

Tips and Tricks to Ease SAP S/4HANA Finance Migration Challenges

Mitresh Kundalia — December 1, 2021

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What We'll Cover

Structural Consistency

- Consistent Footprint
- Current setup – Currencies
- Current setup – Chart-of-accounts
- Fiscal Year setup
- SLO-type Transformations

Foundational Consistency

- New Fixed Assets
- Business Partners
- New G/L – Document Splitting
- New G/L – Parallel Ledgers
- Material Ledgers

Data & Processes Consistency

- Master data consistency
- Transactions data consistency
- Ledger / Sub-Ledger consistency
- Audit Controls & Validations

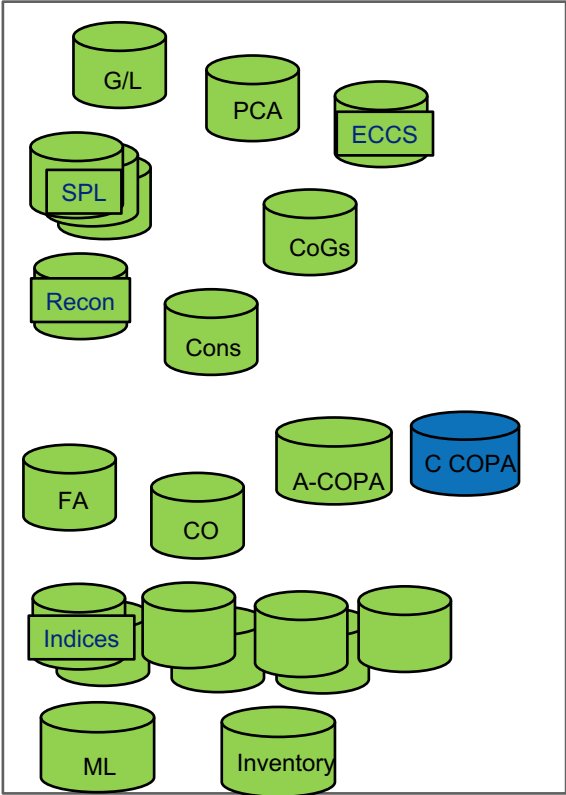
SAP S/4HANA Finance: Overview

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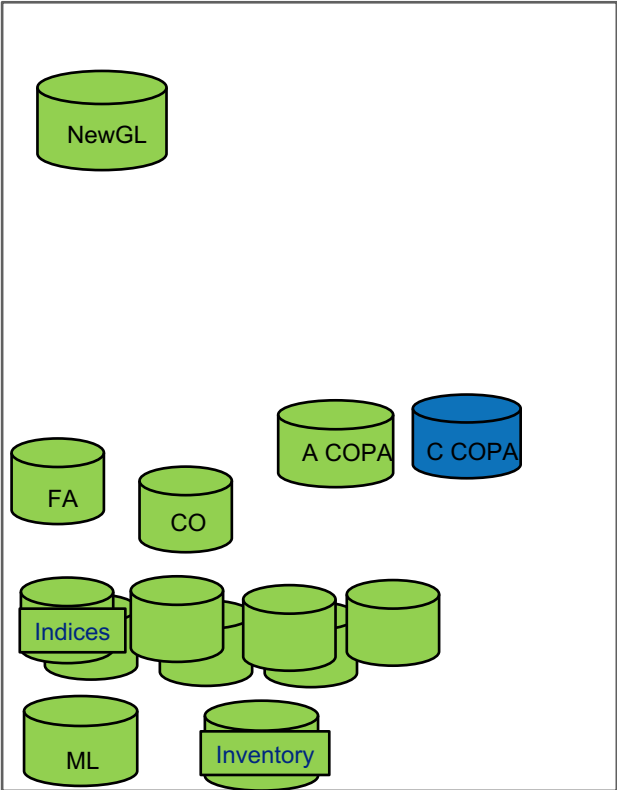


Simplified Data Models and Reduced Data Footprint

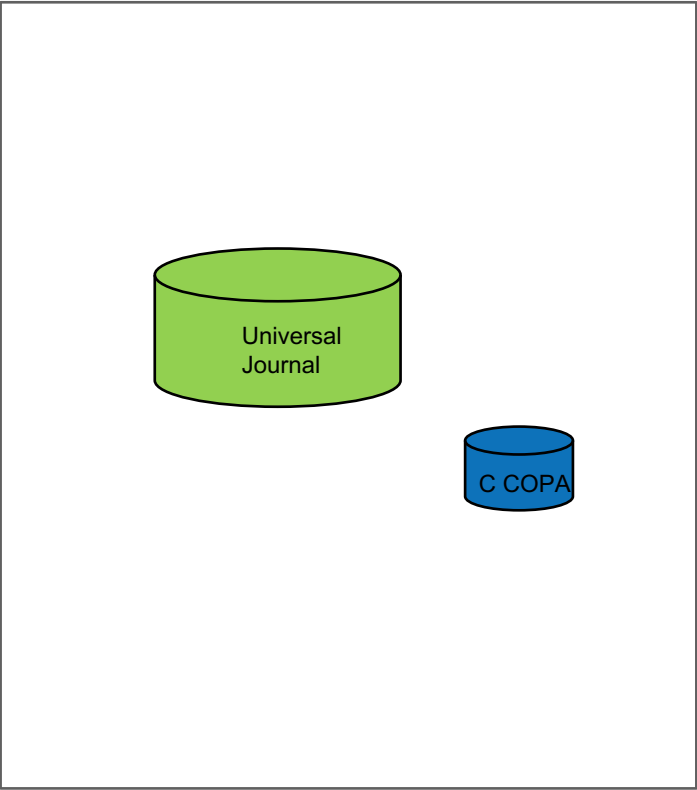
Classic G/L



SAP General Ledger



S/4HANA Finance



Finance Transformation Initiatives

- You are a massive global organization with complex system landscape and want to embark upon a New G/L or S/4HANA journey ... you want to standardize and harmonize the processes/data across the system landscape before you can start
- Your existing currency setup is not consistent across the units and that is stopping you from starting the strategic initiative
- You want to standardize the chart of accounts across the organization
- Any transformation/re-organization SLO-type initiatives must be done prior to migration/conversion to SAP S/4HANA

SAP S/4HANA: Migration Tips and Tricks

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SAP S/4HANA: Migration

- Get ready for major initiative
- First, evaluate your key strategic choices and considerations for SAP S/4HANA
 - Start-state of Financials Classic G/L or New G/L
 - Scope as Simplified Finance or includes Logistics
 - Technical-only upgrade or Functionalities Enhancements
 - End-state as on-premise or Cloud
 - Fresh new implementation or conversion of existing ECC
- Note that these are just high-level and representative strategic considerations
- You will have to consider such key strategies that are relevant for your organization (depending upon other considerations, such as timelines, budgets, organization impact, organizational appetite for risks-and-rewards and more)

SAP S/4HANA: Migration Preparatory Tasks

- Next, prepare the system for the migration
- As SAP S/4HANA merges many of the data structures, it is expected to make your underlying data and processes to be consistent prior to migration
- In addition to data, you will need be re-engineer the processes to be consistent
- Also, you will need to be prepared for the new planned functionalities for SAP S/4HANA
- Underlying data must be made congruent and consistent
- However, be ready to be surprised how much data clean-up efforts are needed to be ready for Migration

SAP S/4HANA Preparedness – Tips and Tricks (cont.)

Structural Consistency

Foundational Consistency

Data/Process Consistency

Audit Controls Consistency

- **Structural Consistency Checks**

- Current setup – Currencies
- Current setup – Chart-of-Accounts
- Controlling Area merger
- Fiscal year conversion
- Fixed Assets Depreciation Areas/Currencies

- **Foundational Consistency Checks**

- New Fixed Assets Accounting
- Business Partners



Checklist

- **Data Consistency Checks**

- Master data consistency
- Transactions data consistency
- Ledger-sub-ledger consistency
- Cross-modular (FICO, MMGL, SDGL) consistency

- **Audit Controls and Consistency Checks**

- PRE-POST financials accuracy
- PRE-POST financials consistency
- PRE-POST business completeness
- PRE-POST spot checks

SAP S/4HANA: Structural Consistency Tips

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Currency Types – ECC Basic Structure

Structural
Consistency

- In FI, there used to be up to 3 currency buckets
 - LC1 Mandatory, Company Code Currency (Currency Type 10)
 - LC2 Optional, Usually Group Currency (Currency Type 30)
 - LC3 Optional, Usually Hard Currency (Currency Type 40)
- In CO, there used to be 2 currency buckets
 - LC1 Mandatory, Object Currency (commonly local currency as Currency type 10)
 - LC2 Mandatory, Controlling Area Currency (commonly as Group Currency)
- Currency Setup in FI and CO were not necessarily consistent

Currency Types – SAP S/4HANA Basic Structure

- SAP S/4HANA dramatically revamps the classic FI/CO data structures
- With the introduction of Universal Journal in S/4HANA, earlier data structures are no longer valid
 - Basically, Universal Journal combines all different FI CO tables into one combined table
- In Universal Journal, there can be up to 10 currency buckets
 - 2 fixed buckets
 - LC1 Fixed, Local Currency (Currency Type 10)
 - LC2 Fixed, Global Currency (Currency Type 30)
 - 8 optional currency buckets
 - User-defined currency buckets

Migrating to SAP S/4HANA

- Your existing currency setup is migrated
- You cannot make any changes to the currency setup
- You cannot introduce any new parallel currencies
- As part of technical migration process, it automatically brings the old currency configuration

ECC

	HSL	KSL	OSL							
Classic G/L	10	30	40							
Classic Fixed Assets	10	30	40							
Controlling	10/70	20/30								

S4

	HSL	KSL	OSL	VSL	BSL	CSL	DSL	ESL	FSL	GSL
Universal Journal	10	30	40	50	60	Z1	Z2	Z3	Z4	Z5
BSEG	10	30	40							

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 - User-defined currency buckets

Don't Change Currencies Once System Is Live

- For migrating to the SAP S/4HANA or SAP General Ledger, you require consistent currencies setup in the existing environment
- If the currency setup is not consistent, you can not simply change the currency setup in the environment, once the system is live
 - Configuration change will be effective going-forward only;
 - Existing financials transactions, will not have correct currency values
 - To change/activate additional Parallel Currency in the live SAP system requires conversion of existing Financials transactions
- To fully exploit the power of SAP S/4HANA currencies, you will need a Currency Conversion project!

Structural Consistency - Currencies

- Simply making a configuration change, but without underlying data conversion, will cause serious issues
 - Your clearing process will not work
 - Example: Earlier Document# 1001 does not have LC2 populated, whereas the newly posted document #2002 has LC2 populated

PRE – Configuration

Document	Date	LC1	LC2
1001	Friday 9-Feb	+100	

POST – Configuration

Document	Date	LC1	LC2
2002	Monday 12-Feb	-100	-120

Structural Consistency - Currencies

- Using the currency conversion tool, the underlying data is also converted
 - The conversion process will convert and populate the currency buckets
 - Your clearing process will work!

Structural Consistency – Currency Conversion

PRE – Configuration

Document	Date	LC1	LC2
1001	Friday 9-Feb	+100	

Currency Conversion

Document	Date	LC1	LC2
1001	Friday 9-Feb	+100	+120

POST – Configuration

Document	Date	LC1	LC2
2002	Monday 12-Feb	-100	-120

Structural Consistency Checks

- Similarly, there are some situations where you will need to perform structural changes prior to SAP S/4HANA
- Examples of Transformation/Re-organization conversions
 - Chart-of-Accounts Rationalization/Conversion
 - Controlling Area mergers
 - Fiscal year conversions
 - Fixed Assets Depreciation areas and currencies
 - Standardization of SAP Objects (Profit Center, Cost Centers, Sales Orgs/Plants, etc.)

Any Transformation/Reorganization SLO-type conversion must be done prior to migration/conversion to SAP S/4HANA

SAP S/4HANA: Foundational Consistency Checks

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Mandatory Foundational Consistency Checks

Foundational
Consistency

- **SAP S/4HANA conversion mandatory requirements**
- **System conversion must occur at a fiscal period end**
- **System downtime is required**
- **Migration must occur for all active company codes together in the system**
- **It is not possible to only migrate certain company codes**
- **All controlling areas and operating concerns associated with those company codes must also be migrated**
- **Archived documents cannot be migrated**

Mandatory Foundational Consistency Checks

- Consistent Currency Types in AA and GL
 - FI-GL Currency Types must be congruent with AA Currency Types
- Ledger for the parallel Valuation consistent Fiscal Calendar
 - Fiscal year variant for the ledger that is used for the parallel valuation, must be consistent with the Lead Ledger
- New Asset Accounting
 - Implementing New Depreciation Calculation is mandatory
- Business Partners
 - Activating Customer/Vendor Integration is mandatory
- Material Ledger
 - Inventory Valuation is mandatory

New Asset Accounting Consistent Currency Types

- Consistent Currency Types in AA and GL
- Basic Rule – Currency Types defined in FI-GL must be congruent with Currency Types of the Depreciation Areas
- Update Chart-of-Depreciation (COD) and assigned Depreciation Areas with the same currencies and currency types as available in FI-GL
- If currently you have been using parallel currencies in General Ledger, and have not defined “corresponding” parallel currency areas for all depreciation areas
- You will need a separate project before you start SAP S/4HANA Finance
- This project, you must first define/create Depreciation Areas for every combination of Currency-Type and Ledger

SAP S/4HANA: Data Consistency Tips and Tricks

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Data Consistency Checks: Major Preparatory Tasks

Data/Process
Consistency

- **Data consistency**
 - Consistency check for GL (RFINDEX_NACC)
 - Consistency checks AR/AP/GL (TFC_COMPARE_VZ/SAPF190)
 - Consistency checks AA/GL (ABST2/ABST)
 - Ledgers consistency checks (GCAC)
- **Cross-module consistency checks**
 - Reconcile MM/GL (RM07MBST/RM07MMFI)
- **Custom code checks**
 - Custom codes accessing GLT0/FAGLFLEX
 - Data Access/SELECT or UPDATE
- **POST-conversion audit checks**
 - PRE- and POST-comparisons
 - PRE-POST Financials Accuracy
 - PRE-POST Process Consistency

Data Consistency Checks: Best Practices

- Plan on spending a lot of time on PRE checks
 - SAP S/4HANA Enterprise management, PRE checks are using R_S4_PRE_TRANSITION_CHECKS
 - For SAP S/4HANA Finance, execute FINS_MIG_PRECHCK_CUST_SETTNGS
 - For Asset Accounting, execute RASFIN_MIGR_PRECHECK
- Data consistency checks
 - Master Data consistency
 - Transactions Data consistency
 - Ledger-Sub-Ledger consistency
 - Cross-modular (FICO, MMGL, SDGL) consistency

G/L Accounts Consistency

- G/L Accounts Consistency at Chart of Accounts level
- Ol-managed Accounts Master <-> Line-Items Consistency
- Sub-ledger <-> Ledger Consistency
- Open-item totals of Line Items and Balances consistency
- Fixed-Assets G/L Balances Consistency
- Document Types Consistency (one doc-type one process)

Line Items Consistency (cont.)

- Reconciliation Accounts must be consistent across all Company Codes
- The Open Item Managed Account must have consistency across Master Record and Transactions
- Best practice is to perform such consistency checks for your Chart of Account

SAP Simple Finance Accelerators and Optimizer 2.0		
[-] Project Initiation		
[-] Project Preparation		
[-] Blueprint		
[-] Realization		
[-] Migration Preparation		
[-] Chart Of Accounts		
Retained Earnings Accounts - Summary		
Retained Earnings Accounts		
Recon Accounts - Warnings		
Recon Accounts - Errors		
Recon Accounts - Summary Types		
Zero Balance Clearing Account		
Balances in Foreign Currency		
P&L Accounts - OI Managed		
FC Valuation - BS Adjs Accounts		
Check GR/IR Clearing Accounts		
Check GR/IR Clearing Accounts		
Post Automatically Accounts		
Inventory(BSX) Accounts		
MVA Accounts - Output tax clearing		
VVA Accounts - Input tax clearing		
Tax Accounts - BaLC only		
Withholding Tax Accounts - BaLC only		
COFI Accounts		
Inconsistent Local Accounts		
[-] Chart Of Accounts - II		

SAP S/4HANA: Audit Controls and Consistency Tips

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Post-Migration Process/Data Consistency Checks

Audit Controls Consistency

- **Post-conversion audit controls and consistency checks**
 - Design and develop the checks and validations assure financials consistency of conversion
 - Checks and validations should comprise of comparing post-migration Financial statements with that of before the conversion (PRE)
 - In addition to core Financials, cross-modular consistency checks and validations must include:
 - MM and FI Consistency
 - SD and FI Consistency
- In addition to the core Financials, different sub-modules, such as sub-ledgers should be compared and validated for consistency
 - AR and GL Consistency
 - AP and GL Consistency

Post-Migration Process/Data Consistency Checks

- **PRE- and POST-validations and consistency checks based on key statistics**
 - **Table records count** **Number of Table data records before and after**
 - **\$/Qty values** **Total amount for data (before and after)**
 - **Spot checks** **Sample and spot checks**
 - **Positive tests** **Only in-scope Company codes are converted**
 - **Negative tests** **No extraneous data values are converted**
- **Automate the Business Validations and Consistency checks**
 - **It is very common that you will be performing multiple rounds of tests**
 - **It is advisable to automate these validations and consistency checks**

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
- Your current state of General Ledger must be a major consideration for your 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
- New Asset Accounting offers great simplifications for multi-valuation and multi-ledger setup; but, may require some significant changes to leverage the benefits offered

Key Points to Take Home..

- Be ready for the pre-migration Fixed Assets project for making consistent currency setup between FA Depreciation Areas and GL
- Allot significant amount of time for data consistency, data clean up, and validations – you will need it
- Document splitting mandates the GL Master Data consistency at the Chart of Accounts level
- Plan on automating the post-migration validations; you want to offer robust and granular audit controls as validations checks

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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