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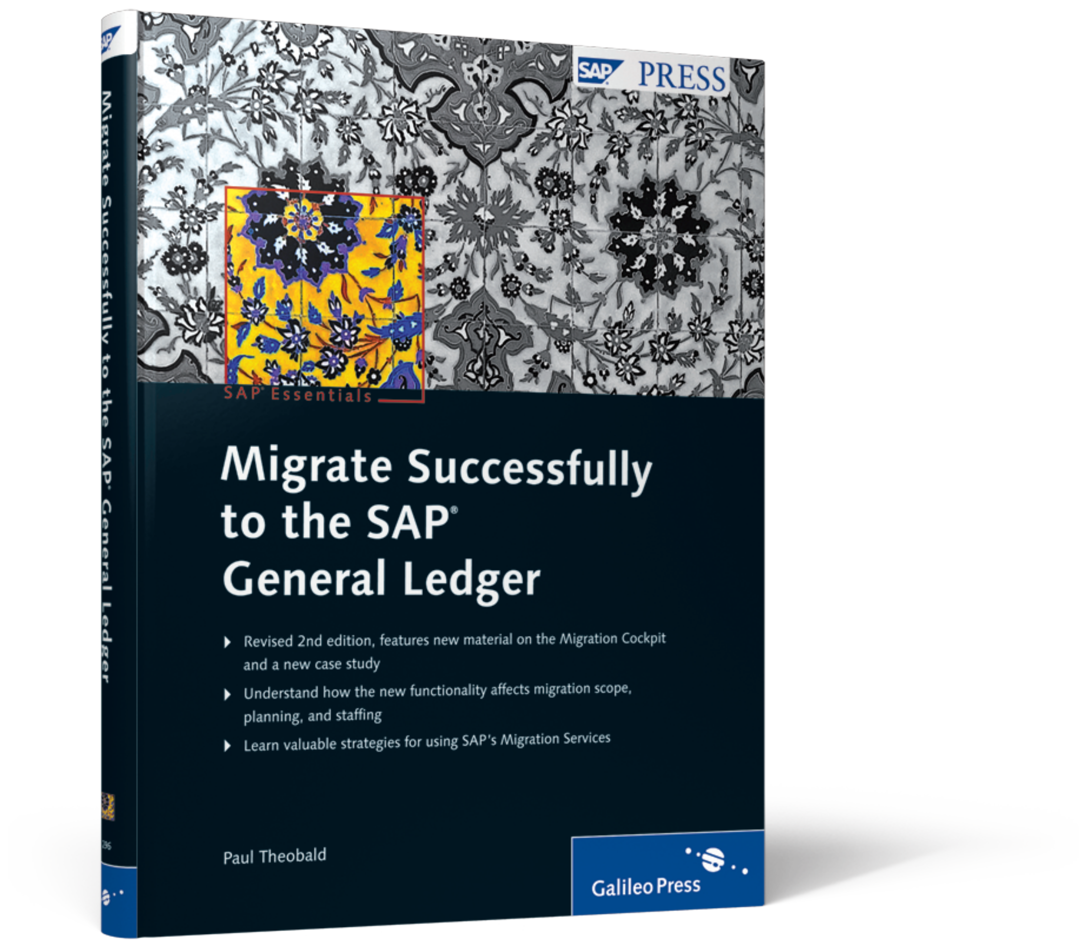
Migrate Successfully to the SAP® General Ledger



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2 Why Migrate to the SAP General Ledger?

The classic general ledger is currently being used by the majority of SAP customers worldwide and can continue to be used in SAP ERP, so why migrate to the SAP General Ledger? Let's look at some answers.

In recent years, accurate financial reporting has become more important than ever. Executives now have to personally attest to the accuracy of financial statements and are personally liable for any misstatements. Also, global organizations must report using many different accounting principles, including U.S. Generally Accepted Accounting Standards (GAAP), International Financial Reporting Standards (IFRS), and local GAAP.

The SAP General Ledger reduces complexity by integrating ledgers that were maintained separately in the classic general ledger. Cost of Sales, Profit Center Accounting, and Consolidations, for example, are now unified within the SAP General Ledger, allowing more transparency and saving time as individual ledgers do not have to be reconciled.

The answer to the question "Should a company migrate to the SAP General Ledger?" will generally be "Yes," if the company meets any of the following criteria:

- The company is an international organization operating in multiple countries and on multiple continents
- The company is required to report multiple accounting methods, such as U.S. GAAP, IFRS, etc.
- The company is required to report by different business areas (e.g., product lines)
- The company is required to report financial statement items by segment according to SEC guidelines
- The company is required to produce consolidated financial statements across multiple legal entities

- Current reconciliations between classic general ledger and SAP ERP Financials Controlling component (CO) are complex and time consuming
- The company would like to reduce the complexity of its financial structure

The SAP General Ledger was developed by SAP after gathering customer requirements over several years. Figure 2.1 illustrates these requirements, which include:

Figure 2.1 Why Did SAP Develop the SAP General Ledger?

- **Management reporting** — requirement for better reconciliation between the SAP ERP Financials Financial Accounting and CO modules
- **Extensibility** — requirement to add new functionality, such as in the SAP General Ledger, while minimizing impact to existing system functions
- **Balanced books by any dimension** — the classic SAP General Ledger could only complete partially balanced books by business areas and profit centers (see Section 2.2.2 on document splitting)
- **Parallel accounting** — increased requirement to produce parallel sets of financial statements in accordance with different accounting principles (see Section 2.2.3 on parallel ledgers)
- **Fast close** — all organizations want to close the books as soon as possible. In the classic general ledger, reconciliation between FI and CO modules was time consuming at close.

- **Total Cost of Ownership (TCO) reduction**
- **Transparency** — requirement for better drill down from reports to their originating transactions
- **Compliance**— requirement for the SAP General Ledger to produce reports in compliance with other reporting standards such as IFRS and local GAAP.
- **Legal entity reporting**
- **Segment reporting** — requirement to report key financial statement items by segments, such as geographical region (see Section 2.2.1 on segment reporting)

Example of SAP General Ledger–Related Customer Requirements

Many companies have the requirement to report full financial statements by dimensions at a level lower than the company code. In SAP Enterprise and previous SAP releases this was only possible with the use of business areas and profit centers and this was not a complete solution for areas such as cash, accounts receivable, and accounts payable. The SAP General Ledger meets this requirement by allowing customers to define their own dimensions and, in conjunction with document splitting, the SAP General Ledger has the ability to generate a set of balanced and reconcilable financial statements for any dimension of the business.

This chapter will explain the key areas of new functionality in the SAP General Ledger, provide an overview of the most common migration scenarios, and, finally, discuss the potential benefits and risks of migrating to the SAP General Ledger.

Note

Some industry-dependent solutions require the use of the classic general ledger, which can still be used in SAP ERP.

2.1 Upgrade and Migration as Separate Projects

The SAP General Ledger represents a major change from the classic general ledger. It has many new features and the migration project will be complex. Also, very often the data volume in the classic general ledger to be converted adds to the complexity of the project.

Migration to the SAP General Ledger is far more than a data conversion, especially in a migration scenario with document splitting where existing data has to be enriched to work with the new functionality.

The SAP General Ledger also has new tables that may require existing interfaces and user modifications to be rewritten and tested. There are also changes to transaction codes that will require user security roles to be revised.

Therefore, it is very important for you to have separate projects to first upgrade to SAP ERP and then migrate to the SAP General Ledger. The migration should be considered as a separate consulting project requiring a full project cycle. Figure 2.2 illustrates the upgrade project being completed and then the SAP General Ledger implementation project with three phases:

1. Blueprint SAP General Ledger — determining business requirements and scheduling of milestones
2. Customizing and implementing the SAP General Ledger — including data mapping and custom code updates
3. Migration to the SAP General Ledger — including testing certification of results and final signoff on project results

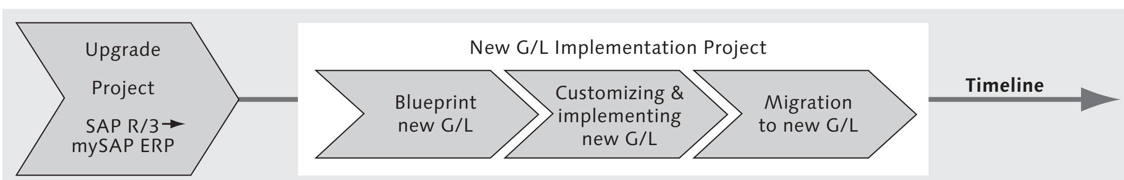


Figure 2.2 Upgrading to SAP ERP Is a Prerequisite to Migration

Timing of the migration project will be covered in detail in the planning section, but the date of the migration must always be the start of a new fiscal year. Most companies have a fiscal year equal to the calendar year, so their date of migration would be January 1. Year-end closing of the prior fiscal year must also have taken place before the migration project can go live, so the date of activation will be later than the date of migration. Most migration projects will take approximately six months and, based on a January 1 date of migration, will start around October 1. This means that before this date there must have been a successful upgrade to SAP ERP and — as mentioned earlier in Chapter 1 — SAP estimates that the average time for the fastest upgrade approach, a technical upgrade, is three-and-a-half months.

The time required for a migration project depends on several factors, but one factor is how much of the new functionality in the SAP General Ledger is implemented. The next section explains the key areas of new functionality in the SAP General Ledger.

2.2 New Functionality

It is useful to consider the existing architecture in previous releases of SAP to realize why SAP needed to introduce the new functionality in the SAP General Ledger. Figure 2.3 shows the existing FI CO architecture and demonstrates how legal reporting in the FI module was completely separate to management reporting in the CO module.

FI	CO
General Ledger	Cost Center Accounting
Asset Management	Profit Center Accounting
Accounts Receivable	Profitability Analysis
Accounts Payable	Product Costing
Investment Management	Activity Based Costing
Special Purpose Ledger	Internal Orders

Figure 2.3 Existing FI CO Architecture

The separation of the modules made cross-module reporting, such as segment reporting and balance sheets by profit centers, more difficult and led to the development of the new, more flexible SAP General Ledger.

Note

As mentioned earlier, there is a separate book available for a more detailed explanation of the new functionality in the SAP General Ledger, *New General Ledger in SAP ERP Financials* by Eric Bauer and Jorg Siebert, published by SAP PRESS.

This section will provide an overview of the three main areas of new functionality in the SAP General Ledger that will impact the possible migration scenarios.

1. Segment Reporting
2. Document Splitting
3. Parallel Ledgers

The aim of this section is to explain these three areas in enough detail so that decisions can be made as to whether they will be included in the migration project. A migration without document splitting, for example, is far less complex than a migration with document splitting, and thus whether to include it is an important consideration.

2.2.1 Segment Reporting

Segment reporting is a legal requirement in many countries. U.S. GAAP and IFRS require a segment to be reported if the total external revenues of the segment exceed 10% of the total revenue. They also require certain other balance sheet and income statement information to be reported by segment, such as revenues by geographical region, etc.

The big change for segment reporting in SAP ERP is that there is now a separate Segment field in the profit center master record as shown in Figure 2.4.

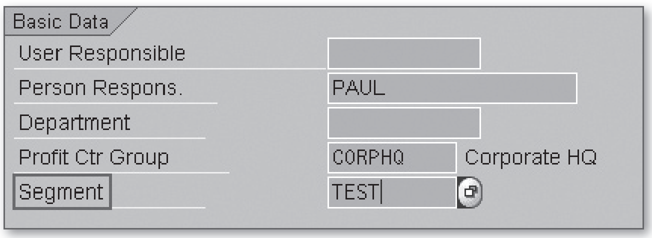


Figure 2.4 Separate Segment Field on Profit Center Master

In previous versions of SAP, it was possible to report by segment using nodes in the profit center hierarchy, but this new field means that there can be relatively few segments to many profit centers. This is a great benefit for companies with many profit centers because reporting will be far less complex and time consuming. Many of the standard reports in SAP ERP contain the Segment field and therefore users can easily produce balance sheets by segment. An example of this is the standard report for producing financial statements as shown in Figure 2.5.

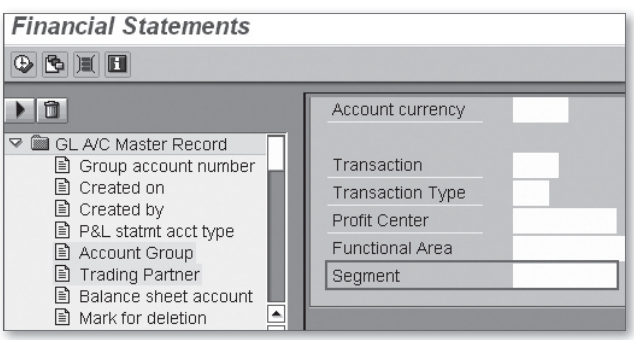


Figure 2.5 Segment Field on Standard Reports

The big advantage of segment reporting in SAP ERP is that the segments are contained at the detailed document level and, therefore, you do not need to wait until period-end close to build the segment reports. This is less time consuming and less prone to error.

Document splitting, which will be covered later, can be activated by segment in SAP ERP, making it possible to produce balanced financial statements by segment. In previous versions of SAP, document splitting required a special ledger and could only be activated on the profit center and business area fields.

Population of the segment field can be manual or automatic. As shown in Figure 2.4, the Segment field is included on the profit center master record, so if a posting to a SAP General Ledger account includes a profit center, the segment will be derived automatically. If profit center master data is not used, custom derivation rules can be defined with the customer enhancement Business Add-In (BAdI) FAGL_DERIVE_SEGMENT to derive the segment automatically. Also, the Segment field can be populated manually at the time of posting. Figure 2.6 provides an overview of the various ways that segments can be derived.

The easiest and recommended approach for segment reporting is to use the Segment field on the profit center master record.

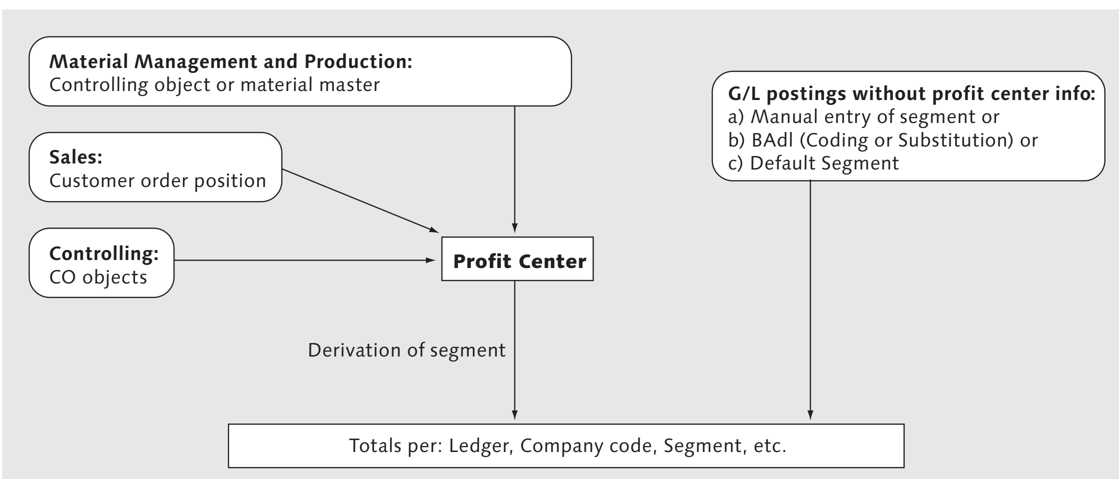
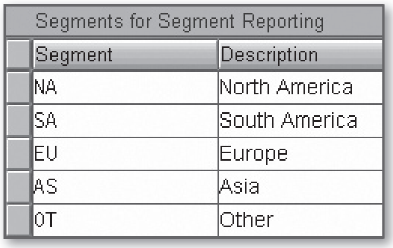


Figure 2.6 Derivation of Segment General Ledger

Setting Up Segment Reporting in SAP ERP

The following steps are required for setting up segment reporting in SAP ERP:

1. Define segments. Commonly used segments will be geographical for a multinational company, for example, in Figure 2.7:



Segments for Segment Reporting

Segment	Description
NA	North America
SA	South America
EU	Europe
AS	Asia
OT	Other

Figure 2.7 Define Segments

2. Assign the segmentation scenario to the ledger. Figure 2.8 shows how to assign the segmentation scenario to the leading ledger. This step defines that segment reporting will be used for this ledger.

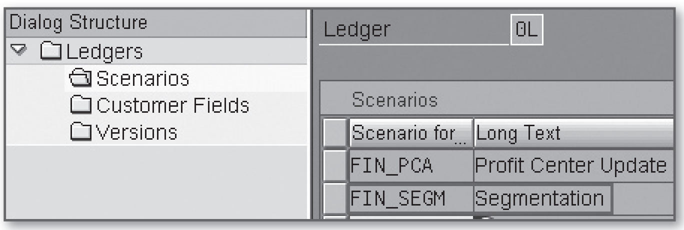


Figure 2.8 Assign Segmentation Scenario to Leading Ledger

3. Assign segments to the profit center master records (as shown in Figure 2.4) or use the alternative customer enhancement to derive the segments automatically. Figure 2.9 shows where to find the customer enhancement in the Implementation Guide (IMG).

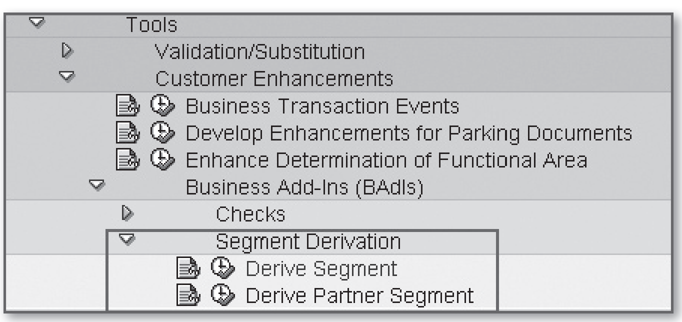


Figure 2.9 Derive Segments Automatically (BAdI FAGL_DERIVE_SEGMENT)

Note

The Business Area field can still be used for segment reporting, but will only be retained in its present form with no new development planned for it.

2.2.2 Document Splitting

Document splitting is a functionality that allows fully balanced financial statements to be produced at levels lower than company code. For example, there may be a requirement to produce financial statements by profit center, segment, or other dimensions.

In previous versions of SAP, producing full balance sheets by profit center was extremely difficult. Balance sheet items such as accounts receivable and accounts payable could be analyzed and posted by profit center at period-end close using standard SAP programs, but these were not real time and there was never a satisfactory solution for allocating cash to profit centers.

Document splitting was available in SAP Enterprise, but only in the special ledger. To use document splitting, a special ledger was required and document splitting could only be activated for business area and profit center.

In SAP ERP, on the other hand, line items can be split by the following dimensions:

- Profit centers
- Segments
- Functional areas
- Business areas
- Commitment items
- Funds
- Funded programs
- Grants

Example of Document Splitting by Segment

Document splitting by segment is widely used by companies required to produce full financial statements by segment. Figure 2.10 shows an example of a posted document with segments. In this example, a customer invoice has been posted with two revenue entries. One revenue posting is to profit center P190004, which is linked in its master record to segment NA (North America), and the other revenue posting is to profit center P190005, which is linked to segment EU (Europe).

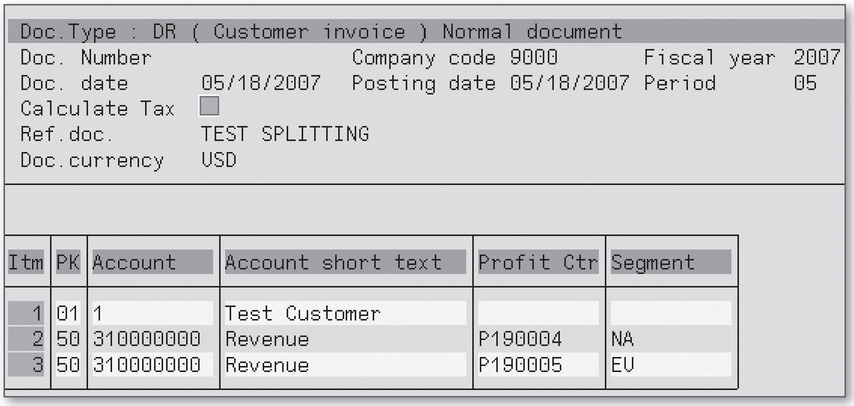


Figure 2.10 Document Posted in the SAP General Ledger with Document Splitting

This document simulation shows the classic general ledger view of a document, but in the SAP General Ledger an expert view can be selected that simulates the document splitting before posting, as shown in Figure 2.11.

As you can see in Figure 2.11, the effects of the document splitting can be displayed before the document is posted. In this example, the customer posting has been split in the same way as the revenue postings so that the balance sheet accounts receivable total can also be reported by segment.

In SAP Enterprise, using a Special Ledger with document splitting, it was not possible to preview/simulate the split of a document before posting. Therefore, this is a very useful feature in the SAP General Ledger.

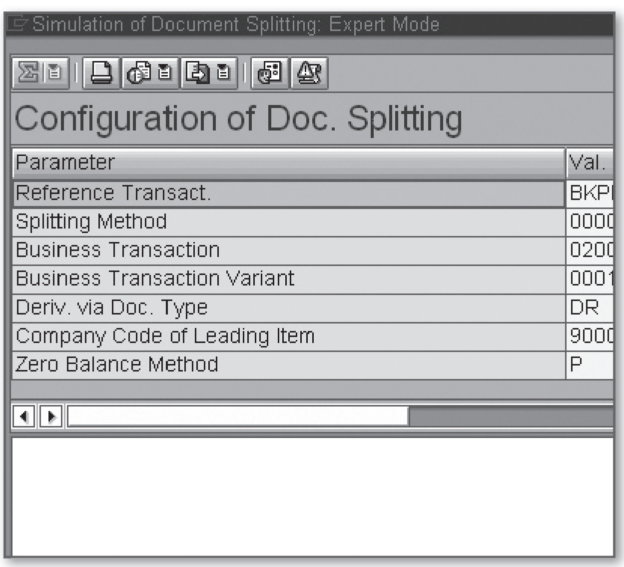


Figure 2.11 Example of Split Document by Segment in the SAP General Ledger

Document splitting also works for cash by taking the breakdown from the original invoice. In the previous example, if payment is received from the customer for $5,000, the cash posting will also be split between the two segments in the same proportion.

Setting Up Document Splitting

The main configuration tasks for setting up document splitting are outlined in Figure 2.12. Let's look at each in more detail.

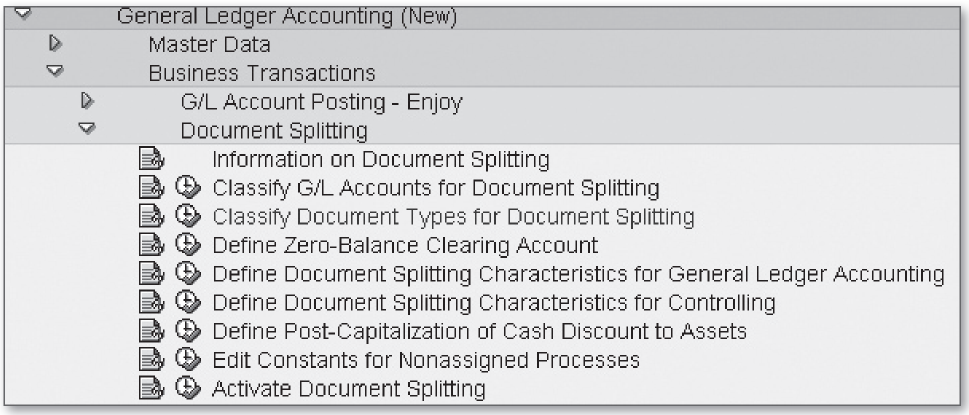


Figure 2.12 Document Splitting Configuration

1. **Define Split Characteristics**
   The first step in setting up document splitting is to define the *split characteristics*. Split characteristics are the fields that you wish your ledger to split on. In this example, we are using the Segment field for document splitting and have also selected the Zero-balance option, as shown in Figure 2.13. *Zero-balancing* ensures that each individual document posted is balanced by the split characteristic, Segment in this case.

Recommendation

It is strongly recommended that you select Zero-balance for document splitting, especially when balanced financial statements are being produced by the split field.

Document Splitting Characteristic for General Ledgers

Field	Zero balance	Partner field	Mandatory Field
Segment	☑	PSEGMENT	☑

Figure 2.13 Document Splitting Characteristics

2. **Classify General Ledger Accounts for Document Splitting**
   Depending on your chart of accounts, you need to classify accounts as balance sheet accounts, revenue accounts, expense accounts, etc. SAP software does not require certain accounts to be classified, for example, vendor or customer accounts, as it can recognize these as reconciliation accounts for their respective subledgers.
3. **Classify Document Types for Document Splitting**
   Standard SAP document types have already been classified for document splitting. Customer-defined document types that have been added, for example, Z types, must be classified in table T8G12 or will not split correctly. For example, in Figure 2.14, SAP standard document type KR for a vendor invoice has been classified as Transaction 0300, which is Vendor invoice.

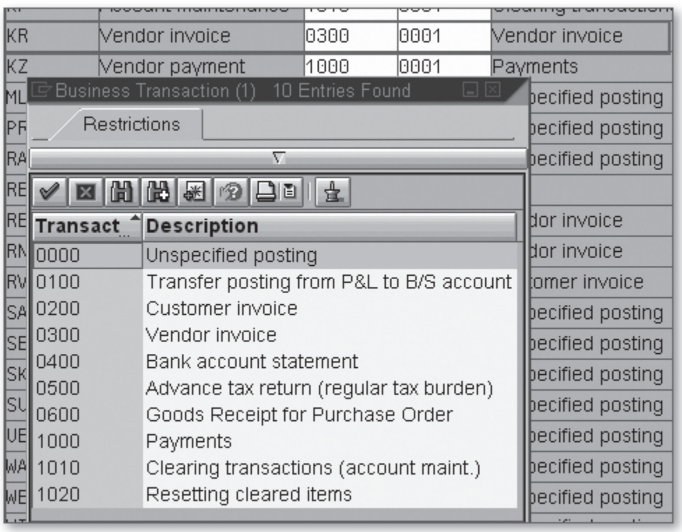


Figure 2.14 Classify Document Types for Document Splitting

4. **Define Zero-Balance Clearing Account**
   As stated earlier, zero balancing is recommended for document splitting and in this section you specify the general ledger account for the balancing postings.
5. **Activate Document Splitting**
   The final task is to activate document splitting, as shown in Figure 2.15. Note that it is possible to deactivate document splitting by company code.

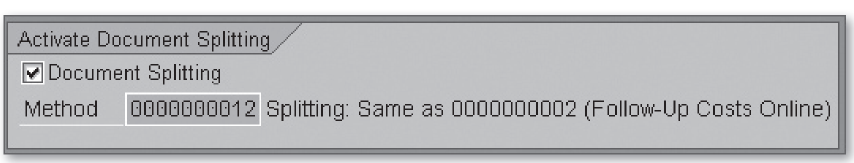


Figure 2.15 Activate Document Splitting

2.2.3 Parallel Ledgers

With the globalization of many organizations, there is an increased requirement to produce parallel sets of financial statements in accordance with different accounting principles such as U.S. GAAP, IFRS, etc.

Parallel Accounting in Previous Releases of SAP

One of the challenges presented by previous releases of SAP has been how to gather and store the different sets of valuations needed to produce parallel accounting. In previous releases of SAP, companies used one of two methods:

- **Parallel accounts**
  General ledger accounts are created and used only for postings related to the particular accounting principle. Some general ledger accounts are shared where the accounting principles are the same and the different accounting principles can be reported by grouping the general ledger accounts. Figure 2.16 shows how the general ledger common accounts are shared by U.S. GAAP, local GAAP, and IFRS reporting and how each accounting principle also has its own separate general ledger accounts. A common example is for assets that may have different useful lives depending on the accounting principle. Separate general ledger accounts are maintained for the different depreciation postings.
- **Special ledger**
  A special ledger is maintained for reporting a different accounting principle. Many companies use this approach and it is very useful for countries that have different accounting principles and require their own predefined chart of accounts.

Example

A U.S. company has a global chart of accounts but has subsidiaries in Europe — for example, France — that require local accounts to be reported to the French government using their own chart of accounts. Using a special ledger, postings made to the classic general ledger also update a special ledger with the required local general ledger account number. Any postings unique to the French local GAAP are made directly to the special ledger.

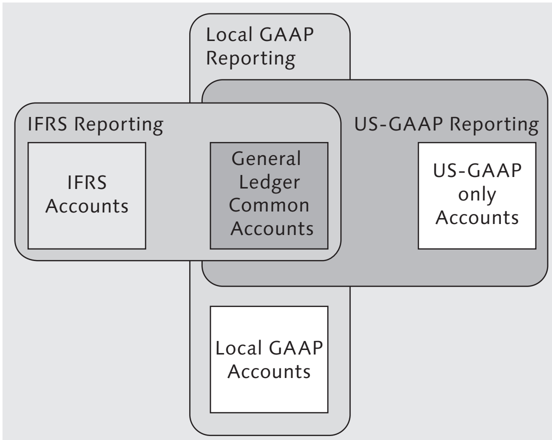


Figure 2.16 Parallel Accounts Method

The New Parallel Ledgers Functionality in SAP ERP

In SAP ERP, the parallel accounts solution can still be used for parallel accounting and will be supported by SAP, but the new parallel ledgers functionality is a major improvement over the special ledger solution.

Separate ledgers can be set up for each reporting requirement, such as local GAAP, IFRS and, as shown in Figures 2.17 and 2.18, postings to other sub-components such as Accounts Receivable (AR), and Accounts Payable (AP), and components such as Sales and Distribution (SD), Materials Management (MM), and Production Planning (PP), update the ledgers simultaneously (in parallel) according to different accounting standards.

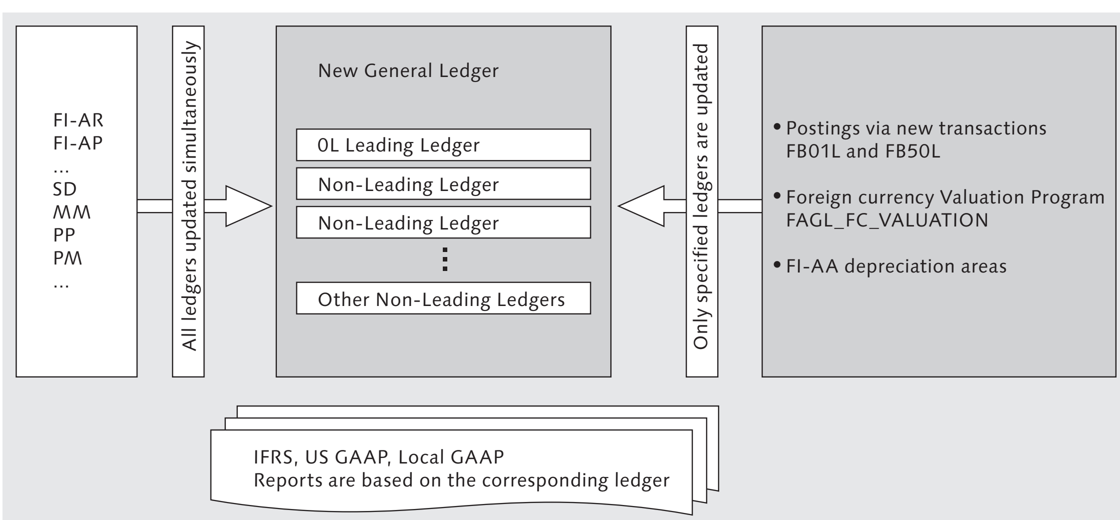


Figure 2.17 Parallel Ledgers

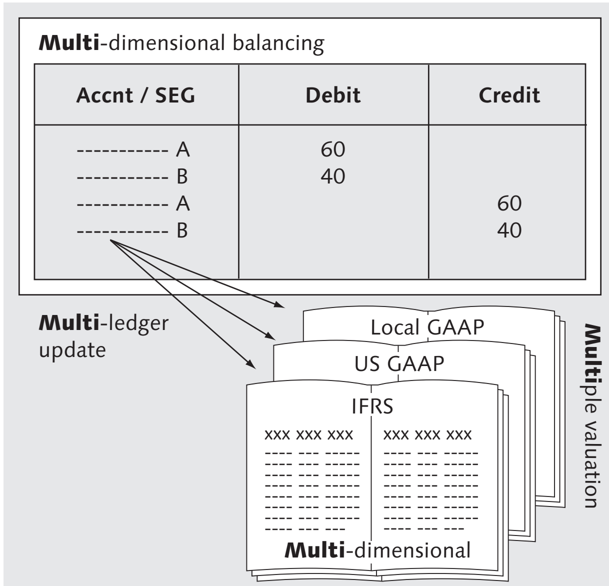


Figure 2.18 Parallel Ledgers Are Updated Simultaneously

A *leading ledger* must be defined, which is always 0L in SAP ERP, and represents the accounting standard that is most commonly used by the organization. Other ledgers are known as *nonleading ledgers* and represent other accounting standards. Controlling functionality is always integrated to the leading ledger, but dimensions such as profit center accounting can be deactivated if they are not required for non-leading ledgers. For a U.S. company, the leading ledger 0L will be for U.S. GAAP and for a European company, the leading ledger 0L will usually be for IFRS.

SAP ERP allows the creation of multiple nonleading ledgers, but, depending on an organization's requirement, usually one nonleading ledger is sufficient to cover parallel accounting requirements for other countries. Having more than one non-leading ledger significantly increases data volume.

When the leading ledger is posted to, all nonleading ledgers are posted to simultaneously. However, with the new posting Transactions FB01L and FB50L, postings can be made to specific nonleading ledgers only (see Figure 2.19).

For example, a French subsidiary of a U.S. parent may need to make a manual posting specific to French local GAAP requirements. In SAP ERP, this can be made in the SAP General Ledger to the specific nonleading ledger, as shown in Figure 2.19. In previous releases, the entry would have been made directly to the Special Ledgers (SPL) using a different user interface, which is often confusing to users who are used to posting general ledger entries with SAP General Ledger transaction codes.

Closing activities have to be run separately by parallel ledgers, and SAP ERP standard reports can be run by ledgers.

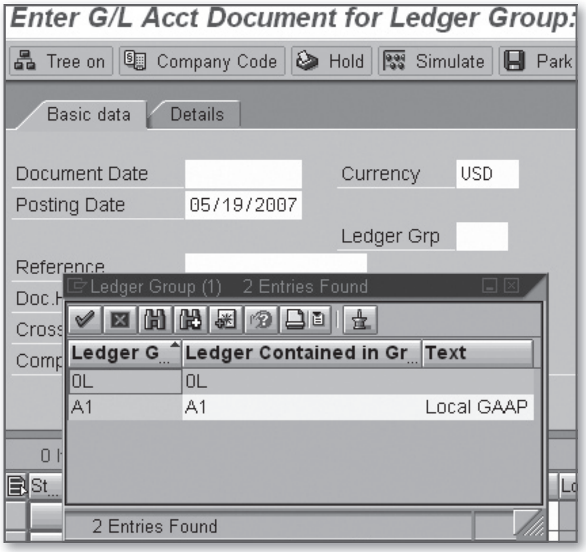


Figure 2.19 SAP General Ledger Posting to Specific Ledgers

Key Advantages of Parallel Ledgers versus Parallel Accounts

Key advantages of the parallel ledgers solution compared to the parallel accounts solution are:

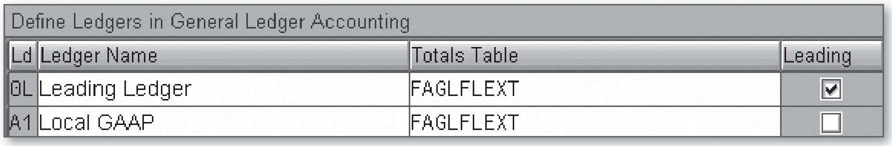
- Different fiscal-year variants can be used for parallel ledgers.
- Different posting control variants can be used for parallel ledgers. This functionality can be helpful as the group ledger can be closed while the local GAAP ledger remains open.

Setting Up Parallel Ledgers

The steps required to configure parallel ledgers are as follows:

1. **Define Ledgers**
   In general, a separate nonleading ledger will be required for each reporting requirement that you have in your organization. For example, a global U.S. organization may have to report U.S. GAAP, local GAAP, and IFRS and so will have 0L as the leading ledger for U.S. GAAP and two other leading ledgers for local GAAP and IFRS.

In this step, you define the nonleading ledgers. 0L is specified by default as the leading ledger and any new ledgers such as A1 are nonleading ledgers (see Figure 2.20).

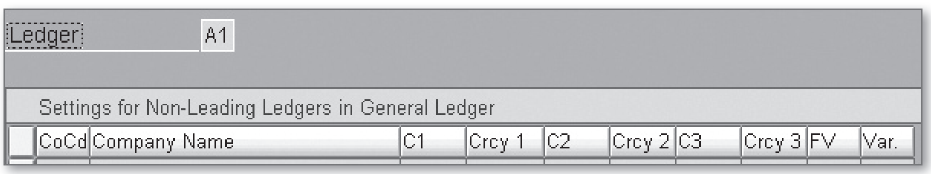


Define Ledgers in General Ledger Accounting

Ld	Ledger Name	Totals Table	Leading
0L	Leading Ledger	FAGLFLEXT	☑
A1	Local GAAP	FAGLFLEXT	☐

Figure 2.20 Define Parallel Ledgers

2. **Settings for Nonleading Ledgers**
   In this step, you assign company codes to the nonleading ledgers. All company codes are automatically assigned to the leading ledger. You can also define additional currencies for the nonleading ledgers as in Figure 2.21, which shows the currency fields available.



Ledger A1

Settings for Non-Leading Ledgers in General Ledger

CoCd	Company Name	C1	Crcy 1	C2	Crcy 2	C3	Crcy 3	FV	Var.

Figure 2.21 Settings for Nonleading Ledgers

Having explained the key new functionality in the SAP General Ledger, the next section will discuss how this new functionality can be incorporated into possible migration scenarios.

2.3 Possible Migration Scenarios

Having learned about the main areas of SAP General Ledger functionality, you should now be able to start planning possible migration scenarios. A migration scenario describes the existing setup in the classic general ledger and the required setup in the SAP General Ledger.

There are many possible migration scenarios, depending on the existing setup in the classic general ledger. The activities that need to be performed for each scenario will be explained in Chapter 4, but the three most common scenarios are:

- **Migration without document splitting**
  This is the simplest form of migration. Document splitting is not required for companies that do not need to produce balanced sets of financial statements by any dimension lower than company code. They may still use cost center and profit center accounting to analyze their Income Statement but do not need to produce full balance sheets by splitting their accounts receivables and payables by, for example, profit center.

  In this migration scenario, data from the classic general ledger is migrated to the SAP General Ledger without deriving any additional information for document splitting. Given the relative ease with which it can be performed, it is often referred to as the *Quick Migration*.

- **Migration with document splitting**
  This is a far more complex migration as the existing data has to be tested to ensure that documents being migrated will split correctly.

  There are additional account assignments that must be set up and far more testing is involved. Consider, for example, a company that uses the classic general ledger and wants to migrate to the SAP General Ledger and use segment reporting with document splitting to produce financial statements by geographical region. These segments are not in the existing data so additional account assignments are required to generate the segments in the existing line items.

- **Migration with parallel accounting**
  Migration in the standard SAP ERP system only supports a migration from a scenario that uses parallel accounts in the classic general ledger. For companies that have used a special ledger approach for parallel accounting in the classic general ledger, an alternative solution will have to be found for migrating from the special ledger to the parallel ledger functionality in the SAP General Ledger.

Note

Please note that use of parallel accounts is still supported in the SAP General Ledger and for less complex requirements is a good solution. However, the parallel ledgers functionality in the SAP General Ledger is far more powerful than the classic general ledger with a special ledger.

2.3.1 Migrating from Systems That Used Parallel Accounting

Companies that have used parallel accounting in their existing SAP system may migrate to the SAP General Ledger as shown in Table 2.1.

Existing General Ledger Solution	SAP General Ledger Solution
Parallel Accounts	Parallel Accounts
Special Ledger	Parallel Ledgers

Table 2.1 Migration from Systems That Used Parallel Accounting

However, many companies that have previously used the parallel accounts solution may now require a parallel ledgers solution due to expansion globally, for example, or to satisfy other, more complex requirements. The pros and cons of parallel accounts are shown in Table 2.2 and the pros and cons of parallel ledgers are shown in Table 2.3.

Parallel Accounts	
Pros	**Cons**
Ease of use and relatively simple setup	High increase in the number of general ledger accounts adding complexity to the chart of accounts
Retained earnings account and balance carry forward — separate retained earnings account for each accounting principle is maintained	Difficult to report on different fiscal years
Parallel postings in the specific account areas	Postings may cross valuations — for example, users may mistakenly post local GAAP to U.S. GAAP general ledger accounts (Note: A validation is often created to ensure that cross-valuation postings do not occur)

Table 2.2 Pros and Cons of Parallel Accounts

Parallel Ledgers	
Pros	**Cons**
Fewer general ledger accounts	Data volume may increase significantly as parallel ledgers are updated simultaneously with all postings to the leading ledger
Separation of ledgers gives separate transparency (e.g., for auditors)	Difficult to report on different fiscal years

Table 2.3 Pros and Cons of Parallel Ledgers

Parallel Ledgers	
Pros	**Cons**
Can maintain a separate ledger for each accounting principle	Postings may cross valuations — for example, users may mistakenly post local GAAP to U.S. GAAP general ledger accounts (Note: A validation is often created to ensure that cross-valuation postings do not occur)
Different fiscal year variants can be used for ledgers	
Different posting control variants can be used for ledgers	

Table 2.3 Pros and Cons of Parallel Ledgers (Cont.)

2.3.2 Summary of Possible Migration Scenarios

At this point, you should be thinking about the functionality that you require and the particular migration scenario that you will have. The following questions are relevant:

- **Do you require document splitting? If yes:**
  - For which company codes do you require splitting?
  - What will be the split characteristics?
- **Do you need parallel accounting? If yes:**
  - Will you use parallel accounts or parallel ledgers?
  - If parallel ledgers, how many ledgers will you need, which currencies will they be maintained in?

The functionality currently being used in the classic general ledger will greatly influence the migration procedure. You must consider the following factors in the existing system:

- **Previous use of profit center accounting (PCA)**
- **Previous use of cost of sales accounting (COS)**
  In the SAP General Ledger you can either migrate the COS data into the leading ledger or into a nonleading ledger. Document splitting is not required for this.

- **Previous use of the SPL**
  The use of the SPL in the existing system will determine its impact on the migration scenario. Consider the following questions:
  - Which ledgers do you use and for what purpose?
  - Are the ledgers updated in real time or built by roll-ups?
  - Is document splitting already used on a ledger and what is the splitting characteristic?
- **Use of interfaces to external systems**
  Any interfaces used to post to the classic general ledger will need to be updated to post to the SAP General Ledger. It is possible that some interfaces will no longer be required if the new functionality in the SAP General Ledger makes them obsolete.
- **Managing SAP General Ledger accounts on an open-item basis**
  This only impacts the migration scenario if document splitting will be used. As part of the migration with document splitting, all open items must be converted so as many as possible should be cleared before the migration starts.
- **Number of documents in the migration period**
  All documents posted between the migration date and the activation date (i.e., phase 1) and all documents from phase 0 that are still open on the migration date must be included.
- **Number of company codes and cross-company clearings**
  The number of company codes obviously impacts the migration scenario. It is possible to migrate company codes separately provided there are no cross-company transactions between them.

Recommendation

You should migrate all company codes that share the same fiscal-year variant together as this is the most efficient method.

- **Use of different fiscal-year variants**
  If company codes have different fiscal-year variants it must be possible to derive the same fiscal year from the migration date for all company codes within a migration plan.

- **Use of additional currencies in SPLs**
  If special ledgers are used and will be replaced by the SAP General Ledger, the currencies used in the ledgers must be in the original posting document. If not, data cannot be migrated and the SPL must be retained.

This section has highlighted some of the areas that must be considered in the existing general ledger that will determine the target migration scenario. The next section details some of the benefits and risks of migrating to the SAP General Ledger.

2.4 Potential Benefits and Risks

There are many benefits to migrating to the SAP General Ledger, such as utilizing the new functionality available, but the main risk is a lack of understanding of the new functionality. The general ledger contains very sensitive data and the data in the SAP General Ledger must be exactly the same as the data in the classic general ledger prior to the migration. With sufficient testing and correct setup of the new functionality, any risks to data being migrated incorrectly can be minimized. This section will highlight the specific benefits and risks of migration as follows:

2.4.1 Benefits of Migrating

Segment reporting, document splitting, and parallel ledgers are three of the main benefits of migrating to the SAP General Ledger and have been explained earlier in this chapter. Other benefits include:

- **Integration of financial and management accounting**
  Many ledgers, such as the cost of sales ledger and profit center accounting ledger, have now been combined into a single ledger. This leads to far less reconciliation than in previous SAP releases. Figure 2.22 shows how several of the applications in SAP R/3 Enterprise have now been unified in the SAP General Ledger.

  The SAP General Ledger is often referred to as one version of the truth due to the fact that financial (legal) and management reporting are unified.

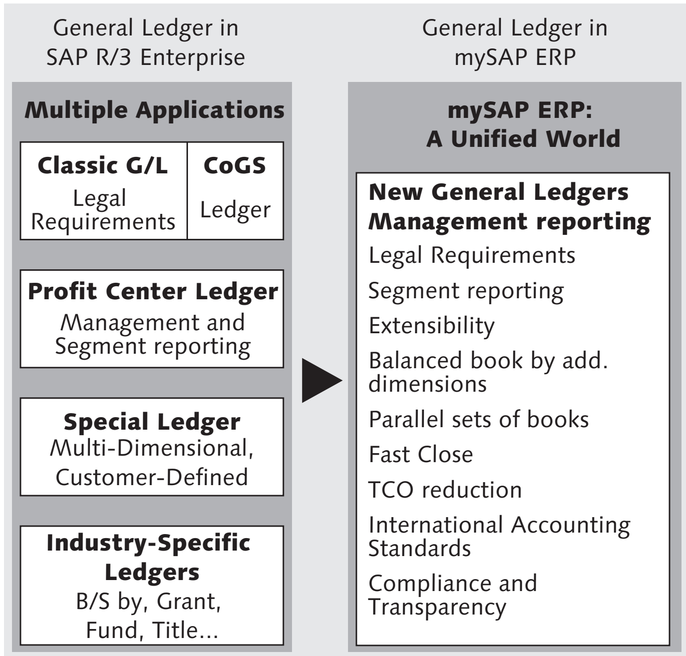


Figure 2.22 Unification of Ledgers

- **Easy extensibility**
  Ability to add new functionality, for example, enhancement packs, with minimal disruption to the system.
- **Faster period-end closing**
  Due to the unification of ledgers, many period-end activities are no longer required. Figure 2.23 shows that ledgers such as EC-PCA, consolidation preparation, CoGS ledger, FI-SL, and reconciliation ledger are no longer needed. Other reasons for a faster period-end close include:
  - Document splitting is real time. Previously, period-end programs were required to post accounts receivable and payable by profit center.
  - Real-time posting from CO to FI, no longer at period end.
  - Legal and management data are unified in one ledger.
  - SAP ERP provides a closing cockpit, which displays all closing functions on a single screen. Its intuitive graphical interface uses color coding to identify the status of the closing activities.

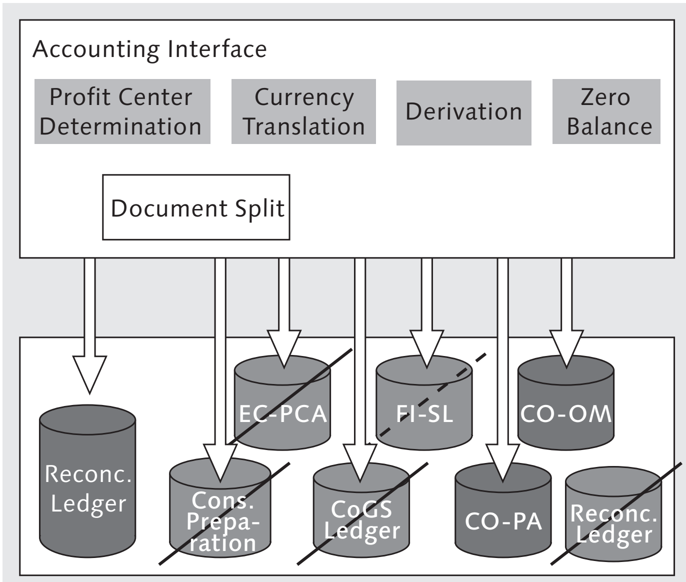


Figure 2.23 Existing Ledgers Have Been Unified

- **SAP General Ledger reporting options**
  Standard SAP reports include new fields such as Ledger and Segment, as shown in Figure 2.24. For example, report RFBILA00 can produce balance sheets for segments.

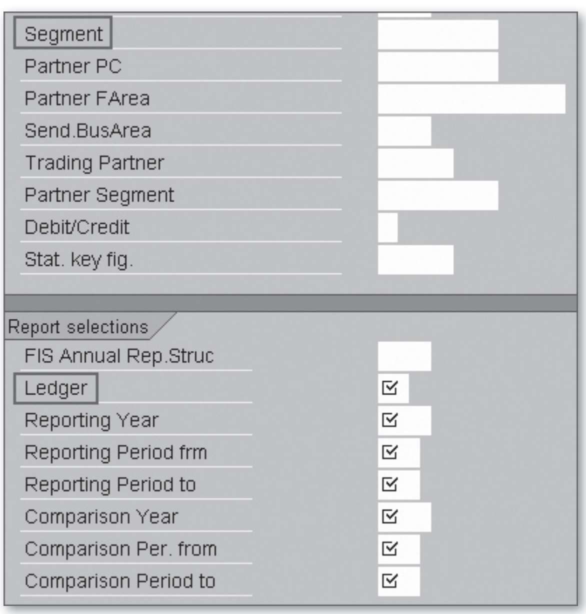


Figure 2.24 New Fields on Standard Reports

Also, SAP NetWeaver includes Business Intelligence (BI), formerly known as Business Warehouse (BW). This is a major advantage over previous SAP releases as only one system is required. Figure 2.25 shows the link between the SAP General Ledger and the BI system and having only one system leads to large improvements in performance. BI provides:

- New Microsoft Excel integration features
- Better formatting for reports generated in Microsoft Excel and the Web
- Easy printing of reports in formats such as PDF
- Improved delivery of reports to users
- Improved transparency for internal users and external auditors
- Better corporate governance
- Reduced ongoing costs

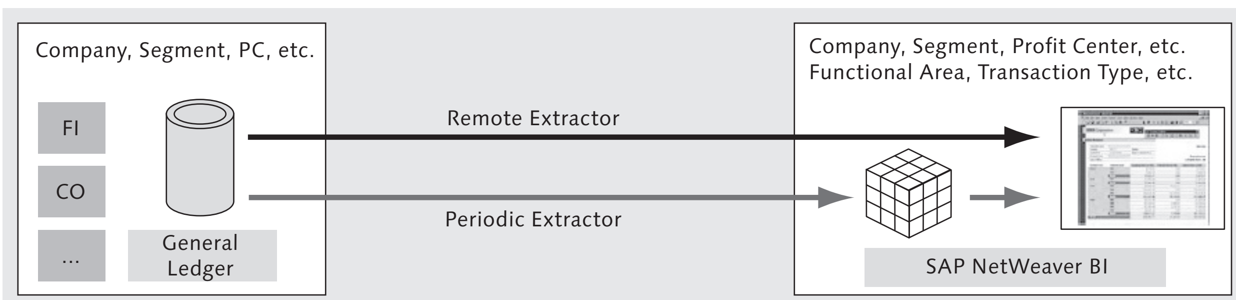


Figure 2.25 SAP ERP Includes BI Reporting

2.4.2 Risks of Migrating

Major risks, such as loss of data, are extremely unlikely due to the requirement to have the SAP migration service that performs technical checks throughout the migration project. This service will be explained in detail later in this book, but the main risks for a migration project are related to a lack of understanding of the SAP General Ledger functionality. Members of the migration project team may continue to think in classic SAP General Ledger terms, which can lead to new functionality such as document splitting either being excluded from the migration when it would be beneficial, or the document splitting producing inaccurate results. Also, without a full understanding of the SAP General Ledger functionality, existing functionality such as special ledgers may be set up in the SAP General Ledger when they are no longer needed. This can lead to issues with data and decreased performance. Other potential problems that can be caused by a lack of understanding of the SAP General Ledger functionality include:

- Unsure what to use for segments
- Confusion about parallel ledgers
- Creating too many nonleading ledgers
- Not fully understanding document splitting

Another significant risk is the amount of data cleansing that is required before the existing data can be migrated. For a migration with document splitting, open items on general ledger accounts are time consuming to migrate and the more that can be cleared before, the better.

Example

Many companies have general ledger open item managed accounts with thousands of uncleared open items, so users with knowledge of this data can start the process of cleansing well before the migration project starts. This cleansing activity may be performed as a separate project to precede the migration project.

Other risks include the time required to test and ensure that existing interfaces still work as expected. Many migration projects underestimate the time required for these, which can lead to problems in meeting project deadlines.

Later in this guide, you will learn how to alleviate these risks by executing all activities for a migration project from planning to go-live.

2.5 Summary

The aim of this chapter has been to introduce you to the SAP General Ledger and the reasons why the majority of companies should migrate to it. The classic general ledger will remain in SAP ERP and will continue to be supported, but this chapter has demonstrated the many benefits of upgrading to the SAP General Ledger.

One of the main points is that upgrading to SAP ERP and migrating to the SAP General Ledger are two separate projects. Migrating to the SAP General Ledger is complex and the data is highly sensitive, so a full project is necessary.

You also learned about the SAP General Ledger functionality and possible migration scenarios so that you can begin to think about the functionality you will need and, therefore, what migration scenario you will have. This is the first step in planning the migration project and the migration scenario will have a significant impact on the timing, staffing, and complexity of the project.

Preparation for a future migration to the SAP General Ledger can start at any time, even before the upgrade to SAP ERP is completed. As discussed in this chapter, data cleansing is a significant part of any SAP General Ledger migration or conversion. Deleting SAP general ledger accounts that are not required, consolidating accounts, and clearing open items on open item managed accounts are all good examples of tasks that can be started well in advance of a future migration.

Chapters 3 - 7 will cover the actual migration project. Chapter 3 provides an introduction to the three project phases and discusses why the project should be structured this way. The remaining chapters describe each phase in detail.

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