

Benefits of S/4 Hana Finance

S/4 Hana Finance: Increased Efficiency And Transparency In Accounting

In times of globalization, not only the economy takes giant leaps. Companies have to face new challenges on a constant basis. In order to keep up with the competition, they must keep an eye on technological innovation yet also provide profound expertise.

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Especially Financial Accounting and Controlling (short: FI/CO) needs tailored solutions to counter the accelerating degree of automation and comply with ever new requirements in the area of reporting. Companies following a digitalization strategy have already recognized the importance of finance. Business processes in the value chain have to be monitored and evaluated in real time.

In the past, many companies relied on SAP R/3 or ECC solutions. However, these “old” systems are reaching their limits. In a supporting role, the factor technology - especially the use of innovative and strategic tools like S/4 Hana Finance - is key to success in the digital transformation of finance.

Single Financial Truth

Driven by the new data model in S/4 Hana, Finance and Controlling are transformed and converged in a single transactional table to record and report from. A central data pool is created on basis of a common journal entry table, the Universal Journal (UJ), which combines all relevant transactional data: transactions, analyses and insights are all based on this single source. This Single Financial Truth makes up the core of S/4 Hana and paves the way towards digital transformation.

Another new feature represents the multidimensional reporting in real time – ad hoc and with drill-down functionalities for financial reports. Internal and external accounting are harmonized with the new common data store that enables reporting on line item level. Its multidimensionality reporting makes reporting under S/4 Hana faster, more flexible and significantly more detailed.

The new General Ledger is a core component of S/4 Hana and tackles the challenge of handling several accounting principles in parallel. Posting of multiple transactions can proceed in parallel due to the possibility of



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posting different valuation methods in separate ledgers. Thus, redundant postings of cross-valuation transactions become obsolete and only additional postings for valuation differences are required. The new data model in S/4 Hana simplifies the implementation of the new GL, and respectively parallel accounting, using the ledger approach. The account approach however remains an alternative option in S/4 Hana.

The core functionalities of Accounting Based Profitability Analysis (AB-COPA) have been enhanced as well. As “Simplified COPA”, AB-COPA in S/4 Hana is embedded in the Universal Journal and enables multi-level contribution margin reports by integration of material cost estimate and its cost components. Furthermore, variance categories from manufacturing can also be recorded on dedicated GL-accounts. With these enhanced functionalities, and according to the SAP product roadmap, AB-COPA is going to replace costing-based COPA (CB-COPA) as best practice approach for management reporting in S/4 Hana.

Reconciled, optimized, flexible

Integrated in the Universal Journal, the Material ledger (ML) becomes the single source for inventory- and material valuation. Thus,

the activation of this ML functionality is mandatory for all organizations with MM-Process. Additional features of ML, such as Actual Costing and Parallel Valuation with Transfer Prices for inter- and intra-company transactions in up to three valuation approaches (legal-, group- and profit center valuation) are still optional.

With S/4 Hana Finance, internal and external accounting converge. Companies should keep this in mind in order to make the necessary adaptations in their organizational setup and process landscape. This transformation, however, does not have to be fronted unilaterally. External consultants can render additional support and accelerate the process. With an unbiased view from an outside perspective, they can examine the prerequisites and provide holistic process consultancy. Under these circumstances a company, and in this case particularly its finance and accounting department, can face the challenges of digital transformation.

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