Group Valuation and Profit Center Valuation in Universal Parallel Accounting

PRESENTED BY:

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Introduction

- Why did SAP get rid of the currency and valuation profile?
- Who can use the new approach to group and profit center valuation?
- Dependencies in Logistics (Advanced Intercompany and Multi-Stage Intercompany Business)
- Material prices in group and profit center valuation
- Elimination postings for intercompany business
- New Topics: Segmentation Valuation and Financial Chains
- Roadmap/Open Items for Universal Parallel Accounting

Topics:

1. Group Valuation and Profit Center Valuation with UPA
2. Who can use the new approach?
3. Integration with Logistics
4. Material Prices for Intercompany Business
5. Elimination Postings for Intercompany Business
6. Segmentation Valuation
7. Financial Chains
8. Roadmap
9. Q and A

Topic #1 Group Valuation and Profit Center Valuation with UPA

Group Valuation and Profit Center Valuation with UPA

SAP ERP: Currency and Valuation Profile, Multi-Valuation Ledger

UPA: Ledger and Currency Settings

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Use Cases for Universal Parallel Accounting

Parallel Valuations Unconsolidated views	International companies need to follow parallel accounting standards for Group and Local GAAP (affecting inventory valuation, WIP, asset values etc.).
Alternative Fiscal Year Country Fiscal Year	Companies operating in certain countries require a fiscal year variant for their local financial reporting which is deviating from their fiscal year variant for their central reporting on group level.
Parallel Valuations Consolidated views (Group Valuation)	For steering purposes, customers require a group view where intercompany profits between trading partners are eliminated in real-time.
Multicurrency Capabilities	In internationally operating companies, financial and management reporting needs to be available in several currencies, including beyond local and group currency additional currencies such as functional currency.

Many future innovations in core areas like asset accounting, inventory accounting, overhead accounting, production accounting and sales accounting will be based on Universal Parallel Accounting.

Group Valuation Before Universal Parallel Accounting

Dialog Structure

- Currency and Valuation Profiles
  - Details

Curr/Val. Pr...: T001 Transfer Prices with SFIN, 10, 31, 32

No.	C...	Text	Valuation View
0	10	Company code currency	Legal Valuation
10	30	Group currency	Group Valuation
20	30	Group currency	Profit Center Valuation

Previously: one currency (31) “leads” in group valuation and the other currency (11) is translated

Previously: SD price condition KW00 selects material price in group valuation/currency from material master

Prices and Values

Currency	EUR	EUR	EUR
	Company code currency	Group currency, group val...	Group currency, profit ce...
Standard Price	11,04	9,20	9,20
Per. Unit Price	10,19	10,19	10,19
Price Unit	1	1	1
Price Control	V	V	V
Inventory Value	15.260,60	15.260,60	15.260,60
Val./Per.Unit Prc	0,00	0,00	0,00

Group and Profit Center Valuation before Universal Parallel Accounting

Configuration with “Currency & Valuation Types” in Universal Journal Ledger

Alternative Options:

“Parallel single-valuation Ledgers” – UPA approach

- Valuation is assigned to Ledger
- Option for new installations
- Easier authorization concept

Ledger	BUKRS	CURTP (local)	CURTP (global)	CURTP1	CURTP2	CURTP3	CURTP4	CURTP5	CURTP6	CURTP7	CURTP8
0L	1000	10	30		Legal View						
GR	1000	11	31		Group View						
PC	1000	12	32		Profit Center View						

“Multi-valuation Ledger” – Recommended approach before UPA

- Currency types for all valuations assigned to leading ledger
- No separate close needed
- Memory footprint optimized
- Default for Migration

Ledger	BUKRS	CURTP (local)	CURTP (global)	CURTP1	CURTP2	CURTP3	CURTP4	CURTP5	CURTP6	CURTP7	CURTP8
0L	1000	10	30	11	31	12	32				

Legal View Group View Profit Center View

See Notes 2882025 - Multiple valuation approaches/transfer prices in SAP S/4HANA, on-premise edition - SAP for Me

and 3443265 - Ledger Settings for Group/Profit Center Valuation and/or Parallel Cost of Goods Manufactured without Universal Parallel Accounting - SAP for Me

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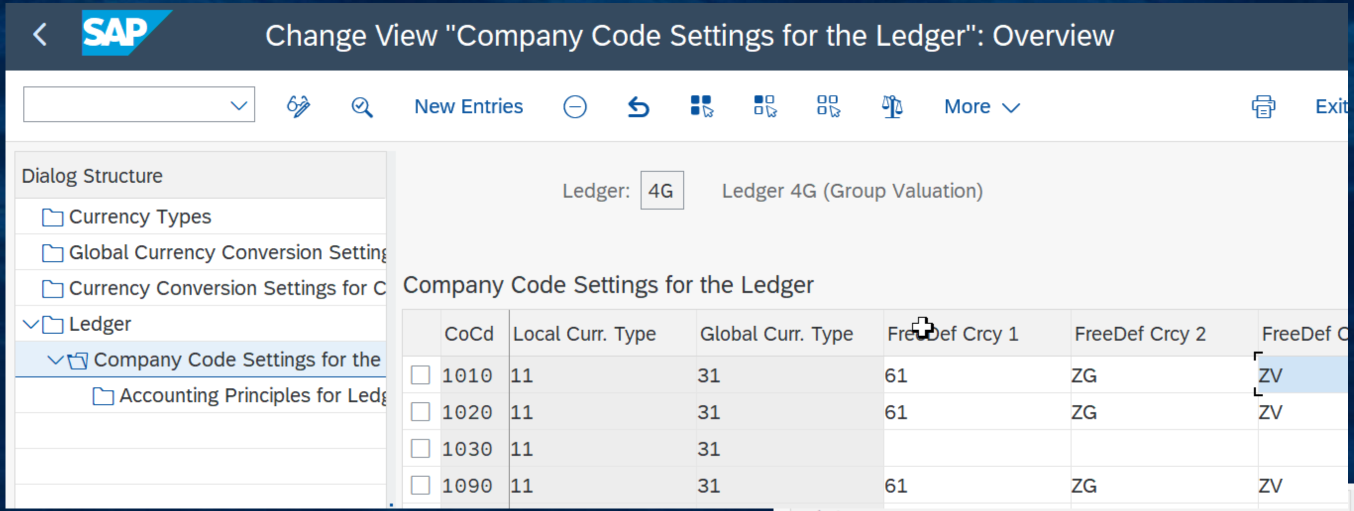
Currency Settings for Group and Profit Center Valuation with UPA



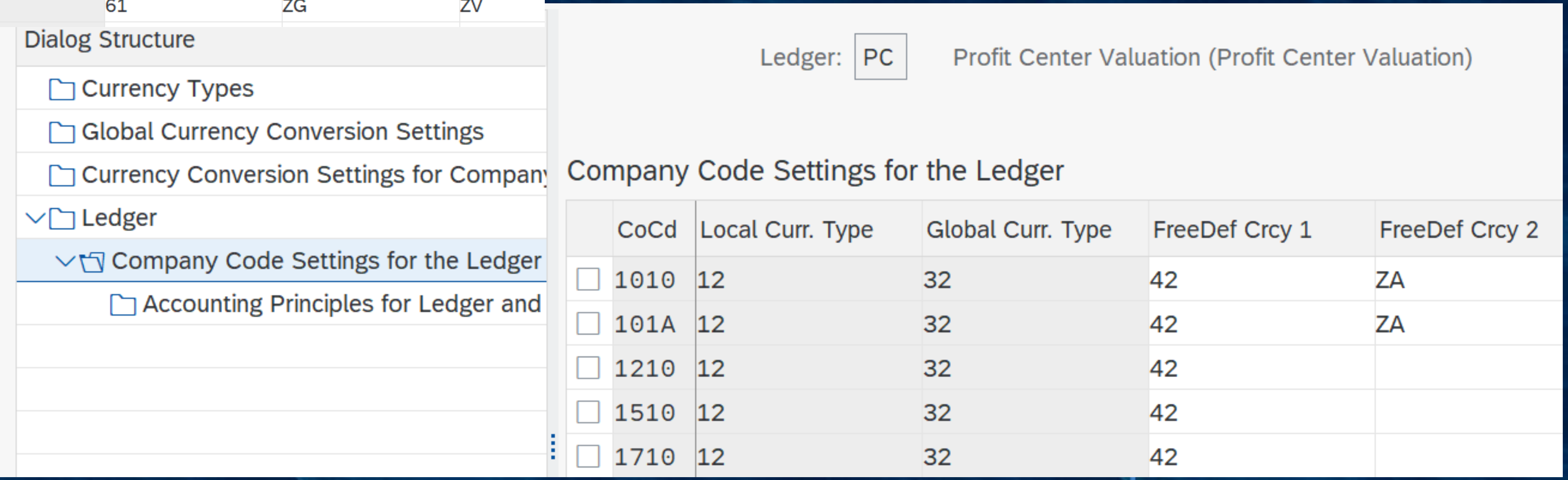
Group Valuation is a single valuation ledger (ledger 4G with scope item 5W2)

Currency Settings for **Group Valuation**

- Always include 11 (local currency) and 31 (global currency) – currency and valuation profile is obsolete
- Can include own currencies or delivered currencies with +1 if added during ledger configuration

Currency Settings for **Profit Center Valuation** (ledger PC with scope item 6VQ)

- Always include 12 (local currency) and 32 (global currency) – currency and valuation profile is obsolete
- Can include own currencies or delivered currencies with +2 if added during ledger configuration



Topic #2 Who Can Use the New Approach?

Public Cloud Customers who activate Scope Item 5W2 in initial scoping

Private Cloud and On-Premise Customers who activate the Business Function for Universal Parallel Accounting (currently pilot release) and define appropriate ledgers for group/profit center valuation

Public Cloud

- **Group Valuation (Profit Center Valuation not supported in public cloud)**
- RPI: https://launchpad.support.sap.com/#/notes/3100892
- To use the group valuation function, you need the following **scope item**:
  - ***5W2 - Group Valuation***
    Restriction Note: https://launchpad.support.sap.com/#/notes/3093830
  - Scope Item is a non-standard scope item
    Customers need to request the activation of non-standard scope items explicitly from SAP
  - SAP Central Business Configuration (CBC) is required
- In order to be able to use the full functionality of **5W2** scope item, it is strongly recommended to use the following scope items in combination:
  - ***5HP - Advanced Intercompany Stock Transfer***
  - ***5D2 - Advanced Intercompany Sales***
  - ***5MQ - Sell from Stock with Valuated Stock in Transit***

Private Cloud/On-Premise

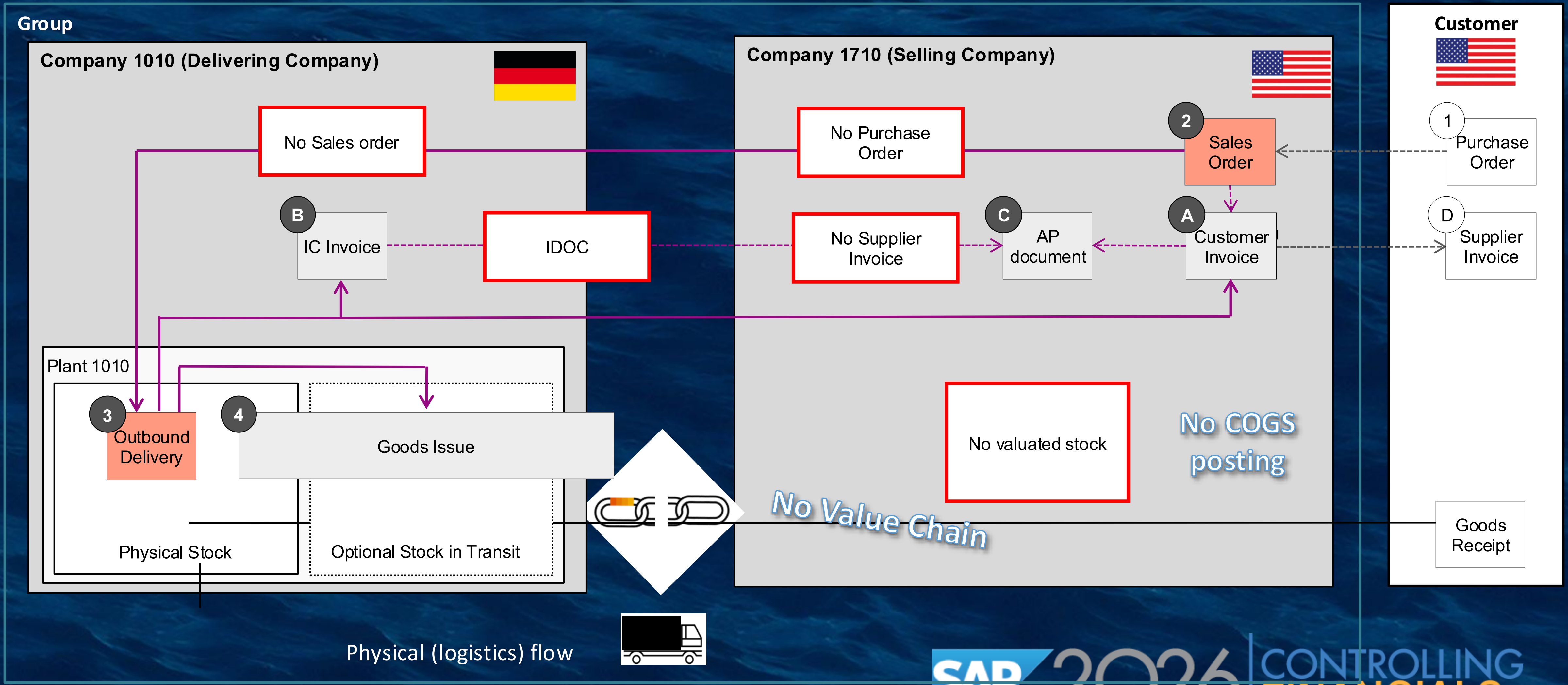
- Request activation of business function for Universal Parallel Accounting from SAP (pilot release)
- Configure ledgers or use scope items 5W2 (group valuation), 6VQ (profit center valuation)
- To trigger elimination postings, combine with logistics scope items for Advanced Intercompany Sales/Advanced Intercompany Stock Transfer
- Migration to UPA for legal ledgers available as additional business function
- Subsequent implementation of ledger for group/profit center valuation via DMLT services (see SAP Note 3662746)

Topic #3 Integration with Logistics

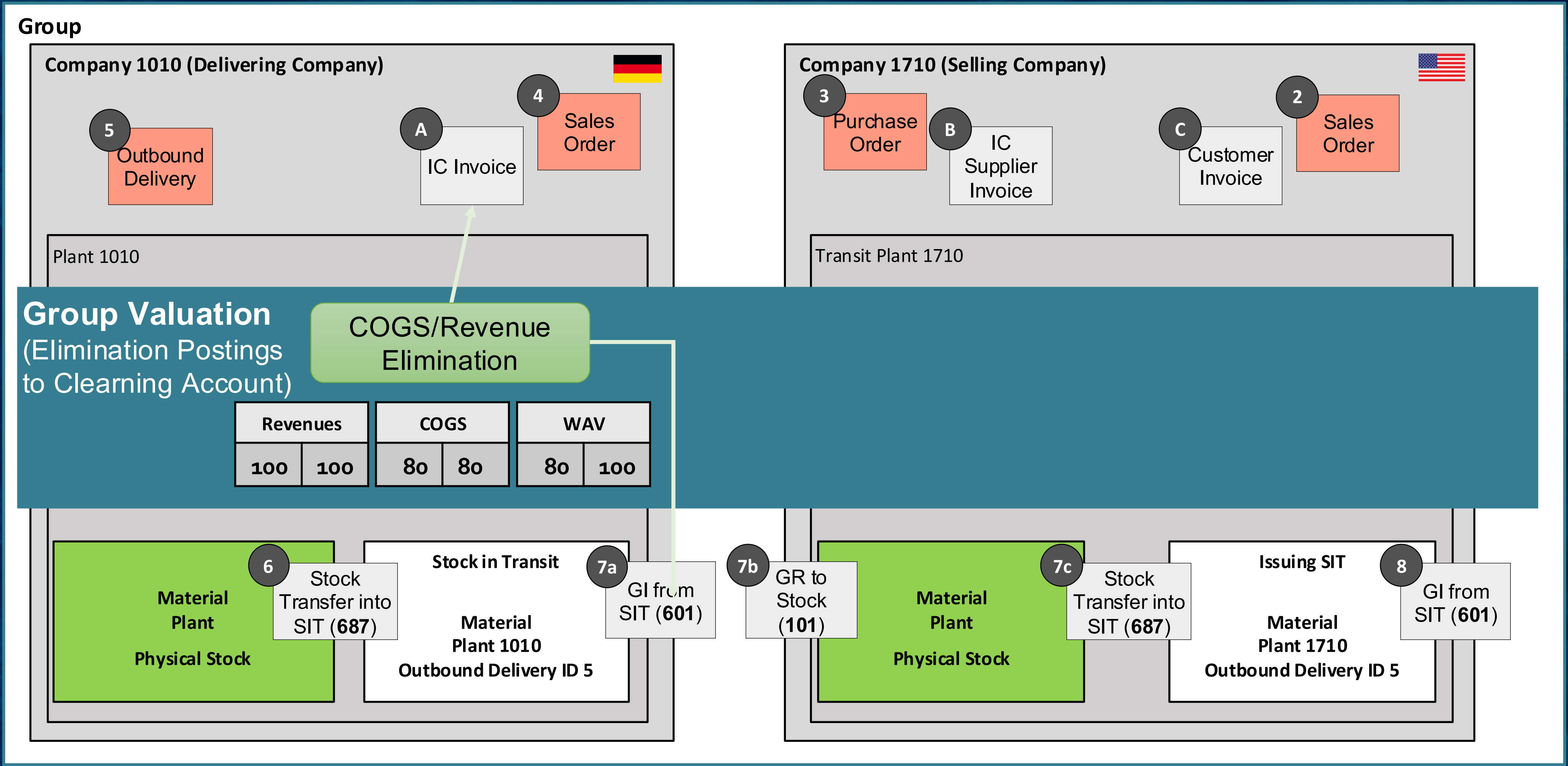
Advanced Intercompany Sales and Advanced Intercompany Stock Transfer (from 2022), Multilevel Intercompany (from 2025, FPS1)

About Broken Value Chains ...

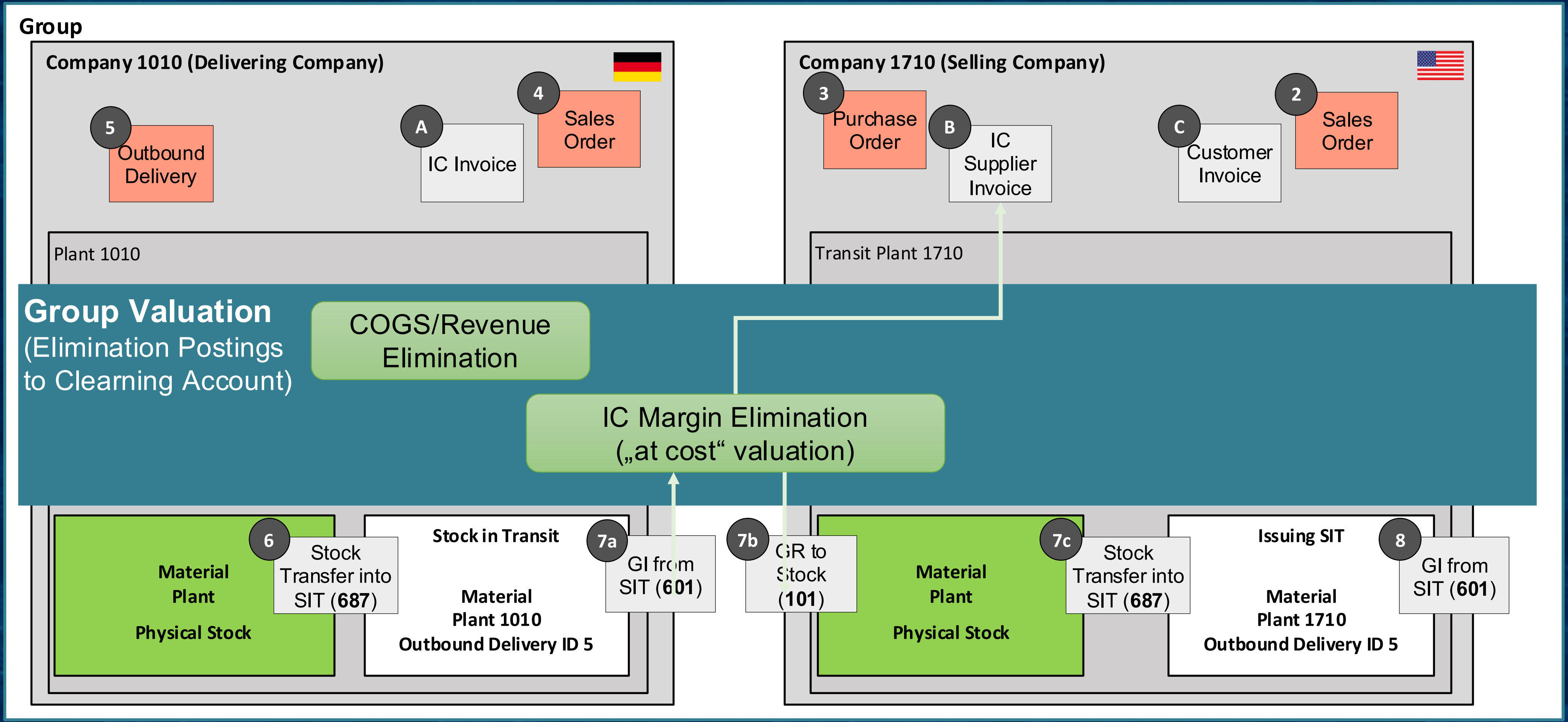
Classic Intercompany Sales in SAP S/4HANA



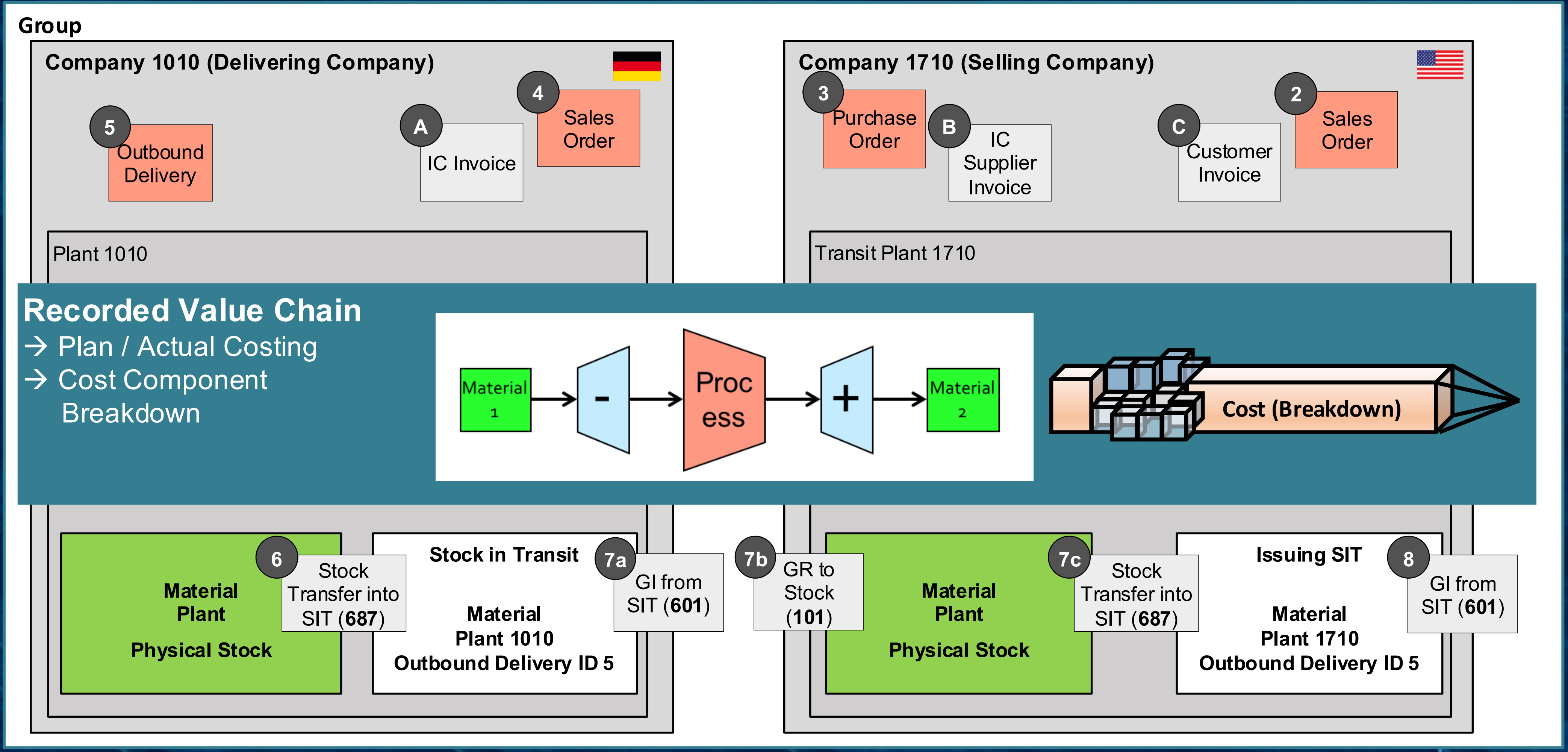
Advanced Intercompany Sales process – from OP2022
Group Valuation – Eiimination Postings in Delivering Company



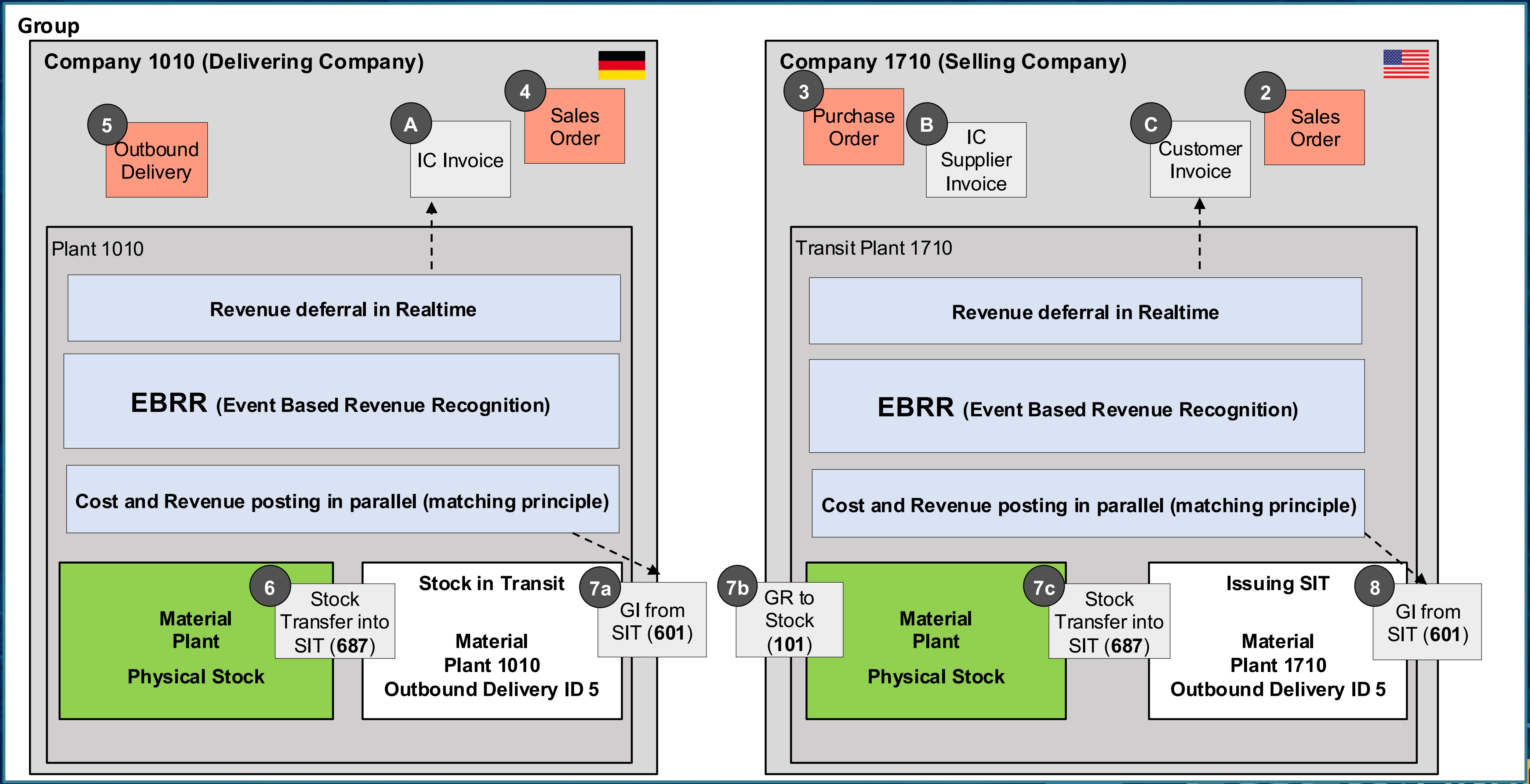
Advanced Intercompany Sales process – from OP2022
Group Valuation – At Cost View in Selling Company



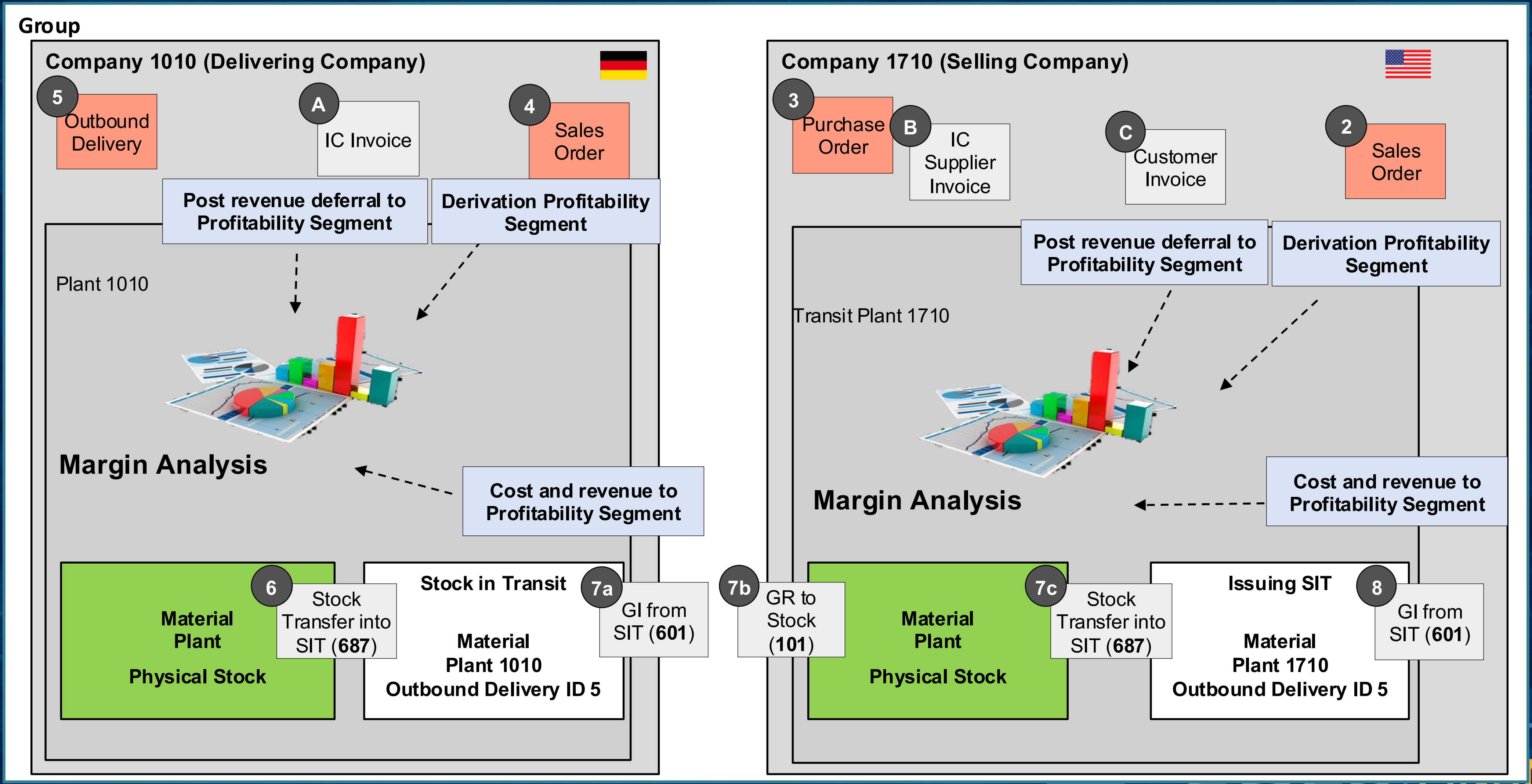
Advanced Intercompany Sales process – from OP2022
Material Value Chain



Advanced Intercompany Sales process – from OP2022
Event Based Revenue Recognition



Advanced Intercompany Sales process – from OP2022
Margin Analysis



TROLLING
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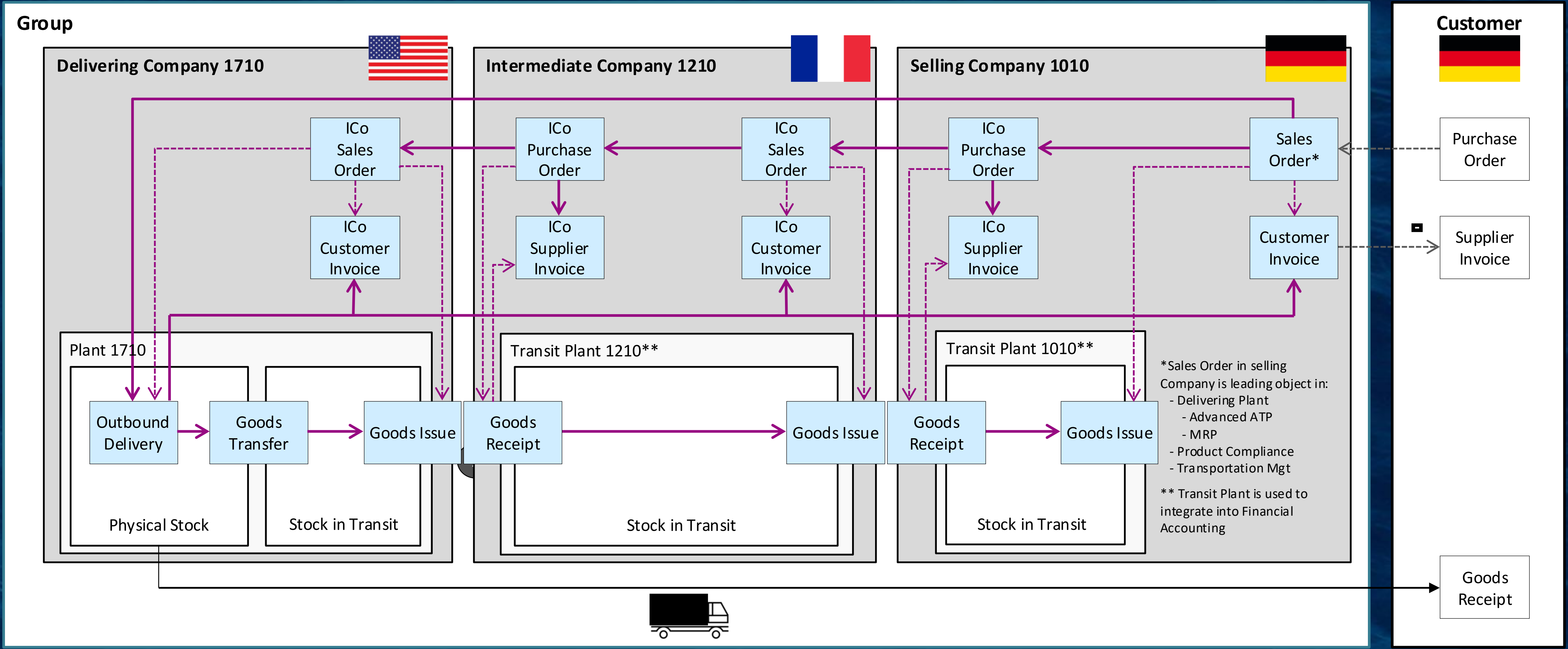
SAP S/4HANA - Advanced Intercompany Sales

Summary

- **Seamless E2E process** fully integrated and highly automated
  - E2E Integration into **Product Costing / Material Value Chain**
  - E2E Integration into **Group Reporting / Consolidation**
  - E2E Integration into **Revenue Recognition**
  - E2E Integration into **Margin Analysis**
  - E2E Integration into **Transportation Management** (including freight costs)
  - E2E Integration into **Product & Trade Compliance**
- **Valuated Stock in Transit** in the Selling Company
  - Seamless change of control between affiliates and customer
- **Purchase Order** in the Selling Company
  - Enabling landed cost in product costing
- **E2E monitor**
  - Issue detection and posting services
- **Internal / External Transfer of Control Dates tightly integrated with Transportation Management (TM)**
  - Stored in the Outbound Delivery header

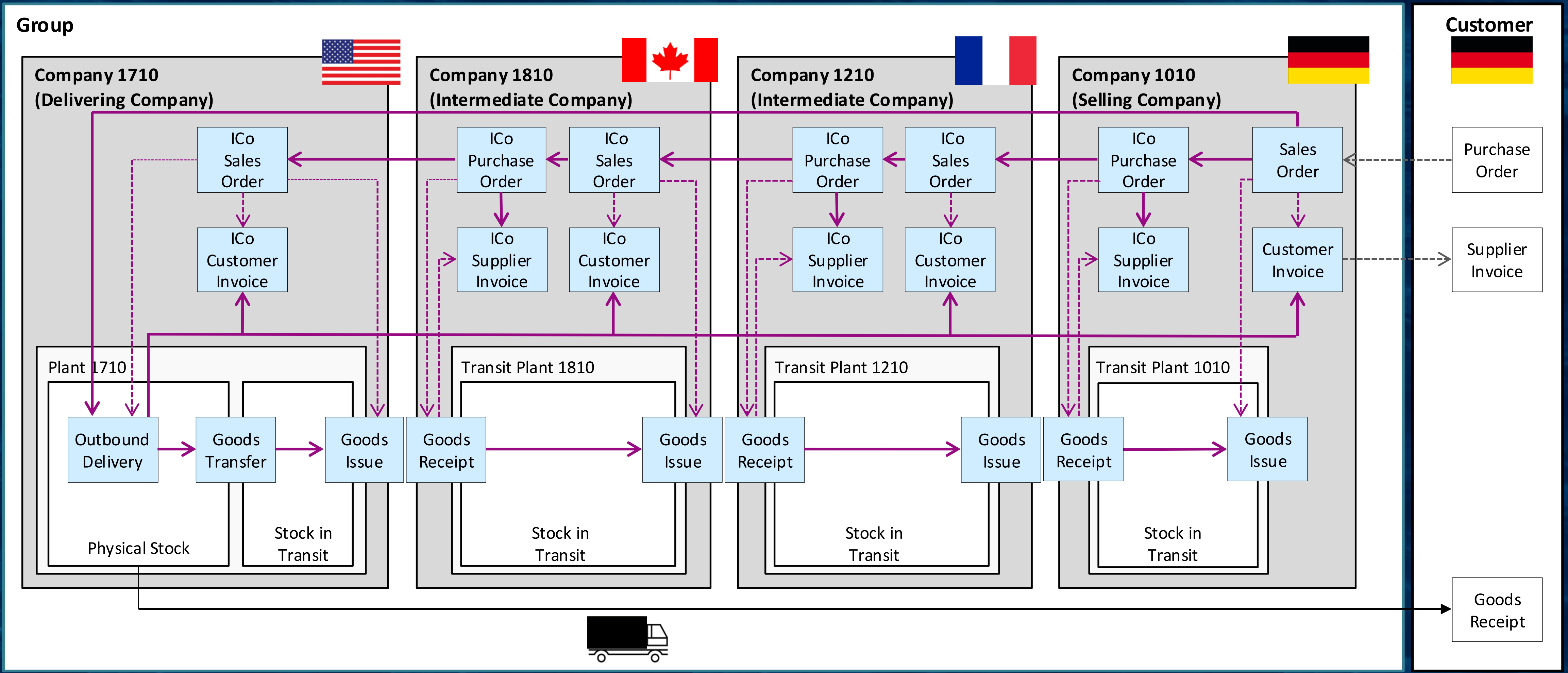
Multistage Intercompany Sales - One Intermediate Company

Single System



Multistage Intercompany Sales - Two Intermediate Companies

Single System



Multistage Intercompany Sales

- Number of intermediate companies is flexible (including no intermediate company)
- Sales order in the selling company integrates into logistics
  - aATP, MRP, Transportation Management, Product Compliance
- Delivery-related billing for all ICo invoices (delivering & intermediate companies)
- Additional sales orders and purchase orders are created and changed automatically by Value Chain Monitoring framework
- Additional internal transfer of control dates define the goods transfers between all involved affiliated companies
  - Up to 4 internal transfer of control dates can be defined
  - An internal transfer of control date is defined for a receiving sales organization
  - Additional goods issues and goods receipts are posted automatically by the VCM framework
  - Calculated in Transportation Management
- The ICo supplier invoice is received by the B2B interface(s) for supplier invoices

Topic #4 Material Prices for Intercompany Business

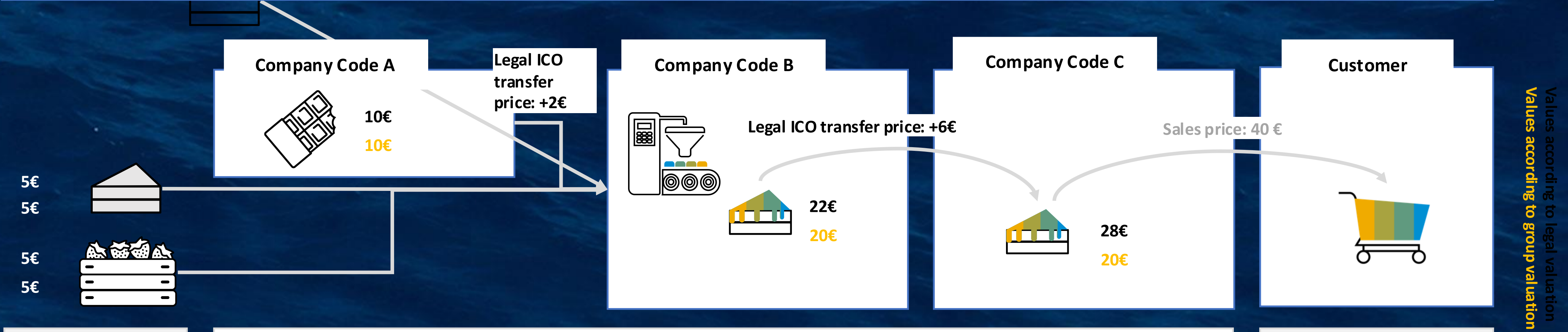
Legal Valuation, Group Valuation, Profit Center Valuation

Use Cases Addressed by Universal Parallel Accounting

Parallel Valuations – Consolidated View (Group Valuation)

Motivation

Group Valuation enables customers to see the consolidated COGS and margins along the entire value chain to make the right business decision and to steer the corporate structure.



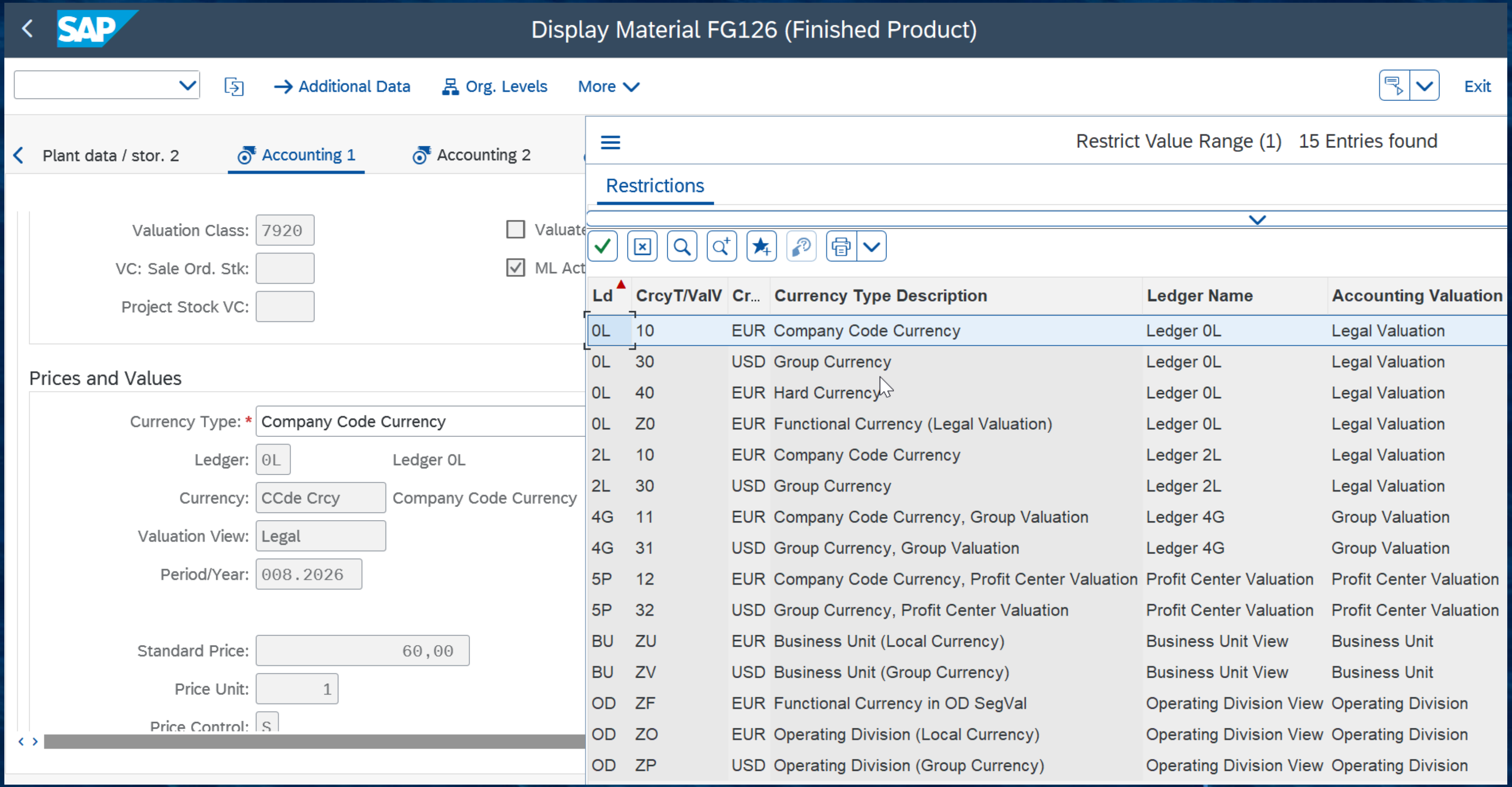
Legal view	ICO material movements are treated as "regular" sales and purchases	Margin: 12€
Group view	ICO Revenue & COGS are eliminated in the delivering company; at cost view in the selling company	Margin: 20€

With Universal Parallel Accounting, Group Valuation is based on the Advanced Intercompany Sales & Stock Transfer processes and records the eliminations in a separate single valuation ledger.

Material Price Table (Accounting View of Material Master)

Goods movements valued in all ledgers via material price tables

Price Condition KW00 is not used in UPA



Ld	CrcyT/ValV	Cr...	Currency Type Description	Ledger Name	Accounting Valuation
0L	10	EUR	Company Code Currency	Ledger 0L	Legal Valuation
0L	30	USD	Group Currency	Ledger 0L	Legal Valuation
0L	40	EUR	Hard Currency	Ledger 0L	Legal Valuation
0L	Z0	EUR	Functional Currency (Legal Valuation)	Ledger 0L	Legal Valuation
2L	10	EUR	Company Code Currency	Ledger 2L	Legal Valuation
2L	30	USD	Group Currency	Ledger 2L	Legal Valuation
4G	11	EUR	Company Code Currency, Group Valuation	Ledger 4G	Group Valuation
4G	31	USD	Group Currency, Group Valuation	Ledger 4G	Group Valuation
5P	12	EUR	Company Code Currency, Profit Center Valuation	Profit Center Valuation	Profit Center Valuation
5P	32	USD	Group Currency, Profit Center Valuation	Profit Center Valuation	Profit Center Valuation
BU	ZU	EUR	Business Unit (Local Currency)	Business Unit View	Business Unit
BU	ZV	USD	Business Unit (Group Currency)	Business Unit View	Business Unit
OD	ZF	EUR	Functional Currency in OD SegVal	Operating Division View	Operating Division
OD	ZO	EUR	Operating Division (Local Currency)	Operating Division View	Operating Division
OD	ZP	USD	Operating Division (Group Currency)	Operating Division View	Operating Division

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Innovation in Finance

Profit Center Valuation*

Support for inclusion of profit center transfer prices as part of the ledger approach

Enable additional ledger for profit center valuation, pricing agreements between profit centers, and elimination of intercompany margins.

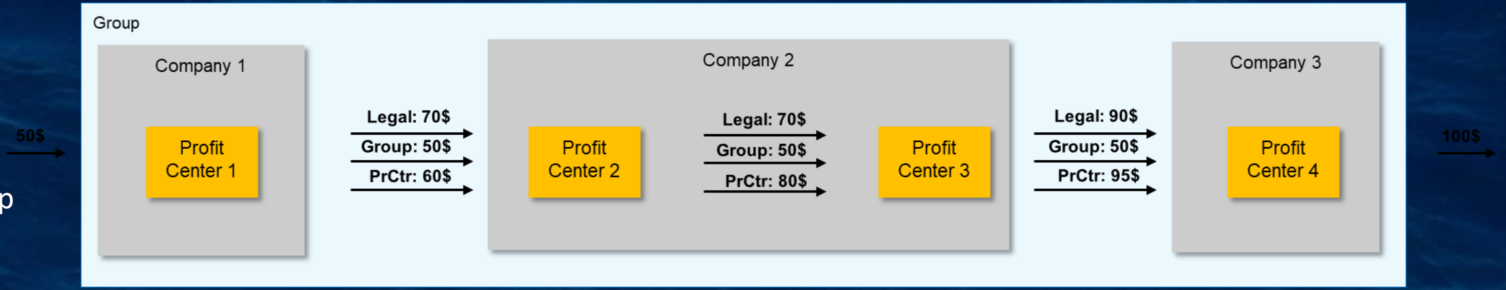
- Allows profit centers to trade at arm's length using transfer prices
- Supports divisional reporting and provides management with a view of costs and profits at the subgroup level
- Supports plant reporting, if plants are operated as profit centers

Benefit

- Provide management with a view of costs and profits at the subgroup level
- Support divisional reporting with agreed-upon transfer prices between profit centers and the proper clearing of internal goods movements

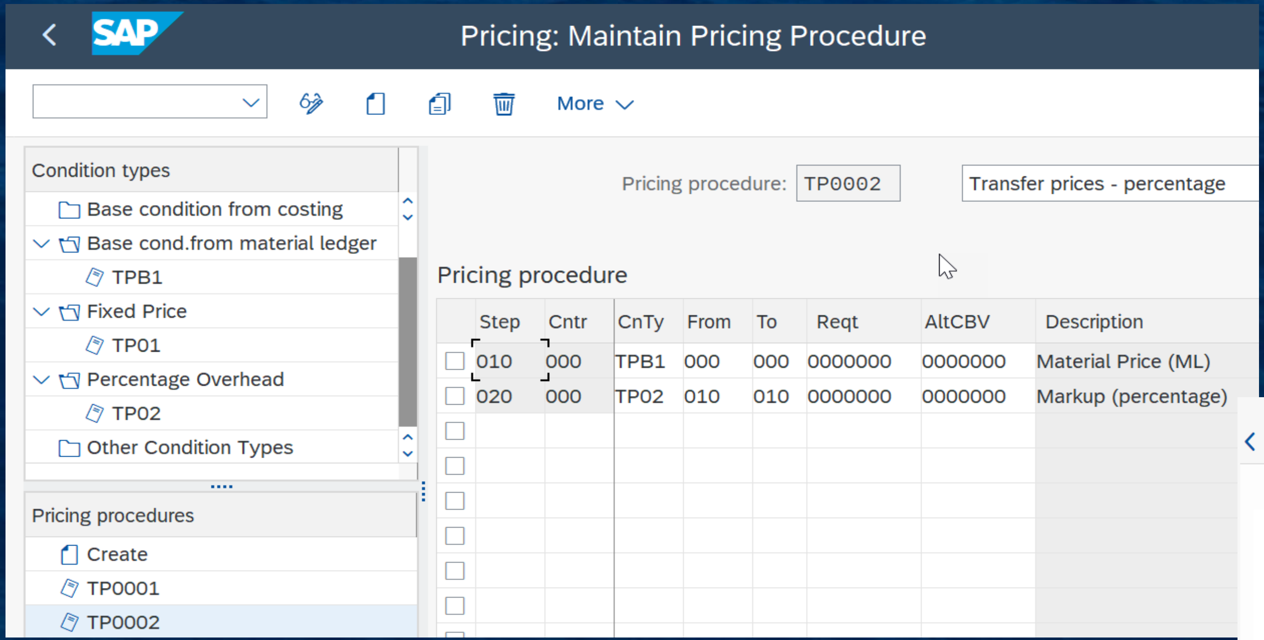
Profit Center relationships can be

- intercompany e.g. divisions above company code
- intracompany e.g. plants below company code



- Elimination postings are made during **intercompany** postings
- Management postings for internal revenues are visible for postings within company code

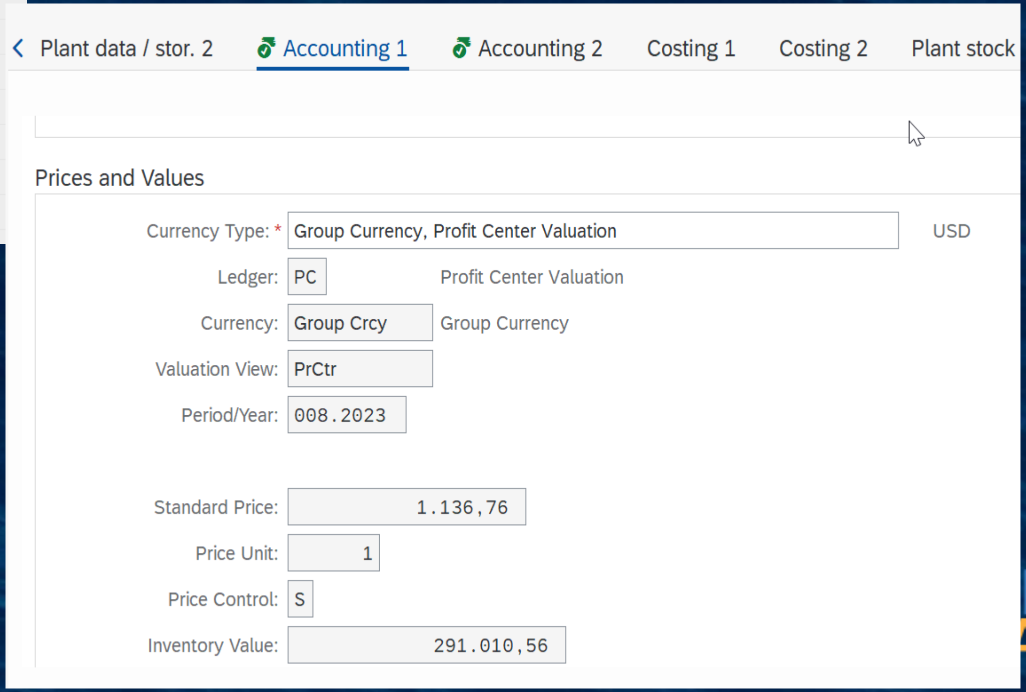
Setting Up Transfer Prices for Profit Center Valuation



Profit Center relationships can be

- intercompany e.g. divisions above company code
- intracompany e.g. plants below company code

Price conditions are based on condition types TPB1 (ML), TP00 (fix) and TP02 (markup)



Material Prices for Profit Center Valuation can now be shown in the material master (or in Manage Material Valuations app)

Scroll through the Currency Types to see all valuations/currencies

Intracompany: Revenues/COGS for Plant-to-Plant Postings

Business Partner 0010411010 Storage Location 101C - Address Nam

Document	On	Time	Status
Purchase Order 4500000181	16.06.2023	02:58:38	
→ Replenishment Dlv. 0080000137	16.06.2023	05:03:44	Completed
Picking Request 20230616	16.06.2023	05:12:36	Completed
TF rem.fm stor.to pl 490000122	16.06.2023	05:12:36	Complete

Plant-to-Plant Stock Transfer Order

Display Document: General Ledger View

Menu | Display Another Document | Display Document Header | Display Currency | Entry View | Other Ledger | Services for Object

C...	Item	L.item	Key	S..	Account	Profit Center	Partner...	Description	Amount	Currency	Trs	O.	Group C...	Group ...	Amount	Currency	Material
1010	1	000001	99		13100000	YB102	YB101	Inventory Raw Mat.	5,00-	EUR	BSX		4,30-	USD	4,00-	CHF	RM124
	2	000002	89		13100000	YB101	YB102	Inventory Raw Mat.	3,50	EUR	BSX		4,30	USD	4,00	CHF	RM124
		000003	50		80000991	YB102	YB101	Internal revenuesPCV	0,00	EUR			9,90-	USD	16,00-	CHF	RM124
		000004	40		80000992	YB102	YB101	Change in Stock PCV	0,00	EUR			4,30	USD	4,00	CHF	RM124
		000005	40		80000993	YB101	YB102	Delivery From PC P...	0,00	EUR			9,90	USD	16,00	CHF	RM124
		000006	50		80000994	YB101	YB102	Chg in Stock:Rec PCV	0,00	EUR			9,90-	USD	16,00-	CHF	RM124
		000007	93		52511000	YB102	YB101	Gain Inv Trsf-Raw/Tr	3,00-	EUR	PRD		0,00	USD	0,00	CHF	RM124
		000008	83		52011000	YB101	YB102	Loss Inv Trsf-Raw/Tr	4,50	EUR	AUM		5,60	USD	12,00	CHF	RM124
		000009	50		29500100			Zero Balance Clrg	8,00-	EUR	000		9,90-	USD	16,00-	CHF	
		000010	40		29500100			Zero Balance Clrg	8,00	EUR	000		9,90	USD	16,00	CHF	

Internal Revenues and Change in Stock in Profit Center Valuation

CO Area: A000 Controlling Area A000

Matl Type	ValCl	VGCd	No recei...	Internal rev.	Chg. stock	Delivery from PrCtr	Chg in Stock:RecSide
FERT			☐	80000991	80000992	80000993	80000994
HALB			☐	80000991	80000992	80000993	80000994
HAWA			☐	80000991	80000992	80000993	80000994
ROH			☐	80000991	80000992	80000993	80000994

Accounts for Internal Goods Movements (OKEK)

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Topic #5 Intercompany Postings for Intercompany Business

Group Valuation, Profit Center Valuation

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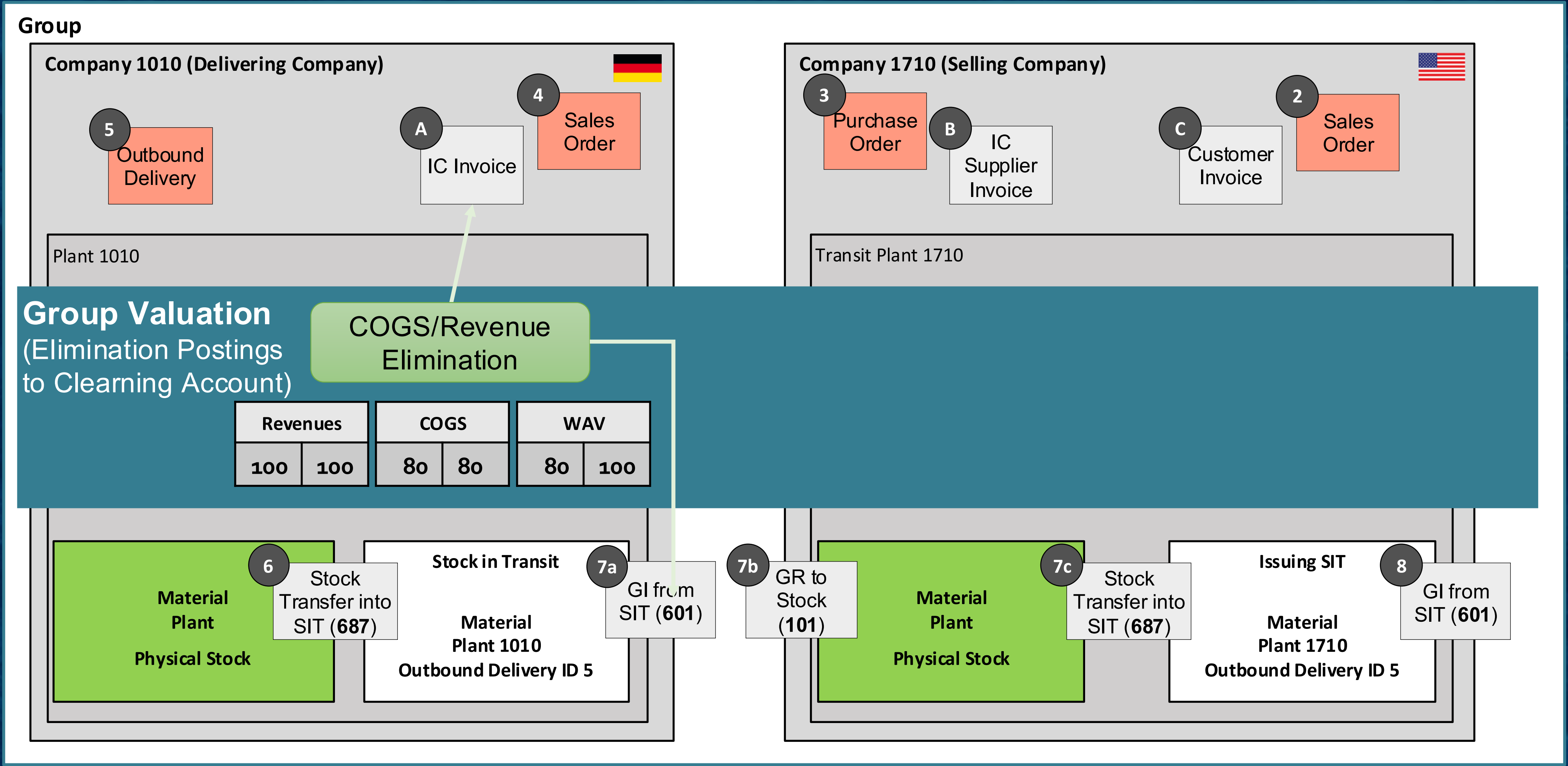
Advanced Intercompany Sales process – from OP2022
Group Valuation – Eiimination Postings in Delivering Company



Intercompany: Elimination Postings triggered for Profit Center Valuation

New Entries More

Posted in CoCd: 1010 Company Code 1010 DE

Group Valuation Clearing Accounts (8KEN) are also used in Profit Center Valuation

Tr.Prt	Company name	Debit	P+L acct:	Short Text	Credit	Cred. acct	Short Text
1210	Company 1210	40	777600	Grp. Val. Clearing	50	97777600	Grp. Val. Clearing
1510	Company 1510	40	97777600	Grp. Val. Clearing	50	97777600	Grp. Val. Clearing
1710	Company 1710	40	97777600	Grp. Val. Clearing	50	97777600	Grp. Val. Clearing
2810	Company 2810	40	97777600	Grp. Val. Clearing	50	97777600	Grp. Val. Clearing

Ledger PC

Fisc. Year: 2023 Period: 8

Elimination Postings in Profit Center Valuation Ledger
Here: Intercompany Revenues

Co...	Item	L.item	PK	Account	Description	Profit Center	Partner PC	Crcy	Trs	Amount in L...	LCurr	Group Crcy	Group ...	Amount	Curre...	Material
2810	3	000004	50	41001500	Rev Affiliate- Prod	YB700	YB700	RON		221,22-	RON	Amount in Global Crcy		53,19-	CHF	MA04_T...
		000005	40	97777600	Grp. Val. Clearing	YB111	YB600	RON	TCV	247,02	RON	63,48	USD	59,40	CHF	FG129
		000006	50	97777600	Grp. Val. Clearing	YB700	YB700	RON	TCV	221,22-	RON	56,85-	USD	53,19-	CHF	MA04_T...
		000007	40	41001500	Rev Affiliate- Prod	YB700	YB700	RON		221,22	RON	56,85	USD	53,19	CHF	MA04_T...

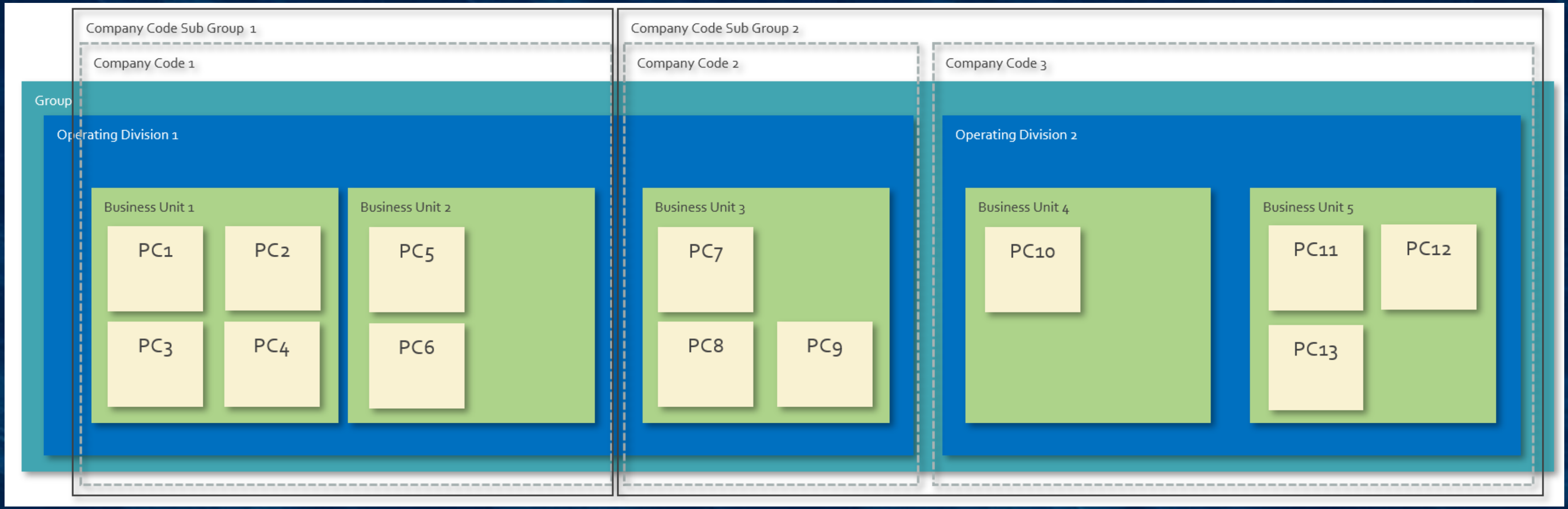
Topic #6 Segmentation Valuation

Between Group and Profit Center Valuation

Segmentation Valuation (from 2025, FPS1)

Profit Center and/or Legal Transfer Prices used for valuation within Segmentation Views

- Enable SAP customers to customize their inventory valuation levels (segmentation views) in addition to Group and Profit Center valuation.
- Through Key User Extensibility in S/4HANA, customers can specify Profit Center attributes to facilitate meaningful grouping, thereby establishing new inventory valuation levels or segmentation views.
- Examples include Business Unit or Operating Division perspectives, where profit centers serve as the fundamental units.

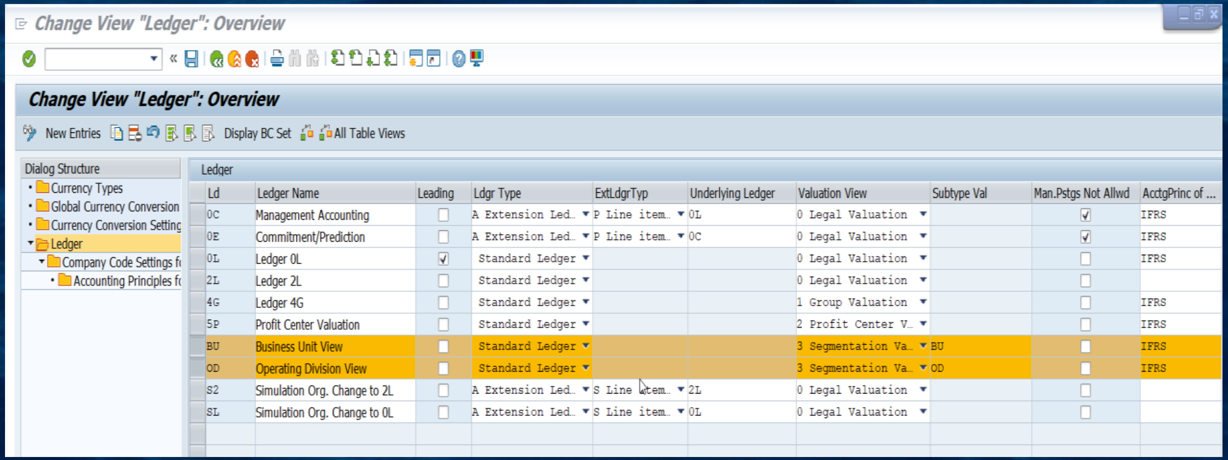


- Profit Centre (SAP)
- Business unit
- Company Code(SAP)
- Division
- Controlling Area/ Group (SAP)

Segmentation Valuation

Profit Center and/or Legal Transfer Prices used for valuation within Segmentation Views

- **Product Cost Planning**
  - Cost Estimates in custom defined segmentation views
- **Actual Costing**
  - Cost component split transactional update in custom defined segmentation views
  - Actual costing run – single/muti level roll up of price differences in custom defined segmentation views – functionality like Profit Center valuation
- **Inventory Accounting**
  - All materials related postings enabled in custom defined segmentation views
    - Elimination of COGS and revenues in material transfers within Segmentation Units in Advanced Intercompany Sales/Stock Transfer, Multistage Intercompany Sales /Stock Transfer
    - Intracompany material transfers between segmentation units
- **Cost Object Controlling**
  - Settlement of production order variances in segmentation views



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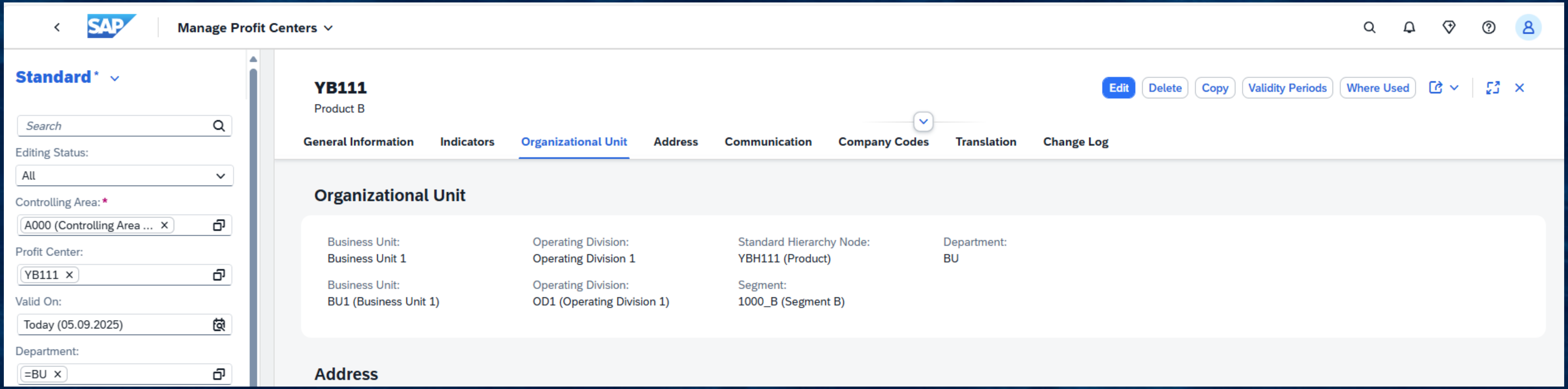
Segmentation Views – Extension fields for Profit Centers

- The segmentation views are created using the Fiori app “Custom Fields & Logic” and the contexts “Profit Center Master Data” and “Journal Entry Item”

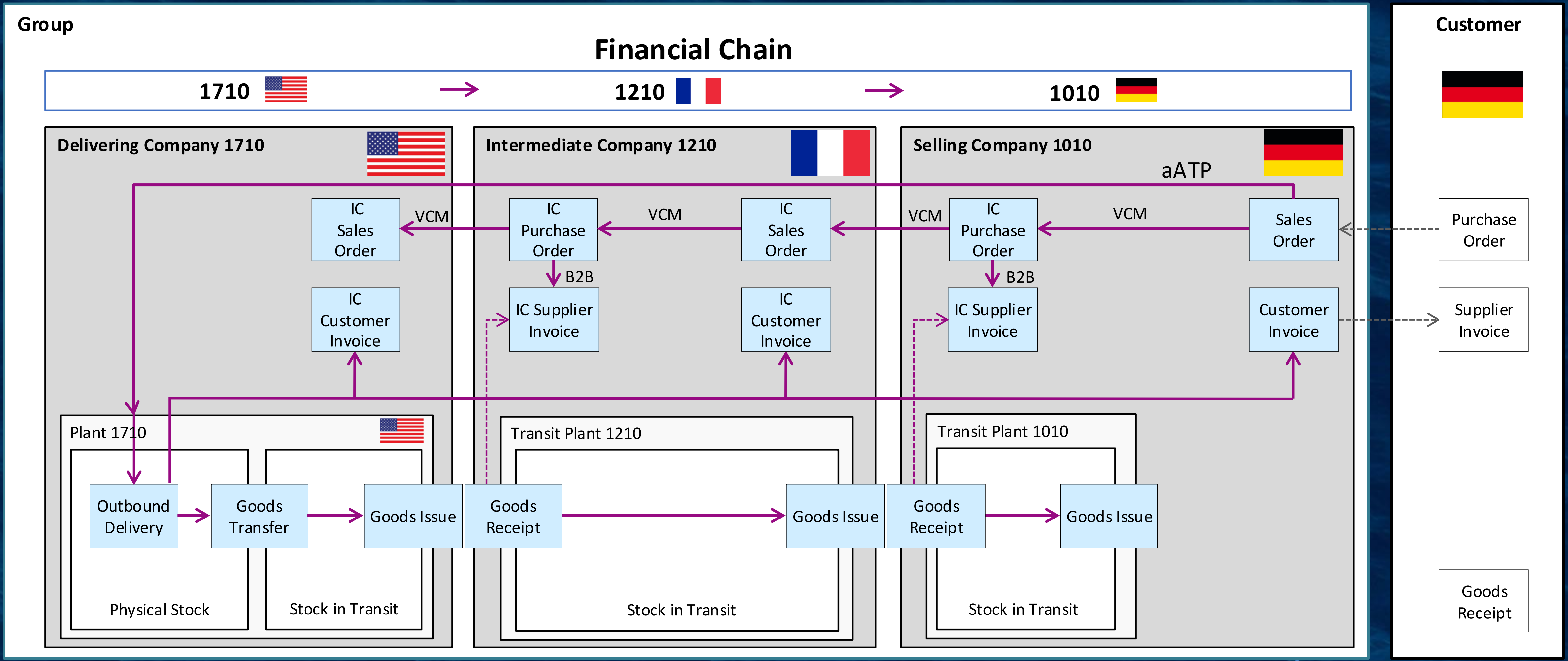


Topic #7 Financial Chains

Now and In the Future

Multistage Intercompany Sales

Financial Chain (from FPS1)



Multistage Intercompany Sales – Financial Chain

- The financial chain used for multistage ICo sales is a sequence of plants
- The financial chain is determined and fixed in the sales order in the selling company
- The financial chain defines the commercial chain means the sequence of selling and buying affiliates
- The plants in the financial chain are used for valuated stock in transits
- The financial chain is master data in financial accounting
- The financial chain can be used for valuation (earliest 2027)
- The sales order in the selling company can combine different financial chains
- SAP's Roadmap Explorer - Transparency in Intercompany Processes Using Financial Chains

Topic #8 Roadmap

Open Topics

Roadmap Items/Open Topics

- Intercompany Business for MTO/ETO (special stocks)
- Intercompany in Service Business
- EBRR and Profit Center Valuation

Topic #9 Questions and Answers

Your Turn...

Five Takeaways

- Group Valuation is no longer constrained by the limits of the currency and valuation profile
- Multiple Currencies can be handled in parallel for group and profit center valuation
- New logistics processes have been introduced to handle intercompany business
- Intercompany business also affects EBRR and Margin Analysis
- New topics include segmentation valuation and financial chains

Resources

- Profit Center Valuation with Universal Parallel Ac... - SAP Community
- Inventory Accounting with Universal Parallel Accou... - SAP Community

Questions & Answers

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