Expedite your Financial Close with Intelligent Automation

Stop Fixing Symptoms: Run a Unified Close Initiative

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SAP 2026 CONTROLLING FINANCIALS

Introduction

Chintan Joshi
SAP Finance & Controlling Expert

- Brings over 16 years of expertise as an SAP FICO Consultant across multiple business sectors.
- SAP Certified - SAP S/4HANA Cloud Private Edition, Financial Accounting.
- SAP Certified - SAP S/4HANA Cloud Private Edition, Management Accounting
- SAP Certified - Solution Architect - SAP BTP
- M.S. in IT Management, M.B.A. in Finance

SAP 2026 CONTROLLING FINANCIALS

Topics:

1. The Macro Lens: Balance Sheet & P&L Synthesis
2. Building a close heat map
3. Balance sheet hot spots
4. P&L hot spots
5. Anatomy of a financial close
6. The five stages, in sequence
7. The Last Mile Disruption: Uncovering Financial Close Failure Modes
8. The Truth About the Close: Hard Realities
9. The SAP Closing Arsenal
10. Advanced Financial Closing
11. Embedded AI and native remedies
12. Use Case: Business Process Automation

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The Macro Lens: Balance Sheet & P&L Synthesis

Evaluate the close at a high level from the financial statements, then focus on the individual areas that create the most value.

The Balance Sheet: Where Close Effort Concentrates

BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

- Property, Plant & Equipment (PPE)
- Right-of-Use Assets
- Intangible Assets
- Investment Properties
- Long-term Investments
- Deferred Tax Assets
- Other Non-current Assets

CURRENT ASSETS

- Cash & Cash Equivalents
- Trade Receivables
- Inventories
- Prepaid Expenses
- Other Current Assets

TOTAL ASSETS XXX

LIABILITIES & EQUITY

EQUITY

- Share Capital
- Additional Paid-in Capital
- Retained Earnings
- Other Reserves
- Treasury Stock / Equity Adjustments

NON-CURRENT LIABILITIES

- Long-term Debt
- Lease Liabilities (Non-current)
- Deferred Tax Liabilities
- Provisions (Non-current)
- Other Non-current Liabilities

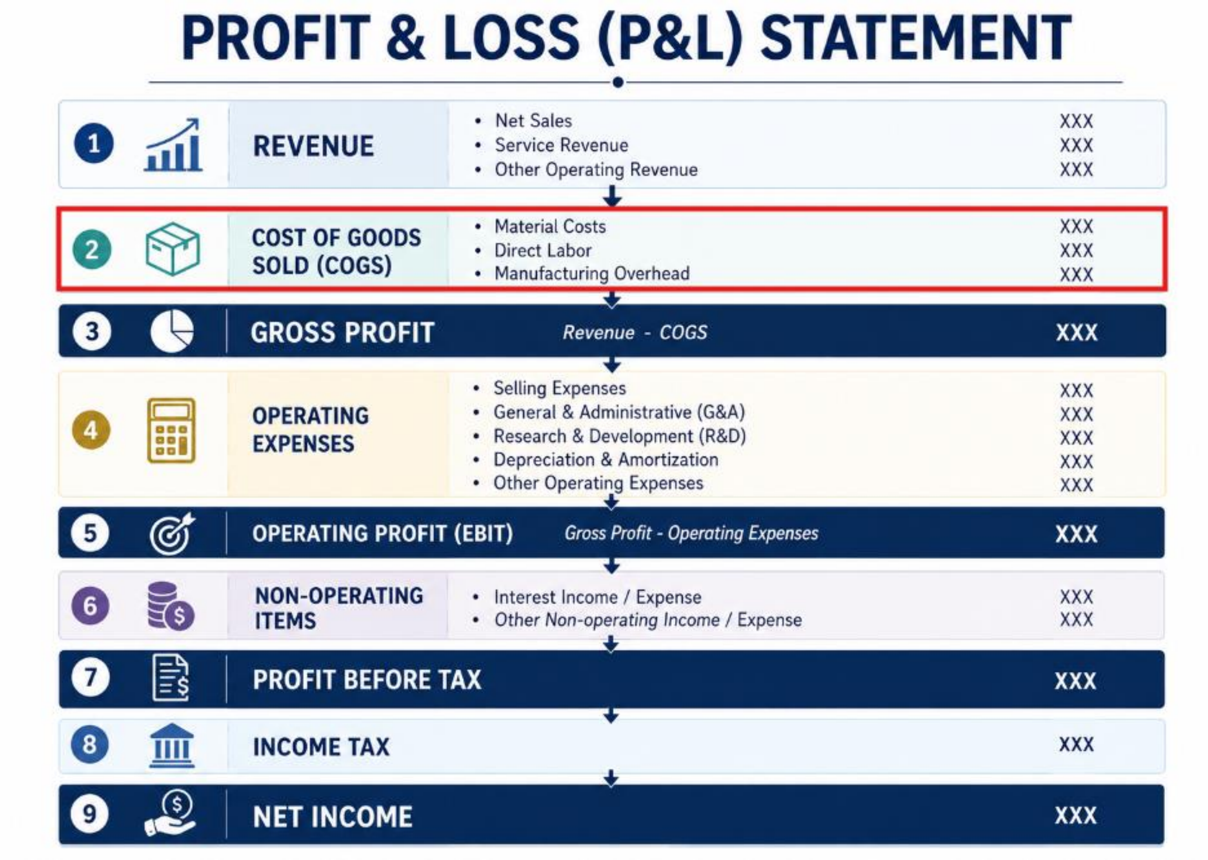
CURRENT LIABILITIES

- Short-term Debt / Current Portion of Long-term Debt
- Lease Liabilities (Current)
- Trade Payables
- Accrued Expenses
- Provisions (Current)
- Other Current Liabilities

TOTAL LIABILITIES & EQUITY XXX

Highlighted in red: the areas that consume most of the close.

The P&L: Where Close Effort Concentrates



The Close Heat Map

One line per account area: how hot it runs, what stops the close, which SAP area owns it, and what an intelligent solution looks like.

Heat Map: Balance Sheet — Assets

Area	Heat	What stops the close	SAP area
Cash	●	Bank reconciliation, unmatched bank statement items, clearing differences	FI-BL
Trade Receivables	●	Unapplied cash, unidentified receipts, disputed items	FI-AR
Inventory	●●●	Material Ledger close, WIP, production variance, price differences, late movements	CO-PC / ML / MM
Prepaid Expenses	●	Manual release and reclassification	FI
PPE	●	Depreciation errors, incomplete AuC settlement, capitalization, period-end posting	FI-AA / CO
Deferred Tax Assets	●	Provision and tax calculation dependency	Tax
Other Assets	●	Reconciliations and accruals	FI

● Critical ● Watch ●●● where the close really burns

Heat Map: Balance Sheet — Liabilities

Area	Heat	What stops the close	SAP area
Trade Payables		GR/IR, invoice exceptions, unposted invoices, open-item reconciliation	FI-AP / MM
Accrued Expenses		Missing, reversed or manual accruals	FI
Long-Term Debt		Interest, reclassification, valuation	Treasury / FI
Lease Liabilities		Contract valuation and postings	RE-FX / FI

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Heat Map: Profit & Loss

Area	Heat	What stops the close	SAP area
Revenue	●	Late billing, cut-off, incomplete SD/FI interfaces, revenue recognition exceptions	SD / FI
COGS	●●●	WIP, production variance, order settlement, activity prices, Material Ledger actual costing	CO-PC / ML
Operating Expenses	●	Accruals, allocations, cost centre corrections, payroll, assessments	CO-OM-CCA / FI
Interest / Non-operating	●	Interest accruals, FX, treasury postings	FI / Treasury
Income Tax	●	Tax provision, deferred tax, tax adjustments	Tax / FI

● Critical ● Watch ●●● where the close really burns

Anatomy of a financial close

Five stages, in sequence, every single period.

The Close in Five Stages

1 Complete Transactional Activity

- Customer billing
- Vendor invoices
- Payroll
- Goods movements
- Asset transactions
- Production confirmations

2 Reconcile & Validate

- Bank reconciliation
- AR / AP reconciliation
- GR/IR review
- Asset reconciliation
- Intercompany reconciliation

3 Period-End Adjustments

- Accruals
- Provisions
- Reclassifications
- Foreign currency valuation
- Depreciation

4 Execute Controlling Close

- Allocations
- Activity price calculation
- WIP
- Variance calculation
- Settlement
- Material Ledger / actual costing

5 Finalise & Report

- Trial balance
- Balance sheet
- P&L
- Management reporting
- Entity release / consolidation

The Last Mile Disruption: Uncovering Financial Close Failure Modes

Where COGS and Operating Expenses Break

COST OF GOODS SOLD

Production confirmations	
WIP calculation	Calculation locks
Variance calculation	Variances left unallocated
Order settlement (CO88)	Serial settlement times out on the database
Material Ledger (CKMLCP)	Actual costing run stalls

OPERATING EXPENSES

Payroll file load	File missing at cut-off
Accrual calculation	Manual calculation backlog
Cost centre allocations	Cycles misaligned across cost centres
Activity allocation assessments	Run without authorization
Posting to the ledger	

Where Inventory and Trade Payables Break

INVENTORY

Goods movements → Price determination → Multi-level ML run → Period balance → Inventory valuation

- Goods movements: Posted late — periods fall out of balance
- Multi-level ML run: Circular material flows

TRADE PAYABLES

Goods receipt → Invoice receipt → GR/IR matching → Open-item clearing → AP balance

- Invoice receipt: Invoices blocked or never posted
- GR/IR matching: Balances left unreconciled

Where PPE, Cash and Receivables Break

PROPERTY, PLANT & EQUIPMENT

Asset capitalisation → **AuC settlement** → **Depreciation run (AFAB)** → **Period-end posting** → **Asset balance**

- Asset capitalisation: Required fields missing
- AuC settlement: Line-item settlement incomplete
- Depreciation run (AFAB): Run short-dumps

CASH & TRADE RECEIVABLES

Bank statement / lockbox → **Record mapping** → **Payment matching** → **Open-item clearing** → **AR balance**

- Bank statement / lockbox: Reconciliation backlog
- Record mapping: EBS and lockbox records unmapped
- Payment matching: Unapplied cash, unidentified receipts
- Open-item clearing: Differences linger; invoices disputed

The Truth About the Close: Hard Realities

The Close Is Still Manual

"The month-end closing is still largely spreadsheet-driven and manual."

— KPMG

~40%

of CFOs did not completely trust their organisation's financial data

Errors from manual finance and accounting processing were identified as a factor undermining that trust.

— 2024 survey reported by BlackLine

What Better Looks Like

30–40%

potential reduction in finance effort through automation and process change

— PwC Finance Benchmarking

45%

lower cost to run finance — Digital World Class organisations versus peers

— The Hackett Group, 2025

74%

faster executive insights than peer finance organisations

— The Hackett Group, 2025

Why This Matters

Every day removed from close is a day returned to analysis and decision support.

— based on APQC benchmarking guidance

The SAP Closing Arsenal

The SAP Closing Arsenal

SAP S/4HANA

Close work eliminated at the source — not just tracked

CORE ERP

Event-Based Production Accounting
WIP, overhead and variances post as they occur

Universal Allocation
Cycle templates as scheduled jobs — test run, then live

Group Reporting Preparation Ledger
Group fields derived into ACDOCA at posting

Close Job Scheduling Apps
Run Allocations · Allocation Result · ICMR

ORCHESTRATION

SAP Advanced Financial Closing

Plan · orchestrate · monitor · analyse the close across entities and systems

WORKFLOW

SAP Build Process Automation

Low-code workflows, approvals and API actions

SAP BUSINESS AI

AI-Assisted Error Resolution (AFC)
root cause of close errors · Beta

AI-Assisted Error Resolution — Product Costing
3F0 posting errors explained by Joule · CE2602

SAP Cash Application
bank items to open receivables

AI-Assisted Payment Exception Analysis
AP payment-proposal exceptions

Fixed Asset Key Figure Explanation
depreciation calculations in plain language

Cash Management Agent
position, transfers, bank reconciliation · Beta

Entity Close: Traditional ERP vs. S/4HANA with Advanced Financial Closing

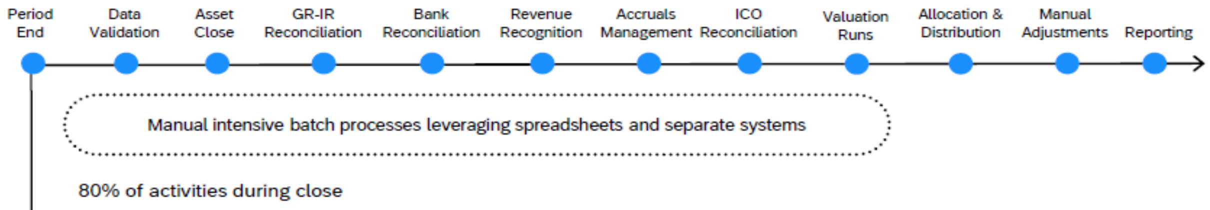
Entity Close with SAP Advanced Financial Closing and SAP S/4HANA Cloud

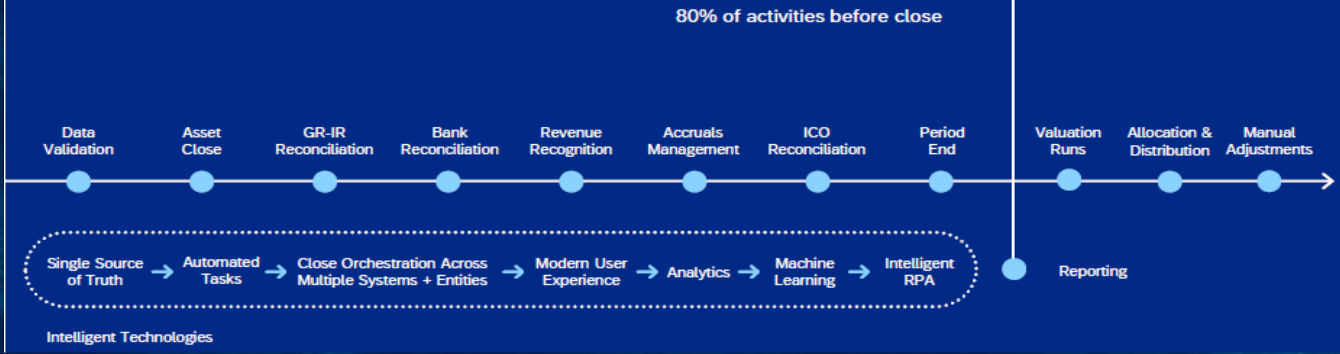
The Perfect Technology to Automate and Shorten the Financial Close

Traditional ERP

Batch Process Oriented

Closing activities do not begin until period end. Monthly closing done for multiple operative entities leads to significant transaction volume at month end and time-intensive posting cycles.





SAP S/4HANA Cloud & SAP Advanced Financial Closing

Provide Better Business Value

Automate and reduce the legal entity close cycle to achieve speed, quality, and efficiency by running a highly automated, comprehensive close for group entities with increased governance and compliance by standardizing best closing practices.

SAP's Solution for Financial Close

SAP's Solution for Financial Close

Define a global game plan for the entity close; serialize for multiple organizational units and closing cycles.

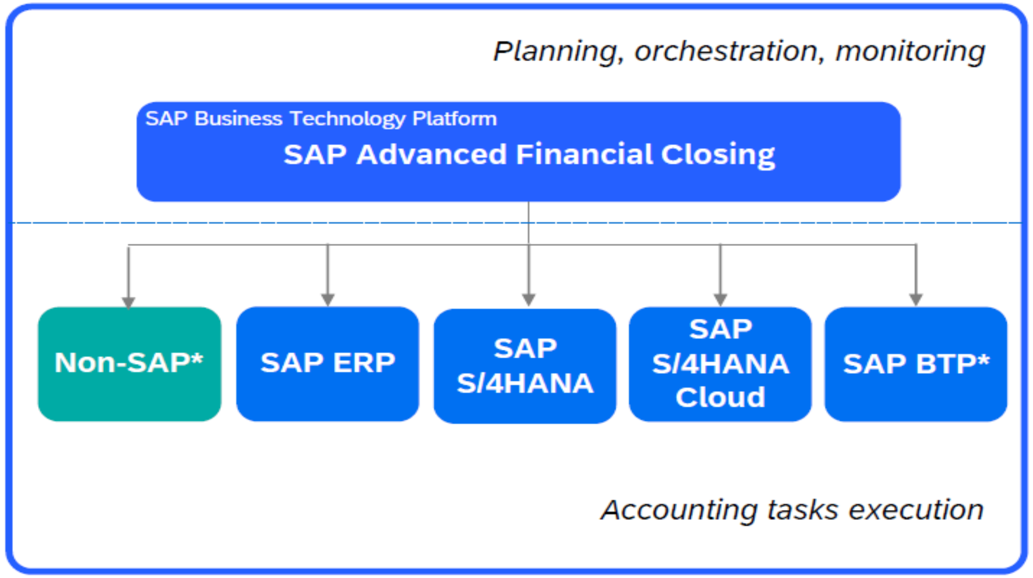
Automate closing tasks with job templates and start per calendar/preceding task status, automatically updating status and documentation.

Accelerate task execution with eased management of dependencies, collaboration workflows for manual tasks, notifications, and escalations.

Audit trail, logging, documentation increasing compliance of the financial closing.

Comprehensive analytics for insight into the closing status of subsidiaries and headquarters.

Analyze critical paths to continuously optimize your close.



Advanced Financial Closing Across the Whole Team

SAP Advanced Financial Closing

Manage and Optimize the Financial Closing Across Your Team

Define and Maintain Closing Task Lists	Process Closing Tasks	Approve Closing Tasks	Financial Close Overview Closing Task Completion

Accounting Expert

- Kick-start transformation of financial closing with ready-to-use content.
- Re-use templates across companies and cycles.
- Use sequencing and dependencies to fit your organizational needs.
- Leverage different task types to automate tasks via jobs, facilitate manual tasks and embed account balance validations.

Accountants

- Review tasks executed automatically, schedule tasks and process manual activities.
- Review and address exceptions resulting from automated validations.
- Review progress of the closing, with intuitive graphical view of all task dependencies.
- Add comments / attachments, or communicate with other employees to increase collaboration and auditability.

Accounting Manager

- Receive e-mail notifications for tasks ready for your approval.
- Review approval requests centrally, with one click navigation to the closing tasks to see all details/results.
- Enforce SOX controls (segregation of duties between processing users and approvers).
- Automated log to enable full audit trial and increase compliance.

Head of Finance

- Achieve real-time insight into the financial close process to make better business decisions.
- Drill down to closing tasks to identify root cause and responsible colleague in case of issues or delays.
- Monitor performance KPI.
- Analyze critical paths to continuously optimize your close.

Automate financial closing, from planning to orchestration and monitoring

Targeted Transformation: Area-by-Area SAP Optimization

From Heat Map to Remedy

HEAT MAP ITEM	WHAT STOPPED THE CLOSE	CORE ERP REMEDY	SAP BUSINESS AI ASSIST
Cash & Trade Receivables	Unapplied cash, unmatched bank items	→ Reprocess Bank Statement Items · Manage Payment Advices	SAP Cash Application · Payment Advice Extraction · Cash Management Agent
Inventory & COGS	WIP, variances, Material Ledger close	→ Event-Based Production Cost Posting (3F0)	AI-assisted error resolution — Product Costing (CE2602)
Operating Expenses	Manual distribution and assessment cycles	→ Universal Allocation · Manage Allocations · Run Allocations	AI-assisted allocation run results (Joule) · Reclassification of G/L Entries (5AK)
Prepaid Expenses & Accruals	Spreadsheet accrual calculation and release	→ Purchase Order Accruals (2VB) on the Accrual Engine	ML for Accruals Management (3NF) — review step · Accounting Accruals Agent
PPE	Depreciation errors, incomplete AuC settlement	→ New Asset Accounting on the Universal Journal — AFAB posts pre-calculated values	AI-assisted explanation of fixed asset key figures

Use Case – SAP BTP

Business Process Automation

Test Case 1 — Headcount-Driven Universal Allocation on SAP BTP

BTP orchestrates the process; SAP S/4HANA executes and posts Universal Allocation. Test run is approved, then the live run is re-compared against it.

1. One-Time Setup

Workday Setup
- Advanced custom report "SAP_Allocation_Headcount"
- Headcount summarised by cost centre
- Effective-date prompt
- Enable As Web Service (RaaS) — JSON output

Workday Security
- **Integration System User (ISU) + WS-Security**
- **ISU added to the report's Share tab**
- If OAuth: authorization-code grant with non-expiring refresh token
- Minimum read access only

SAP BTP Setup
- Destinations: WORKDAY_HEADCOUNT and S/4
- **Hand-written OpenAPI 3.0 spec for Workday RaaS**
- Actions: headcount · SKF post · job schedule · status
- Manager approval form

SAP S/4HANA Setup
- SKF HCNT · Universal Allocation cycle HC_ALLOC
- **TWO job templates: HC_ALLOC_TEST and HC_ALLOC_LIVE**
- **Comm. arrangement SAP_COM_0326 (F1763) + comm. user**
- **Confirm SKF document-posting API for release**

2. Runtime Process

Workday
1 **Return headcount by cost centre**
RaaS JSON, effective date passed as prompt

```
GET /raas/.../SAP_Allocation_Headcount
    ?format=json
```

SAP BTP — Build Process Automation
2 **Get Workday Headcount**
BPA action over the destination

3 **Technical validation**
cost centre present · numeric · no duplicates · effective date valid

3b **Idempotency + period gate**
read current SKF value, post only on change · check CO period status before posting

5 **Schedule HC_ALLOC_TEST**
External Job Scheduling API — no Run Type parameter needed

```
POST .../BC_EXT_APPJOB_MANAGEMENT;v=0002/JobSchedule
  ?JobTemplateName='HC_ALLOC_TEST'&JobText=..&JobUser=..    (fetch x-
csrf-token first)
```

6 **Poll JobStatusGet?JobName=&JobRunCount=**

7 **Build approval summary**
sender/receiver amounts read from Allocation Result — job status alone does not carry them

9 **Schedule HC_ALLOC_LIVE, then poll status**

SAP S/4HANA
4 **Post Statistical Key Figure — SKF = HCNT**
confirm the released document-posting API for your release; otherwise wrap BAPI_ACC_STAT_KEY_FIG_POST

5 **Universal Allocation Run — TEST**
template HC_ALLOC_TEST · cycle HC_ALLOC

10 **Universal Allocation Run — LIVE**
template HC_ALLOC_LIVE

11 **Allocation posted · reversal run available if needed**

Manager / Controller
8 **Approve / Reject**
review headcount delta vs prior period first, then the allocation result

Approval attests the figure at test time. The live result is re-compared, not assumed to match.

Reject → revise headcount at source in Workday and re-run from step 1

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1 **Source:** Workday RaaS report
2 **Orchestration:** SAP Build Process Automation
3 **Target posting:** SKF API (HCNT) — verify per release
4 **Finance execution:** Universal Allocation TEST → approve → LIVE

Manual fallback if the interface fails mid-close: key the SKF in KB31N and run the cycle from Run Allocations. · For PoC, Workday and S/4 endpoints can be mocked.

Five Takeaways

- Evaluate the close at a high level first, then attack one area at a time — the heat map tells you where the value is.
- Inventory and COGS run hottest: Material Ledger, WIP, variance and settlement account for most of the pain in a manufacturing close.
- Most of the answer is standard SAP, not a custom build — Universal Allocation, Intelligent Accrual Management and Intelligent GR/IR sit in the core; AFC and Cash Application are separate SAP products with their own cost.
- Event-based production accounting moves work out of month-end rather than making the month-end batch run faster.
- Every day removed from the close is a day returned to analysis and decision support.

Resources

- SAP Advanced Financial Closing — sap.com/products/financial-management/advanced-financial-closing.html
- SAP Build Process Automation — sap.com/products/technology-platform/process-automation.html
- AFC and Build Process Automation integration — SAP Help Portal, Advanced Financial Closing user guide
- Pre-delivered AFC automation content for SAP ECC — SAP Community blog
- AFC latest innovations, including external-system integration — SAP Community blog
- Benchmarks cited: KPMG; PwC Finance Benchmarking; The Hackett Group (2025); APQC; BlackLine (2024)

Questions & Answers

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