



Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

Financial Planning and Analysis

Introduction: Market Trends and Challenges

The diversity and number of today's reporting regulations mean that companies need to produce financial figures faster and more frequently. As a result, enterprises need smooth, efficient, and reliable financial operations as well as integrated and just-in-time financial reporting. They must also contend with a variety of external financial requirements. Comprehensive, up-to-date accounting data and transparent financial reporting are prerequisites to ensuring compliance with country-specific, as well as international, regulations.

The comprehensive set of financial processes in SAP Business ByDesign supports companies by providing converged accounting data that not only helps them comply with regulations like the International Financial Reporting Standard (IFRS) and the International Accounting Standard (IAS), but also facilitates management decision making. The result is a streamlined, multipurpose, multidimensional, and integrated accounting system.

The key financial capabilities supported by SAP Business ByDesign are:

- Working capital optimization
- Multi-GAAP accounting
- Unified financial and management accounting
- No reconciliation effort within accounting
- Enhanced transparency
- Separation of responsibilities





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis

Cash Flow Management

For companies to survive, positive cash flow is essential. SAP Business ByDesign provides sophisticated and automated financial processes that enable organizations to minimize the risk of non-payment and reduce days sales outstanding, which leads to accelerated and transparent payment.

In addition, close monitoring of liquidity status and liquidity forecasts helps companies safeguard liquidity and avoid critical situations.

Multi-GAAP Accounting

International accounting information requirements have increased dramatically, and companies need to comply with various reporting regulations. In SAP Business ByDesign, the separation of operational and accounting functions makes ample provision for parallel accounting.

The operational process has top priority, and the posting within the financial application of SAP Business ByDesign – as a representation – follows the process. For example, an open item will result in a single payment, even though it may have been valued in several different ways to comply with different reporting regulations.

Unified Financial and Management Accounting

The trend toward merged management and accounting figures has created a need for converged accounting data. This data supports regulations such as those of IAS and IFRS, as well as facilitates informed decision making.

SAP Business ByDesign addresses this trend by providing an accounting system which is streamlined, multipurpose, and multidimensional (for example, profit and cost center), as well as integrated.

SAP Business ByDesign provides sophisticated and automated financial processes that enable organizations to minimize the risk of nonpayment and reduce days sales outstanding.





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis

Cash Flow Management, Cont.

No Reconciliation Effort Within Accounting

All business transactions in SAP Business ByDesign are recorded according to a so-called **one document principle**. Each accounting-relevant posting results in one accounting document that ensures the general ledger, as well as all corresponding sub-ledgers, are inherently reconciled. Companies benefit because they have far less redundant data and no longer need to reconcile data between the individual application areas in accounting.

Financial reporting is based on the one document principle as well, which leads to better insight into financial data. It makes reporting much faster and delivers more comprehensive data. Furthermore, SAP Business ByDesign provides a **complete and direct audit trail** from financial statements to the individual documents, and consistent and binding structures for accounts, periods, and currencies eliminate the need for special ledgers.

Enhanced Transparency

Corporate activity is governed by national and local laws and statutes that place a range of obligations on every enterprise and its employees throughout the world. The capital markets and legislators require reliable, traceable, and correct reports from financials.

SAP Business ByDesign helps companies to meet country-specific regulatory requirements. It provides a transparent audit trail, which presents data from various sources including top-level aggregated figures (such as general ledger account totals), valuated single items (from financial accounting documents), and the original data for a given process (from source documents).

Each business transaction has a unique representation of its document in the system (called the source document). SAP Business ByDesign provides a clear reference between the different source documents of one common business process (**document flow**) and from each source document to its accounting document(s). This supports compliance requirements with transparent document flow and a clear audit trail.

Each operational process is recorded and valuated automatically as soon as an accounting-relevant change occurs. The business logic needed for the automatic financial document creation (such as account determination) is configured in one central place, making the system as transparent as possible and easy to understand.

For more information about how SAP Business ByDesign helps companies meet regulatory requirements, please see the section titled "Executive Management Support."



Cash Flow Management, Cont.

Introduction: Market Trends and Challenges

Cash Flow Management

Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis

Separation of Responsibilities

SAP Business ByDesign facilitates the separation of operational financial processes and the valuation of posting documents in financial accounting.

The most significant advantage is that operational systems do not need to consider any accounting principles or valuation standards; if a problem arises in the financial processes of the solution, it will not automatically interrupt the operational process. This also supports leaner operational systems, as it requires less data, and allows companies to utilize legacy or third-party solutions, because they can be operated independently from the financial accounting solution.

SAP Business ByDesign uses a centralized and standardized accounting logic: business logic like account determination, period locks, or currency conversions is centrally handled and configured. Functions are clearly assigned to responsibility areas, which support an independent yet integrated system environment that is intuitive and easy to use.



Introduction: Market Trends and Challenges

Cash Flow Management

Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis

Cash Flow Management, Cont.



Fast Close

Closing is a time-critical process that involves a number of people in a company, and is therefore highly interdependent. Companies need to deal with tougher external and corporate requirements and complex legal requirements.

As an integrated system, SAP Business ByDesign provides the financial processes with real-time, reconciled data from individual operational functions. The solution facilitates a fast close by providing a readily available, up-to-date, and comprehensive overview of the period-end closing process. All closing relevant tasks are available via one central closing cockpit, showing the actual status for each single task.

Through automated processes and supportive collaboration, SAP Business ByDesign enables the user to plan, monitor, and optimize relevant activities. Well in advance, users can define closing tasks and their sequence, thereby aiding compliance and minimizing the risk of omitting or mistiming important closing steps. Because of the solution's parallel accounting functions, users can also create financial statements that quickly draw upon each of the required representations.

By applying fast close principles that speed up the closing process, accountants gain more time for analysis by moving, reducing, or eliminating the non-value-adding procedures inherent in the closing process. Consequently, financial statements are more accurate and issued in a more timely fashion.



Cash Flow Management, Cont.

Introduction: Market Trends and Challenges

Cash Flow Management

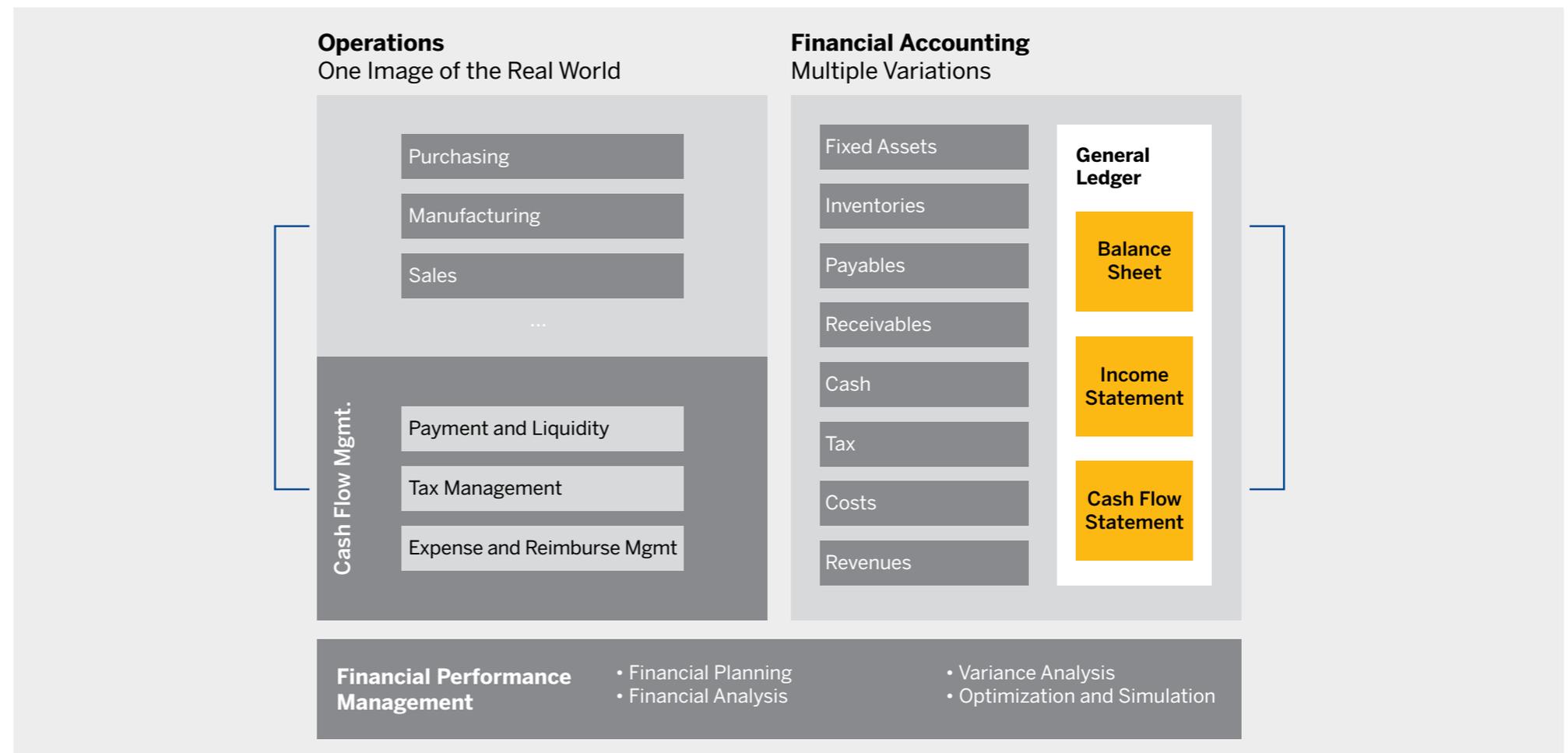
Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis



Graphic: Overview of the Financial Functions Within SAP® Business ByDesign®





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis

Cash Flow Management, Cont.

Payment and Liquidity Management

Cash flow keeps enterprises going. To safeguard their financial lifeline, enterprises must remain solvent and ensure that sufficient liquid funds are available at any given time – especially if the enterprise is expanding quickly.

Payment and liquidity management provides automated and standardized processes for all payables and receivables, which help companies optimize cash flow and liquidity by minimizing the capital tied up in current assets and the time between outgoing and incoming payments.

An overview of payables/receivables, as well as a quick overview of open tasks, are provided for the user and actively triggered by the system. Payment and dunning proposals are automatically created, so the user only needs to review and release them. Automatic clearing is facilitated using information provided electronically from the payee (for example, on the bank statement) or entered manually (for example, payment advice via phone). If a problem occurs, clearing proposals are provided, which proactively aid the user in resolving problems manually.

The solution provides an inventory of all means of payment and executes self-initiated and foreign-initiated payments via different channels (bank, check, bill of exchange, cash, and credit cards) and forms the main database for the liquidity status.

Account statements and self-initiated payments can be processed electronically, so that monetary holdings in bank accounts can be displayed accurately and immediately. All payment media such as checks, credit cards, and bills of exchange are centrally and similarly managed.

SAP Business ByDesign helps safeguard company liquidity so payment obligations can be met, and supports the capability to monitor payment flows (analyzing financial transactions and identifying and mapping future trends in financial budgeting as accurately as possible, such as liquidity forecast). It also acts as a clearing house for financials information, supporting the cash manager with daily tasks, like collecting and compiling information from a variety of internal and external sources (for example, internal sources such as sales, procurement, and human resources, and external sources such as banks and credit card providers).

In addition to online valuation of all payables and receivables transactions, SAP Business ByDesign supports the revaluation of payables and receivables. If the accounts payable/accounts receivable accountant is informed that a business partner has applied for insolvency or is bankrupt, the accountant can enter this information directly into the system; the business partner's receivables are then marked as doubtful debts or are written off.





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Payment and Liquidity Management

Tax Management

Expenses and Reimbursement Management

Financial and Management Accounting

Financial Planning and Analysis

Cash Flow Management, Cont.

Tax Management

The tax management functions of SAP Business ByDesign cover business transactions, manual tax entries for tax-relevant transactions, and tax adjustments. Other types of tax, such as corporate income tax, employment tax, trade tax, or other types of use tax, are not considered in this area. Executing the country-specific tax returns selects the tax due items for reporting and payment for each company or tax reporting group. Tax prepayments can also be performed.

Reports support the reconciliation of the tax items in the tax register with the general ledger. The predefined standard configuration contains all country-specific tax codes and their assignment to the specific tax returns. Furthermore, large enterprise customers who use SAP Business ByDesign at their subsidiaries in countries that are not fully covered as part of the country road map, can set up taxation rules on their own as part of a pilot program.

Expenses and Reimbursement Management

SAP Business ByDesign helps companies to efficiently manage expenses and reimbursement: from expense report creation through to financial settlement. Companies can reimburse their employees faster and monitor their business expenses and adherence to policies more effectively, while efficiently processing expense reports. Simplified expense entry screens and prepopulated fields allow for easy input of expense receipts. Expense reporting on mobile devices allows users to record and approve expenses wherever they are, helping to speed up the reimbursement cycle.

The predefined standard configuration contains country-specific reimbursement rates (in compliance with country-specific travel expense acts). This standard configuration can be adapted according to the company-specific expense policy. Configurable rules help to avoid excessive spending and provide flexibility in processing. For example, depending on the settlement amount, the review or approval process can be skipped. Expense and reimbursement management is integrated tightly with human resources, employee self-services, manager work center, payment processing, and projects. The expense report triggers postings in financial accounting and starts the automatic payment process.





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

General Ledger Management

Fixed Asset Accounting

Inventory Accounting

Management Accounting

Fast Close

Financial Planning and Analysis

Financial and Management Accounting

General Ledger Management

As the “backbone” of accounting, the general ledger consolidates the data of the subledgers into an account overview – with drill-down functionality to provide detailed information. It offers a view of the company’s internal structure and can provide statements for segments and profit centers. To fulfill legal and internal reporting requirements, the general ledger provides a set of fully balanced financial statements at corporate level.

As all business transactions are recorded according to the one document principle, there is far less redundant data and no need to reconcile data between the individual application areas in accounting. There is also a complete and direct audit trail from financial statements to the individual financial documents and down to the single source document.

To comply with different financial reporting standards, SAP Business ByDesign supports parallel valuations. Accounting documents can be compiled in parallel for each set of accounting rules – allowing enterprises to easily comply with different reporting standards and avoid delta calculations. Configuration settings for the most common reporting standards are part of the predefined SAP Business ByDesign standard configuration, but can be adapted easily.

A “set of books” represents the different legal or industry-specific accounting requirements within a company for valuation and documentation purposes (different valuations are the result of different accounting standards like IAS, local GAAP, and internal controlling purposes).

The set of books is the backbone for account determination and is set up as part of the business configuration process before SAP Business ByDesign is used productively.

Financial and management accounting processes are seen as being independent of logistics and financial operations – but not vice versa. After transferring a primary process from logistics or financial operations, a document is created asynchronously in financial accounting.

All accounting-relevant business transactions from financial operations, logistics, and human capital management are posted to the financial and management accounting processes via automatic account determination and valuation for each set of books. Depending on the original business transactions, different accounting subledgers may be involved, such as inventory, assets, and so on.





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

- General Ledger Management*
- Fixed Asset Accounting*
- Inventory Accounting*
- Management Accounting*
- Fast Close*

Financial Planning and Analysis

Financial and Management Accounting, Cont.

All interactions and messages are managed by one accounting interface. The separation of operational processes from accounting and validation allows companies to focus on those operational processes that change accounting values, and means that users need only deal with issues within their particular area of responsibility.

A freely definable chart of accounts allows for parallel updating of the transaction chart of accounts and another chart of accounts (for example, a country-specific chart of accounts). Fiscal year variants are freely definable, and can comprise up to 999 periods. It is also possible to enter individually identifiable closing entries for each period.

One central period block is used for all postings to accounting. A high degree of automation expedites closing operations by using automatic valuations for items such as foreign currency, accrual, and balance carry forward. Postings are in local and transaction currencies, as well as other parallel currencies. The segment and profit center reporting in SAP Business ByDesign provides balancing books for organizational units below the legal entity.

Reports such as financial statements, cash-flow statements, and aging reports can be generated, which break down each account by acquisition, retirements and depreciations, and write-ups.

To prepare for consolidation, partner account information is provided and the eliminations of internal business volumes are calculated at report level in order to ease further processing. A fast close is supported by a transparent audit trail, which presents data from various sources including top-level aggregated figures (for example, general ledger account totals), valued single items (from financial accounting documents), and the original data for a given process (from source documents).

Subledgers structure high-level accounting data according to the balance sheet. Data and common functions are represented similarly and provide a more detailed view of accounts in the respective categories. The one document principle helps ensure that all subledgers and the general ledger are inherently reconciled.

A high degree of automation expedites closing operations by using automatic valuations for items such as foreign currency, accrual, and balance carry forward.





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

- General Ledger Management
- Fixed Asset Accounting
- Inventory Accounting
- Management Accounting
- Fast Close

Financial Planning and Analysis

Financial and Management Accounting, Cont.



Graphic: Subledgers Structure Accounting Data According to the Balance Sheet





Introduction

Innovations

Executive
Management
Support

**Financial
Management**

Customer
Relationship
Management

Project Management

Human Resource
Management

Supplier Relationship
Management

Supply Chain
Management

Business Scenarios

Contact Us

Introduction: Market
Trends and Challenges

Cash Flow Management

Financial and Management Accounting

*General Ledger
Management*

Fixed Asset Accounting

Inventory Accounting

Management Accounting

Fast Close

Financial Planning
and Analysis

Financial and Management Accounting, Cont.

Fixed Asset Accounting

In addition to maintaining asset master data, the fixed assets sub ledger in SAP Business ByDesign manages the calculation and posting of depreciation on a periodic base. Asset accounting is highly integrated with other subledgers and logistic applications. For example, when an asset is ordered, delivered, invoiced, or sold the system automatically carries out the corresponding postings in asset accounting.

When users enter a purchase order in SAP Business ByDesign they do not need to know if the purchased material has to be capitalized or be concerned with creating asset master data. Instead, an automatic notification is sent to the enterprise's asset accountant, who can decide when to capitalize an asset. Users are only faced with questions related to their work areas – and issues they are able to answer.

Asset depreciation can be represented by calculating and posting depreciation amounts. With SAP Business ByDesign users can maintain different depreciation methods and different valuations in parallel (IAS/IFRS and local GAAPs).

With the solution's alert-driven and exception-based handling of asset-related transactions, asset accountants can easily prioritize their daily activities, such as master data maintenance, postings, mass processing, investment handling, and reporting.

SAP Business ByDesign also tracks the lifecycle of fixed assets, providing accountants with the information they need to make well-informed decisions for managing an enterprise's assets and investments.

Users can easily handle extraordinary events, such as enterprise reorganization and situations that entail asset transfers of previously depreciated assets according to new depreciation rules. Items requiring immediate attention are automatically forwarded to the enterprise's asset expert. For example, if cost centers are restructured and assets must be moved from one cost center to another, a task is automatically created, informing the asset accountant that those assets must be modified due to a change in cost center assignment.





Introduction

Innovations

Executive
Management
Support

**Financial
Management**

Customer
Relationship
Management

Project Management

Human Resource
Management

Supplier Relationship
Management

Supply Chain
Management

Business Scenarios

Contact Us

Introduction: Market
Trends and Challenges

Cash Flow Management

Financial and Management Accounting

*General Ledger
Management*

Fixed Asset Accounting

Inventory Accounting

Management Accounting

Fast Close

Financial Planning
and Analysis

Financial and Management Accounting, Cont.

Inventory Accounting

Inventory accounting in SAP Business ByDesign is the subledger responsible for recording and valuating warehouse inventories, stock in transit, work in process (WIP), goods/invoice received clearing, and goods movements. In the solution every goods movement is valuated immediately, without the need for user interaction. Maintenance of the master data information needed for online valuation is highly automated.

Each goods movement is recorded and valuated automatically as soon as an accounting-relevant change occurs, regardless of whether these inventories are work in process, warehouse inventory, or goods in transit.

To accurately measure inventories owned by an enterprise, SAP Business ByDesign determines when a title has legally passed, regardless of whether the inventories are on hand or not.

Although inventory accounting is sometimes considered to be a huge undertaking, SAP Business ByDesign makes it simple, straightforward, and easy to understand. Whenever a new material is created, the person responsible for inventory valuation receives a task to maintain valuation-relevant information – for example, valuation prices and procedures (standard or moving average).

Master data maintenance is highly automated, so that the user usually only has to verify system-derived defaults.

Changes in inventory are recorded and valuated automatically, as soon as title transfer or other accounting-relevant changes occur.

For example, when a user who is responsible for warehouse inventory enters a goods movement, which updates stock quantities in warehouse management, this information is automatically transferred to inventory accounting and updates the stock accounts accordingly. Exceptions are raised to the inventory accountant only if the accounting document cannot be generated without errors – for example, because of a missing valuation price for a new material.

Process separation means that users are only confronted with problems that belong to their area of responsibility. So SAP Business ByDesign users outside of the financial department are not confronted with complex accounting problems. Valuation is always and only done in accounting. Logistics inventory quantities are simultaneously reconciled with accounting inventory values.

Consumption of materials for production posts directly to the WIP inventory (crediting warehouse inventory).



Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

General Ledger Management

Fixed Asset Accounting

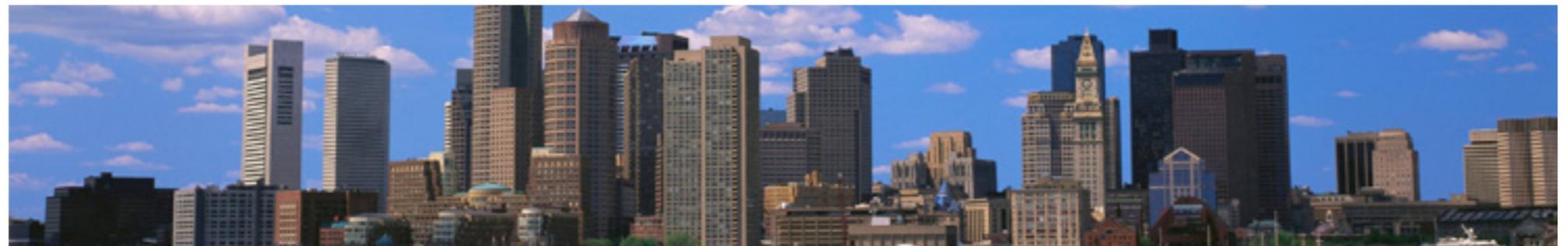
Inventory Accounting

Management Accounting

Fast Close

Financial Planning and Analysis

Financial and Management Accounting, Cont.



Management Accounting

The management accounting features in SAP Business ByDesign depict the profit and loss statement and explain the retained earnings in the balance sheet. Costs and revenues are compared against each other and the resulting key figures are analyzed. The solution also offers a comprehensive range of features for cost accounting (with cost centers and projects) and for sales accounting.

With SAP Business ByDesign, businesses simply scale cost accounting functions according to their needs – avoiding unnecessary complexity and enabling fast implementation as a result. For example, a simple installation might involve several cost centers as account assignment objects, with simple methods for transferring costs from one center to another.

A more complex setup might involve cost allocation on the basis of resources, with projects as additional account assignment objects.

In SAP Business ByDesign it is always possible to show why and where costs have been incurred. Overhead charges allow the allocation of overhead costs to cost objects. They are assigned when direct cost allocation is neither possible nor feasible. Direct cost allocation is used with orders such as production orders or production lots (charged with inventory and production overhead), CRM service orders and projects, and CRM sales orders (charged with marketing, shipping and handling, as well as administration overhead),

SAP Business ByDesign allows companies to define their own cost objects and to configure these objects the way they need them.





Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

General Ledger Management

Fixed Asset Accounting

Inventory Accounting

Management Accounting

Fast Close

Financial Planning and Analysis

Financial and Management Accounting, Cont.

Fast Close

Companies need to deal with tougher external and corporate requirements, complex legal requirements, and International Convergence of Capital Measurement and Capital Standards such as Basel II. Fast closing helps to optimize and accelerate the closing process by streamlining teams, processes, and technology, and providing better data quality earlier.

SAP Business ByDesign supports a fast close procedure by providing a transparent audit trail that presents data from various sources (including top-level aggregated figures, valued single items, and the original data for a given process).

Due to the tight integration, it is possible to show a real-time and comprehensive overview of the period-end closing procedure, which can be triggered on a monthly, quarterly, or annual basis with defined closing tasks and sequences.

The extensively automated closing process in SAP Business ByDesign is supported by a central control tool which decentralizes tasks in different work centers, thereby facilitating rapid response, improved user productivity, collaboration among all participants in the closing process, and reduced administration costs.

Users can define closing tasks and their sequence well in advance, thereby supporting compliance and minimizing the risk of omitting or mistiming important steps. Drill-down reports provide the user with an overview of changes and adjustments effected by the closing activities, providing a clear business overview of closing results and aiding the preparation of audit-relevant information. Users have an up-to-date, readily available, comprehensive overview of the closing status, which promotes transparency.

A closing task can occur as a procedure that runs automatically, a manual procedure, a reminder, or as a milestone with functions for checking and correcting. The closing work center provides an overview for monitoring finished and outstanding tasks and for starting various closing programs, such as foreign currency valuation.



Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

Financial Planning and Analysis

Profitability Analysis

Financial Planning

Costing

Financial Planning and Analysis

Profitability Analysis

Whether in marketing (customer acquisition, portfolio, campaign profitability), sales (pricing, sales channels), or for management functions in general, profitability information plays a key role in decision-making processes. By transforming order, billing, and accounting data into a single unified data source as a basis for reporting, SAP Business ByDesign increases visibility and transparency in the profitability analysis.

Sales revenues, sales deductions, and cost of sales are assigned to sales orders, customer projects, or contracts. Enterprises can then use this information to report contribution margins for different accounting entities, such as company, segment, and profit center – according to their requirements.

With SAP Business ByDesign, enterprises can readily obtain and review their profitability status, using up-to-the-minute, integrated, and reconciled data, which helps ensure that the profitability statement is based on consistent data for costs of goods sold (COGS), segment reporting, and revenue recognition.

Because SAP Business ByDesign makes a distinction between operational and accounting tasks, users responsible for sales processes are relieved from accounting tasks and can focus on operational issues.

The value chain still provides the system with information about when revenues must be recognized (for example, due to contractual commitments). Information is sent to accounting on a transaction basis.

As a general rule, revenues are earned when an entity has fulfilled a product or service and is therefore entitled to compensation (revenue recognition principle).

The processes in SAP Business ByDesign recognize this principle of revenue recording based on so-called event recognition. This means that revenues are recorded simultaneously when events – such as payments, partial deliveries, or project milestones – are executed.

The accounting document serves as a single unified data source for revenue and COGS. This means that the earned profit can be established without further reconciliation in profitability, and also helps ensure that the accounting and sales departments have the same figures upon which to base their decisions.



Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

Financial Planning and Analysis

Profitability Analysis

Financial Planning

Costing

Financial Planning and Analysis, Cont.

SAP Business ByDesign provides decision makers with a multi-dimensional income statement (transforming order, billing, and accounting data into “real-world” decision-oriented profitability information). It helps them understand to what extent the different market segments (such as customer, product, sales organization, and region) contribute to the overall company success. A more detailed view can be achieved by structuring all related revenue and cost components into a contribution margin scheme, which explains the influence of each revenue or cost on overall margins and profits.

The three major business views of profitability are:

- **Ordered profit:** margin reporting based on order data, which is valued with the current and released standard price to determine the cost of goods or services sold. This information is used as early warning information within the solution. It is based on sales and service documents that can be transferred directly to the profitability management functionality and transformed into a contribution margin scheme.
- **Invoiced profit:** based on billing documents and providing immediate information and profit drill downs to decision makers in sales and service. It provides margin reporting based on invoices, which are valued with current standard prices to determine the costs of goods or services sold.

- **Earned profit:** provides a complete multidimensional income statement based on earned values. Earned profit can be enhanced to provide consolidated and reliable information, delivering a complete view of the contribution margins. Midsize companies can create a simple multidimensional profit-and-loss statement, in which invoiced revenues are reflected in the earned revenues by adding recognized and accrued revenue.



Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

Financial Planning and Analysis

Profitability Analysis

Financial Planning

Costing

Financial Planning and Analysis, Cont.

Financial Planning

With SAP Business ByDesign companies benefit from an integrated planning approach that allows companies to plan from financial, sales, and demand perspectives.

The integrated business planning in SAP Business ByDesign provides flexible tools and functions that support company-specific requirements throughout the planning process.

The various parameters can be individually adapted to the company's organizational structure and reporting needs.



SAP Business ByDesign supports the use of top-down and bottom-up planning methods at the same time. It also supports several planning levels: company, profit center, and cost center. One integrated financial plan per fiscal year and company comprises all planning data of the different planning levels. This enables the user to enter plan data either at the low or top level, with the system automatically doing the roll up or breakdown.

The main function of cost center planning is to define cost targets for various organizational units within the company. It is a part of the overall overhead cost planning. The planned costs for a unit should reflect sufficient resources for the fulfillment of tasks in alignment with company or unit objectives.

The major cost components addressed by cost center planning are primary costs (for example, expected depreciation, salary, energy costs) and secondary costs (internal allocations, applied surcharges).

Collaboration scenarios support integrated planning with several involved line managers.

During financial statement planning, forecasts of profit-and-loss (P&L) statements, balance sheets, and cash-flow statements are created.



Introduction	Innovations	Executive Management Support	Financial Management	Customer Relationship Management	Project Management
Human Resource Management	Supplier Relationship Management	Supply Chain Management	Business Scenarios	Contact Us	

Introduction: Market Trends and Challenges

Cash Flow Management

Financial and Management Accounting

Financial Planning and Analysis

Profitability Analysis

Financial Planning

Costing

Financial Planning and Analysis, Cont.

Costing

Costing covers two main aspects – material and project.

- **Product cost planning** provides a multilevel cost estimate based on logistic quantities. This includes materials and resource valuation, and overhead calculation to estimate standard prices. Standard prices provide the basis for production cost analytics, inventory accounting, and the determination of cost of goods manufactured and goods sold for semifinished and finished materials. Product cost planning provides the basis for:
 - Material cost calculation of manufactured goods for inventory valuation
 - Variance calculation for production cost analytics
 - Contribution margin accounting in profitability management

A cost estimate can be created for an individual material or for a range of semifinished and finished materials using the mass run functionality in product cost planning. From an organizational point of view, product costing can remain a central function even in decentralized logistics operations.

- **Project costing** provides better financial control due to increased transaction visibility and helps to keep projects on budget. Line managers benefit from timely, detailed cost information to monitor project performance and financial managers can keep track of total costs. Project cost estimates are based on a calculation of remaining costs and not total plan costs.

The plan costs are defined as the sum of actual costs in accounting plus the remaining costs from the project cost estimate. In order to “freeze” these early plan costs, the “snapshot” functionality can be used, which is crucial for variance reporting. When the lifecycle status of a project changes to “closed” or “canceled,” the remaining costs are always zero. These project tasks are, therefore, not relevant for costing.

