

Migrate to SAP S/4HANA Finance from Classic to S4 Directly in 1- step or 2-steps via New G/L

Mitresh Kundalia — December, 2021

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Click to Leading SAP-expert

Well-known Author & Speaker

Published SAP-press book

Written 50+ peer-reviewed technical papers

Heads Premier SAP consulting firm

Specializes in S4, SLO conversion

Proprietary S4 & SLO product-suites

What We'll Cover

Deployment Options

- New Implementation – Greenfield
- Brownfield Conversion
- System Landscape Transformation

Classic G/L to New G/L

- New G/L Considerations
- Document Splitting
- Parallel Ledgers

Classic G/L to Universal Journal

- Transformation initiatives
- Conversion process at period-end
- New G/L Migration at Year-end

SAP S/4HANA Finance: Overview

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SAP S/4HANA Comprehensive Portfolio

Financial Planning and Analysis	Accounting and Financial Close	Treasury and Financial Risk Management	Finance Operations	Enterprise Risk and Compliance Management
Strategy Development and Translation	Accounting	Payments and Bank Communications	Receivables Management	Enterprise Risk Management
Planning, Budgeting and Forecasting	Entity Close	Cash and Liquidity Management	Invoice Management	Controls & Compliance Management
Profitability and Cost Management	Corporate Close	Debt and Investment Management	Travel Management	International Trade Management
Monitoring and Reporting	Reporting and Disclosure	Financial Risk Management	Real Estate Management	Fraud Management
	Financial Close Governance	Commodity Risk Management	Financial Shared Services	Audit Management

= core Central Finance focus areas
 = secondary focus / optimization candidates

SAP S/4HANA Finance Features

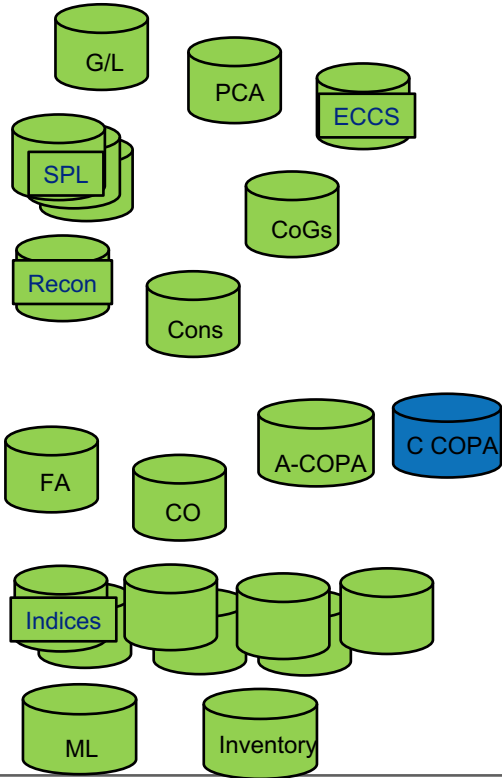
- **Financial Planning & Analysis FP&A enhancements** - enables profitability cost management and improved management, and reporting improvements
- **Accounting and Financial Close** – significantly improves financial close process, enhanced disclosure management, governance, and more
- **Treasury and Financial Risk Management** – improves end to end Treasury and Risk Management functions
- **Finance and Operations** - Improve receivables and collections processes, payment cycles, travel management, and more
- **Enterprise Risk and Compliance** Improve enterprise risk and compliance.

Comprehensive Portfolio – Another look

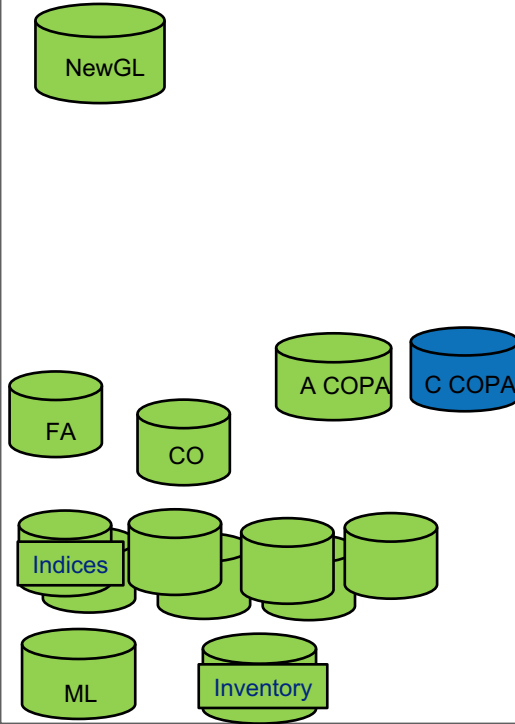
Finance and Risk					Chief Financial Officer
Vice President, Finance	Head, Corporate Reporting	Head, Finance Operations	Head, Corporate Treasury	Risk, Compliance & Audit Officer	CISO, CIO
Financial Planning & Analysis	Accounting & Financial Close	Finance Operations	Treasury Management	Enterprise Risk & Compliance	Cybersecurity & Data Protection
Planning, Budgeting, and Forecasting	Financial Accounting	Record to Report	Payments and Bank Communications	Enterprise Risk Management	Access Governance and Identity Management
Profitability and Cost Management	Entity Close	Order to Cash	Cash and Liquidity Management	Controls and Compliance Management	Single Sign-on
Management Reporting	Corporate Close	Procure to Pay	Debt and Investment Management	Automated Monitoring and Screening	Access Monitoring
	Financial Reporting	Indirect Tax Management	Financial Risk Management	Policy Lifecycle Management	Data Loss Prevention
	Direct Tax Management	Real Estate Management	Risk Management for Commodities	Audit Management	
	Financial Close Governance	Travel and Expense Management	Treasury Governance	International Trade Management	
		Financial Shared Service Management			
		Financial Process Governance			

Simplified Data Models and Reduced Data Footprint

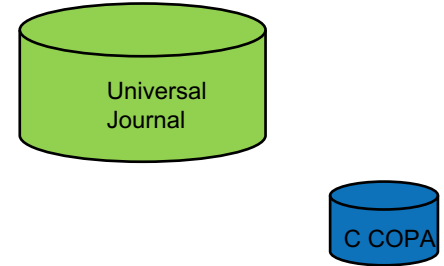
Classic G/L



SAP General Ledger



S/4HANA Finance



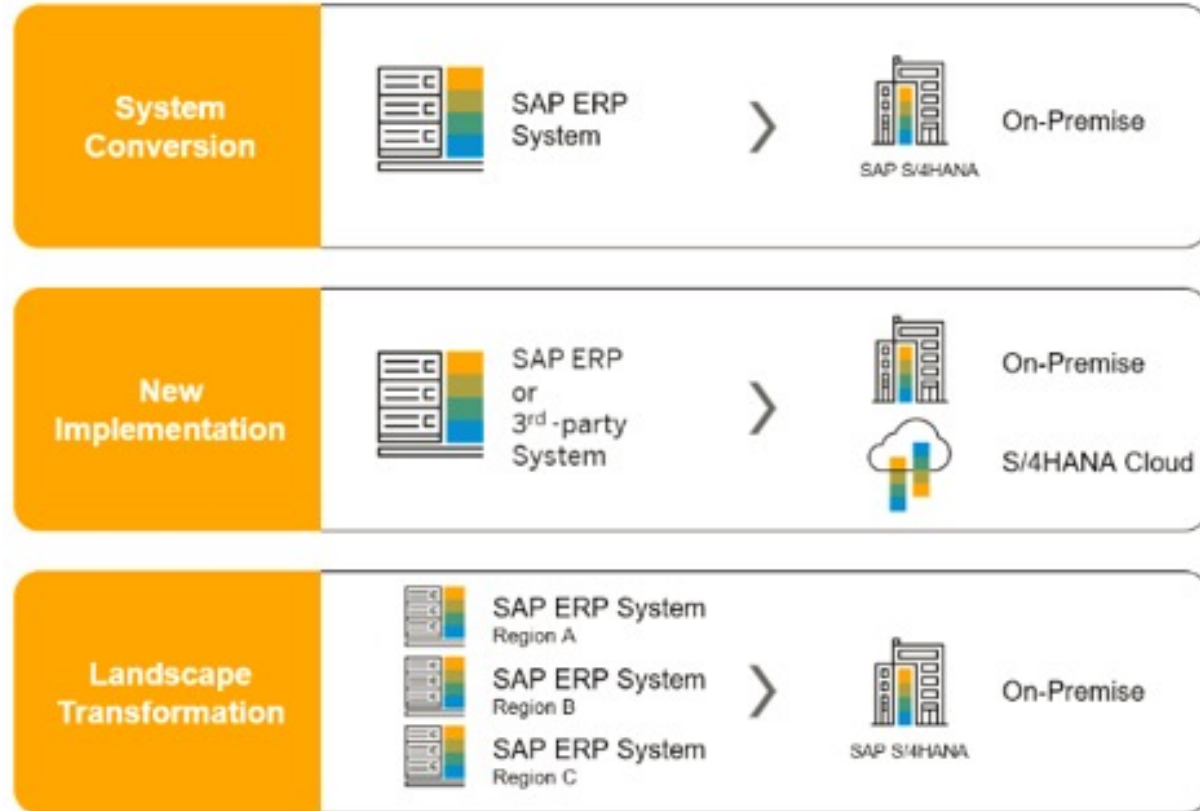
SAP S/4HANA Finance: Deployment Options

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SAP S/4HANA Deployment Options

- Brownfield
- Greenfield
- System Landscape



SAP S/4HANA – Brown-field Conversion

- You have various options and flexibility IF you are planning to convert existing system (Brown-field)
- Please note Conversion involves many components
 - Convert Underlying database to Suite-on-HANA (SOH)
 - SAP ERP 6.0 to SAP S/4HANA Core
 - SAP Business Processes (Finance & Logistics)
 - User Experience
- So you have few options to achieve your end-goal !
 - One-step or multiple-steps Considerations

In this session, we are focusing on Brown-field Conversion

Brown-field Conversion for Classic G/L Customers

- IF you are “Classic” G/L customer, basically you have two options
 - 2-steps First migrate to New G/L and subsequently SAP S/4HANA Finance (Universal Journal)
 - 1-Step Migrate to SAP S/4HANA Finance (Universal Journal) in 1-step
- But, wait.. Its not as easy as it sounds!

Brown-field Conversion for Classic G/L Customers..

- With SAP S/4HANA Migration, the Classic General Ledger application is automatically transformed into a basic implementation of New General Ledger
- What that means is SAP S/4HANA uses SAP General Ledger (aka New G/L) as default
- Please note what this means New G/L is activated from technical-perspective only.

Brown-field Conversion for Classic G/L Customers..

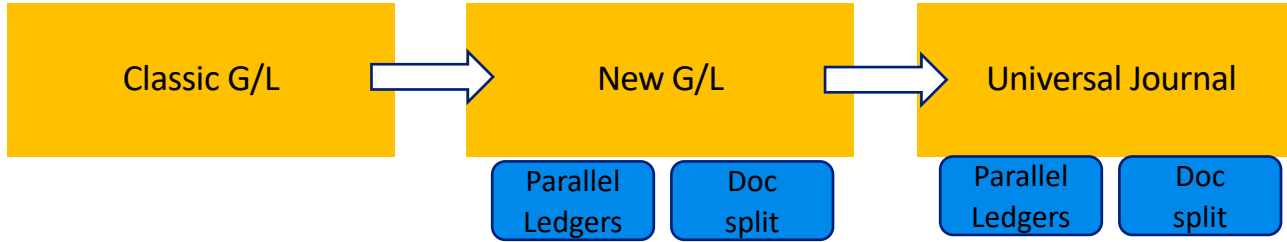
- Migration to SAP S/4HANA automatically activates new Data Structures
 - Meaning all the underlying tables are aligned to NGL Table structures (“similar” to FAGLFLEX(T)(A))
 - SAP S/4HANA activates new data structures (ACDOCA) and FAGLFLEX(T)(A) become obsolete
 - In that sense, SAP S/4HANA offers the “Unified” SAP General Ledger (New G/L)
- Therefore transactions of classic General Ledger have to be replaced by the relevant transactions from SAP General ledger (aka New G/L)

Brown-field Conversion for Classic G/L Customers..

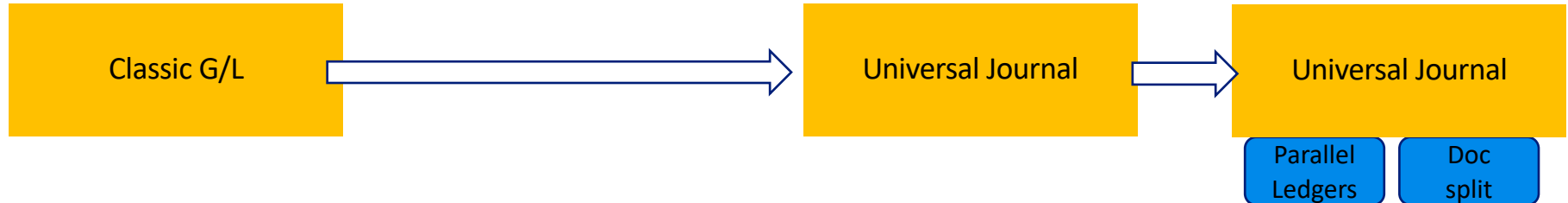
- **HOWEVER,**
- **Keep a note about New G/L Functionalities**
 - **Parallel Ledger**
 - **Document Splitting**
- **These New functionalities are not automatically activated, as part of Universal Journal Migration**
- **Document Splitting and Parallel Ledger Functionalities have to be activated separately!!**
- **You have couple of options**

Migration to Universal Journal - Options

Option 1



Option 2



SAP S/4HANA Finance: Migration Considerations

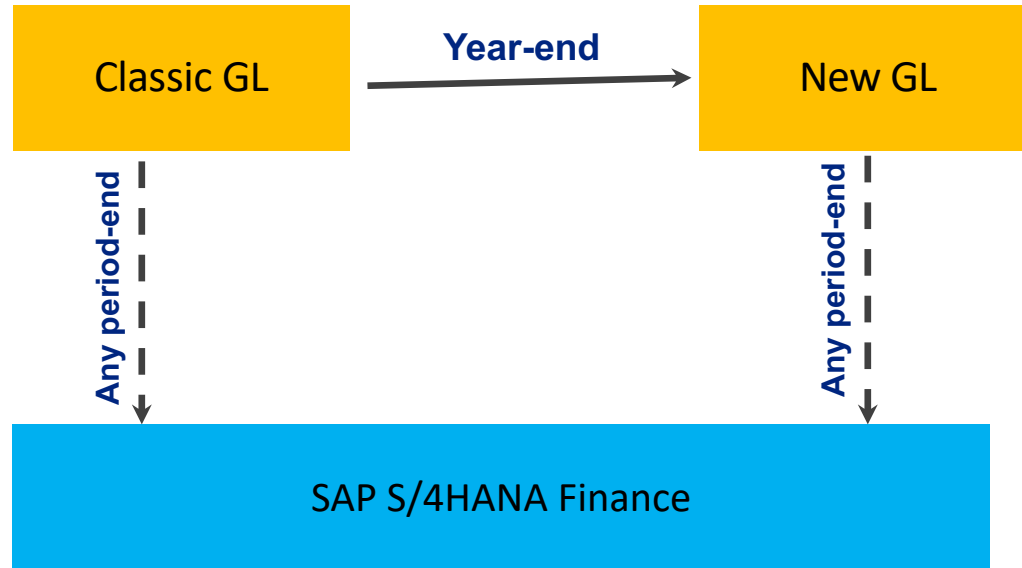
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SAP S/4HANA Finance — Strategic Considerations

- Current data-system setup
- Migration to SAP General Ledger (New G/L) or Conversion to SAP S/4HANA Finance
 - Existing currency setup must be retained
 - Existing Accounts and Chart-of-Accounts setup must be retained
 - Existing master data setup must be retained
- Transformation/re-organization
 - Any transformation/re-organization SLO-type conversion must be done prior to migration/conversion to SAP S/4HANA

SAP S/4HANA Finance Migration



Brown-field Conversion for Classic G/L Customers

- **Key Requirements of Parallel Ledger and Document Splitting**
 - **Migrating from Classic G/L directly to SAP S/4HANA Finance, please carefully consider the requirements of Parallel Ledger and Document Splitting**
 - **Prior to 1709, Document splitting functionality was not allowed in SAP S/4HANA**
 - **Since 1709, Document Splitting can be “Subsequently” introduced**
 - **Carefully consider the restrictions as the effective-date needs to be beginning of FY**

SAP S/4HANA Finance — Strategic Considerations

- **Classic-GL customers**
 - Implementing SAP General Ledger (aka, New G/L) is not mandatory (however, carefully consider the limitations)
 - Migration can happen at any period-end
 - Migration to SAP S/4HANA activates new database structures, similar to SAP General Ledger (New G/L)
 - During migration, parallel ledger and document splitting is not activated
 - Migration similar to SAP General Ledger Migration scenario 1 (think like New G/L “Lite”)
 - SAP General Ledger Migration at the year-end; SAP S/4HANA conversion at period-end
- **SAP General Ledger (New G/L) customers**
 - Migration can happen at any period-end
 - Migration to SAP S/4HANA activates new database structures (FAGLFLEX(AT) become obsolete)

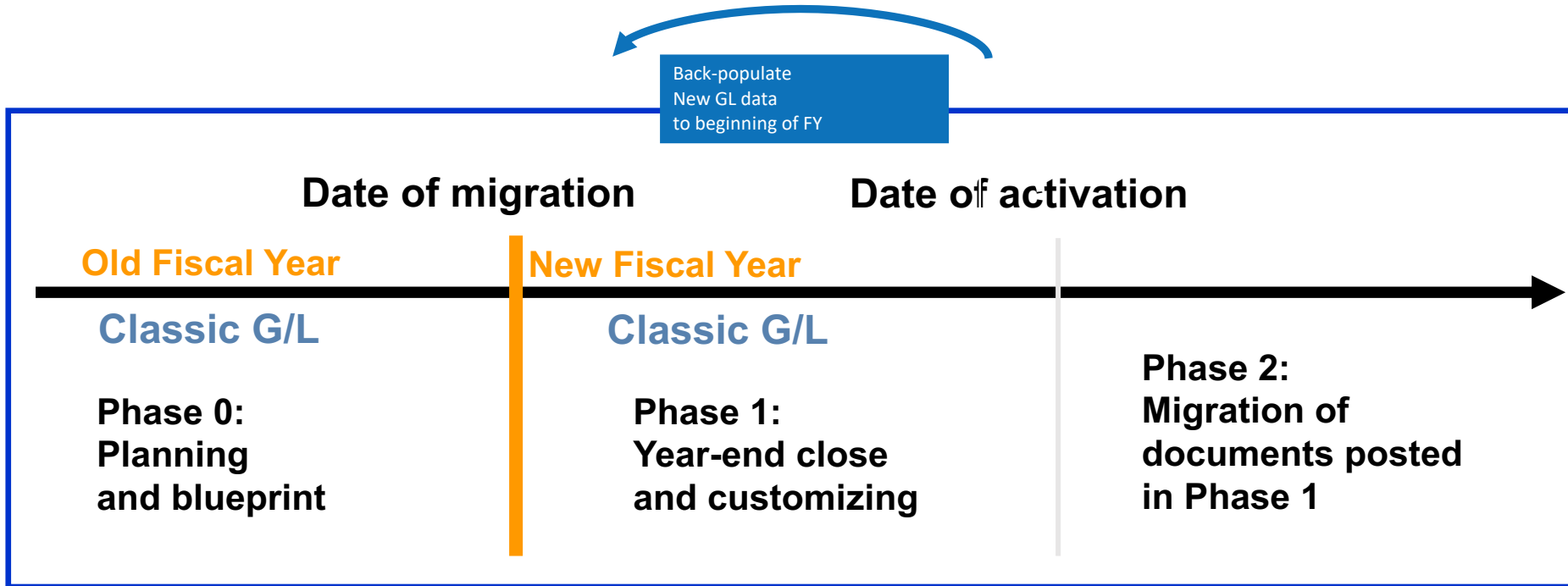
SAP S/4HANA Finance — Strategic Considerations..

- **Conversion directly from Classic G/L to SAP S4/HANA Finance limitations**
 - **Unlike a migration to the new General Ledger Accounting using the SAP General Ledger Migration Service, migration to SAP S4/HANA has some restrictions:**
 - **Implementation of document splitting (Subsequent supported from 1709)**
 - **As document splitting was not supported, complete balance sheets at the profit center (other dimension) level are not possible**
 - **Migration from special purpose ledger to new General Ledger Accounting**
 - **After the migration, you can continue to use any special purpose ledgers that existed prior to the migration as usual**
 - **New implementation of parallel valuation**
 - **Implementation of the ledger approach for parallel accounting (replacement of parallel accounts)**
 - **Change in chart of accounts and conversion of chart of accounts**

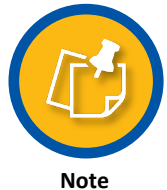
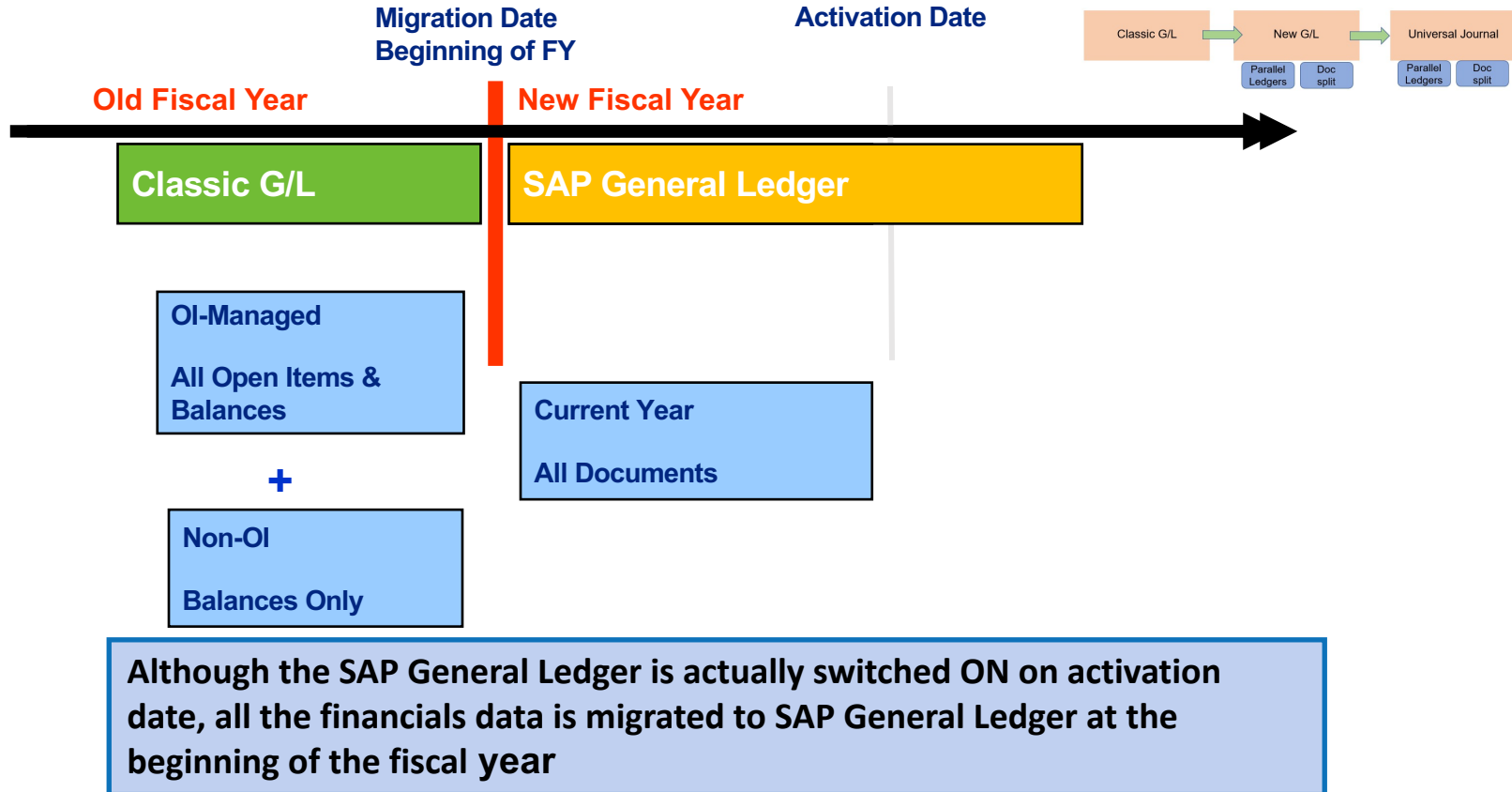
Migration Process

- Migration date
 - The start of the fiscal year for which migration is performed
 - Year-end closing must be completed prior to activation of SAP General Ledger
- Activation date
 - Date SAP General Ledger is activated

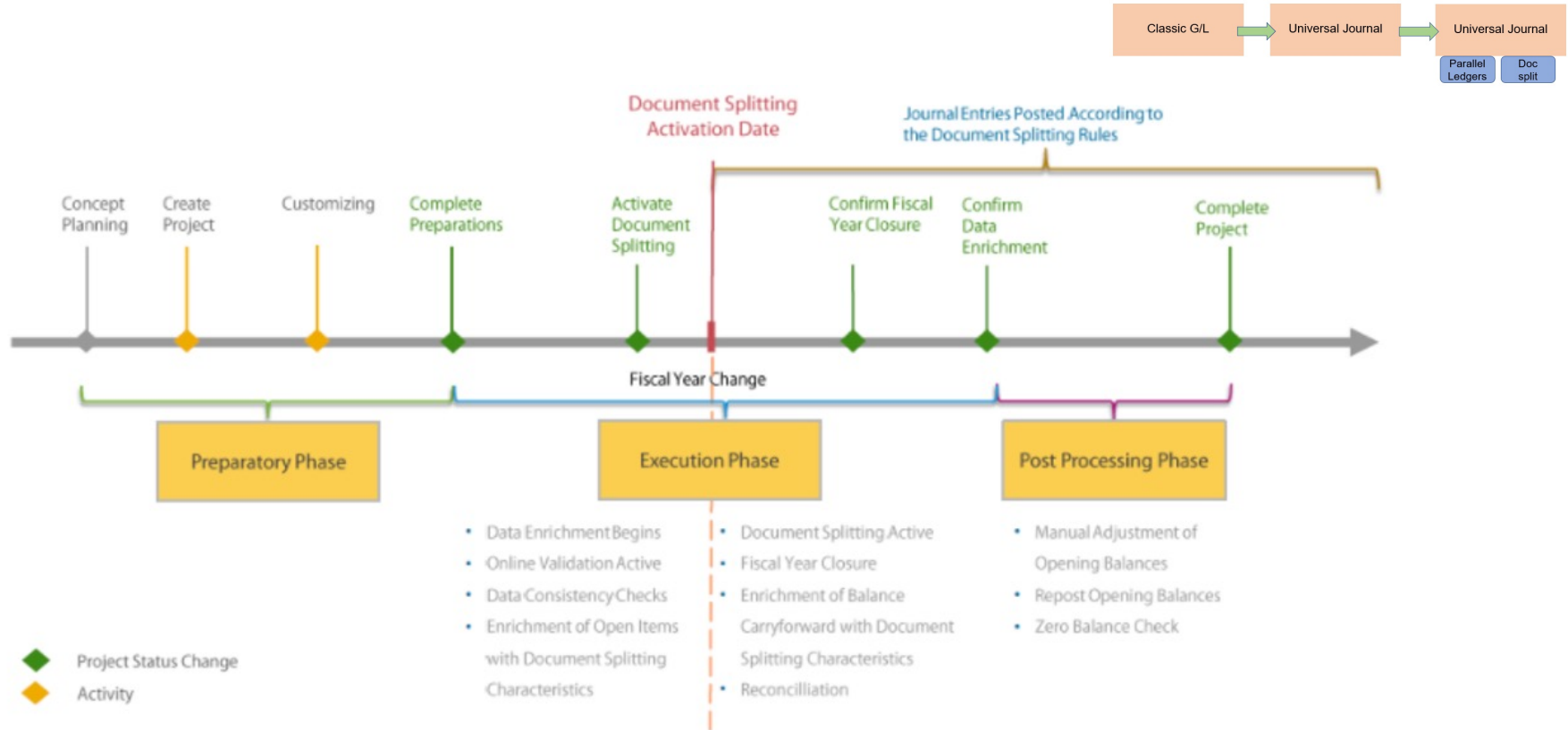
Migration Process



General Ledger Migration Phase Model

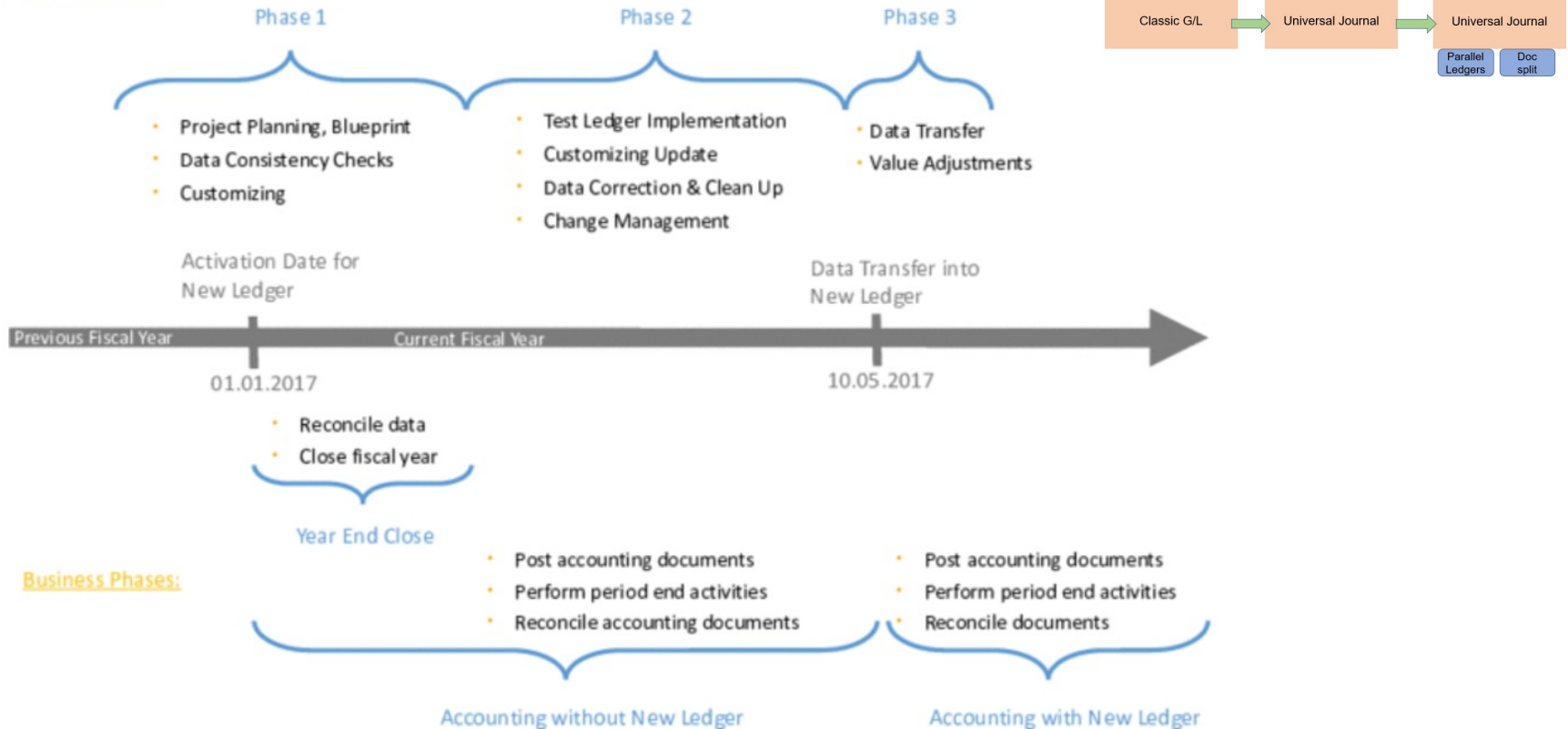


Subsequent Implementation of Document Splitting



Subsequent Implementation of Parallel Ledgers

Project Phases:



Subsequent Document Splitting & Parallel Ledger

- **Key considerations**

- It is not possible to implement an additional ledger in the same fiscal year as the fiscal year of migration to SAP S/4HANA Finance
- A change from the accounts approach (parallel accounting) to the ledger approach is not supported and it is, therefore, not possible to transfer designated posting data per account or account range.
- It is not possible to assign a new ledger to an existing ledger group.
- The new ledger (target ledger) must have the same set of currencies and currency types as the source ledger. However, the currencies can be assigned in a different order
- When a new ledger is implemented, the target and source ledgers must have the same fiscal year variant.
 - The update of asset values can only be carried out for identical fiscal years.
- An extension ledger cannot be a part of this project.
- Archiving accounting documents from the current fiscal year cannot take place before the implementation of a further accounting principle.

Subsequent Document Splitting & Parallel Ledger

- **Key considerations**

- Subsequent Implementation of Document Splitting in SAP S/4HANA is different than the Migration Scenario 6 of the “New GL”
- Subsequent Document Splitting in SAP S/4HANA does not require system downtime
- It is recommended to activate Subsequent Document splitting effective, beginning of Fiscal Year; but not mandatory, you can choose the beginning of Fiscal Period

SAP S/4HANA Finance: Lessons Learned

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Lessons Learned

- **Strategic Considerations**

- Detained and In-depth assessment of technical considerations for SAP S/4HANA Deployment Options
- Technical pre-requisites and pre-project readiness checks

- **Transformations and Re-organizations**

- Any Data Re-organizations and Process transformation initiatives
- Existing Global settings, such as Chart-of-Accounts, Currencies, Fiscal year are migrated as-is

- **Business Functions Considerations**

- SAP S/4HANA is massive initiative
- Not just Universal Journal, significant changes and enhancements
 - Business Partners
 - Material Ledger
 - Account-based CO-PA

Lessons Learned..

- **Initial setup as Classic G/L**

- Carefully consider options to migrate to SAP S/4HANA
- Migrating directly to S4/HANA appears appealing but consider the limitations and amount of efforts

- **Document splitting and Parallel Ledgers**

- If your business requirements mandate Parallel Ledger and Document Splitting, consider migrating to New G/L first
- Parallel Ledgers (now) can be part of SAP S/4HANA finance project
- Document Splitting has to be introduced later on subsequently
- It is recommended that the effective-date of Document Splitting functionality be beginning of FY
- It is recommended that the effective-date of Parallel Ledger functionality be beginning of FY

Lessons Learned..

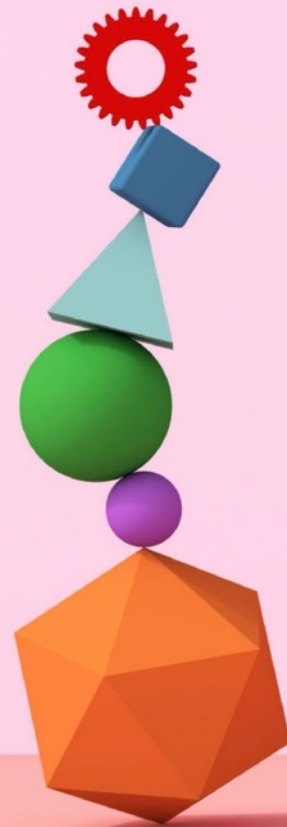
- **Parallel currency setup**

- Currency setup must be consistent across ledgers
- Additional parallel currencies can not be introduced as part of migration
- Currency conversion will be required if you wants to have consistent parallel currencies

- **New G/L Migration considerations**

- Consider the impact of processes-complexities/company codes/data volume
- Business Process rules at Chart-of-Accounts level (not Company Code level)
- All active company codes must be migrated
- Amount of data volume will play a role in data clean-up efforts

Wrap Up



Key Points to Take Home

- **Before you embark upon your SAP S/4HANA journey, you must be ready with structural transformations**
 - Any transformations and SLO-type reorganizations must be done prior to Migration/Conversion
- **Migrating to SAP S/4HANA is a massive undertaking with lots of options and many key considerations**
- **Your current state of General Ledger must be a major consideration for your SAP S/4HANA roadmap**
 - Whether your starting point is Classic General Ledger or SAP General Ledger (New G/L) will have a major impact on your deployment strategy

Key Points to Take Home...

- **At high-level consider two strategies**
 - Classic G/L -> New G/L -> Universal Journal
 - Classic G/L -> Universal Journal with subsequent introduction of Document Splitting
- **Carefully consider the efforts involved for these initiatives**
 - Don't underestimate the efforts, just because it says "1-step"!
- **New G/L project must be aligned with the Fiscal Year beginning**
- **Universal Journal project must be aligned with Fiscal Period Beginning**

Where to Find More Information

- ***Financials Expert articles***
 - ***“Quick Tip Don’t Make the Mistake of Activating Group Currency in the Productive Environment” – Mitresh Kundalia***
 - ***“SAP General Ledger Consistency Checks: Open-Item-Managed Accounts” – Mitresh Kundalia***
 - ***“SAP General Ledger Consistency Checks: Reconciliation Accounts” – Mitresh Kundalia***
- **https://help.sap.com/viewer/p/SAP_S4HAN_A_FINANCE**

THANK YOU

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