

Whitepaper  
**SAP Central Finance: Key Design  
Decisions for Reporting Deployments**

**MATTHEW MONTES**, SAP Financials Managing Consultant

**HOWARD A. LA KIER**, Finance Transformation Go To Market Leader

**GILBERTO PEREZ**, SAP Financials Senior Managing Consultant

# Table of Contents

SAP Central Finance for Non-Disruptive Business Transformation

Key Design Decisions for SAP Central Finance Reporting

## Configuration Considerations

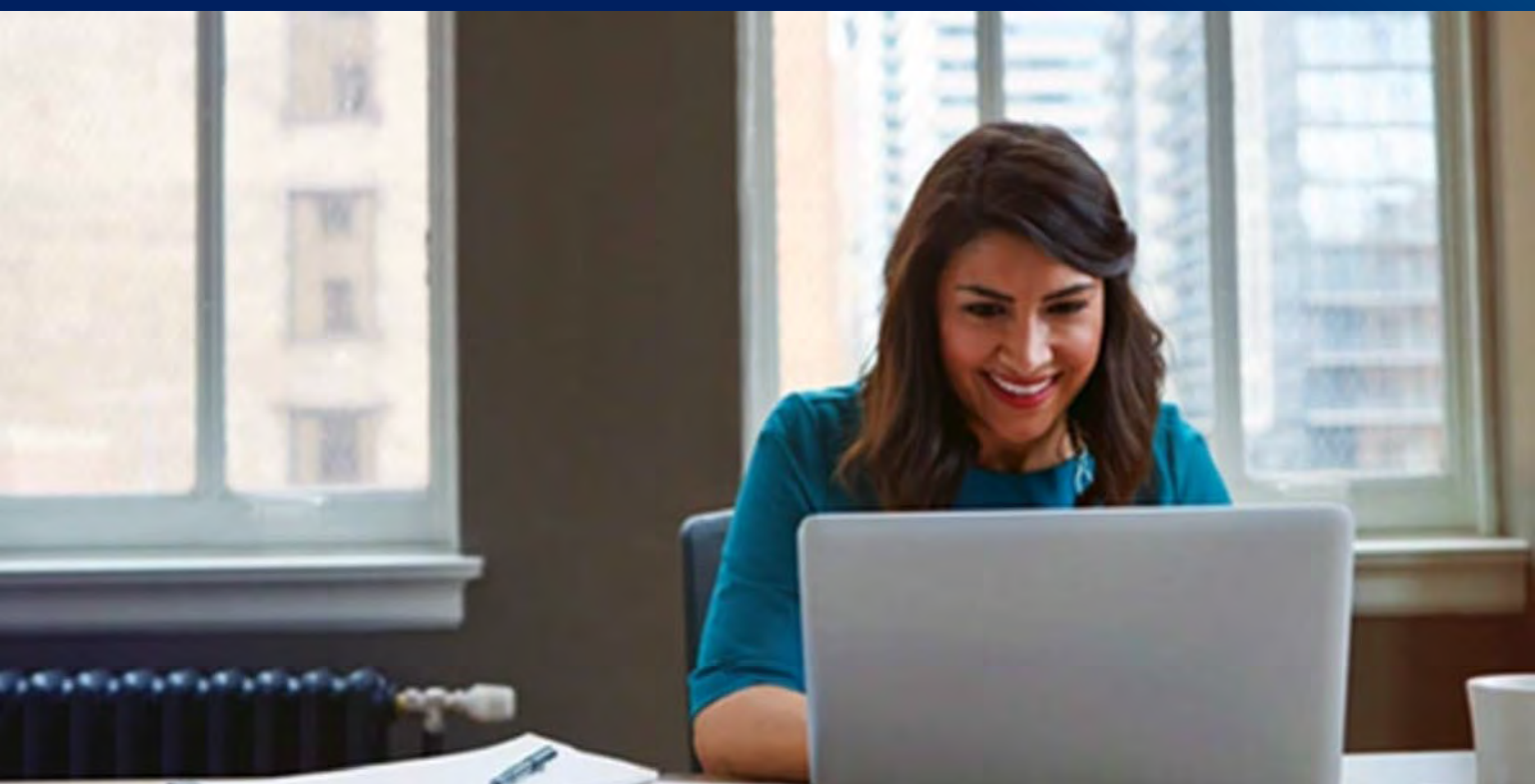
- Currency Design
- Ledger Design
- Tax Harmonization

## Master Data Considerations

- Chart of Accounts
- Business Partner Harmonization
- Cost Center and Profit Center Design

## Additional Information

- Resources
- Next Steps
- About the Authors



# SAP Central Finance for Non-Disruptive Business Transformation



SAP Central Finance stands out as a best fit, non-disruptive approach to business transformation enabled by SAP S/4HANA. SAP Central Finance allows a CFO to deploy value driven transformation in phases while leaving existing ERPs in place.

Clients have successfully deployed SAP Central Finance with numerous use cases, including these typical adoption options:

- **Central Reporting** to support new financial reporting models and a single source of truth for financial data
- **Central Transaction Processing and Shared Services** to support new ways of operating and increased operating efficiencies
- **As a stepping stone** to a full scope ERP to support full blown business transformation.

In an SAP Central Finance engagement, the initial phase establishes the finance foundation, often starting by deploying Central Reporting capabilities.

# Key Design Decisions for SAP Central Finance Reporting



Central Reporting begins with the set up of financial and management accounting in SAP S/4HANA to represent the future state financial data model. SAP Central Finance then replicates data from source ERPs into the Universal Journal (table ACDOCA) that becomes the foundation for statutory, management, and consolidated reporting. See [“Demystifying SAP Central Finance in 400 Words or Less”](#) for more background on SAP Central Finance.

Despite the Central Reporting phase only focusing on going live with financial reporting, it should not preclude Key Design Decisions being made for future phase business processes and capabilities.

As mentioned in [“How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA,”](#) the SAP Central Finance system cannot be built in a vacuum. Let’s briefly elaborate on configuration and master data Key Design Decisions.

This whitepaper will dive into some of these Key Design Decisions and explore why they may impact near and long-term business processes and capabilities in and effort for SAP Central Finance.

# Configuration Considerations



When configuring an SAP S/4HANA system there are certain configuration elements with pervasive impacts. These configuration elements are extremely critical to the finance foundation of the SAP S/4HANA system and should be at the center of any Explore and Realize (design) workshops. With SAP Central Finance, these configuration elements are further complicated because you must consider the source system configuration, as well as the future of the SAP S/4HANA system. Expanding that scenario to a multi-source system landscape with dissimilar settings for the same countries and these configuration elements become critically important with far ranging impacts.

Three critical configuration elements that should be methodically designed and critiqued include:

§ Currency Design



Ledger Design



Tax Harmonization

# 01 Currency Design

The currency design for an SAP Central Finance system should be approached from two angles:

- 1) What are the Financial Accounting (FI module) currencies (e.g., Transaction, Local, Group, etc.) in the various source systems?
- 2) What are the global reporting requirements for the SAP Central Finance system?

Understanding the Financial Accounting (FI module) currencies (e.g., Transaction, Local, Group, etc.) in the source systems is extremely important because they **MUST BE** setup the **SAME EXACT** way in the SAP Central Finance system. An SAP Central Finance deployment is not an opportunity to alter the design of Financial Accounting (FI module) currencies, as it will lead to downstream inconsistencies with clearing and exchange rate differences. As a result, the SAP Central Finance system Financial Accounting (FI module) currency setup must match the setup of the SAP Company Codes and ledgers being brought into SAP Central Finance. (see [SAP Note 2863836](#) for more details)

With the SAP Source Systems dictating the Financial Accounting (FI module) currency foundation, there may be requirements for freely defined currencies that can be leveraged for SAP Central Finance reporting (e.g., USD, EUR, GBP, etc.).

For example, if a company code being brought into an SAP Central Finance does not have Group Currency defined in the source SAP ERP system, then that company code will not have a Group Currency in SAP Central Finance. In this instance, up to 8 fields of the Universal Journal (table ACDOCA) can be used to freely define currencies (Figure 1). This is a common approach for clients looking to achieve local and global reporting in the SAP Central Finance system.

Table	ACDOCA						
Field Name	HSL	KSL	OSL	VSL	BSL	...	GSL
Description	Local Curr.	Global Curr.	Free Curr. 1	Free Curr. 2	Free Curr. 3	...	Free Curr. 8
Currency Type	10	30	Z1	Z2	Z3	...	Z8

Figure 1. Table ACDOCA currency fields

# 02 Ledger Design

Establishing a comprehensive ledger design in the SAP Central Finance system is critical to Local, Statutory, Management, and Tax reporting. In addition to leading and parallel ledgers, SAP S/4HANA also offers a non-leading “Extension” ledger. To put the ledger options in context:

- **Leading Ledger (OL)** – The main ledger to which all Company Codes are assigned and used to record all financial transactions in accordance with the assigned Accounting Principle for Consolidated Financial Statements. This ledger is typically used to satisfy Statutory reporting.
- **Parallel Ledgers** – Non-leading, parallel ledgers also record all financial transactions and are typically used to meet Local Reporting requirements (i.e., local accounting principles). The local accounting principles can be assigned at the Company Code level. Every record/transaction that posts Leading Ledger (OL) will also post to the Parallel Ledger.
- **Extension Ledgers** – A third non-leading ledger option differs in that only entries posted directly to a given Extension Ledger are recorded to that Extension Ledger. An Extension Ledger can be assigned at the Company Code level. When a report is run on an Extension Ledger it combines the direct postings to that Extension Ledger with the underlying ledger to which it is related.



## Key Questions to Consider:

- Will the organization need a separate ledger to track management entries?
- Will the organization need a separate ledger for tax adjustments?
- What are the Accounting Principles needed for Local and Statutory reporting
- How do these requirements apply to each Company Code?

Understanding the ledger options and the organization’s reporting requirements enables the foundational ledger design to be put in place. This is a critical element of the SAP Central Finance design that will impact the Central Reporting phase, in addition to the long-term SAP S/4HANA roadmap. Modifying the ledger design after data has been loaded from source ERP systems into SAP Central Finance is complex and, depending on the timing of identifying the requirement, may significantly complicate the resolution and cause significant non-value-added effort, especially when transaction processing is in scope.

# 03 Tax Harmonization



Tax design must take the source systems into consideration, as well as the long-term SAP S/4HANA roadmap. The nature of tax as a universal requirement means the harmonization of Tax Codes, Tax Rates, Tolerance Limits, Tax Procedures, Condition Types, and Account Determination configuration must be performed for each source system and country.

Consider a scenario in which there are two company codes (1000 & 2000) from two different source systems (A & B) both with the same country (US). What if company code 1000 from source system A is using a different Tax Procedure with different Tax Codes and Tax Rates compared to company code 2000 from source system B? In the SAP Central Finance system both US-based company must have one Tax Procedure at the Country level.

Addressing Tax Harmonization requires a coordinated effort on master data, configuration, mapping, and tax-based reporting requirements. This is critical in the Central Reporting phase for clients that plan, or may wish to have the option, to activate Central AR and AP (building block 3 as noted in "[How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA](#)"). Part of the tax harmonization effort includes activating, executing, and passing the Tax Customizing Consistency Check.

If tax harmonization is not addressed as part of the Central Reporting phase, then there is a risk that when the Central Payment is activated it will fail due to the tax design in SAP Central Finance not passing the Tax Consistency Check. In the case of this failure, configuration, master data, data mapping, and transaction data already in the SAP Central Finance system will be inaccurate and may require significant effort to remediate. The impacts may include the data needing to be reloaded from the source systems or the SAP Central Finance system might need to be restored from a backup to accommodate the new tax design.

## Configuration Considerations Recap:

Currency, Ledger, and Tax design are all critical to any SAP Finance project, however, the pervasive nature of these configuration elements make them vital when planning to use SAP Central Finance as a stepping stone to SAP S/4HANA. The fact that the SAP S/4HANA system could eventually be used for AR/AP processing, local and global reporting, financial consolidation, foreign currency remeasurement and translation, or other currency, ledger, or tax related processes is the exact reason why SAP Central Finance and the Central Reporting phase cannot be designed in a vacuum.



# Master Data Considerations



Similar to configuration considerations, master data design must also consider near and long-term business processes and capabilities, as well as internal and external reporting capabilities, planned for SAP Central Finance. Across all business processes and reporting capabilities, the Operating Chart of Accounts, Business Partners (Customers/Vendors), Cost Center and Profit Center are critical elements that must be designed to ensure near, and long-term outcomes can be achieved with the least amount of effort and rework. The related Key Design Decisions are especially critical when considering SAP Central Finance as a stepping stone to a full scope S/4HANA system.



Chart of Accounts



Business Partner Harmonization



Cost Center and Profit Center Design

# 01 Chart of Accounts



Defining the Operating Chart of Accounts (COA) is one of the most important master data activities in an SAP Central Finance implementation. First and foremost, the SAP Central Finance operating COA must be designed with the amount of detail necessary to support current internal and external financial reporting requirements. The SAP Central Finance COA design should accommodate harmonization of the source ERP systems COAs into a singular COA, while simultaneously adhering to the technical requirements of SAP Central Finance, which includes settings for Open Item Management, Reconciliation Accounts, Tax Type, and Cost Element Category.

Tackling the future state design of the Chart of Accounts (COA) is a complex balance between functional and technical requirements. Having a harmonization method is important to systematically address all the requirements that vary based on client financial reporting requirements and the near-term SAP Central Finance objectives and roadmap. Our method approaches this exercise in the following manner:

- Preserve – What accounts should be kept from the existing COA?
- Incorporate – What accounts are needed that are not in the existing COA?
- Consolidate – What accounts can be combined into other accounts in the new COA?
- Remove – What accounts can be removed from the current COA?

Embedded in the preserve, incorporate, consolidate, and remove exercise should be continuous consideration to ensure the desired financial reporting capabilities are met while optimizing and harmonization the accounts and aligning their technical settings to SAP Central Finance requirements, as well as having on eye the greater SAP Central Finance roadmap.

While this may seem like a lot of considerations for a Central Reporting project it is critical when SAP Central Finance is planned to be a stepping stone to SAP S/4HANA. When it's all said and done the COA should be a functional reflection of current and future state reporting and a technical reflection of the rules necessary for SAP Central Finance. This should ultimately result in a COA design optimized for the future with meaningful financial reporting on a local and global level.

# 02 Business Partner Harmonization

A well-known prerequisite for a transition to an SAP S/4HANA environment is Customer and Vendor integration (CVI) to Business Partners (BP). Business Partners are used to support various business transactions and are categorized as a person, group, or an organization. Business Partners take the place of Customers and Vendors and have various BP roles to support business processes such as Order to Cash, Procure to Pay, and general AR/AP subledger activity.

The BP harmonization activities go beyond the combining of similar Customers/Vendors across the various source systems. In fact, the Business Partner design and configuration are extremely essential to the downstream building block activities post Central Reporting.



## Centralization of AR/AP as an Example

- Does the BP design have the proper payment terms to support Customer and Vendor Payments?
- Does the BP design consider the correct Payment Methods by Country and Company Code?
- Are the reconciliation accounts on the Business Partners designed to support intercompany, third-party, and employee related transactions?
- If Vendors with different Bank Details are being harmonized across multiple systems, how can you ensure the correct Bank Details are assigned to the BP? What if multiple Bank Details from the same Country need to be assigned to a single BP?
- How will the BP design account for multiple addresses on a Customer/Vendor?
- What is the design strategy for ship-to, sold-to, and bill-to parties?

# 02 Business Partner Harmonization (cont.)

Business Partners are utilized in many processes (Credits, Collections, Disputes, Dunning, Bank and Cash Management) in SAP S/4HANA, with each area having their own subset of master data and configuration. It is vital that a client identify all aspects of their business that involve Customer/Vendor activity and make this the centerpiece of the BP design from the outset of the SAP Central Finance engagement. This is truly where the building blocks and stepping stone principles come to the forefront. (see [“How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA”](#)).

## A) Key Design Decision – Business Partner

- Customer Vendor Integration (CVI) is performed as part of the Central Reporting phase and the Business Partner Design must be formed.

## B) Building Blocks

- What BP components are necessary for Central Reporting?
- What approach is being taken to harmonize, cleanse, and centralize all Vendors/Customers from the various source systems?
- What BP Roles are needed to support Central AR/AP? What master data and configuration are needed to support those capabilities?
- Are Treasury and Banking on the stepping stone roadmap? If so, when should items like House Banks, Bank Details, Payment Methods, Lockbox, and Electronic Bank Statements be integrated into the BPs?

## C) Assembling the Building Blocks

- Identifying what BP components are needed for Central Reporting will help provide structure around the master data and configuration that is necessary
- With structure in place, the Customer/Vendor data must be analyzed and harmonized to ensure the same Customer/Vendor across multiple source system gets setup as one BP in SAP Central Finance
- Building on points A & B, what other items are needed for Central AR/AP that aren't included or haven't been discussed as part of Central Reporting?
- Collaboration amongst the SAP Central Finance team and the various processing teams is critical to understanding what BP master data and configuration might be needed to support the SAP Central Finance roadmap. It might make sense to exclude certain master data and configuration until it is needed; having the discussion is necessary to avoid a BP design that does not align with downstream building blocks

**The pervasive nature of Business Partners makes the initial design critical to a successful SAP Central Finance project that serves as a stepping stone to SAP S/4HANA**

# 03 Cost Center and Profit Center Design

Cost Centers and Profit Centers are important elements of financial reporting. While an understanding of an organization's business operations and what Profit Centers and Cost Centers represent in SAP typically gives clear guidance on how Cost Centers and Profit Centers should be setup for optimal internal and external reporting, additional considerations of mapping (SAP Master Data Governance (MDG) and SAP Central Finance) and data derivation (e.g., Profit Center derivation from Cost Center) must be considered in an SAP Central Finance implementation.

The first consideration with the Cost Center and Profit Center design in SAP Central Finance are the impacts of mapping and derivation. The mapping of Profit Centers from source ERP system to SAP Central Finance can be overwritten if the Cost Center assignment to Profit Center does not align with the mapping. To understand the relationship between mapping and data derivation, let's look at an example (Figure 2).



A transaction posts with Profit Center (PC) 1000 and Cost Center (CC) 10001000 in source system A and replicates into SAP Central Finance. According to the SAP MDG mapping, PC 1000 should post with PC 2000 and CC 10001000 should post with Cost Center 20002000. What if the Cost Center 20002000 is assigned to PC 2100 in SAP Central Finance instead of PC 2000? In this case, the Cost Center assignment to Profit Center will always override mapping. This means that the transaction from source system A will post with Cost Center 20002000 and PC 2100 in SAP Central Finance regardless of mapping Cost Center 20002000 to PC 2000.

Source System A	SAP Central Finance	
	Mapping	Master Data
Profit Center 1000	Profit Center 2000	Profit Center 2100
Cost Center 10001000	Cost Center 20002000	Cost Center 20002000

Figure 2. Example Profit Center and Cost Center Mapping for SAP Central Finance

Unlike Profit Center, Functional Area (FA) and Segment (attributes of CC an PC, respectively) are NOT rederived automatically, meaning that the FA and Segment characteristics will post as mapped in SAP Central Finance regardless of differences. FA and Segment can be derived several ways, including by master data assignment, the G/L Account master data (FA), or substitutions and BADIs; however, the rederivation (or lack thereof) is what's important here.

# Master Data Considerations Recap

Chart of Account functional and technical harmonization, Business Partner Master Records, and Management Accounting Master Data assignment and rederivation are all critical to the success of SAP Central Finance implementations, especially when planning to use SAP Central Finance as a stepping stone to SAP S/4HANA.

With a Central Reporting deployment, the SAP S/4HANA system will be set up for each of the master data elements discussed to enable the future state financial data model and prepped to move forward with deploying value driven transformation in phases while leaving existing ERPs in place.

Stay tuned for our next whitepaper, which will dive into deployment strategies for SAP Central Finance and some the key benefits of taking a finance first approach.



# Additional Information/Resources

## **TruQua Blog Post**

[Top 10 Things to Know About SAP Central Finance](#)

## **LinkedIn Article**

[Demystifying SAP Central Finance in 400 Words or Less](#)

## **SAP Press Book**

[Central Finance and SAP S/4HANA](#)

## **Additional Whitepapers in this SAP Central Finance Whitepaper Series**

[How to use SAP Central Finance as a Stepping Stone to SAP S/4HANA](#)

SAP Central Finance Deployment Strategies and the Benefits of a Finance First Approach  
*(coming soon!)*

## Next Steps

Interested in learning more on what your organization can achieve with SAP Central Finance? [Contact us today](#) for a complimentary 60 minute discovery session to explore what type of value your organization can realize with an SAP Central Finance deployment.

Phone: 312.525.8787

Email: [truqua@us.ibm.com](mailto:truqua@us.ibm.com)

# About the Authors

**MATTHEW MONTES****SAP Financials Managing Consultant, TruQua, an IBM Company**

Matt Montes is a Finance and Data driven professional currently working as an SAP Financials Managing Consultant for TruQua, an IBM Company. His professional experience is comprised of Finance Transformation engagements which includes accounting, business process design, financial planning & analysis, data analytics, training, and change management. Matt Montes has 6.5 years of financial consulting experience utilizing SAP Central Finance, SAP S/4HANA, SAP ERP, SAP Fiori, SAP Analytics Cloud, SAP Group Reporting, and SAP Business Planning and Consolidation. In addition to 4 full lifecycle implementations, product development, and 6 POC's, Matt Montes also works as a trainer, content developer, and international speaker.

**HOWARD A. LA KIER****Finance Transformation Go To Market Leader, TruQua, an IBM Company**

Howard A. La Kier assists clients in their digital transformations with SAP S/4HANA as the Finance Transformation Go To Market Leader at TruQua, an IBM Company. Howard has more than 25 years of experience focusing on financial and upstream processes and the technologies that enable them. He has worked with some of IBM's largest clients and implementation projects globally, including as a Program Manager, Global Integration Lead, and Global Budget to Report Lead, with SAP products such as SAP ERP from R/3 to S/4HANA, Central Finance, S/4HANA Public Cloud, Concur, Schedule Manager, and Advanced Financial Closing.

**GILBERTO PEREZ****SAP Financials Senior Managing Consultant, TruQua, an IBM Company**

Gilberto Perez is a skilled SAP Consultant and Project Manager with over 20 years of project experience, delivering SAP solutions for a wide variety of industries. He has completed global projects with multisite execution in the U.S, Mexico, Brazil and Peru. Gil is well known for a high level of customer satisfaction guarding scope and delivering on time. Gil has been actively engaged on SAP Central Finance projects for the past 4+ years working in the area of finance transformation.