



SAP FICO BLUEPRINT



Sap Fico Blueprint
Submitted To



Tata steel Pvt ltd

By



DCHS INFOTECH PVT LTD.

Document Information

Sr.no	Author	Version	sing
1	Chaitanya bangde	draft	

Document Approval

Sr.no	Name	Designation	Date	sing
1	Hussain sahib	Delivery Head	27/11/2017	
2	Mustafa	Project Manager	27/11/2017	
3	Shyam reddy	Sap It Head	27/11/2017	
4	Chaitanya bangde	Sap Fico Consultant	27/11/2017	
5	Shrinivas	Sap Fico Consultant	27/11/2017	
6	Ram	Core User	27/11/2017	

Table of Contents

Contents

Table of Contents.....	3
1.0 Introduction	5
2.0 Organization Structure	6
2.1 Client	6
2.2 Company.....	7
2.3 Credit Control Area.....	7
2.4 Company Code	8
2.5 Business Area.....	9
3.0 Master Data	11
3.1 Vendor Master Data	11
3.2 Customer Master Data.....	12
3.3 House Bank Master Data	14
3.4 Asset.....	15
4.0 Business Process	19
4.1 General Ledger.....	19
4.1.1 Chart of Accounts	19
4.1.2 Document Split	20
4.1.3 Financial Year Closing	20
4.1.4 Number Ranges.....	21
4.1.5 Financial Statement Versions (FSV)	22
4.1.6 Parking Journal Voucher (JV)	23
4.1.7 Document Clearing	23
4.1.8 Posting an Incoming and Outgoing Payments	24
4.1.9 Posting Journal Voucher.....	25
4.1.10 Carry Forward Balances.....	26
4.1.11 Automatic Clearing.....	27
4.1.12 Interest Calculations.....	28
4.1.13 Document Types.....	29
4.1.14 Retain Earning Accounts	30
If you are creating a P&L account, you must make an entry here.	30
4.1.15 Accounts Type	31
4.2 Accounting Payable.....	32
4.2.1 Reversal of Invoices	32
4.2.2 Reversal of Incoming and Outgoing Payments	32
4.2.3 Debit and Credit Memos (Notes).....	33
4.2.4 Incoming Payments from Vendors.....	34
4.2.5 Automatic Clearing.....	34

4.2.6 Carry Forward Balances	34
4.2.7 Payment Terms	35
4.3 Account Receivable	36
4.3.1 Parking of Customer Invoices.....	36
4.3.2 Debit and Credit Memos (Notes).....	36
4.3.3 Customer Account Groups.....	37
4.3.4 Posting related Customer Invoices	37
4.3.5 Incoming Payments from Customers	37
4.3.6 Customer Tolerance Group	38
4.3.7 Payment Terms for vendor	38
4.3.8 Automatic Posting	39
4.3.9 Dunning Procedure	39
4.3.10 Bill of exchange	40
4.3.11 Automatic Clearing.....	40
4.3.12 Payment Terms	40
4.3.13 Carry Forward Balances	41
4.4 Asset Accounting.....	42
4.4.1 Depreciation.....	42
4.4.2 Reversals	43
4.4.3 Revaluation of Assets.....	44
4.4.4 Fiscal Year Change	44
4.4.5 Year End Closing	44
4.4.6 Account Determination	45
4.4.7 Asset Class	45
4.4.8 Depreciation Posting Intervals.....	46
4.4.9 Capitalization of Assets under Construction (AUC)	46
4.4.10 Depreciation Key	47
5.0 Gap Analysis	48

1.0 Introduction

The 'FI (Financial Accounting)' module of SAP is the back-bone, which records, collects, and Processes financial transactions or information on a real-time basis to provide the necessary inputs for external (statutory) reporting. The module is integrated with other modules (such as Material Management (MM), Sales & Distribution (SD), Human Resources (HR), Production Planning (PP), Controlling (CO), etc.). The module FI has several sub-modules that are tightly integrated.

Overview of the Finance setup

The Finance System Document contains the business process details of the Finance module as of the document release date and also describes briefly the maintenance required when there are changes in organization structure, processes and master data.

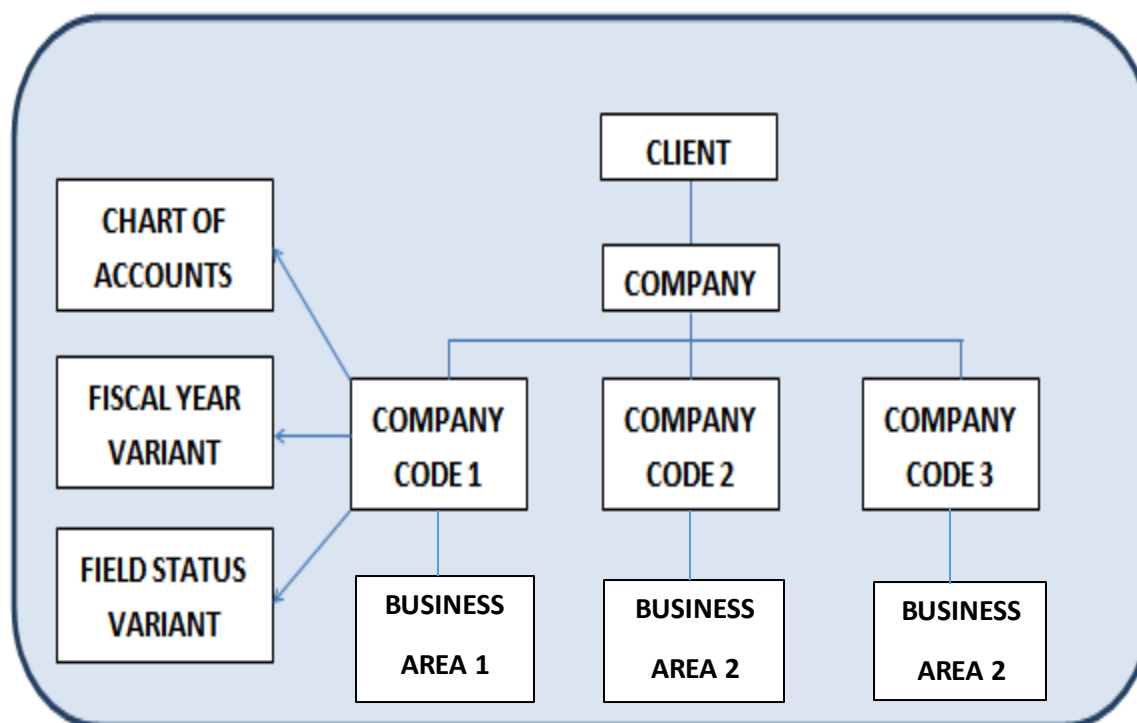
The objective of this document is to provide base for configuration details of the module to enable the application system administrator(s) / authorized users in further configuration, if any. It is recommended that not more than 2 key users be identified as the application system administrators. It is also recommended that this document be a controlled copy in the hands of the target audience mentioned below.

The following Finance Sub Modules will be implemented during this implementation:

- Accounts Payable
 - Master Data
 - Posting Documents
 - Clearing
 - Information Systems
- Accounts Receivable
 - Master Data
 - Posting Documents
 - Clearing
 - Information Systems
- Cash and Bank
 - Master Data
 - Posting Documents
 - Clearing
 - Information Systems
- Fixed Assets
 - Master Data
 - Posting Transactions
 - Depreciation
 - Revaluation
 - Information Systems

2.0 Organization Structure

In the SAP System the user can use several structures to represent the organizational structure of the entity from the point of view of Financial Accounting, Controlling, Materials Management, and Sales and Distribution. The organizational structures form a framework in which all business transactions can be processed. An organizational structure consists of several organizational levels, which are used by different functional groups within an organization. The organizational levels relevant to Finance (FI) are given below.



2.1 Client

A 'Client' is the top-most organizational structure, which has its own set of master records. A Client is denoted by a 3-character alphanumeric code in SAP, and is a mandatory element. The settings made at the Client level, data maintained, etc., are available across all the Company. SAP comes delivered with Clients 001 and 002, which contain all the default settings. Typically, in SAP, you will have different 'types' of Clients; namely:

1. Development Client
2. Test Client
3. Production Client

2.2 Company

A company is an organizational unit in Accounting which represents a business organization according to the requirements of commercial law in a particular country. You store basic data for each company in company definition. You only specify particular functions when you customize in Financial Accounting.

All company codes for a company must work with the same operational chart of accounts and fiscal year. The currencies used can be different.

A company is the organizational unit used in the legal consolidation module to roll up financial statements of several company codes.

Define Company **Transaction Code: OX15**

SAP Path: SPRO > Enterprise Structure > Definition > Financial Accounting > Define Company

Company	Personal Area
1000	Tata Steel Pvt Ltd.

The screenshot shows the SAP OX15 transaction interface. The title bar reads 'New Entries: Details of Added Entries'. The main form contains the following data:

Company	SIVA
Company name	SIVA SOFTWARE LIMITED
Name of company 2	
Detailed information	
Street	KORAMANGALA
PO Box	100
Postal code	560034
City	BANGALORE
Country	IN
Language Key	EN
Currency	INR

2.3 Credit Control Area

The 'Credit Control Area' in SAP helps administer credit management functions relating to customers. This organizational unit is used both in SD and FI-AR modules. By definition, you can have more than one credit control area in a Client, but each Company Code is assigned to one credit control area. However, it is true that you can attach many Company Codes to the same credit control area.

Like the company code, the credit control area is an SAP entity through which you set and control a customer’s credit limit. There is one credit control area per company code.

Define Credit Control Area **Transaction Code: N/A**

SAP Path:-Spro->Enterprise Structure -> Definition -> Finance Accounting -> Define Credit Control Area -> Execute

Though presently no need for Credit Control Area for Tata Steel Pvt Ltd Nagpur. it is proposed to have a Credit Control Area for future purpose and have “1000” as Credit Control Area.

Credit Control Area	Personal Area
3000	Tata Steel Pvt Ltd.

The screenshot shows the SAP 'New Entries: Details of Added Entries' form. The form is divided into several sections:

- Header:** Table View, Edit, Goto, Selection, Utilities, System, Help
- Fields:**
 - Cred.contr.area: SIVA
 - Currency: INR
- Data for updating SD:**
 - Update: []
 - FY Variant: []
- Default data for automatically creating new customers:**
 - Risk category: []
 - Credit limit: 9.999.999,00
 - Rep. group: []
- Organizational data:**
 - All co. codes

2.4 Company Code

A ‘Company Code’ in SAP is the smallest organizational unit for which you can draw individual Financial Statements (Balance Sheet and Profit & Loss Account) for your external statutory reporting, which are required by law, are prepared at company code level .It is denoted by a 4-character alphanumeric code.

Further there is a business requirement to have a complete balance sheet and the profit and loss statement at Company Code Level

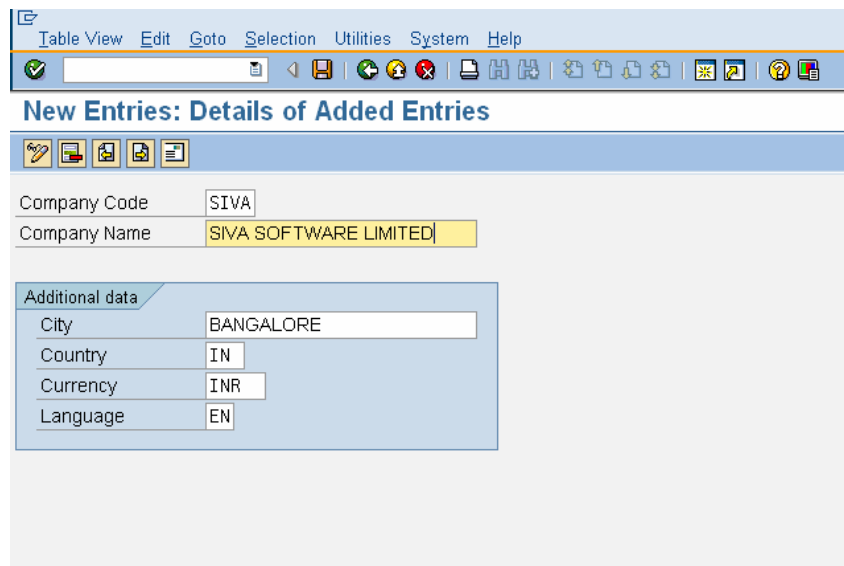
A 'Company' in SAP is represented by a 5-character alphanumeric code and usually represents the enterprise or the group company. A Company can include one or more Company Codes. The creation of a Company, in SAP, is optional

Define Company Code **Transaction Code: OX02**

SAP Path: SPRO > Enterprise Structure > Definition > FA > Edit, Copy, Delete, Check Company Code

It is proposed to have Company Code as "1000" for Tata Steel Pvt Ltd Nagpur.

Company Code	Personal Area
2000	Tata Steel Pvt Ltd.



2.5 Business Area

Business Areas' correspond to specific business segments of a company, and may cut across different Company Codes (for example, product lines). They can also represent different Responsibility areas (for example, branch units). The Business Areas are optional in SAP

The business area is an organizational unit of financial accounting that represents a separate area of operations or responsibilities within an organization and to which value changes recorded in

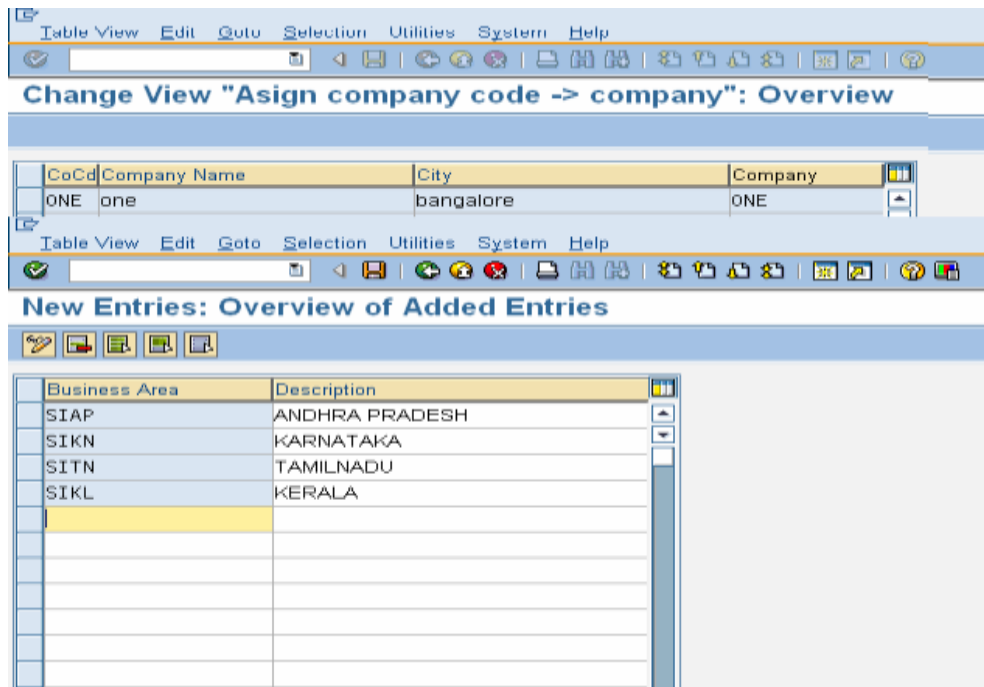
financial accounting can be allocated. Business areas are used in external segment reporting (over and above company codes) based on the significant areas of operation (for example, product lines) of a business enterprise. A segment is an isolated area of activity.

The business area will not be assigned to any company code. It is available at the client level. All company codes under the same client can use the same business areas. You can restrict a business area for a company code through validation.

Define Business Area **Transaction Code: OX03**

Sap Path: - SPRO > Enterprise Structure > Definition > FA > Define Business Area Define Functional Area

Business Area	Personal Area
1010	South zone
1020	North zone



3.0 Master Data

3.1 Vendor Master Data

Each supplier would be created as Vendor in the SAP System.

When creating a vendor account, an account group must be specified. The account group determines: The interval for the account numbers whether the number is assigned internally by the system or externally by the user (type of number assignment)

Whether it is a one-time account, which fields are ready for input or must be filled when creating and changing master records (field status).

Vendor Master contains the following segments:

- 1) General Data: It contains Name, Address and Search term, Contact Person, Mail Id, Telephone and Mobile Numbers.
It also contains Vendor is also a Customer, Vendor Bank Details, Alternate Payee.
- 2) Company Code Data: It contains Reconciliation Account to which vendor transactions need to be posted or updated for trail balance purpose.
It also contains Payment methods (e.g. Cash, Bank and transfer) and payment terms, Withholding Tax details.
- 3) Purchasing Data: It contains the currency to be used whenever PO is raised, Payment terms, whether PO is GR or IR based.

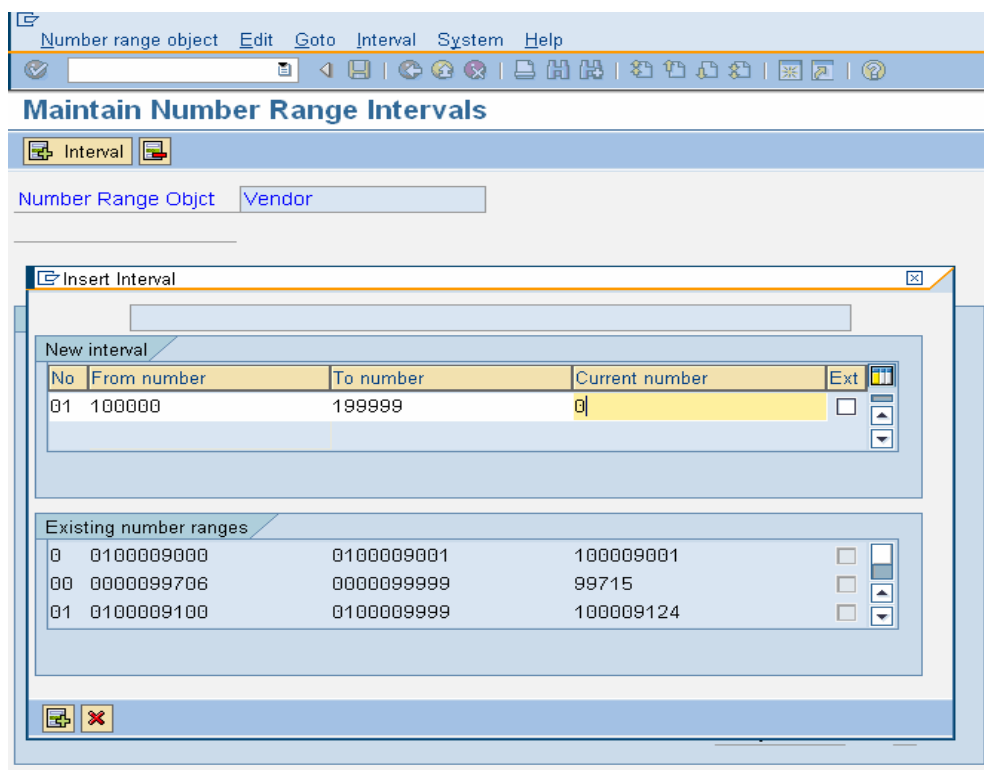
The information maintained in Vendor master would be copied whenever business transactions are created or posted. (Example- Currency, Payment terms and methods etc.)

Define vendor master data **Transaction Code: xk01**

Sap Path: -Go to Accounting -> Finance Accounting -> Accounts Payable -> Master Record -> Create

It is proposed to have the following Account Vendor Account Groups for “Tata Steel Pvt. Ltd Nagpur.” with Internal Number Range.

Acct Group	Account Groups	Number Range	
		From	To
1000	Accounts Payable (Domestic)	1000000	1999999
2000	Accounts Payable (International)	2000000	2999999
3000	Accounts Payable (Others)	3000000	3999999
4000	Accounts Payable (Employees)	4000000	4999999



3.2 Customer Master Data

Each organisation or person to whom material or services rendered would be created as Customer in the SAP System.

When creating a Customer account, an account group must be specified. The account group determines:

The interval for the account numbers, whether the number is assigned internally by the system or externally by the user (type of number assignment).

Whether it is a one-time account, which fields are ready for input or must be filled when creating and changing master records (field status).

Customer Master contains the following segments:

- 1) General Data: It contains Name, Address and Search term, Contact Person, Mail Id, Telephone and Mobile Numbers.
It also contains Vendor is also a Customer, Customer Bank Details, Alternate Payee.

- 2) Company Code Data: It contains Reconciliation Account to which Customer transactions need to be posted or updated for trail balance purpose.
It also contains Payment methods (e.g. Cash, Bank and transfer) and payment terms, Withholding Tax details.

- 3) Sales Area Data: It contains the Pricing procedure, Currency, Billing details (e.g. Account Assignment Group, Payment terms, Tax related) and partner functions (Ship to party, sold to party etc.,)

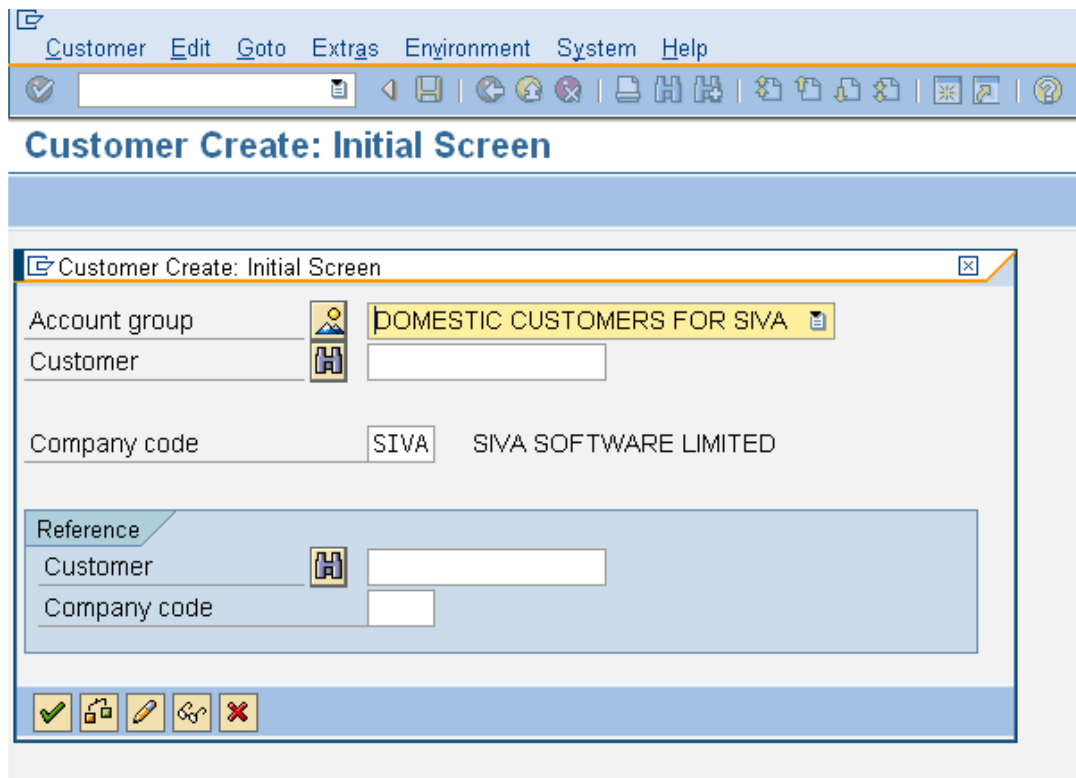
The information maintained in Customer master would be copied whenever business transactions are created or posted. (Example- Currency, Payment terms and methods etc.)

Define Customer Master Data **Transaction Code: fd01**

SAP Path: Accounting ->go to Accounting -> Finance Accounting -> Accounts Receivable -> Master Records -> Maintain Centrally -> Create

The following Customer Account Groups have been proposed and would be created with Internal Number Range.

Acct Group	Account Groups	Number Range	
		From	To
1000	Accounts Receivable (Domestic)	1000000	1999999
2000	Accounts Receivable (International)	2000000	2999999
3000	Accounts Receivable (Others)	3000000	3999999
4000	Accounts Receivable (Employees)	4000000	4999999



The screenshot shows the SAP 'Customer Create: Initial Screen' interface. At the top, there is a menu bar with 'Customer', 'Edit', 'Goto', 'Extras', 'Environment', 'System', and 'Help'. Below the menu is a toolbar with various icons. The main window title is 'Customer Create: Initial Screen'. The form contains the following fields:

- Account group:** A dropdown menu showing 'DOMESTIC CUSTOMERS FOR SIVA'.
- Customer:** An empty text input field.
- Company code:** A dropdown menu showing 'SIVA' and the text 'SIVA SOFTWARE LIMITED' to its right.
- Reference:** A section with a blue header containing:
 - Customer:** An empty text input field.
 - Company code:** An empty text input field.

At the bottom of the form, there is a toolbar with icons for 'Save', 'Cancel', 'Back', 'Forward', and 'Exit'.

3.3 House Bank Master Data

Each Bank would be mapped as House Bank in SAP System. Each house bank of a company code is represented by a bank ID in the SAP system and every account of a house bank by an account ID.

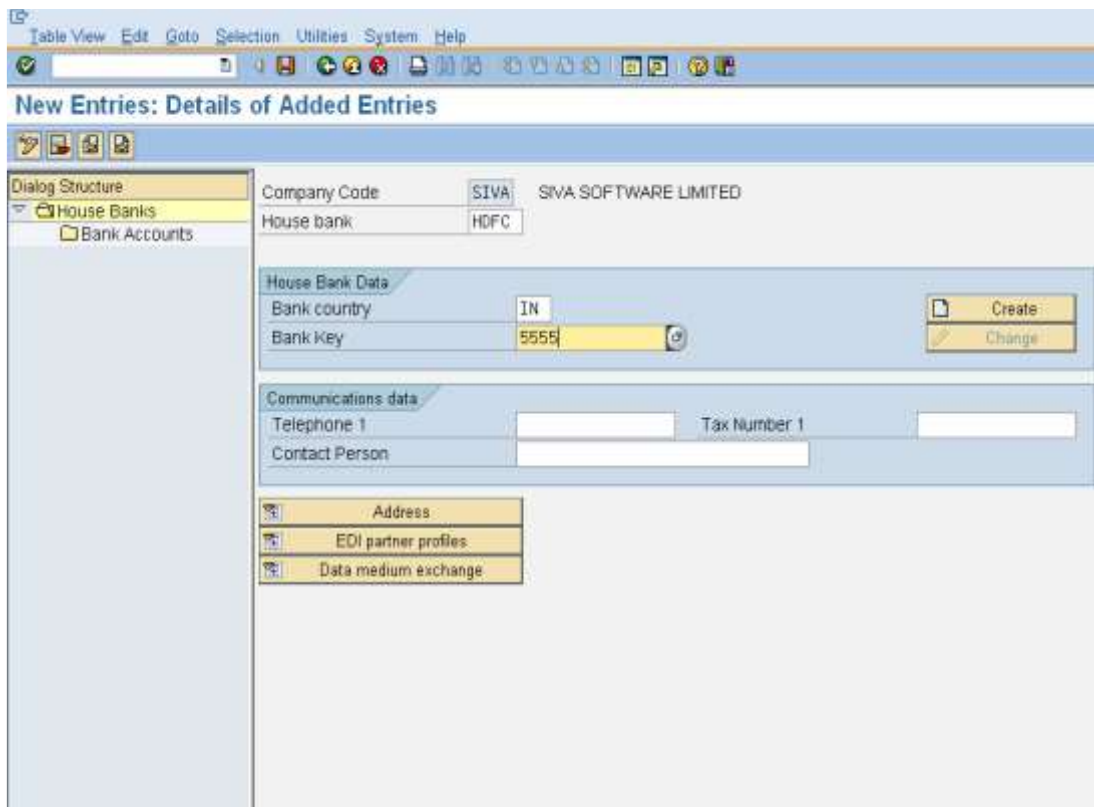
A House bank can have multiple accounts ID. (Accounts that are maintained in the same bank would have one House Bank ID and differentiated with individual Account ID).

House Bank and Account ID would have the following details

- 1) Name of the Bank
- 2) Address of the Bank
- 3) Bank Account No
- 4) GL Account No.

Define House Bank Master Data **Transaction Code: fi12**

SAP Path: SPRO ->IMG->Financial accounting ->Bank accounting ->Bank accounts ->Define bank account



3.4 Asset

The relevant asset would be maintained as individual Asset Master in SAP System.

Chart of Depreciation (COD) has been proposed as with coding of "1000" COD for "Tata steel"

Define Asset **Transaction Code: OAOA**

SAP Path: SPRO -> SAP Reference IMG -> Financial Accounting -> Asset Accounting -> Organizational Structure -> Asset Classes -> Define Asset Classes -> Execute

The following Asset Classes would be created under COD 1000 with Internal Number Range .For all the assets other than AUC, it will be created with sequentially with number ranges

For different asset classes. (One number range would be used for all asset classes except AUC)

Asset Code	Class	Description of the Asset Class	Number Range	
			From	To
1000		Land	10000000	99999999
2000		Building-Permanent		
2010		Building-Portable/Temporary		
2100		Office Equipment & Furniture		
3000		Structure Assets		
4000		Machinery & Equipment		
4100		Instrumentation Tools & Shop Equipment		
4200		Power Circuit & Electrical Equipment		
5000		Motor & Construction Equipment		
7000		Leased Assets		
8000		Intangible Assets		
9000		Asset Under Construction-Tangible	91000000	91999999
9100		Asset Under Construction-Intangible	92000000	92999999

In the following Depreciation Areas for calculation and posting Depreciation

Book Depreciation Area

In SAP only one depreciation area can be used to post depreciation to Finance. Other depreciation areas would be only for reporting purpose.

In "Tata steel" would be using Straight Line Method. The base for calculating Book Depreciation is Capitalized Value.

Tax Depreciation Area

In order to calculate depreciation for Tax () purpose, Tata steel has opted for separate depreciation area for calculating depreciation as per DZIT, which is different than Book

Depreciation calculations.

The following Rates are applicable for calculation of Depreciation as per DZIT

Group No.	Description	Dep. Rate
1	Fixed Buildings.	7%
2	Industrial and agricultural movable buildings.	18%
3	Factories, machines, engines, hardware and software (computer software) and equipment, including passenger cars, and cargo vehicles.	20%
4	Expenses for geological surveying, drilling, exploration, and other preliminary work to exploit and develop natural resources and their fields.	15%
5	All other tangible and intangible depreciable assets.	8%

Each Asset would be created or maintained under respective Asset Class (Furniture, Plant and Machinery, Office Equipment etc.)

Asset Master contains the following details:

- 1) Description of the Asset
- 2) Inventory Number
- 3) Serial Number
- 4) Capitalization Date
- 5) Plant
- 6) Location
- 7) Cost Center
- 8) Depreciation key (the percentage at which the asset need to be depreciated)
- 9) Asset Values (Asset Procurement Cost, Accumulated Depreciation, Depreciation for the year, posted depreciation)

Tata steel would also use Asset Sub Number to capitalize any additions / expenses against Main Asset to calculate the depreciation correctly. One depreciation key would be created and assigned to the master based on useful life of the asset.

The following Tab information would be made available for all the Asset Classes.

- 1) General – Contains Text, Inventory No, Quantity, Capitalization Date, De activation Date Acquisition year and month.
- 2) Time Dependent – Assignments to Cost Center, Plant, Orders, Location

- 3) Allocation – Evaluation Group and Equipment details
- 4) Origin – Vendor, Value of the asset
- 5) Insurance – To Capture the Insurance details of Asset
- 6) Depreciation – Depreciation Key, Life of the Asset, Depreciation start date.

Further the following critical fields would be configured in Display mode to avoid any changes as it would affect financial values.

Capitalization Date

- 1) Deactivation Date
- 2) Depreciation Key
- 3) Life of the Asset

The screenshot shows the SAP table 'Maintain company code in Asset Accounting' in 'Table View'. The table has four columns: 'CoCd', 'Company Name', 'Chrt dep', and 'Description'. A pop-up dialog is open over the 'SIVA' entry, showing the 'Company Code' field with the value 'SIVA' and a confirmation button.

CoCd	Company Name	Chrt dep	Description
SIVA	SIVA SOFTWARE LIMITED	SIVA	Maximum valuation: Germany
SLS	SRI LAKSHMI STEELS		
SONY			
SIVA	Another entry		Maximum valuation: Germany
SIVA	Company Code	SIVA	Sample chart of depreciation: Germany
SIVA			Sample chart of depreciation: Germany
SIVA			Sample chart of depreciation: Germany
T001	IDES AG	TDE	Sample chart of depreciation: Germany
TCS	TELECOMMUNICATIONS		
TCS1	tcs india ltd		
TCSL	tata consulting	TCSL	chart of depreciation for tcsl
THUM	thums up pvt ltd		
TITA	TITAN WATCH CODE	1DE	Sample chart of depreciation: Germany
TNT	TNT PVT LTD		
TTD	tirumala consulting pvt		
TVS	TVS COMPANY LTD		
UMA	UMADEVI		
VANA	vanaja		
VANI	vani consulting pvt ltd		
VENK	VENKI		
YAH0	yaho group of consultancy		
YEMA	yemaha pvt ltd		
YYYY	achieve	YYYY	chart of depreciation for yyyy
Z001	VENKI INDIA LTD		
ZEAL	zeal dairy form	ZEAL	chart of depreciation for zeal
ZZZZ	zzzz	ZZZZ	chart of depreciation for zzzz

Position... Entry 170 of 196

4.0 Business Process

4.1 General Ledger

The following detailed business would be used by us.

As most of the business functions are not available in the present software and done manually.

Further the following business processes would be applicable and followed by us .

4.1.1 Chart of Accounts

Key that uniquely identifies a chart of accounts.

A classification scheme consisting of a group of general ledger (G/L) accounts.

A chart of accounts provides a framework for the recording of values to ensure an orderly rendering of accounting data. The G/L accounts it contains are used by one or more company codes. For each G/L account, the chart of accounts contains the account number, the account name, and technical information.

A chart of accounts must be assigned to each company code. This chart of accounts is the operative chart of accounts and is used in both financial accounting and cost accounting. Other charts of accounts include Country-specific charts of accounts - These are structured in accordance with legal requirements of the country in question Group chart of accounts - This is structured in accordance with requirements pertaining to Consolidation.

T Code: OB13

Menu Path: IMG – >Financial Accounting – >General Ledger Accounting – >General Ledger Accounts –>Master Records –> Preparation –> Edit Chart of accounts list

The screenshot displays the SAP OB13 transaction interface. At the top, there is a menu bar with options: Table View, Edit, Goto, Selection, Utilities, System, and Help. Below the menu is a toolbar with various icons. The main title is "New Entries: Details of Added Entries".

The form contains the following fields:

- Chart of Accts: SIVA
- Description: CHART OF ACCOUNTS FOR SIVA

There are four expandable sections:

- General specifications:**
 - Maint. language: English
 - Length of G/L account number: 06
- Integration:**
 - Controlling integration: Manual creation of cost elements
- Consolidation:**
 - Group chart of accts: [Yellow bar with icon]
- Status:**
 - Blocked

4.1.2 Document Split

The functionality of Document Split would be activated for in order to get Segment (Business Units) and Profit Center wise Financial Reports.

The document splitting procedure to split up line items for selected dimensions (such as receivable lines by profit center) or to effect a zero balance setting in the document for selected dimensions (such as segment). This generates additional clearing lines in the document. Using the document splitting procedure is the prerequisite for as well as an essential tool for drawing up complete financial statements for the selected dimensions at any time.

In Tata Steel Pvt Ltd, to meet the requirement of Profit Center & Segment wise financial statements, Document split would be activated.

Menu path: financial accounting (new)> general ledger accounting (new) > business transactions>document splitting > IMG> active document splitting,

4.1.3 Financial Year Closing

The following are the few closing procedures need to be followed in Tata Steel Pvt Ltd

- 1) Depreciation Posting for the full financial year for all assets
- 2) All the AUC (CWIP) need to be capitalized, wherever technical completion certificates are available
- 3) All the Goods receipts would have updated in the SAP system as GR
- 4) All the Goods delivered to the customers should be invoiced to customers.
- 5) All the expenses should have been posted in the system.
- 6) All the provisions should have been entered.

SAP FICO BLUEPRINT

4.1.5 Financial Statement Versions (FSV)

Financial Statement Version (FSV) is the format for creating Balance Sheet and Profit & Loss.

According to the reporting requirement, the FSV can be designed.

Since SAP is online system, whenever the business transactions which have financial entries, are updated in FSV immediately. Hence, updated Balance Sheet and Profit & Loss accounts are available at any given time.

Financial Statement Version – 1000 would be created for Tata Steel Pvt Ltd

Menu Path: IMG – Financial Accounting – Financial Accounting Global Settings – Fiscal year - Fiscal year Variant
T Code: OB29

FV	Description	Year-depend.	Calendar yr	Number of posting p.	No. of special periods
IM	Apr - March, 4 special -	<input type="checkbox"/>	<input type="checkbox"/>	12	4
V3	Apr - March, 4 special -	<input type="checkbox"/>	<input type="checkbox"/>	12	4
V6	July - June, 4 special p..	<input type="checkbox"/>	<input type="checkbox"/>	12	4
V9	Oct - Sept., 4 special p.	<input type="checkbox"/>	<input type="checkbox"/>	12	4
WE	ap_ma+4spl	<input type="checkbox"/>	<input checked="" type="checkbox"/>	12	4
WK	Calendar weeks	<input checked="" type="checkbox"/>	<input type="checkbox"/>	53	
YA	Apr - March, 4 special -	<input type="checkbox"/>	<input type="checkbox"/>	12	4
YY	Apr - March, 4 special -	<input type="checkbox"/>	<input type="checkbox"/>	12	4
ZE	Apr - March, 4 special -	<input type="checkbox"/>	<input type="checkbox"/>	12	4
ZZ	Apr - March, 4 special -	<input type="checkbox"/>	<input type="checkbox"/>	12	4

4.1.6 Parking Journal Voucher (JV)

Parking is the option in SAP, where journal entry can be entered and parked by a Jr. Accountant where he is not confident of Accounts to be used or he does not have authorization to post the document.

Those Jr. Level accountants would not have authorization to post the document and they can only park the document.

Normal GL business transactions would be used. (e.g. DR GL and Cr GL)

Pre requisite:

The following are the pre requisite to park the document.

- 1) Authorization
- 2) At least One GL Account
- 3) Amount or value of the Document.
- 4) Posting and Document dates.

To list the parked documents which are need to be used can be listed through **Code FBV0**.

SAP Path: Accounting ->Financial Accounting ->General Ledger ->Document ->Parked Documents->Post/Delete

4.1.7 Document Clearing

It is quite normal certain line items need to be adjusted or cleared against other GL accounts.

(e.g. Line items in the Bank outgoing or incoming accounts need to be cleared against Main account during monthly bank reconciliation statement)

Pre requisites

- 1) GL Account master should have been Open Item Management check box enabled.
- 2) GL accounts should be of Balance sheet type.
- 3) Authorization
- 4) Text.
- 5) Amount or value of the Clearing Document.
- 6) Posting and Document dates.

4.1.8 Posting an Incoming and Outgoing Payments

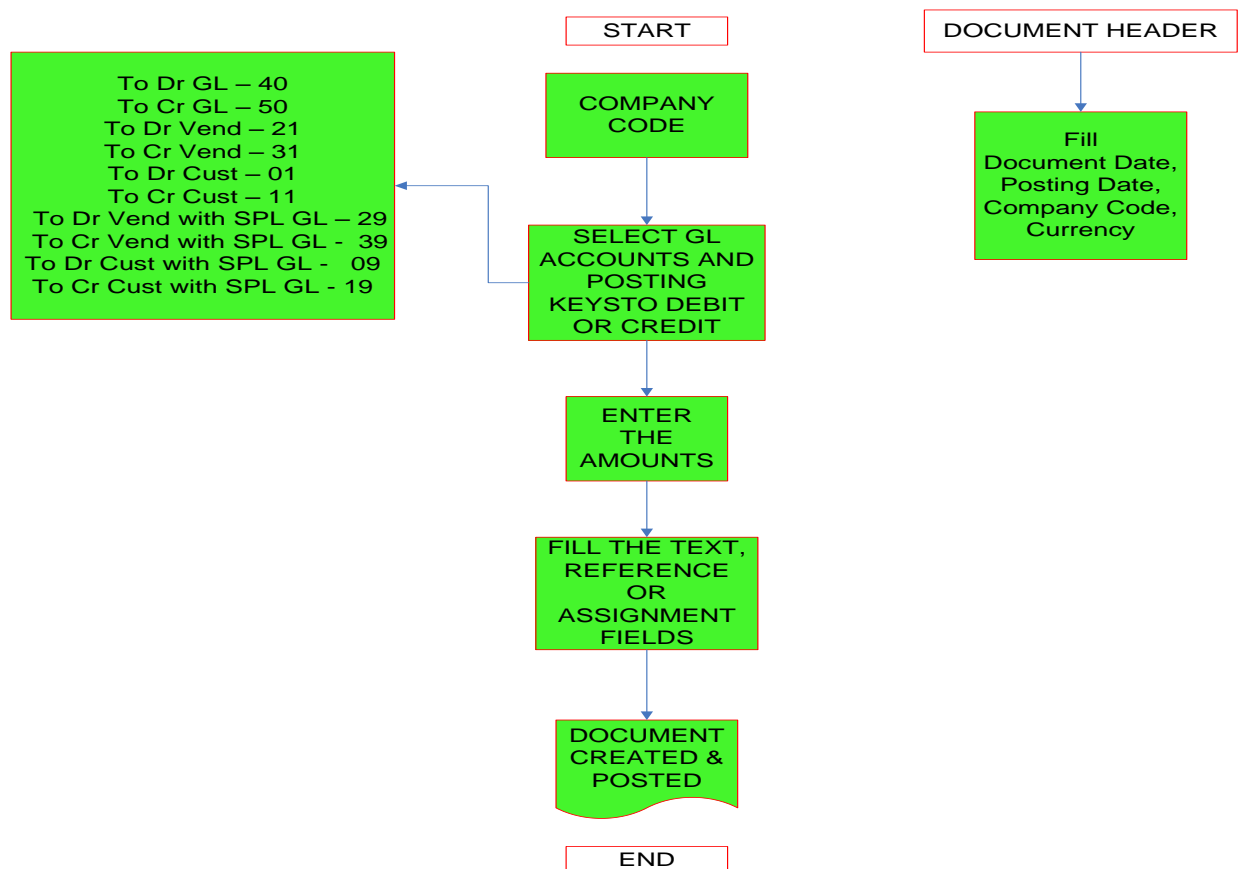
It is a normal business process to make payments against certain GL Account balances

Also it is a normal business process to receive payments against certain GL Account balances (e.g. excess paid taxes, etc.)

Pre requisites:

The following are the pre requisite for posting the documents:

- 1) Authorization
- 2) GL Accounts for both Debit and Credit line items
- 3) Amount or value of the Document.
- 4) Posting and Document dates.
- 5) Text.



4.1.9 Posting Journal Voucher

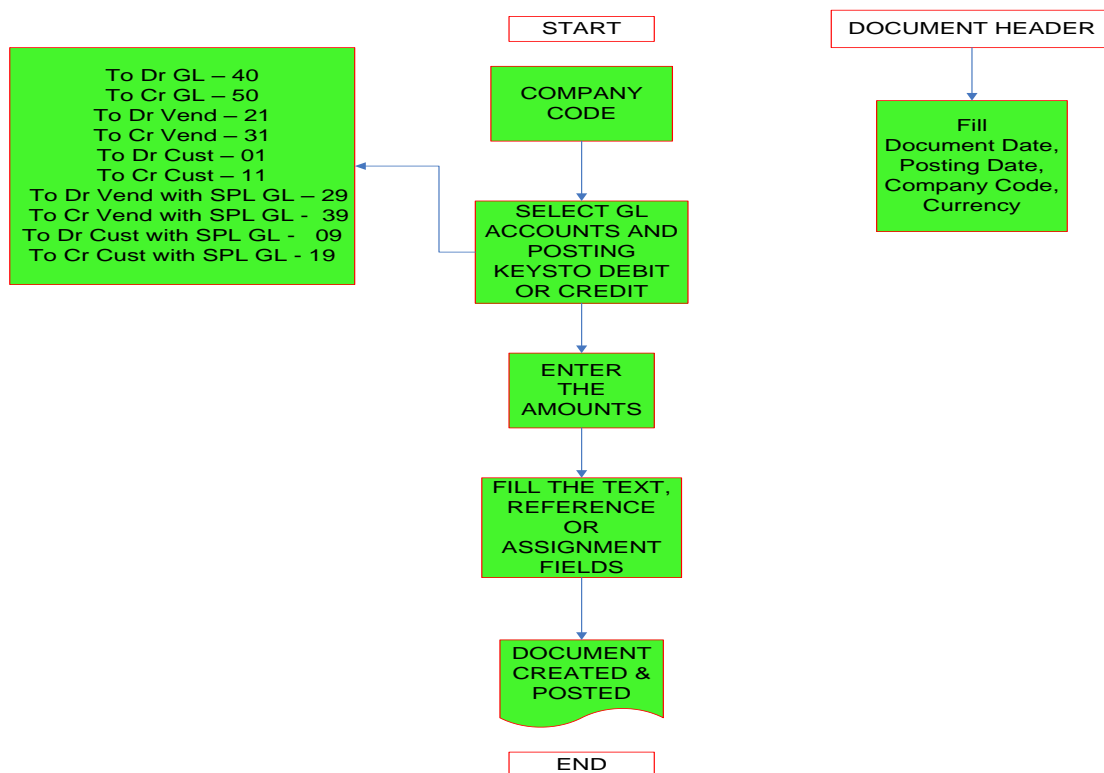
Posting the document is a common business process. Normally the senior level accountants would post the document without parking the entry or document.

Parked entries or documents can also be posted using this option.

Pre requisites:

The following are the pre requisite to park the document.

- 1) Authorization
- 2) GL Accounts for both Debit and Credit line items
- 3) Amount or value of the Document.
- 4) Posting and Document dates.
- 5) Text.



4.1.10 Carry Forward Balances

Carry forward balances are the process by which after closure of Books of Accounts, the balances are transferred to the next fiscal year.

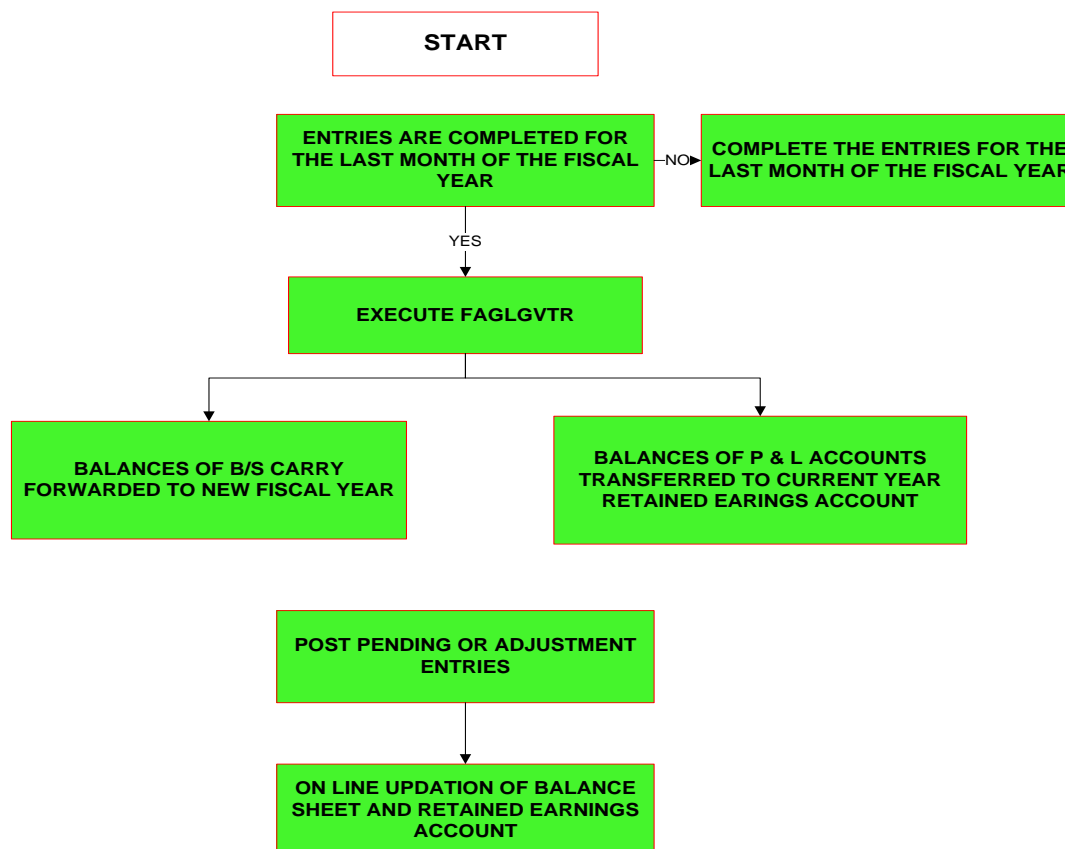
The process can be executed once the month end closing processes are completed for the last period of the Fiscal year. For Tata Steel Pvt Ltd, once the books are closed for March.

Any subsequent entries posted for financial year end closing, system automatically updates the Balance Sheet and Profit & Loss account on line. No need of executing the process again.

Pre requisite:

- 1) Closing process of the last period of the fiscal year should have been completed.

CARRYFORWARD BALANCES



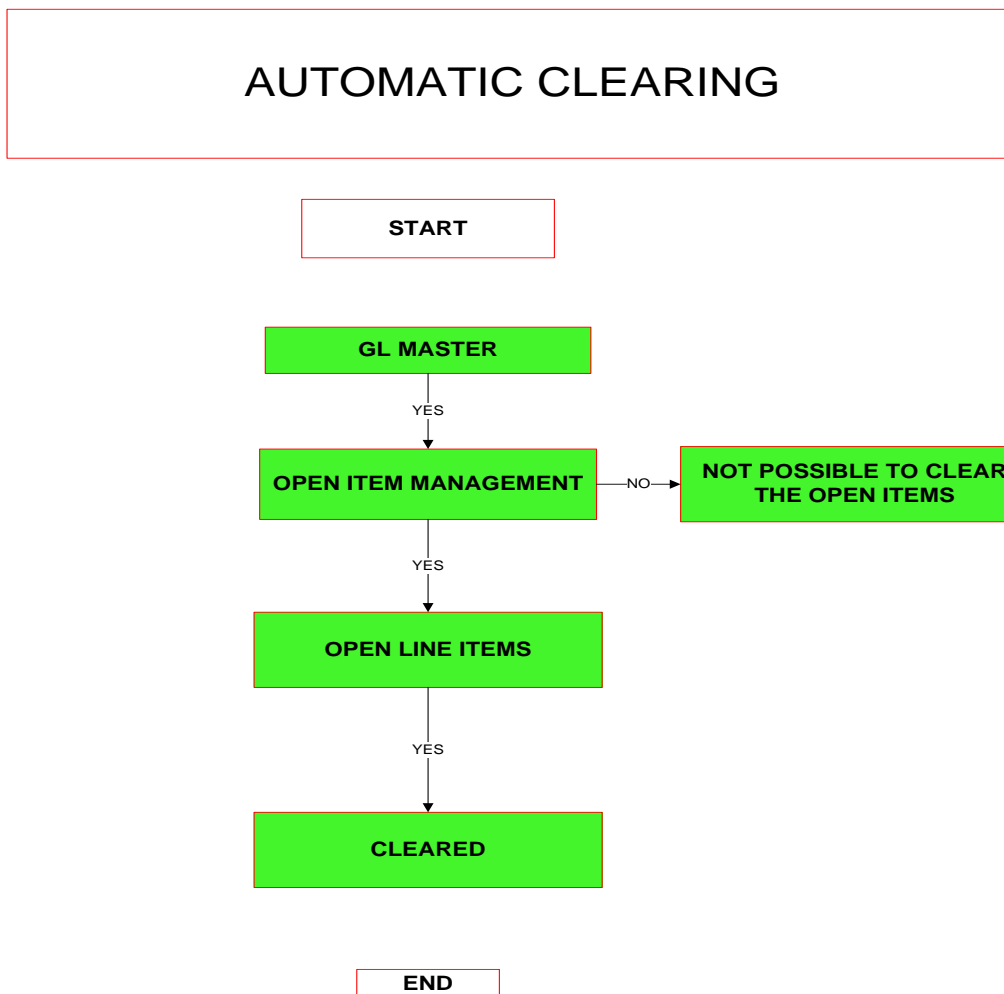
4.1.11 Automatic Clearing

Automatic clearing is the clearing process, where large number of accounts and open items can be cleared.

By this process, all open items would be converted into cleared items on the basis of Assignment, PO Number, Posting and Document date.

Pre requisite:

- 1) GL Account should have been "Open Item Management" check box enabled in the master.
- 2) There should be open items in the Accounts.



4.1.12 Interest Calculations

Interest calculations are used to calculate Interest on Overdrafts, Cash Credits GL Accounts.

The frequency of the interest calculations can be monthly, quarterly, half yearly or yearly basis.

Interest is calculated by the system and posted automatically on the last date of the period.

Pre requisite:

- 1) SAP Standard transaction need to be executed on monthly basis.
- 2) Interest indicator need to be created (rate of interest, period, frequency etc.)
- 3) Frequency of the Interest calculation need to be assigned in the GL Account Master
- 4) Interest indicator need to be assigned to the GL Account Master
- 5) Interest rates need to be maintained on time to time basis, if interest rates are fluctuating.

The SAP system would be made available

4.1.13 Document Types

The document type classifies accounting documents. It is noted in the document header. Attributes that control the entry of the document or which are themselves stored in the document are stipulated for each document type. In particular, the number range assigned to the relevant documents is determined on the basis of the document type.

T Code : OBA7

Menu Path: IMG – Financial Accounting – Financial Accounting Global Settings – Documents – Document Header – Define Document Types

The screenshot displays the SAP SPRO transaction OBA7, titled "New Entries: Details of Added Entries". The interface includes a menu bar (Table View, Edit, Goto, Selection, Utilities, System, Help) and a toolbar with various icons. Below the title bar, there are icons for help, print, and save. The main area is divided into several sections:

- Document type:** A text field with a dropdown arrow.
- Properties:** A section containing:
 - Number range: (with a "Number range information" button)
 - Reverse doc. type:
 - Authorization Group:
- Account types allowed:** A section with checkboxes for:
 - Assets
 - Customer
 - Vendor
 - Material
 - G/L account
- Special usage:** A section with checkboxes for:
 - Btch input only
 - Rollup
 - Planning
 - Act. allocation
 - Plan. allocation
- Control data:** A section with checkboxes for:
 - Net document type
 - Cust/vend check
 - Negative postings allowed
 - Inter-company postgs
 - Enter trading partner
- Default values:** A section with a text field for "Ex.rate type for forgn crncy docs".
- Required during document entry:** A section with checkboxes for:
 - Reference number
 - Document header text
- Joint venture:** A section with two checkboxes:
 - Debit Rec.Indic:
 - Rec.Ind. Credit:

4.1.15 Accounts Type

The posting key describes the type of transaction which is entered in a line item. For every posting key, you specify properties which control the entry of the line item or are noted in the line item itself. The most important properties which are derived from the posting

Key are:

1. The account type
2. The allocation to the debits or credits side
3. The possible or necessary specifications which are to be entered in the line item.

T Code : OB41

Menu Path: IMG – Financial Accounting – Financial Accounting Global Settings – Documents – Line Items – Controls – Define Posting Keys

Posting key	Name	Debit/Credit	Account type
00	Act assignment model		
01	Invoice	Debit	Customer
02	Reverse credit memo	Debit	Customer
03	Bank charges	Debit	Customer
04	Other receivables	Debit	Customer
05	Outgoing payment	Debit	Customer
06	Payment difference	Debit	Customer
07	Other clearing	Debit	Customer
08	Payment clearing	Debit	Customer
09	Special G/L debit	Debit	Customer
11	Credit memo	Credit	Customer
12	Reverse invoice	Credit	Customer
13	Reverse charges	Credit	Customer
14	Other payables	Credit	Customer
15	Incoming payment	Credit	Customer
16	Payment difference	Credit	Customer
17	Other clearing	Credit	Customer
18	Payment clearing	Credit	Customer
19	Special G/L credit	Credit	Customer

4.2 Accounting Payable

4.2.1 Reversal of Invoices

Certain cases Tata Steel Pvt Ltd, would reverse the Vendor Invoices, Debit and Credit Notes.

The following options are available in SAP to reverse the Invoices.

1. Invoices accounted for without PO (Through an FI entry)
2. Invoices accounted for with PO (With MM Module Integration)

1) Invoices accounted for without PO (Through an FI entry)

Invoices that are accounted for in FI without PO can be reversed only in FI.

The invoices can be reversed either in the same month or in the current month.

If invoice needs to be reversed in the same month, the period should be opened.

It is suggested and advised to reverse the invoices in the current month though the invoices are pertaining to earlier periods or months.

2) Invoices account for with PO (With MM Module Integration)

Invoices that are accounted against PO can be reversed only in MM. Invoices can be reversed either in the current month or previous month only.

The accounted for Invoice and reversed invoices against PO, would be as open item. Those open items are need to be cleared manually in FI.

4.2.2 Reversal of Incoming and Outgoing Payments

In certain cases, Tata Steel Pvt Ltd, would reverse the payments made and received from Vendors. The reason for such reversals may be

1. Wrong bank account has been selected while making payment
2. Wrong invoices selected for payment
3. Checks not printed properly due to alignment.
4. Wrong selection of PO while accounting Vendor Invoices.

The reversals can happen as below:

- 1) If check has been printed: Check to be cancelled followed by Payment Document.
- 2) If check has not been printed: Only the payment document to be reversed.
- 3) If Wrong PO selected during Invoice Accounting: Reverse Invoice document also.

4.2.3 Debit and Credit Memos (Notes)

It is normal business practice to issue Debit or Credit Memos to the suppliers.

The reasons of such situation may be quantity, quality or Material return etc.

Like vendor invoices parking, the option of parking Debit and Credit notes are also available.

The following options are available in SAP to park the vendor Debit or Credit Memos

1. Park the FI related Memos - Vendor Invoices received without any PO (T Code FV65)
2. Park the MM related Memos – Vendor Invoices received with PO (T Code MIR7)

The following options are available in SAP to post the vendor Debit and Credit Memos

1. Post FI related Memos - Vendor Invoices received without any PO (T Code FB60 or F-43)
2. Post the MM related Memos – Vendor Invoices received with PO (T Code MIRO).

Posting vendor Memos also includes posting of parked documents.

Debit Memo would be from Materials Department for Material Returns.

4.2.4 Incoming Payments from Vendors

Due to short quantity received against already paid advance or excess payment made, vendor accounts may have debit balances or due to cancellation of further deliveries against some PO where advances have already been paid.

The above debit balances usually be adjusted against future supplies. If, Tata Steel Pvt Ltd decides to discontinue further business with the Vendor for any reasons, the excess paid or debit balance from the vendor can be received either by Check, Bank Transfer or LC.

4.2.5 Automatic Clearing

Automatic clearing is the clearing process, where large number of accounts and open items can be cleared.

By this process, all open items would be converted into cleared items.

Pre requisite:

- 1) GL Account should have been "Open Item Management" check box enabled in the master.
- 2) Balance should be Zero
- 3) There should be open items in the Accounts.

4.2.6 Carry Forward Balances

Carry forward balances is the process by which after closure of Books of Accounts, the balances are transferred to the next fiscal year.

The process can be executed once the month end closing processes are completed for the last period of the Fiscal year. For Tata Steel Pvt Ltd, once the books are closed for March.

Any subsequent entries posted for financial year end closing, system automatically updates the Vendor and Reconciliation account on line. No need of executing the process again.

Pre requisite:

- 1) Closing process of the last period of the fiscal year should have been completed.

4.2.7 Payment Terms

In Tata Steel Pvt Ltd the following Payment terms would be followed for Vendors

Code	Description of the Payment Terms
V000	Immediate Payment
V001	100% advance against PO
V002	100% Before Delivery
V003	50% against Order & 50% before delivery
V004	50% against Order & 50% after delivery
V005	50% against Order & 50% after receive Proforma Invoice
V006	100% against Proforma Invoice
V007	100% against LC (at sight)
V008	30 Days Credit against LC
V009	45 Days Credit against LC
V010	60 Days Credit against LC
V011	90 Days Credit against LC
V012	120 Days Credit against LC
V013	150 Days Credit against LC
V014	15 Days Credit
V015	30 Days Credit
V016	45 Days Credit
V017	60 Days Credit

V018	90 Days Credit
V019	120 Days Credit
V020	150 Days Credit
V021	180 Days Credit
V022	360 Days Credit

4.3 Account Receivable

4.3.1 Parking of Customer Invoices

Parking of Invoices facility or option given in SAP to store the document either for want of

Further details or authorization. All the Customer Invoices can be parked i.e. Invoices with Sale Order or without Sales Order.

The details entered in the parked invoice can be changed or corrected before posting by a authorized person. Normally person who is entering the document details would have authorization only to park the entry and he cannot post the document.

The person who has authorization to post the parked document would verify all the entered details with physical documents and post the parked document.

The following options are available in SAP to park the Customer invoices.

- 1) Park the FI related Invoices - Customer Invoices received without any PO (T Code FV70)

4.3.2 Debit and Credit Memos (Notes)

It is normal business practice to issue Debit or Credit Memos to the Customers.

The reasons of such situation may be quantity, quality or Material return etc.

Like Customer FI invoices parking, the option of parking Debit and Credit notes are also available.

The following options are available in SAP to park the Customer Debit or Credit Memos

- 1) Park the FI related Memos - Customer Invoices without any PO (T Code FV75)

The following options are available in SAP to post the Customer Debit and Credit Memos

- 1) Post FI related Memos - Customer Invoices received without any PO (T Code FB70 or F-22)
- 2) Post the SD related Invoices – Customer Invoices received with SO (T Code VF11N).

Posting Customer Memos also includes posting of parked documents.

Credit Memo would be from Sales or Marketing Department for Material Returns.

4.3.3 Customer Account Groups

The account group is a classifying feature within customer master records. The account group determines:

- 1) In which number range the customer account number should be?
- 2) Whether the number is assigned by the user or by the system?
- 3) Which specifications are necessary or possible in the master record?

4.3.4 Posting related Customer Invoices

Posting of Invoices – To post the Customer related invoices directly in the system without parking.

Normally, senior persons in the department would be doing this.

Posting Customer invoices also includes posting of parked documents. The person who has authorization to post the document, himself would enter all the details and post the document.

The following options are available in SAP to post the Customer invoices.

- 1) Post FI related Invoices - Customer Invoices received without any SO (T Code FB70 or F-22)
- 2) Post the SD related Invoices – Customer Invoices received with SO (T Code VF11N).

4.3.5 Incoming Payments from Customers

Tata Steel Pvt Ltd, would be receiving payments from its Customers against invoices or receivable

Payment would be received against multiple invoices and Invoices would be selected while receiving the payments from Customers

The following payment methods would be in use

- 1) Check
- 2) Letter of Credit
- 3) Bank Transfers
- 4) Cash
- 5) Bank Guarantee

Bank Guarantee would be statistical entry in SAP for information purpose. To tract the Bank Guarantee details, report need to be developed on receipt of format.

In the Incoming payments would be received in all house banks of Debit and Credit notes would be adjusted against Invoices while receiving payment from Customers.

4.3.6 Customer Tolerance Group

Freely definable group code for customers and vendors, or G/Accounts. Tolerance groups are unique within a company code. Each tolerance group contains settings that affect cash discount and payment difference processing. These settings become effective during payment entry. You can use the tolerance level to set a percentage or absolute tolerated difference between the transmitted value and the open value. If the difference exceeds the tolerance limit, a new open item is created. The system compares the value transmitted with the value that is still open in the internal invoice for the delivery. You can set tolerance limits at delivery and/or item level (material.) If the tolerance limit is not violated, no new open item is created.

4.3.7 Payment Terms for vendor

Key for defining payment terms composed of cash discount percentages and payment periods. It is used in sales orders, purchase orders, and invoices. Terms of payment provide information for:

- 1) Cash management
- 2) Dunning procedures
- 3) Payment transactions

4.3.8 Automatic Posting

When you post special G/L transactions, the system generates automatic postings.

To make automatic postings, the system requires specifications on the accounts to post to and the posting keys to use.

This information is also already defined in the standard system. You need only make changes if you do not use the standard chart of accounts or if you want to use other account numbers, posting keys or account determination rules. You must also decide which automatic postings you want to have carried out.

4.3.9 Dunning Procedure

The process of automatically notifying and requesting payment from customers with past due invoices.

A pre-defined procedure specifying how customers or vendors are dunned.

For each procedure, the user defines

- 1) Number of dunning levels
- 2) Dunning frequency
- 3) Amount limits
- 4) Texts for the dunning notices

4.3.10 Bill of exchange

Bills of exchange are handled as special G/L transactions in the SAP System. These transactions are thus maintained independently of other transactions in the subsidiary ledger and are posted to a Special G/L account in the general ledger. This affords you an overview of bills of exchange receivable and bills of exchange payable at any stage.

Transfer postings are not usually necessary to display these items on the balance sheet.

4.3.11 Automatic Clearing

Automatic clearing is the clearing process, where large number of accounts and open items can be cleared.

By this process, all open items would be converted into cleared items.

Pre requisite:

- 1) GL Account should have been "Open Item Management" check box enabled in the master.
- 2) Balance should be Zero
- 3) There should be open items in the Accounts.

4.3.12 Payment Terms

In Tata Steel Pvt Ltd the following Payment terms would be used for Customers

Code	Description of the Payment Terms
------	----------------------------------

C000	Immediate Payment
C001	100% advance against PO
C002	100% Before Delivery
C003	50% against Order & 50% before delivery
C004	50% against Order & 50% after delivery
C005	50% against Order & 50% after receive preform Invoice
C006	100% against Preform Invoice
C007	100% against LC (at sight)
C008	30 Days Credit against LC
C009	45 Days Credit against LC
C010	60 Days Credit against LC
C011	90 Days Credit against LC
C012	120 Days Credit against LC
C013	150 Days Credit against LC
C014	15 Days Credit
C015	30 Days Credit
C016	45 Days Credit
C017	60 Days Credit
C018	90 Days Credit
C019	120 Days Credit
C020	150 Days Credit
C021	180 Days Credit
C022	360 Days Credit

4.3.13 Carry Forward Balances

Carry forward balances is the process by which after closure of Books of Accounts, the balances are transferred to the next fiscal year.

The process can be executed once the month end closing processes are completed for the last period of the Fiscal year. For , once the books are closed for Sept.

Any subsequent entries posted for financial year end closing, system automatically updates the Customer and Reconciliation account on line. No need of executing the process again.

Pre requisite:

- 1) Closing process of the last period of the fiscal year should have been completed.

4.4 Asset Accounting

4.4.1 Depreciation

An area showing the valuation of a fixed asset for a particular purpose (For example, for individual financial statements, balance sheets for tax purposes, or management accounting values).

Along with "real" depreciation areas, you can define derived depreciation areas. The values for these derived areas are calculated from those of two or more real areas.

Depreciation area, which is managed in the system as a real depreciation area (not a derived depreciation area).

Each depreciation area is set up to handle depreciation for a particular purpose (e.g. book depreciation, tax depreciation, group depreciation, cost-accounting depreciation, etc.)

Tata Steel Pvt Ltd would continue to follow the Straight Line Method. Depreciation would be calculated on useful life of the Asset.

Tata Steel Pvt Ltd would continue to calculate and post depreciation on monthly basis.

In SAP depreciation would be calculated on the basis of Depreciation Key assigned and from Capitalization date for new assets and from Ordinary Depreciation Start Date for the existing assets which have useful life and need to be depreciated.

Hence each asset master would have the Depreciation Key assignment.

Tata Steel Pvt Ltd is calculating the depreciation on the basis of useful life of the asset, one depreciation key would be configured and used on the basis of life of the asset.

Depreciation would get posted to the respective Cost Centers based on the Assignment of Cost Center in the Asset Master Data.

Base Method

Base method of the depreciation key for calculating depreciation or imputed interest.

Declining balance Method

Declining-balance method of the depreciation key for calculating depreciation or imputed interest. The multiplication factor is used in determining the depreciation percentage rate for declining-balance depreciation. The system multiplies the depreciation percentage rate resulting from the total useful life by this factor.

Multi-level Method

Multi-level method of the depreciation key for calculating depreciation or imputed interest.

4.4.2 Reversals

May reverse the following asset transactions depending upon the business Requirement.

- 1) Asset Acquisition

- 2) Capitalization of AUC
- 3) Retirement of Asset with Customer
- 4) Scrapping

4.4.3 Revaluation of Assets

Would like to have the business process configured to reevaluate the assets as per the Management decision and business requirement.

The necessary configurations for revaluation would be made available.

4.4.4 Fiscal Year Change

Fiscal year change in SAP Asset Accounting is business process, which would enable the organization to Transact asset related processes in the next fiscal year.

This would be normally carried out during last week of the current fiscal year. No financial entries would happen as the Posting period in Financial Account would not kept opened till the 1st day of the new fiscal year.

The only pre requisite for carrying out Fiscal year change is that Asset Accounting Fiscal year of the previous year should have been closed.

E.g. If Fiscal year of 2017 in Asset Accounting need to be opened, the fiscal year of 2015 in Asset Accounting should have been closed, and else Fiscal year 2017 cannot be opened.

4.4.5 Year End Closing

The following are yearend closing processes in Asset Accounting. As a best SAP standard best practice, would also follow:

- 1) Capitalization of any pending Assets under Construction.
- 2) Depreciation posting for the entire fiscal year including Capitalized assets, as it is a pre requisite for yearend closing.
- 3) Asset balances would be carry forwarded to next fiscal year during GL carry forward balances.
- 4) Recalculation of Depreciation, if required, for any changes in the life of the asset, Change in the Rate of Depreciation, System would recalculate the depreciation for the entire year to correct the already posted depreciation in the earlier months, by using SAP Standard

4.4.6 Account Determination

The account determination determines the reconciliation accounts in the general ledger, as well as their offsetting accounts, that are to be posted when certain business transactions are carried out.

You must enter an account determination in the asset class. Several asset classes can use the same account determination, if they use the same chart of accounts and post to the same general ledger accounts

4.4.7 Asset Class

The main criterion for classifying fixed assets according to legal and management requirements. For each asset class, control parameters and default values can be defined for depreciation calculation and other master data.

Each asset master record must be assigned to one asset class.

Special asset classes are, for example:

- 1) Assets under construction
- 2) Low-value assets
- 3) Leased assets
- 4) Financial assets
- 5) Technical assets

4.4.8 Depreciation Posting Intervals

Number of periods between two depreciation runs you specify the interval between two depreciation postings runs in this field. Define this interval by entering the number of posting periods that should be in the interval.

Example

Key to the entries when using a fiscal year version with 12 normal

Posting periods:

1 = monthly posting

3 = quarterly posting

6 = semi-annual posting

12 = annual posting

Note

Depreciation posting runs, which result from changes to valuation due to year-end closing and take place after the end of the fiscal year, can be posted as unplanned depreciation Posting runs in the special periods of the given fiscal year version.

Define

Monthly: Depreciation of fixed assets is posted in each Financial Accounting posting period.

Bi-Monthly: Depreciation of fixed assets is posted in every second Financial Accounting posting period.

The field is not ready for input if the number of Financial Accounting posting periods is not '12'.

Quarterly: Depreciation of fixed assets is posted each quarter that is in every third Financial Accounting posting period.

The field is not ready for input if the number of Financial Accounting Posting periods is not '12'.

Semi-Annually: Depreciation of fixed asset is posted semi-annually, that is in every sixth Financial Accounting posting period.

The field is not ready for entry if the number of Financial Accounting Posting periods is not '12'.

Annual: Depreciation for fixed assets is posted once a year.

4.4.9 Capitalization of Assets under Construction (AUC)

It has been decided to use Internal Order to capture the expenses incurred on Asset for capitalization.

If the asset procured cannot be put in use immediately or ready to use (e.g. Machineries, equipment's) and needs additional expenses need to be capitalized (e.g. erection engineer service charges, additional spares or consumables required to install the machinery and equipment's).

To make the asset ready to use, additional costs are incurred. As it is not advisable to post or debit each and every transactions to the asset master, separate Internal Order would be created for each such AUC.

Whenever expenses are incurred for making the asset to put in use or ready to use, the respective GL account would be debited with debit to Internal Order also (Internal Order is also one cost object or cost collector).

4.4.10 Depreciation Key

The depreciation key (valuation key) controls the valuation of the asset in the particular depreciation areas.

The depreciation key consists of the following:

- 1) Calculation method for the automatic calculation of interest,
- 2) ordinary and special depreciation
- 3) Possibly a cutoff value key
- 4) Various control indicators

5.0 Gap Analysis

The SAP R/3 system comes with predefined packages. Sometimes these predefined packages may not suit a client's business requirements. In the first phase of implementation, the implementation team will gather all business requirements. A thorough analysis of the business requirements will lead to a gap between the business requirements and the SAP standard package. There are two ways to reduce the gap: (1) by changing the business process or (2) by developing new programs (customizing) to accommodate the client's business process. Before the second phase of implementation, the SAP implementer will try to reduce these gaps by Adopting either of these options or both.