create Supplier
Invoice
Advanced



Create Incoming
Invoices



Upload Supplier
Invoices



Display Process Flow
Accounts Payable



Manage Supplier
Line Items



Financial Analytics





Document Edit Goto Extras Settings Environment System Help



Display Currency General Ledger View

Data Entry View

Document Number	90041448	Company Code	3000	Fiscal Year	2023
Document Date	22.01.2023	Posting Date	22.01.2023	Period	1
Reference	0090041448	Cross-Comp.No.			
Currency	USD	Texts exist	<input type="checkbox"/>	Ledger Group	

CoCd	Item	PK	SG	Account	Description	Amount	Curr.	Tx	Cost Center	Order	Profit Ctr	Segment	Billing Doc.	SLNo
3000	1	01		CUST-04	Crocodile Enterprise	899,00	USD						90041448	
	2	50		800000	Sales revenues - dom	899,00-	USD				3500			

S/4HANA Central Finance value to companies



Key Benefits for Finance Moving to SAP S/4HANA with Central Finance

Significant business value for finance professionals



Intuitive Assisted User Experience

Fiori simplifies learn and use both Analytics and Operational transactions, coherent across all of devices

Embedded Reporting and Analytics

Flexible ad-hoc reporting and insight to action, based on live transactional data in a single financial truth

Continuous Close

Closing tasks taken off the critical path, delivering high-quality multidimensional insight, earlier and with less effort

Margin Analysis

Continuous, high granular analytics of margin, reconciled by design

Universal Allocations

Increased transparency in cost allocation modeling and execution through a single, harmonized allocation engine

Predictive Accounting

Future-fact-based decision making based on operational information

Artificial Intelligence

Significant capabilities delivered centrally, along with a framework for custom solutions

Integrated Intercompany

Reconcile intercompany transactions at source before consolidation eliminations

Embedded Secure Data Access

Business role concept enabling effective management & control

Managing Receivables

Unified view, real-time analytics, and streamlined design

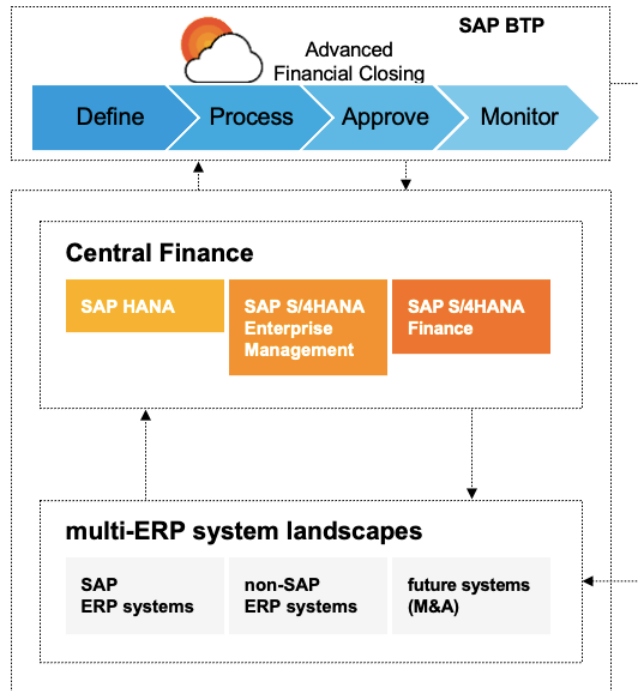
Cash Management and Treasury

Better data architecture and UI for reporting & monitoring Cash, combined with comprehensive treasury functionality

Document and Reporting Compliance

Centralised Legal and Tax Reporting increases compliance

Central Advanced Financial Closing



Overall orchestration of the close in Advanced Financial Closing

Considerations

Accounting-relevant closing tasks performed in Central Finance target system

- Best practice content for S/4HANA systems accelerates project timeline
- Fiori user interaction / user experience
- Adoption of S/4HANA Finance innovations like machine learning, robotics as part of content

Some logistics-relevant closing tasks performed in source systems

- Connections available to SAP S/4HANA and ECC systems, as well as [non-SAP systems](#); closing programs must be registered for AFC-triggered execution in local system
- Financial postings related to closing activities will be replicated to Central Finance, where they will be picked up for inclusion in Financial Statements
- Example: inventory valuation, close/open periods for inventory movements

Benefits

- Single template organizes close [across multiple systems](#)
- Perfect monitoring and orchestration with execution, workflows, and approvals

Restrictions

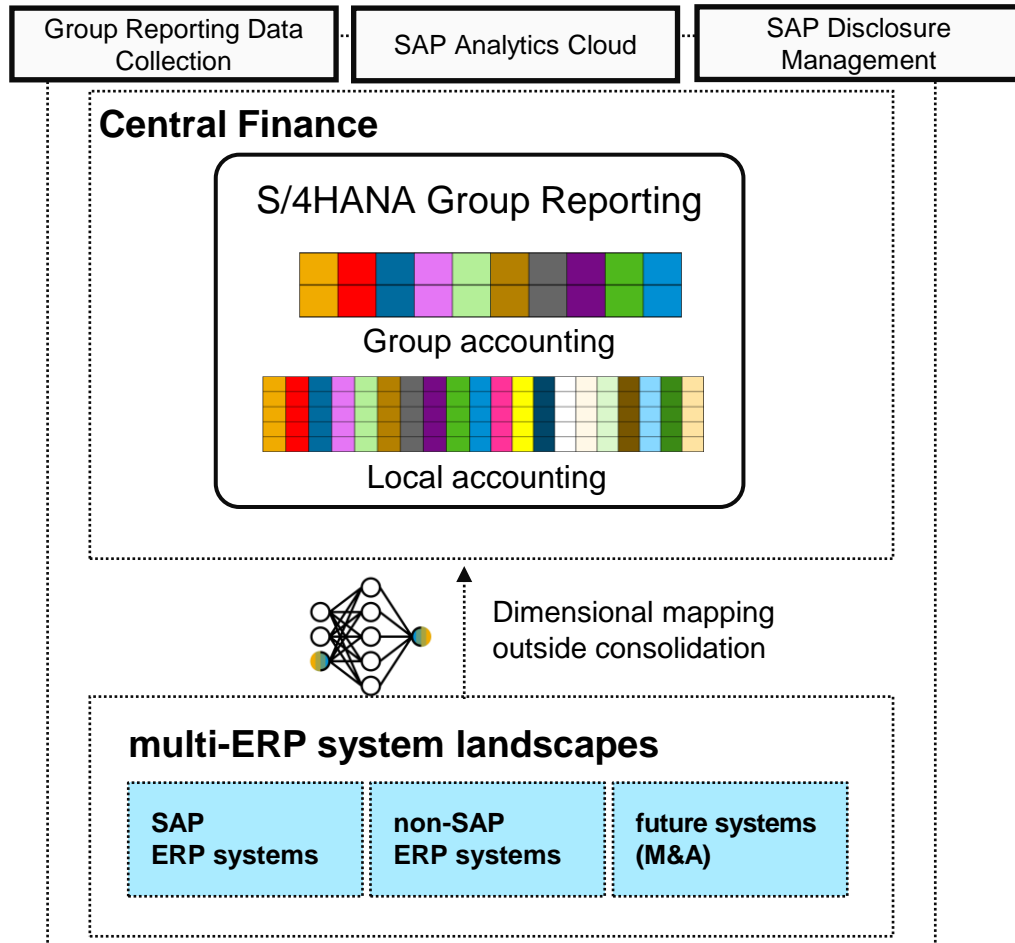
- [Further reporting optimizations are planned](#)

License Information

- SAP S/4HANA Cloud for advanced financial closing

Central Group Financial Closing

SAP S/4HANA Group Reporting reimagines consolidation. Based on a single data model, consolidation can be run at any time for actual, planned, constant currency and other versions, delivering unparalleled dimensionality without ETL



Considerations

Reduced Complexity of Data Dimensionality

- Financial data is already mapped and re-posted in S/4HANA using Central Finance, unlike standalone consolidation solutions that must handle dimensional mappings within the consolidation solution
- Additional financial or non-financial data for non-Central Finance entities can be loaded with BTP app, Group Reporting Data Collection

Benefits

- Support for continuous accounting processing**
 - Closing bottlenecks like intercompany addressed during period and not after period close
- Reconciliation-to-eliminations process for enhanced transparency for both local and group accountants

Central Accrual Management

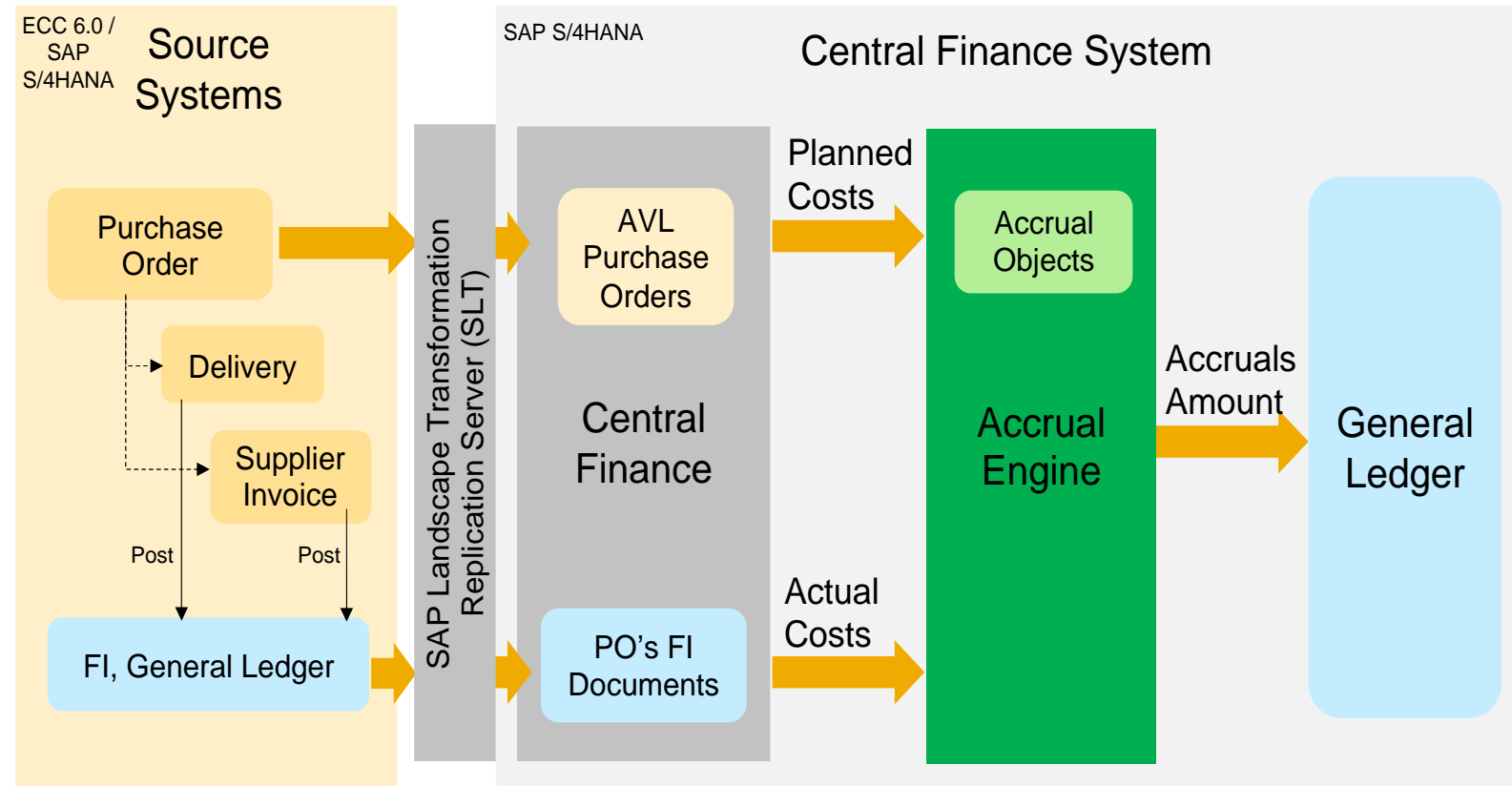
Accruals help to record expenses and revenues that are already known to the company and will be due in the future with a high degree of certainty. S/4HANA Accruals Management calculates, validates and posts transactions automatically with approval workflows as necessary.

Approach

- Leverage Accounting View of Logistics Information which replicates operational data from source systems to the Central Finance system
- S/4HANA Accruals Management on the Central Finance system calculates and posts the PO accruals automatically (manual accruals are not supported)

Benefits

- Realtime finance and logistics data reposted to target S/4HANA system with harmonized data model
- Centralized and standardized approach for accrual automation and management for all entities
- Baseline for centralizing R2R, providing insights across all entities



Margin Analysis

Determine gross margin faster, simpler and with more granularity

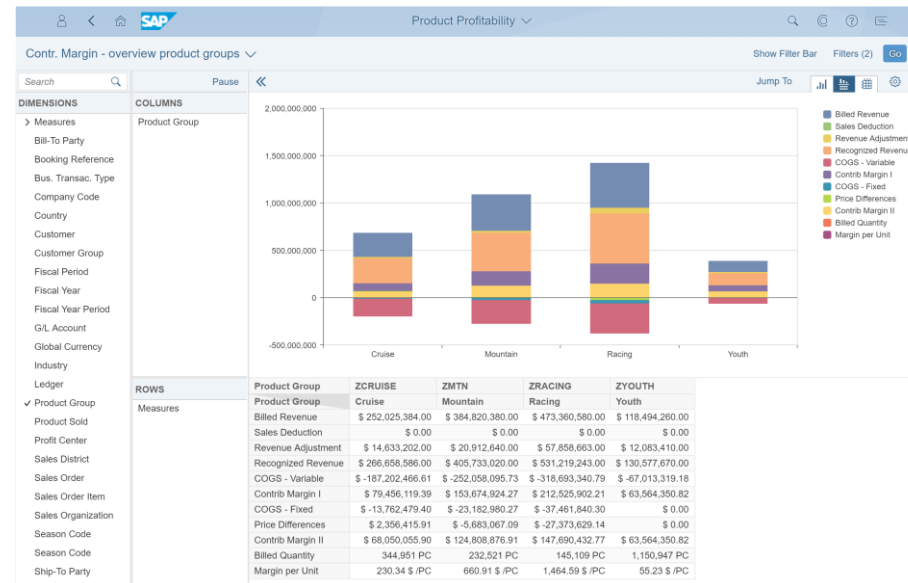


Current Challenges

- Difficult to get end-to-end visibility as the **elements of margin are split across modules**, resulting in high **reconciliation efforts**
- While CO-PA can be used **it lacks flexibility**
- Large complex Excel spreadsheets are built using extracted information and **are arduous and error prone**



SAP S/4HANA Benefits



- **Full visibility across all elements of margin**, including dimensionality such as market segment inherent in the Universal Journal
- SAP S/4HANA combines functionality from CO-PA with innovations based on the Universal Journal **to provide flexibility**
- Embedded Analytics in SAP S/4HANA makes **information easily accessible**

Universal Allocations

Deliver a standard approach to allocations



Current Challenges

- Allocations are run in **multiple places requiring extensive maintenance** typically managed by IT
- No orchestration across different allocations which **may overlap causing errors**
- External systems or spreadsheets replicate data **requiring time consuming reconciliations**

Cost center allocation:
24 transactions

Profit center allocation:
24 transactions

Top down distribution:
separate transactions

...

Universal
Allocation

**Harmonized
applications:**

- Manage
- Run
- Results traceability
- Flow



SAP S/4HANA Benefits

- Process is simplified and harmonized allowing the **business user can create different types of allocations in a single way** using the Fiori UX
- A step by step approach is available providing **transparency and auditability, across actuals and plan**
- Reconciliations are no longer required saving time for **more value-added activities**

Understanding your margin with SAP S/4HANA and extended solutions

Innovations supporting instant, flexible and pro-active insights, reconciled by nature

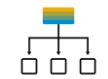
Capabilities within S/4HANA



Profitability analysis integrated in the Universal Journal to allow for flexible margin analysis and dimension extensibility based on a single source of truth



Enhancing financial insights for not yet GAAP relevant actions through predictive closing



Next generation allocation in S/4HANA, aligning actuals and plan allocation logic and increasing transparency



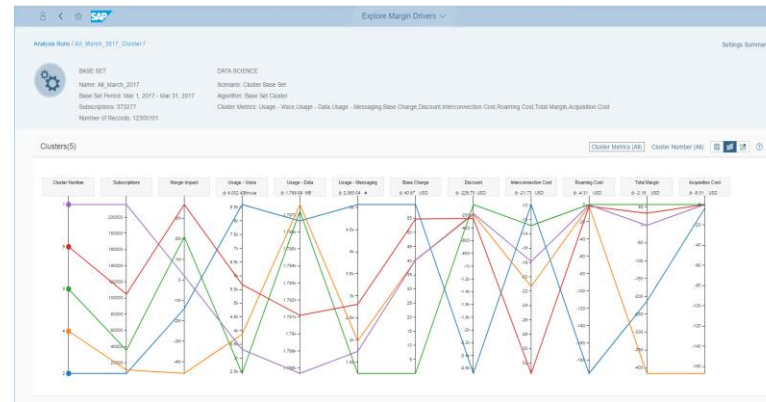
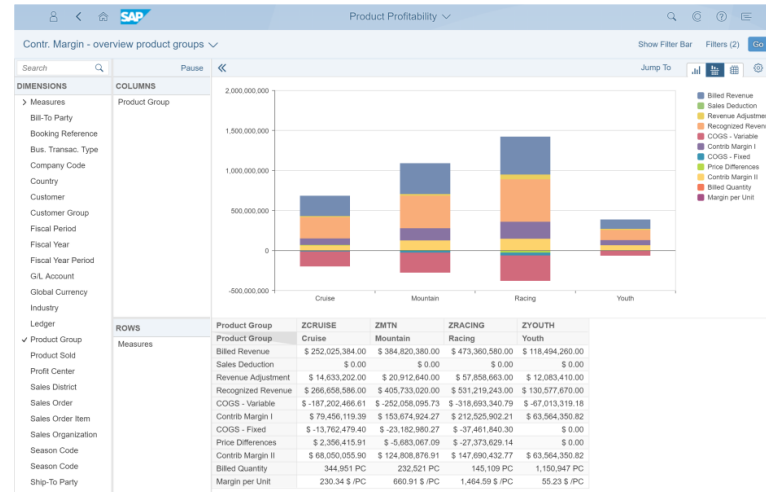
Flexible and integrated inventory valuation and product costing through integrating Material Ledger into the Universal Journal



More flexible multi-dimensional reporting through the availability of flexible hierarchies



Semantic tags and flexible hierarchies to classify accounts and **define and adapt KPIs and reports more flexibly**



Beyond the Core



Autonomous detection and alerting of unusual business situations in revenue and cost accounts, proposing explanations (using SAP Financial Statement Insights, SAP RealSpend or SAP Analytics Cloud)



Highly granular driver-based margin analysis including non-financial driver data, including leveraging data science and **Machine Learning for margin leakage detection** (using Customer Profitability Analytics)



SAP Profitability and Performance Management allows for **complex cost modeling and allocation, optimized for a high number of dimensions and high data volume** coming from different sources



Simulation of transfer prices allowing for optimization of intercompany margin view using SAP Profitability and Performance Management



Flexible planning and simulation of COGS using planning integrated in S/4HANA and SAP Product Lifecycle costing (e.g. in early costing phase)

Top: SAP S/4HANA Cloud Product profitability integrated in the Universal Journal
Bottom: SAP Customer Profitability Analytics Margin Driver Explorer

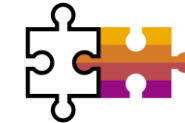
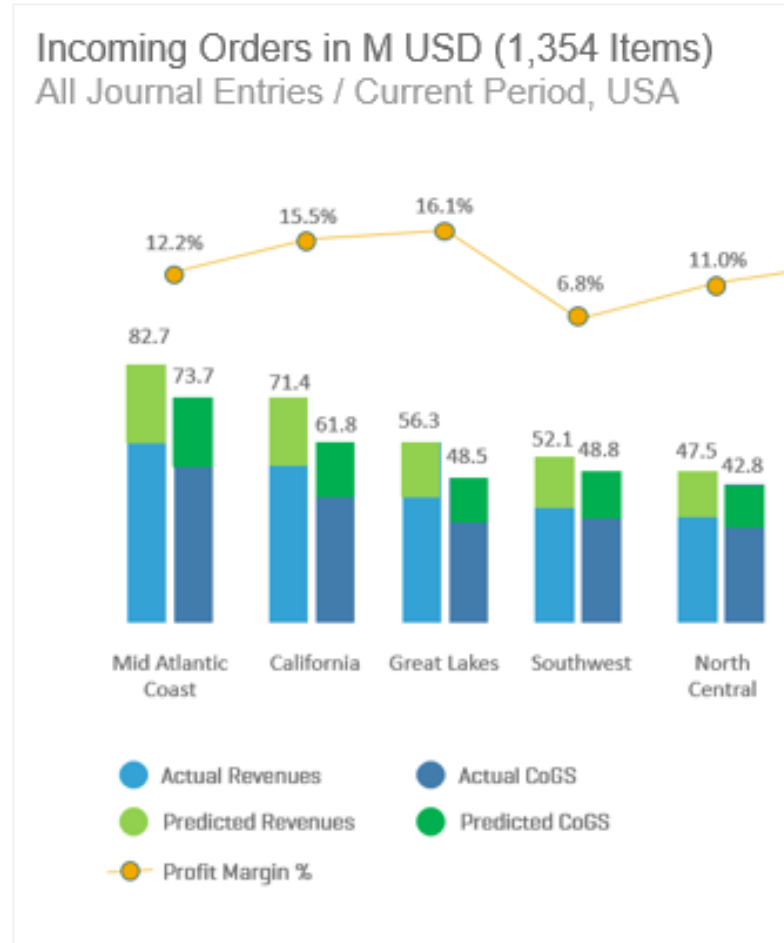
Predictive Accounting

Provide forward looking financial insights based on operational transactions



Current Challenges

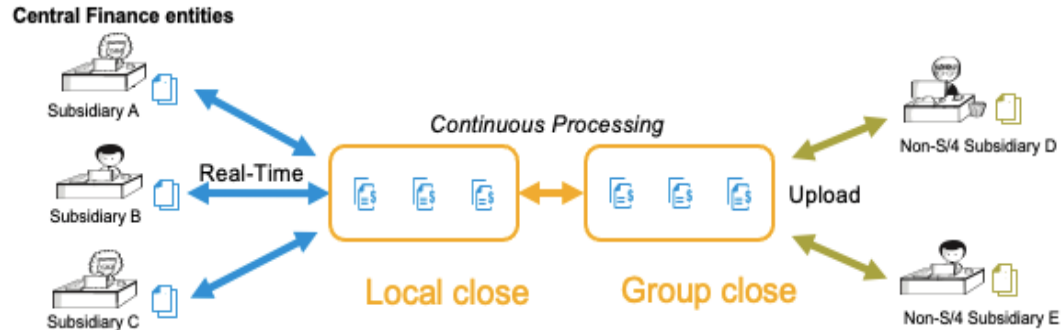
- No visibility to the financial impacts of operational activity recorded in the ERP system
- Forecasting the impact of sales orders & purchase orders is manual, time consuming & error prone
- Simulating transactions is limited and not possible cross application



SAP S/4HANA Benefits

- Predictive (projected) **entries are generated** from sales order transactions, reducing forecasting efforts
- **Simulated transactions can be** generated isolated from GAAP relevant postings (using an extension ledger) and **used for internal reporting purposes**
- **A more accurate view of future financial impact** with drill-down to the operational transactions and analysis capabilities

Central Intercompany Matching and Reconciliation



- **Transactional-level matching in real-time** eliminating cumbersome ETL processes
- Matching and reconciliation rules set up by **finance users** without IT
- **Fully automated** process with built-in **workflow** to facilitate cross-team communication
- **Streamlined** local and corporate close - **continuous accounting**
- High **performance**

Considerations

- **Data loading** options to be discussed in project:
 - ICMR reads from ACDOCA (CFIN entities), ACDOCU and BSEG
 - Line-item uploads via staging table for non-CFIN entities
 - Virtual data load option for non-CFIN entities
 - Balance level load via GRDC for non-CFIN entities
- **Adjustment postings** made to source ERP system (potential manually) or only to CFIN system (automated)

Benefits

- Run intercompany in a Central Finance system and avoid making manual adjustments to Source systems (if system of record for Entity is CFIN system)

Restrictions

If the local source systems are System of Record, then adjustment postings must be made in those systems; these "backward interfaces" must be created in a project approach

Centralized Accounts Receivable Processing and Reporting

Real-time operational reporting with Fiori user experience with cross-system view of customer account

Central dispute management

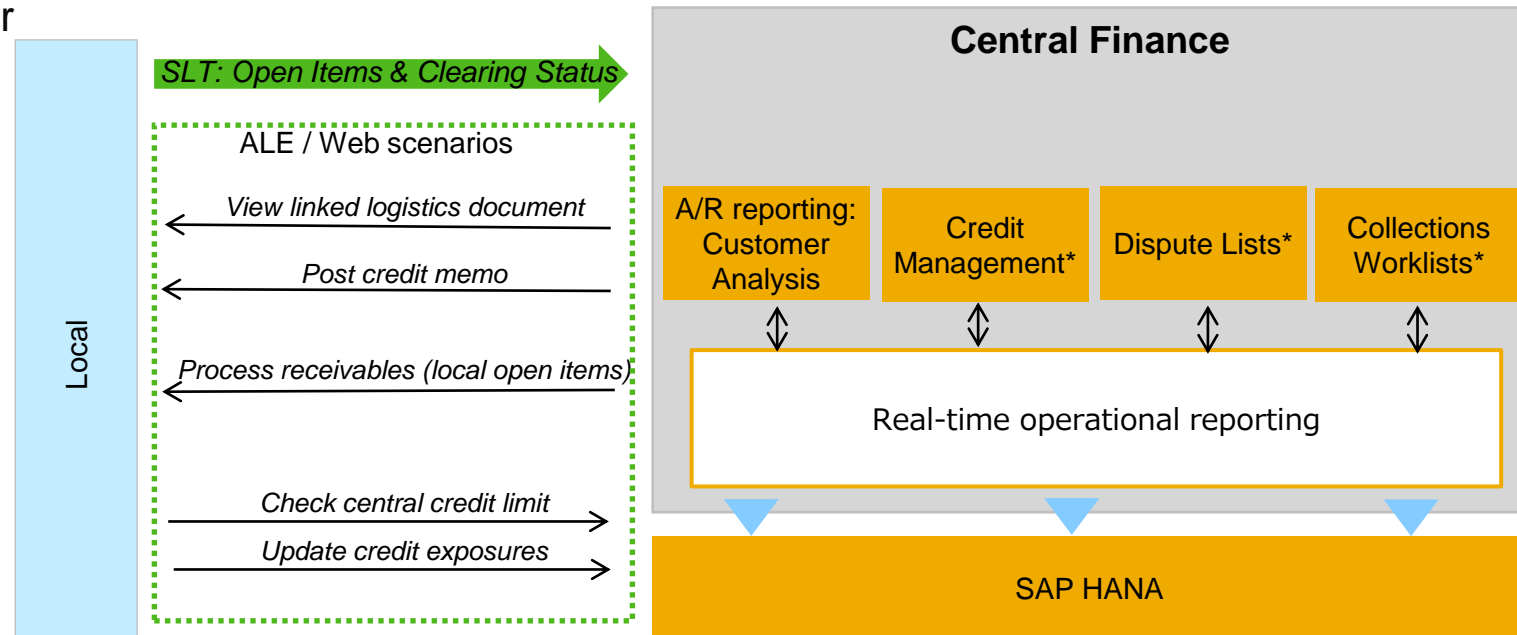
- Cross-system root cause analysis
- Drill-down takes you back to local system logistics object

Central collections prioritization and team management

- Promises-to-pay documented locally
- Correspondence pulled from local system

Central credit evaluation and management

- Local systems report customer credit exposures via existing ALE scenarios
- Central system calculates/manages credit limits
- Central credit reporting



SAP S/4HANA Cash, Payments and Bank Connectivity Solutions

Effective Bank Relationship Management



Integrated Payments and Bank Connectivity

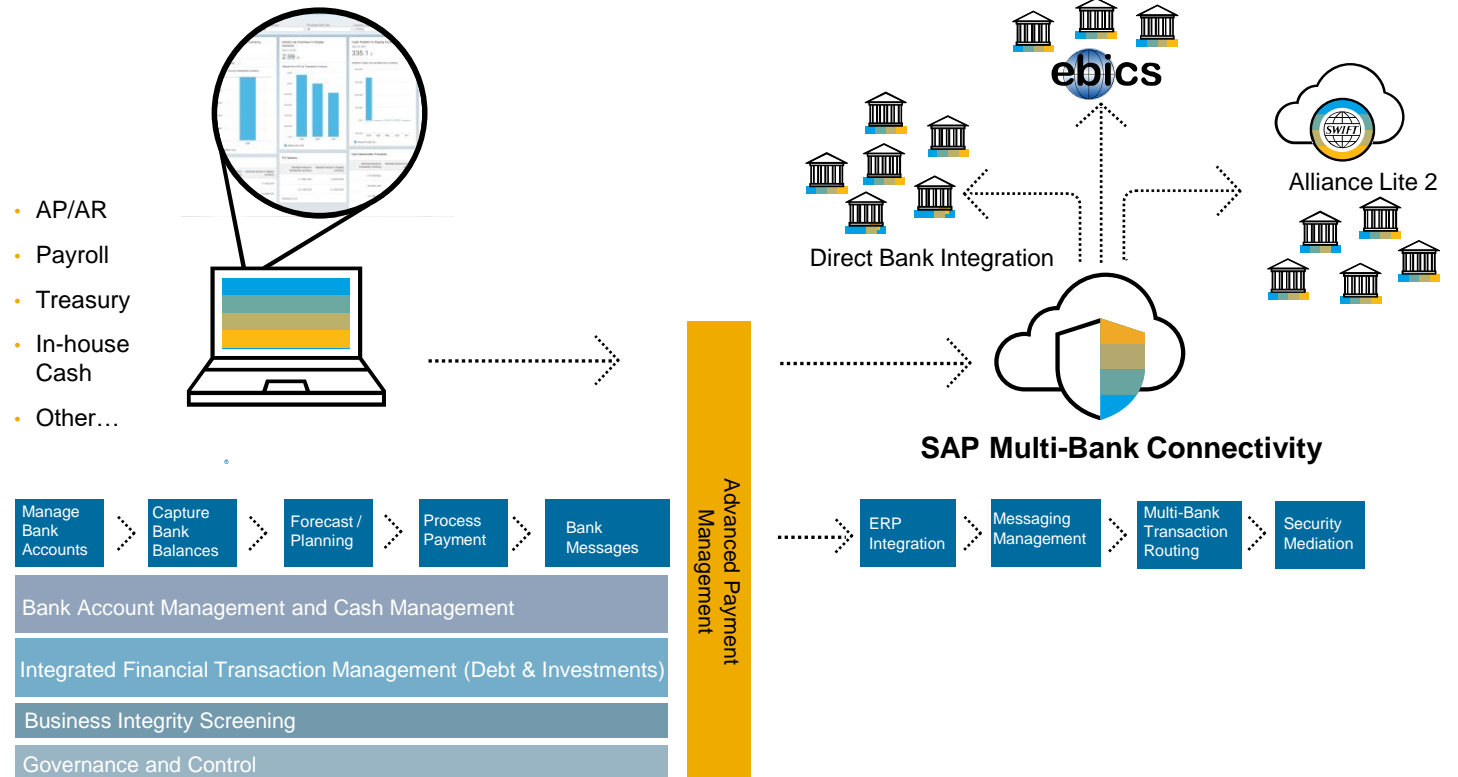


Complete Cash Visibility

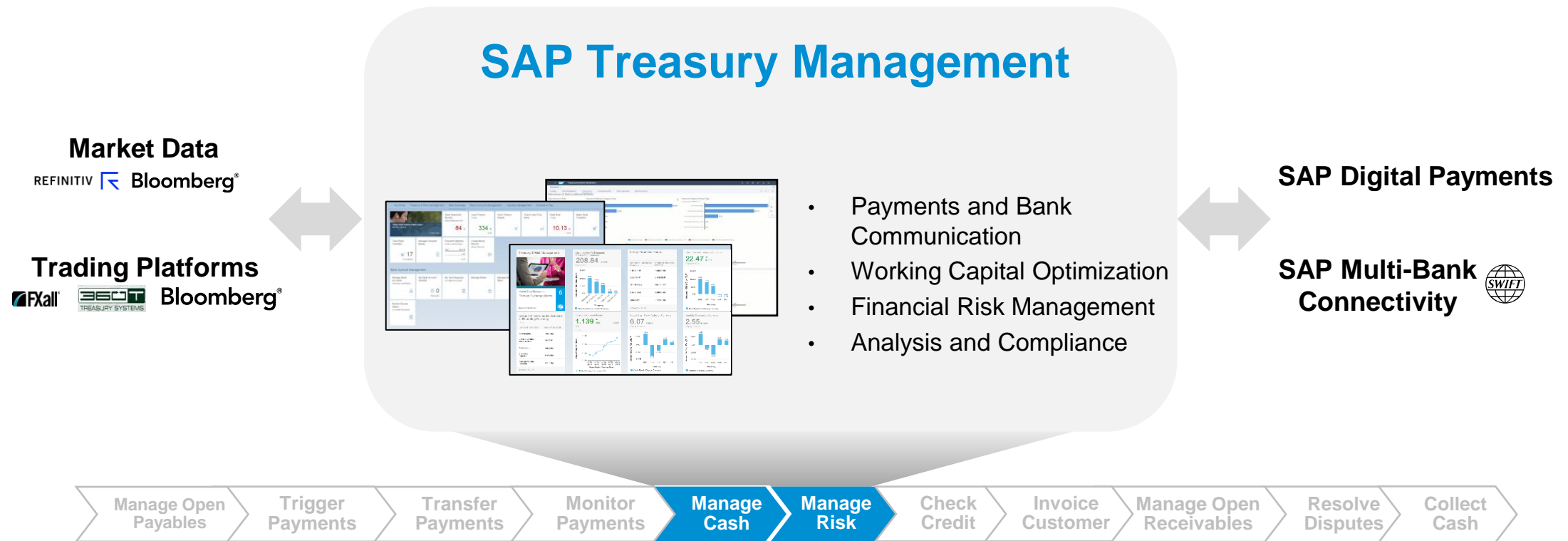


Critical Liquidity Decisions

- Review KPIs and execute decisions without switching systems
- Consolidate and view cash flow data from SAP and non-SAP systems on a single Treasury Platform
- Centralize bank account management including overdraft limits, fees and bank risk analysis
- Gain up-to-date financial position through integrated Financial Trade Management applications with standard delivered financial product types
- Run centralized processes for payments and statements
- Improve control and compliance with embedded tools for workflow, monitoring and change tracking



Manage Liquidity and Optimize Working Capital to Ensure Optimized Usage of Capital Resources



Instant cash flow forecasting to optimize Working Capital and cash

Real-Time banking with seamless Bank and SWIFT integration

Automated exposure determination and Smart Trading

Analyze and comply with end-to-end reporting

Central Document and Reporting Compliance

SAP Document and Reporting Compliance helps customers to streamline and automate all types of mandates, from real-time electronic documents to statutory reporting, worldwide. The solution allows seamless compliance with local regulations while standardizing processes globally, improving accuracy, increasing efficiency via embedded automation and providing worldwide insights into the latest compliance status.

Approach

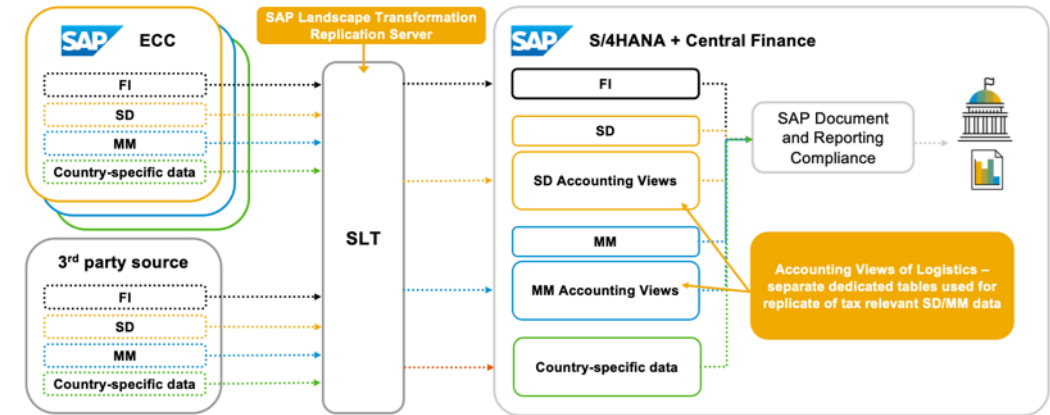
- SAP Document and Reporting Compliance on the Central Finance can be used to prepare, generate and submit statutory reports. It can be used also to manage and exchange electronic business documents if the underlying business processes are centralized
- Leverage Accounting View of Logistics Information for statutory reports requiring non-FI data

Benefits

- One single source of truth for end-to-end tax reporting
- Centralized approach for statutory reporting for all entities standardized worldwide
- Future-proofing platform ready to embed further automation (e.g. RPA) and respond to the latest requirements (e-verify)
- Reduce complexity, minimize the time, effort and money spent on fulfilling tax obligations

License Information

- SAP Document and Reporting Compliance requires license. Details can be found [here](#)*



Restrictions

- Open items in scope for initial load can't be reported from CFIN
- AVL is a pre-requisite only for statutory reports that require logistic information, no limitations for FI-only reports and features
- Legal reports coverage is less than full S/4HANA due to the different data model for non-FI data. Detailed scope [here](#)
- Minimum system release is SAP S/4HANA 1809 FPS1
- Electronic documents can be centralized only upon centralization of the underlying business processes
- Integration for AP inbound documents is available out-of-the-box only for SAP Invoice Management by OpenText

Machine Learning and AI can Further Optimize Finance Processes

Learn from your data to build models that adjust over time as business conditions change

- Transaction matching use cases
- Pattern identification to focus on high-impact cases

Optimized to work with large data sets

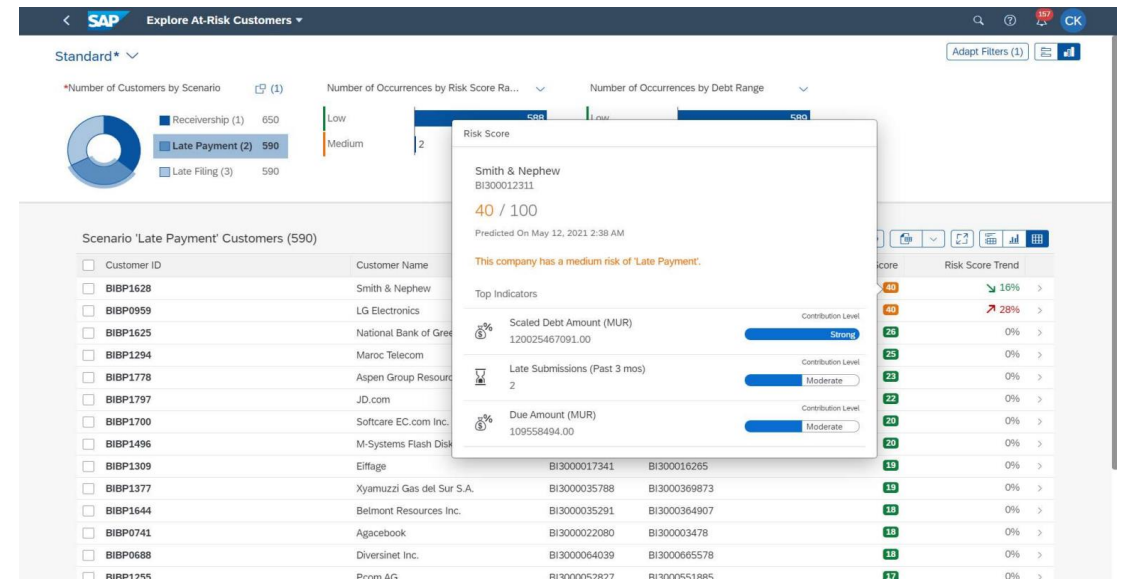
Designed to augment existing processes – the work lists simply has fewer items to process!

Find all scenarios here:

<https://d.dam.sap.com/a/hHzXdEW?rc=10>

Finance use cases:

- **Cash Application** – Intelligent matching rules enables efficient processing
- **Intercompany Matching and Reconciliation** – Perform intercompany matching during the period to benefit from continuous accounting
- **Accruals Management** – Accurate invoice matching is achievable with intelligent automation



Drivers of Financial Transformation



Top Benefits of Central Finance

1 Transparency

Increase transparency with a single, central source of truth of harmonized financial data for local, entity and group reporting

3 Efficiency

Improve process efficiency by integration, standardization, and automation of business processes

5 Cost reduction

Reduce maintenance of multiple systems, applications, and interfaces, improve and innovate local and introduce centralization and economies of scale (shared services) to process execution

7 Simplification

Run simple and live with one rationalized, and consolidated solution for transaction recording, reporting, planning and consolidation

2 Flexibility

Quickly adapt to changing business environments and implement your own growth activities & business model changes

4 Service Level

Improve the service level provided to stakeholders; service quality, accuracy, speed and timeliness, optimally in self-service scenarios

6 Working Capital Improvement

Simplify your cash-, collections-, and receivables management and improve your working capital

8 Business Continuity

Connect your SAP and non-SAP ERP landscape without disruption to S/4 to run as a digital business, capture market and transformation potential via cloud and subscription options

The Modern Finance Platform Steers the Business

Aligns quantifiable value with strategic benefits supporting enterprise transformation

•QUANTITATIVE BENEFITS*

18-24%

decrease in planning, forecasting & budgeting costs

30%

reduction in business & operations analysis/reporting costs

50%

reduction in financial close time and improved efficiency

10%

reduction in integration points throughout the landscape

6 weeks

to complete new acquisition

1-5%

improvement in profitability

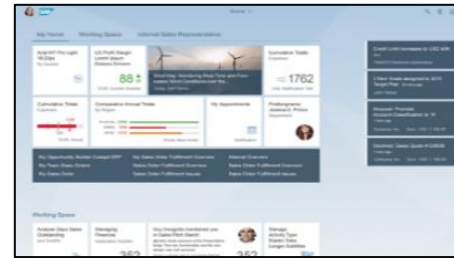
25%

reduction of TCO

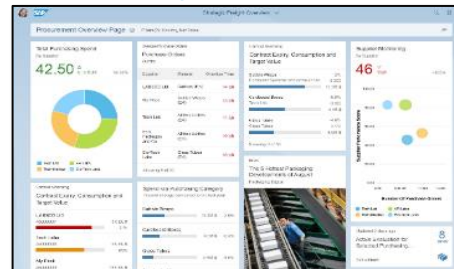
40%

system performance improvement

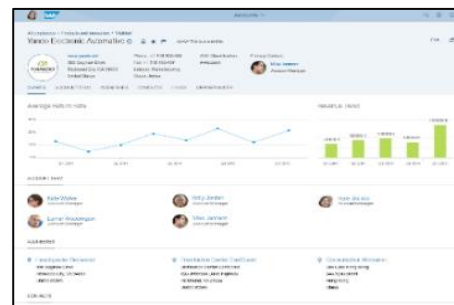
Alert situation



Analyze impact



Act to steer the business



•STRATEGIC BENEFITS

- Better and faster insight with **optimized decision support**
- **Real-time, atomic-level** detail to enterprise data
- **One view of the truth** with eliminated redundancy of data
- **Organizational alignment** with embedded, self-service analytics
- Opportunity to introduce new, **innovative** processes
- Beyond the transaction with embedded **simulation and prediction**
- Massive **productivity improvements** with modern and mobile user experience

*Benefits are based on adopters of SAP S/4HANA or outside-in benefits from SAP Performance Benchmarking due to moving from a traditional ERP to enhanced SAP S/4HANA.

SAP Central Finance Clients

Over 600 licensed customers for SAP Central Finance, with 200+ projects and 150+ live customers

EXCELITAS
TECHNOLOGIES



Fortune 100: 3 of top 5, 9 of top 20, 18 of top 50, 35 of top 100

Wrap Up

- S/4HANA Central Finance is being adopted by companies around the world
- It is not just to provide a single source of truth, but can optimize the system and business landscape in a rapid timeframe
- Companies are utilizing Central Finance to enable faster mergers and acquisitions
- Central Finance has no equal, there are no other solutions that provides financial transformation and savings as Central Finance does today

Where to Find More Information

- [SAP S/4HANA for central finance | Phased ERP Implementation](#)
- <https://www.sap.com/products/financial-management/central-finance.html>
 - Paper describing the details of building components
- [What is SAP Central Finance? - KPMG Switzerland](#)
- <https://kpmg.com/ch/en/blogs/home/posts/2021/12/sap-central-finance.html>
- [The CFO guide to SAP S/4HANA and Central Finance | Deloitte US](#)
- <https://www2.deloitte.com/us/en/pages/finance-transformation/articles/cfo-guide-sap-s4hana-central-finance.html>
- [Learning Journey: SAP S/4HANA Finance - Central Finance](#)
- <https://help.sap.com/learning-journeys/4b87d4ad0dd24d86a04d3dd1cfe2f486>

Key Points to Take Home

- S/4 Central Finance is not an S/4 System, but the inbetween layer between systems
- S/4HANA Central Finance helps business transform their financials
- S/4HANA Central Finance is a rapid way to get to a single source of truth
- S/4HANA Central Finance can be used to perform M&A in a rapid pace
- Many businesses today are already realizing the benefits of Central Finance

Thank you! Any Questions?

Bobby Schudler, MBA

SAP Solution Advisor

Please remember to complete
your session evaluation.

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