

**SAP Solution in Detail
mySAP ERP Financials**



BEST-PRACTICE FINANCIAL ACCOUNTING WITH mySAP™ ERP FINANCIALS

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YOUR BUSINESS, YOUR FUTURE, YOUR SUCCESS

The mySAP™ ERP solution is the world's most complete enterprise resource planning (ERP) solution and can provide your organization with the strategic insight and flexibility you need to succeed. With the mySAP ERP solution, your enterprise can improve productivity and efficiency by automating end-to-end business processes and extending those processes beyond the enterprise to your customers, partners, and suppliers. In addition, mySAP ERP is committed to innovation and can support the future growth of your organization.

For effective management of financial processes, the mySAP ERP Financials solution delivers a comprehensive platform for all of your accounting and financial reporting needs. Flexible enough to support organizations of all sizes, in all industries, operating around the world, mySAP ERP Financials is an essential building block of your enterprise software business strategy, providing a solid foundation to expand your business and gain insight into every aspect of your enterprise.

Powered by the SAP NetWeaver® platform, mySAP ERP Financials improves the financial accounting function of your enterprise by utilizing a robust data warehouse to streamline planning, accelerate financial consolidations, and perform advanced analytics. The SAP NetWeaver platform is also the foundation for Enterprise Services Architecture, the blueprint that supports the flexible presentation of data regardless of its origin through portals and reporting – improving data usability and management insight.

SAP provides the most complete financial accounting solution with the mySAP ERP Financials solution. Global companies in more than 25 industries run mySAP ERP Financials to perform financial accounting in a compliant and cost-effective manner. With mySAP ERP Financials, SAP offers a unique value proposition. Through a single, integrated platform, you can manage the entire financial accounting life cycle – from capturing the financial impact of all business transactions to generating financial statements that comply with an array of local and global accounting standards. More importantly, SAP® software enables you to utilize financial data from your accounting solution to monitor business performance and guide your strategic decisions.

ACCOUNTING IS CHANGING – WHAT ABOUT YOUR ACCOUNTING TOOLS?

Your company faces tough challenges in today's market. You are expected to compete aggressively in the global economy while simultaneously reporting accurate financial results according to strict geographic- and industry-specific accounting standards. You must be able to collect and analyze performance data in real time and make informed decisions to sustain growth. And you must produce an accurate, timely set of compliant reports in a cost-effective manner.

With the financial accounting functionality in mySAP ERP Financials, your enterprise can support secure, transparent accounting; improve analytical capabilities; and proactively manage global business performance, profit, and growth. By improving and innovating financial processes, mySAP ERP Financials enables you to:

- Increase the effectiveness of your compliance efforts through comprehensive auditing and deeper reporting
- Improve business analysis and decision support by deploying performance management tools that analyze your entire enterprise and its resources – directly to your employees' desktops
- Innovate financial management strategies around business process outsourcing, supplier collaboration, and customer account accuracy
- Optimize cash flow through improved billings, receivables, collections, payments, and treasury management
- Accelerate closing cycles through process automation, workflow, and collaboration

mySAP ERP Financials is the most comprehensive financial accounting solution for an integrated, global business – and one that meets the needs of your industry and business.

A Foundation for Both Local and International Compliance

Financial accounting with mySAP ERP Financials is designed to comply with accounting standards such as generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS). It fulfills local requirements of many countries, including the legal and accounting changes resulting from European market and currency unification.

Key functions in financial accounting with mySAP ERP include:

- General ledger
- Accounts receivable and payable
- Fixed-asset accounting
- Bank accounting
- Cash-journal accounting
- Inventory accounting
- Tax accounting
- Accrual accounting
- Fast close
- Consolidation
- Financial statements

THE RIGHT GENERAL LEDGER – FOR RIGHT NOW

Sound financial accounting is more important than ever. Misstatement of financial reports can severely impact market capitalization. Corporate executives are personally liable for the accuracy of financial statements. And timely and accurate financial reporting is a fundamental and strict requirement of international accounting principles such as IFRS, U.S. GAAP, and local GAAP.

The next-generation system architecture of mySAP ERP Financials includes general ledger functionality that support organizations seeking to reduce the complexity of parallel accounting, including the ability to generate a set of balanced and reconcilable financial statements by any dimension of the business – whether by region, industry, business unit, profit center, or geographical location.

Whereas traditional general ledger solutions required the reconciliation of multiple applications, mySAP ERP provides a structure that unifies individual ledgers, such as cost of sales, profit-center accounting, and consolidation staging. As a result, you can speed reconciliation, ensure transparency, and support audits. And by collecting and storing business events from various lines of business – previously tracked and stored in independent silos of information – in a single, integrated software solution, you ensure that your account management is accurate and synchronized at all times.

Parallel Accounting

It has always been difficult to gather, store, and report valuations needed to settle accounts. The importance of parallel accounting in meeting new local and international accounting standards has made this process even more complex. Parallel financial reporting in the general ledger with mySAP ERP Financials enables you to keep several general ledgers simultaneously according to different accounting principles, to ensure you can easily meet local and international reporting requirements. In addition, you can facilitate the analysis of unified reporting of balance sheets or profit-and-loss statements in accordance with new standards.

Segment Reporting

Segment reporting is a key component of IFRS and individual country requirements, such as U.S. GAAP. It addresses the increasingly difficult task of discerning risk and opportunities across diverse international business segments and regions. IAS 14 requires companies to use two-dimensional segment reporting – for example, by geographical region and business area – which is more complicated than traditional financial reporting.

Rather than waiting until the close to create segment reporting – an expensive and error-prone approach – companies can utilize the general ledger functionality in mySAP ERP Financials to streamline the segment reporting process. With financial accounting in mySAP ERP Financials, segment information is identified directly in posted transactions as a standard field in the general ledger, or it can be created by profit centers using various methods. And since the segment information begins at the detailed document level, segment-based balance sheets and profit-and-loss statements are available with standard reporting, saving time and minimizing errors. Account balances can be reviewed at the segment level, and periodic activities, such as revaluation and balance carryforward, are handled with ease.

IAS 14 Reporting Requirements by Segment

mySAP ERP Financials gives companies the flexibility to choose specific segments to represent their primary and secondary views.

Primary Segment	Secondary Segment
<ul style="list-style-type: none"> ▪ Revenues ▪ Revenue from external customers ▪ Revenues from other segments ▪ Investments ▪ Assets ▪ Liabilities ▪ Depreciation ▪ Key expenses 	<ul style="list-style-type: none"> ▪ Segment revenue from external customers ▪ Segment assets ▪ Investments

ACCURATE AND EFFECTIVE ASSET ACCOUNTING

Cost-of-Sales Accounting

Cost-of-sales accounting matches the sales revenue for a given accounting period with the manufacturing costs for each activity. Expenses are then allocated to the functional areas (for example, production, sales and distribution, or administration). But identifying the economic reason for each expense is a time-consuming and detailed process.

With cost-of-sales accounting in mySAP ERP Financials, you can incorporate this accounting method in the general ledger. Expenses and revenues that cannot be assigned to the functional areas are reported as other profit-and-loss items, sorted according to expense and revenue type. As an integral part of the general ledger, cost-of-sales accounting eliminates reconciliation steps during closing and creates an audit-friendly record.

Profit-Center Accounting

The general ledger functionality in mySAP ERP Financials improves the integration of management and external reporting and enables you to satisfy a wide range of internal management and external legal reporting requirements in parallel. Because all business transactions that affect profits are integrated automatically into the solution's general ledger accounting and reflected in profit-center accounting, you can easily analyze the profitability of even the smallest unit of responsibility. You can even create balances and profit-and-loss statements by profit centers to provide management with information it needs to make informed decisions.

mySAP ERP Financials lets you increase the efficiency of fixed asset management and proactively manage your asset life cycles from acquisition to retirement. You can fulfill the extensive requirements for balance sheet reporting and fixed asset accounting through:

- Effective management of large number of asset master records
- Integrated posting with materials management, accounts payable, receivable, and the general ledger
- Integrated posting with maintenance activities that require capitalization on assets
- Integration with investment management to plan and manage investments in assets
- Flexible calculation of depreciation and imputed interests
- Parallel valuation for U.S. GAAP, IFRS, and other accounting standards
- Depreciation simulation for analyzing future deployment options
- Powerful fixed asset reporting

mySAP ERP Financials increases the efficiency of fixed asset management by allowing each employee in your enterprise to be involved in the creation and management of fixed asset records. Using the SAP Employee Self-Service application, your employees can access and update records on company cars, PCs, and other fixed assets for which they are responsible. The advantage? Your asset accountants no longer have to worry about simple changes of location or cost center and can focus on proactively managing fixed assets for maximum economic and operational performance. And, when you integrate mySAP ERP Financials with the mySAP Supplier Relationship Management solution, your employees can manage the entire fixed-asset procurement process from purchase request to invoice while simultaneously informing asset accounting of asset acquisitions.

COVERING ALL YOUR FINANCIAL ACCOUNTING NEEDS

Financial accounting with mySAP ERP Financials allows your organization to standardize all accounting dimensions on a single platform. No matter what your business, industry, or company size, SAP offers a comprehensive solution for all your

accounting needs, helping you to reduce total cost of ownership and error rates while improving reporting functionality and transparency into individual dimensions of financial accounting.

Dimension	Feature
Accounts receivable	Accelerate and improve the customer accounting process by: <ul style="list-style-type: none"> ▪ Entering business transactions into accounts receivables and the general ledger simultaneously with automated, continuous postings ▪ Using collected data to ensure effective credit management and minimize risk
Accounts payable	Effectively record and manage accounting data for all vendors by: <ul style="list-style-type: none"> ▪ Grouping, expediting, and evaluating purchase orders, deliveries, and invoices to improve purchasing management ▪ Optimizing liquidity planning with improved cash management ▪ Settling outstanding payments while achieving maximum cash discounts
Bank accounting	Better manage bank master data and cash balances by: <ul style="list-style-type: none"> ▪ Automating, recording, and organizing all the accounting transactions processed with the bank ▪ Creating and processing incoming and outgoing payments
Cash journal accounting	Improve cash journal accounting by: <ul style="list-style-type: none"> ▪ Automatically calculating and displaying opening and closing cash balances, receipts, and payments totals ▪ Running several cash journals for each company code ▪ Keeping separate cash journals for each currency ▪ Displaying, changing, posting, and saving cash journal documents in a single-screen transaction ▪ Automatically posting cash journal entries to the general ledger and applicable vendor or customer accounts
Inventory accounting	Manage the value and quantity of material stock by: <ul style="list-style-type: none"> ▪ Planning, recording, and documenting all goods movements ▪ Supporting the physical inventory ▪ Entering and updating in real time all transactions that bring about a change in stock value or quantity – including warehouse stock, stock ordered but not yet received, and stock not yet reserved for production ▪ Assessing the current stock situation of any given material at any time
Tax accounting	Accurately account for sales, withholding, and other taxes according to the legal requirements of a country or a region by: <ul style="list-style-type: none"> ▪ Calculating tax amounts using applicable tax codes ▪ Posting tax amounts to defined tax accounts ▪ Correcting tax amounts for cash discounts or other reductions ▪ Creating and reporting timely tax filings
Accrual accounting	Streamline accounting accruals by electronically calculating, posting, and transferring accrual documents to the financial accounting system at time of posting: <ul style="list-style-type: none"> ▪ Eliminate general ledger reporting latency ▪ Keep subledgers in balance with real-time information ▪ Maintain accurate view of accrual balance based on eliminating batch processes ▪ Enable bidirectional view of general ledger balance and accrual subledger

PERFECT PROCESS CONTROL FOR THE FASTEST CLOSE

Standardizing and streamlining the closing process is a top management priority. It also serves as a cornerstone of increased transparency: the faster you can close your books, the sooner financial issues can be identified, investigated, and rectified. By helping organizations to provide the public and capital markets with timely, accurate financial information, mySAP ERP Financials supports a fast-close strategy with the following functions and solutions.

Closing Cockpit

Helping to reduce communication costs, the closing cockpit displays all closing functions on a single screen, allowing departments to work together to structure, schedule, and execute the closing process. The graphical interface uses color coding to show the status of scheduled and completed jobs, critical paths, and detailed reports. With a transparent process, errors can be pinpointed quickly and the responsible employee notified immediately, further reducing surprises and unexpected downtime.

Intercompany Reconciliation

mySAP ERP Financials includes intercompany reconciliation functionality that allows documents or totals from SAP and non-SAP systems to be loaded and stored in a central data repository. With this functionality, you can match, reconcile, and recall data for future analysis. You can define automatic matching algorithms that help reduce manual effort and focus your accountants on value-adding exception handling. Sophisticated document versioning supports date-driven analyses of open items, such as accounts payables and receivables.

General Ledger in mySAP ERP Financials

Because the general ledger supports integrated financial and management accounting, all reporting is completed in a single comprehensive database, minimizing reconciliation time and effort. Extensive customization options support parallel accounting with parallel ledgers and accounts, guaranteeing quality at the source.

Industries Supported by mySAP ERP

- Aerospace and defense
- Automotive
- Banking
- Chemicals
- Consumer products
- Defense and security
- Engineering, construction, and operations
- Financial service providers
- Healthcare
- High tech
- Higher education and research
- Hospitality services
- Industrial machinery and components
- Insurance
- Life sciences
- Logistics service providers
- Media
- Mill products
- Mining
- Oil and gas
- Postal services
- Professional services
- Public sector
- Railways
- Retail
- Telecommunications
- Utilities
- Wholesale distribution

SAP NetWeaver Portal

Guidelines for closing schedule and procedures, contact lists, chart of accounts, and other key data can be accessed and shared in the SAP NetWeaver Portal component, streamlining the communication element of a fast close. Inclusion of monitors, such as the closing cockpit for local close and the consolidation monitor for group close, makes progress within the closing process even more transparent to all participants.

SAP Strategic Enterprise Management

The business consolidation functionality contained within the SAP Strategic Enterprise Management (SAP SEM®) application provides subsidiaries direct access to a consolidation monitor, ensuring data accuracy and transparency throughout the closing process. Automatic booking of even the most complex transactions reduces manual effort and the potential for error. Parallel valuation functionality produces closing according to multiple GAAPs.

“With mySAP ERP, we have realized the automation of our accounting process. Now we can perform monthly closing within one to two hours, instead of one to two days, of manual work.”

Zhenhai Wang, CIO, Phenix Optics Co. Ltd.

ACCURATE, TIMELY CONSOLIDATIONS

mySAP ERP Financials helps you prepare, collect, consolidate, and analyze information for statutory and management consolidations.

- **Prepare:** Consolidation with mySAP ERP Financials ensures that local data is prepared perfectly, enabling master data to be arranged according to chart of accounts, reporting units, or segments.
- **Collect:** Direct access by subsidiaries and subgroups streamlines the collection of the data, whether it is collected by file upload, automatic postings, manual data entry, or SAP SEM integration.
- **Consolidate:** User-friendly, efficient controls help you monitor the actual consolidation process as interunit eliminations, investments combinations, reclassifications, and allocations occur.
- **Analyze:** SAP NetWeaver reporting delivers the business content as well as special consolidation reports for management.

By supporting a secure and transparent consolidation process, mySAP ERP Financials speeds the time required to prepare a global view of reconciled and consolidated accounts, reduces errors, and improves the quality and reliability of data.

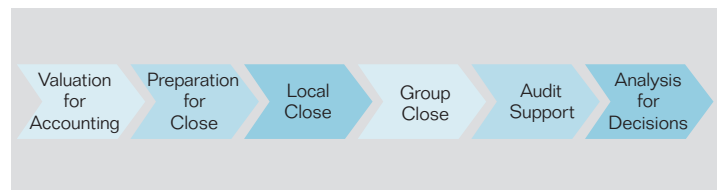


Figure 1: mySAP™ ERP Financials Supports the Consolidation Process

IMPROVING THE AUDIT PROCESS

Audit Information System

The sheer volume of available financial data combined with the disparity of systems, interfaces, and software releases makes both internal and external auditing a challenge. And, as auditing standards become more aggressive, it is imperative that third-party auditors can navigate your financial system and achieve an overall understanding of your company's financial health quickly and completely.

Built on SAP's commitment to internal controls, the audit information system (AIS) in mySAP ERP Financials offers a tool for improving the internal and external audit process. Working with SAP user groups and external auditors, SAP has designed AIS to facilitate system audit reviews, business audits of financial transactions, and tax audits by providing a structured, preconfigured collection of standard SAP programs and checklists. AIS easily supports offsetting account analyses, individual inquiries, and document tracing activities that can be structured in role-based sets and assigned to auditors to further streamline the audit process. Because AIS takes an account-based approach, you get an easy-to-execute audit process, improved audit quality, enhanced collaboration with external auditors, and, above all, a transparent audit trail.

Tax Audit Support

Although tax audit requirements vary from country to country and by audit type, the quantity of data in an ERP system typically exceeds that required by most governmental tax audits. Tax audits often review several years of historical data. Auditors frequently find the corresponding source documents archived without easy and direct access. In many financial systems, this fragmentation can entail costly restoring activities – unless data medium provisions have been used to archive data directly.

The data retention tool (DART) of mySAP ERP Financials offers extensive filter functions that range from a complete extract to specific critical data, allowing auditors to freely determine the data they require. Since much of the data needed for tax audits is not part of financial accounting, DART helps increase the transparency of a document chain by transferring the document links from previous or subsequent process steps, such as sales and distribution postings, inventory accounting, and cost accounting.

“AIS is the result of many years of intensive collaboration between SAP and auditors concerning auditing requirements. That collaboration has achieved an excellent tool for supporting auditing in SAP systems.”

Wolfgang Storm, Partner and Leader of Business Unit Systems and Process Assurance, PricewaterhouseCoopers Germany, “Invaluable Tool for Auditors,” *SAP INFO*, April 23, 2005

ANALYTICS ENABLE INSIGHT AND SMARTER DECISIONS

Effective financial analysis has always been critical to understanding your business and staying ahead of the competition. With the emergence of corporate performance management technologies such as data warehousing, online analytical processing (OLAP), and ad hoc queries, businesses can dissect financial data, gain greater insight, and utilize those insights to form business strategies or guide operational decisions.

mySAP ERP Financials provides a comprehensive set of corporate performance management technologies and analytical software solutions to boost your analytical power. At the foundation, mySAP ERP Financials utilizes the SAP NetWeaver Business Intelligence component to enable financial managers to create financial and performance reports using transactional data sourced from their enterprise systems. Supporting the analytical needs of your controllers, cost accountants, and financial analyst, mySAP ERP Financials utilizes the SAP Analytics application, a set of robust tools and analytical dashboards embedded in all SAP applications. In addition, mySAP ERP Financials includes all the functionality of SAP Strategic Enterprise Management, including planning and simulation, scorecarding, consolidated financial reporting, and risk management.

Business Explorer

Business Explorer is an intuitive reporting tool that enables a user to create financial reports and model data using the Web or a Microsoft Excel-based interface. The tool allows your organization to utilize the data aggregation function of mySAP ERP Financials without giving up the familiar modeling tools of Excel. As a result, user adoption is greater, your organization can leverage the data management power of mySAP ERP Financials for financial analysis, and your business eliminates the inefficiency and risk of conducting analyses with disconnected spreadsheets.

Performance Management

At the heart of performance management is the balanced scorecard. Employees can use scorecards to track, measure, and report analytical key performance indicators (KPIs) by process or role according to their individual needs. Scorecards can calculate status, measure results by owner or business segment, and utilize time series and graphics to ensure your employees understand the performance results specific to their area of expertise. Furthermore, employees can use written assessments and comments to collaborate on effective strategic solutions. mySAP ERP Financials offers the advantage of developing performance models and KPI scorecards that utilize a single source of real-time information. As a result, your entire global organization can set strategic decisions and plans according to one version of financial data.

Embedded Analytics

SAP Analytics is part of mySAP ERP Financials and brings analytical capabilities directly to the desktop of your financial accountants and controllers. With SAP Analytics, your financial accounting solution can:

- Provide financial managers with real-time measurement of revenue and profitability
- Enable project controllers to track project costs against plan and identify root causes of budget variability
- Allow controllers to measure employee headcount and develop cost models using employee transactional data
- Allow senior managers to monitor financial performance through an intuitive online interface

The analytical functions in mySAP ERP Financials can transform your financial accounting system from a purely transactional platform into a powerful, comprehensive financial solution that supports strategic financial insight. It helps you find the right answers to your most challenging finance questions – while improving profitability and operational strategy along the way.

COMMUNICATE WITH CONFIDENCE

Using breakthrough standards-based technology, SAP automates the communication of important financial reports to regulatory authorities, the investment community, and other stakeholders. Electronically reporting this information minimizes costs, improves speed, and reduces errors associated with manual processes.

Extensible Business Reporting Language

Extensible Business Reporting Language (XBRL) is an open specification standard that uses XML-based data tags to describe financial statements for public and private companies. Using generally accepted financial reporting standards, XBRL translates financial reports across all software and technologies including the Internet. By making it easier to share financial information, XBRL benefits all members of the financial supply chain, including shareholders, regulatory authorities, suppliers, auditors, and other stakeholders. Considered a breakthrough standard, XBRL offers technology independence, interoperability across varying systems, efficient preparation of financial statements, and the extraction of reliable financial information.

SAP supports the loading, administration, and mapping of various XBRL taxonomies to SAP solutions. SAP software supports the gathering of information from a data warehouse and converting it to XBRL instance documents that are suitable for communicating individual financial statements and consolidated statements. And, SAP SEM can readily publish instance documents on your investor relations Web site or portal.

ELSTER (Electronic Tax Declaration) in Germany

Beginning in 2005, German companies are required to provide information electronically to German tax authorities regarding value-added tax. SAP has helped to make compliance with this sweeping mandate possible by building an interface to extract and feed the required data to the tax authorities.

This solution manages the entire data communication process, including data extraction, compilation, and distribution. Test-run functionality and status monitoring ensure that data is sent accurately and securely to tax authorities. Moreover, final adjustments can be made to the data after extraction – but before distribution – enabling companies with heterogeneous systems to include data from business units that are not included in the SAP solution.

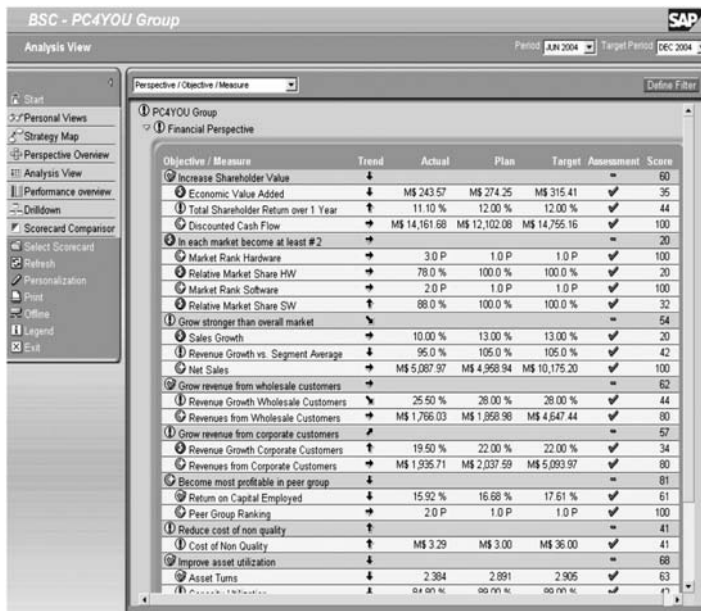


Figure 2: Balanced Scorecard Analysis of Financial Performances

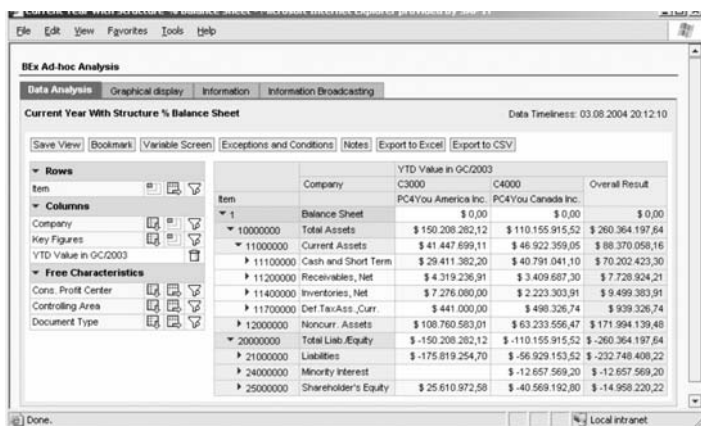


Figure 3: Single Source of Real-Time Information

INCREASE TRANSPARENCY, IMPROVE ANALYTICS, AND MANAGE PERFORMANCE AND GROWTH

Activity	Benefit
General ledger	<ul style="list-style-type: none"> ▪ Ensure complete and synchronized accounts at all times with a unified structure ▪ Speed reconciliation, simplify audits, and increase transparency ▪ Support segment accounting from the document level ▪ Accelerate financial closes and increase the accuracy of financial reporting ▪ Improve the ability to maintain a parallel set of balanced books ▪ Reduce risk of noncompliance with support for international and local accounting standards
Asset accounting	<ul style="list-style-type: none"> ▪ Improve efficiency by giving employees direct access to fixed asset records ▪ Leverage integrated postings with materials, accounts payable, and accounts receivable ▪ Perform parallel valuation for U.S. GAAP, IAS, and other methods ▪ Simulate depreciation schedules for optimal asset deployment
Fast close	<ul style="list-style-type: none"> ▪ Reduce manual effort and the potential for error with automatic bookings ▪ Reduce communication cost and improve transparency with closing cockpits that can monitor progress ▪ Pinpoint potential problems with date-driven analysis of open items ▪ Minimize reconciliation time with a uniform database
Consolidation	<ul style="list-style-type: none"> ▪ Streamline reporting, financial consolidation, and forecasting processes for greater efficiency and lower costs ▪ Simplify the collection of data with direct access by subsidiaries and subgroups
Data assurance	<ul style="list-style-type: none"> ▪ Improve management of internal controls with enhanced processes for documentation, assessment, and testing ▪ Improve the ability of executives, auditors, and regulators to review internal controls ▪ Lower cost of compliance with support for meeting financial reporting regulations in any country or industry
Analytics	<ul style="list-style-type: none"> ▪ Improve business performance by using balanced scorecards and management cockpits to monitor performance of strategic success factors ▪ Enable better and faster decision making by delivering real-time KPIs to the desktops of all employees

SETTING THE PATH FOR INTELLIGENT GROWTH, COMPETITIVE ADVANTAGE, AND SUSTAINABLE COMPLIANCE

With over 26,000 installations worldwide, mySAP ERP Financials is the most financially sound investment for your business. Regardless of your organization's size, mySAP ERP Financials provides a platform for growth, a financial solution that can support global business requirements in virtually any industry, and a solid framework for corporate governance.

For additional information on how mySAP ERP Financials gives you a competitive advantage with support for regulatory compliance and a solid foundation for sustained growth, please visit www.sap.com/financials.

www.sap.com/contactsap