Accomplish Segment Reporting using Document Splitting in the New GL

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He has published more than 50 white papers and has spoken at more than 20 SAP conferences and events. He is also a technical advisor for SAP Financials Expert Magazine published by Wellesley Information Services.

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Background

New General Ledger (or New GL) in the mySAP ERP system offers one of the most powerful features called as ‘Document Splitting’. With Document Splitting, accounting line items are split according to specific characteristics. This way, you can create financial statements for entities such as ‘Segments’ and meet the legal requirements (for example, IAS requirements for segment reporting. Please refer to the appendix for brief background on IAS 14 standards for Segment Reporting.).

Document Splitting – Basics

Let me construct the concepts of Document Splitting with a simple financial transaction of Vendor Invoice.

Say, you have a vendor invoice as depicted in **Figure 1**. Note that the vendor invoice has two expenses items for 10,000$ with 1,000$ Input Tax, totaling for 11,000$.

1. Expense Item 1 for 8,000$, with assigned Profit center to PC-1
2. Expense Item 2 for 2,000$, with assigned profit center to PC-2.

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
<th>Profit Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor A/C</td>
<td>-11,000</td>
<td></td>
</tr>
<tr>
<td>Purchases 1</td>
<td>8,000</td>
<td>PC-1</td>
</tr>
<tr>
<td>Purchases 2</td>
<td>2,000</td>
<td>PC-2</td>
</tr>
<tr>
<td>Input Tax</td>
<td>1,000</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1**  Sample Vendor Invoice Accounting Entries

Now, if you are responsible for Profit Center PC-1 and wanted to analyze all the financial transactions for PC-1, you will not be able to do so completely, as the Vendor A/C and Input Taxes are not assigned any profit Centers. You cannot assign either of the Profit centers (PC-1 or PC-2) as these items are for combined balances, not for individual profit center items.

Now, looking more closely at the financial document, it is clear that the total expenses of 10,000.00 were in the ratio of 80%-20% between Profit center PC-1 and PC-2. So, according to the same calculations, even the Input Taxes should also be in the same ratio of 80%-20% between Profit center PC-1 and PC-2. Similarly, for the Vendor A/C item could be split in the same ratio too, as shown in **Figure 2**.
Figure 2  Ratios of Input Taxes and Vendor A/Cs

Using these calculations, the vendor invoice transaction from earlier scenario, will look something like as shown in Figure 3. If you were to actually post the vendor invoice as shown here, with multiple Input Tax and Vendor A/C items, you would actually be able to get the balanced financials reporting for Profit Center PC-1 (and PC-2 as well).

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
<th>Profit Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor A/C</td>
<td>-8,800</td>
<td>PC-1</td>
</tr>
<tr>
<td>Purchases 1</td>
<td>8,000</td>
<td>PC-1</td>
</tr>
<tr>
<td>Input Tax</td>
<td>800</td>
<td>PC-1</td>
</tr>
<tr>
<td>Vendor A/C</td>
<td>-2,200</td>
<td>PC-2</td>
</tr>
<tr>
<td>Purchases 2</td>
<td>2,000</td>
<td>PC-2</td>
</tr>
<tr>
<td>Input Tax</td>
<td>200</td>
<td>PC-2</td>
</tr>
</tbody>
</table>

Figure 3  Sample Vendor Invoice with assigned Profit Centers

Bottom-line - instead of posting such vendor invoice as shown in the Figure 1, if you post the same vendor invoice as shown in Figure 3, you would be able to get the
balanced reporting for the individual profit centers. Your reporting problems, of reporting for the individual profit center, will be solved.

Sure, the reporting issue will be solved, but, how will you post this invoice with split accounting items, as shown in Figure 3? Manually? You expect the users to punch in the numbers in calculators, calculate the ratios and manually split these items? No way.

So, then the next question comes - couldn’t this be done automatically? Let the users enter the vendor invoice transaction as usual as shown in Figure 1 and system automatically split the vendor transaction as shown in Figure 3. Is it possible?

Guess what? Bingo! The answer is yes. The solution is called as Document Splitting and is available in the New GL.

**Document Splitting - Basic Steps**

Now that you have understood the basic concepts behind the need of Document Splitting, let’s explore the powerful features available in the New GL.

Document Splitting is basically divided into three steps: (1) Passive splitting, (2) Active Splitting and (3) Zero balancing.

**Passive Splitting**

Passive Split is used especially during the clearing transactions (for example, payment transaction). The system creates a reference to the existing account assignments and these account assignments are used as basis for the line items to be split. **Note:** You cannot change the settings for passive splitting.

**Active Splitting – Rule-based Splitting**

The system splits the documents on the basis of pre-defined splitting rules. The mySAP ERP system is already pre-delivered with many such pre-defined rules. If standard splitting rules are not sufficient or want to enhance the functionality, you can create your own splitting rules.

**Splitting Using Zero Balancing**

Zero-Balancing the document ensures not only the document is balanced but also the document is balanced for the characteristics also. For example, the document is balanced
per the segment characteristic. You can define the characteristics which should be used for zero balancing.

*Now, I am going to cover this document splitting in more details in the next few pages.*

**Document Splitting – Important Elements**

One of the basic purposes of Document Splitting is to help prepare fully-balanced financial statements below the company code level, for example, business line segments.

Document Splitting consists of various settings and building blocks.

**Splitting Rules**
The central setting and the main building block is called as a Splitting Rule.

The splitting rules define two things: (i) which accounting items will be split and (ii) what calculations will be used to split, i.e. based on which accounting items.

In our example of Vendor Invoice, the Vendor and Input Tax items need to be split and we used the calculations of 80%-20% based on the Expense Items.

So, the splitting rules for Vendor Invoice transaction will be

(i) Vendor and Tax items are accounting items to be split and
(ii) Expense items will be the base items.

Similarly, if you were to have a customer Invoice transaction, the splitting rules for would be

(i) Customer items to be split and
(ii) Revenue items to be the base items.

**Item Category**

Basically, Item category is the grouping of the G/L Accounts. Instead of defining the splitting rules for all expense accounts individually, Item category groups all expense accounts (for example, 20000) together and you could have one rule for all the expenses.

Item Categories are already pre-defined in the system (shown later in Figure 13).
**Business Transaction and Business Transaction Variant**

Business Transaction is a general break-down of the actual business process. Examples of the Business Transactions are Vendor Invoice, Customer Invoice, Cash Payment and more.

Business Transaction variant is a specific version of the business transaction provided by SAP. There are various Business Transaction variants already pre-defined in the New GL.

In Financial Accounting, various document types are linked to the Business Transactions and Business Transaction Variants.

**Zero Balancing G/L Account**

If you want to balance the document on any additional characteristic (for example, profit center), so that system can post a balanced document, you may require to define a Zero-balancing G/L account as shown in Figure 4. If the document on the left requires to be balanced for the profit center, it will need to be posted with a G/L account for zero-balancing the profit center as shown on the right.

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
<th>Profit Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIC 1001</td>
<td>123.45</td>
<td>PC-1</td>
</tr>
<tr>
<td>AIC 2002</td>
<td>-123.45</td>
<td>PC-2</td>
</tr>
</tbody>
</table>

**Figure 4** Zero-balancing Account balances the document on Profit Center

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
<th>Profit Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIC 1001</td>
<td>123.45</td>
<td>PC-1</td>
</tr>
<tr>
<td>AIC 9999 – Zero Balancing account</td>
<td>-123.45</td>
<td>PC-1</td>
</tr>
<tr>
<td>AIC 8999 – Zero Balancing account</td>
<td>123.45</td>
<td>PC-2</td>
</tr>
<tr>
<td>AIC 2002</td>
<td>-123.45</td>
<td>PC-2</td>
</tr>
</tbody>
</table>

**Splitting Method**

Splitting Method is the main key to activate the splitting in the New GL. It’s the main driver for splitting. In simple terms, it’s the list of all splitting rules for all the business transactions. Technically, it is a collection of the splitting rules, business transactions, business transaction variants and more as pictorially depicted in Figure 5.

Note: The values and description in () brackets show the sample values for the vendor invoice example we have been using.
Note: New GL has a pre-defined splitting Method ‘0000000012’, with pre-delivered splitting rules for various business transactions.

**Splitting Method (0000000012)**

- **Document Type**
  - (KR)

- **Business Transaction**
  - (Vendor Invoice 0300)
  - +
  - **Business Transaction Variant**
    - (Standard variant 0001)

- **Splitting Rules**
  - **Item Categories to Split**
    - (Vendor 03000)
    - (Tax 05100)
  - **Base Item Categories**
    - (Expenses 20000)

*Figure 5 Schematic representation of the Document Splitting Method*

**Document Splitting - How does it work?**

Now, continuing with our example of Vendor invoice, let's review the financials transactions in the New GL.
Document Splitting Example - Vendor Invoice

Say, you are posting a Vendor invoice (transaction **FB60**) to two expense accounts as shown in Figure 6.

The active document splitting rules are applied and the document is split as shown in Figure 7.

It is important to recall that the Document splitting in the new GL gets the same results as we originally aimed from Figure 3. Instead of manually adjusting the financial transactions, traditionally done at the month-end, the same results are achieved real-time using the rule-based splitting in the New GL.
Document Splitting Example - Vendor Payment

Now, as a follow-up process, you can post the payment to the vendor and clear the vendor items. The payment document is split according to the passive document splitting rules for clearing and uses document split rules used in the original expense postings.
The payable lines (AP-domestic account 160000) are created through passive document splitting rules.

The Vendor Payment Document is split as shown in **Figure 8**. Again note that the system applied splitting rules appropriately.

**Figure 8A**  
Entry view for Vendor Payment

**General Ledger Simulation**

**Figure 8B**  
General Ledger view for Vendor Payment

**Figure 8**  
Entry view and General Ledger view for Vendor Payment
Document Splitting Example – Zero-Balancing

If you want to prepare complete financials for a specific characteristic, then document splitting with Zero-balance option is required. After document splitting, system validates whether the document is zero-balanced for the selected characteristic. If it is not balanced, system creates a balancing entry using a Zero-balance clearing account.

Say, you have posted a re-post transaction as shown in Figure 9. Using Document splitting with Zero-balancing for characteristic ‘SEGMENT’, system posts the splitting document. Note that so that the document is balanced for the Segment, it needs to post additional clearing account too as explained in Figure 4.
Document Splitting – End-user Perspective

Let me re-cap the basic end-user requirements, which I started in the beginning of the article, for document splitting. First, it should be automatic. The document splitting should automatically split the accounting items into multiple items without user-intervention. To be specific, in our example, the users should continue to post only one item to the Vendor account. The so-called ‘Entry-view’ will continue to show only one Vendor item. Within A/P Sub-ledger (for example, vendor items) also, it should still show one item for the vendor account as shown in Figure 10. But, when you to the Segment reporting within the New GL, you should be able to show two vendor line items (as per the splitting rules).

![Vendor Line Item Display](image)

The great feature of the New GL is that it does not change the operative procedures from the user-perspective. In other words, there is practically no change to the entry procedures, but, at the same time, provides the break-down of accounting items to meet the specific reporting requirements. You can view the document two ways: (i) ‘Entry View’ as seen during the data-entry and (ii) ‘General Ledger View’, as seen with the Document Splitting.

**Tip!**
You can also simulate the General Ledger view before actually posting the document. The ‘Document Simulate General Ledger’ (via ‘Document -> Simulate General Ledger’) feature offers
- Very detailed information on how the system would post the document in the New GL
- Useful information of the document splitting rules applied
- Log of errors/messages

![Figure 10Vendor Line Items showing one item](image)
Document Splitting - Setting Up

Now, as you have understood, how the document splitting works along with the typical examples of transactions, let me delve into the details of configuration.

The Document Splitting configuration is available in the IMG at ‘IMG -> Financial Accounting New -> General Ledger Accounting (New) -> Business Transactions -> Document Splitting’, as shown in Figure 11.

- **Classify the G/L accounts for document splitting**
  One of the first steps for configuring the document splitting is to assign the item categories to the G/L accounts for your Chart of Accounts.

  Click on ‘Classify the G/L accounts for document splitting’ and assign the item categories for the G/L accounts. Instead of assigning the item categories by individual accounts, it is recommended to use the range of accounts as shown in Figure 12. Recall that splitting rules have items categories for the items to be split and base category items.
Figure 12 Assign Categories to the G/L Accounts

SAP system is already pre-delivered with the standard item categories as shown in **Figure 13**.

<table>
<thead>
<tr>
<th>Item Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01000</td>
<td>Balance Sheet Account</td>
</tr>
<tr>
<td>01001</td>
<td>Zero Balance Posting (Free Balancing Units)</td>
</tr>
<tr>
<td>01100</td>
<td>Company Code Clearing</td>
</tr>
<tr>
<td>01300</td>
<td>Cash Discount Clearing</td>
</tr>
<tr>
<td>02000</td>
<td>Customer</td>
</tr>
<tr>
<td>02100</td>
<td>Customer: Special G/L Transaction</td>
</tr>
<tr>
<td>03000</td>
<td>Vendor</td>
</tr>
<tr>
<td>03100</td>
<td>Vendor: Special G/L Transaction</td>
</tr>
<tr>
<td>04000</td>
<td>Cash Account</td>
</tr>
<tr>
<td>05100</td>
<td>Taxes on Sales/Purchases</td>
</tr>
<tr>
<td>05200</td>
<td>Withholding Tax</td>
</tr>
<tr>
<td>06000</td>
<td>Material</td>
</tr>
<tr>
<td>07000</td>
<td>Asset</td>
</tr>
<tr>
<td>20000</td>
<td>Expense</td>
</tr>
<tr>
<td>30000</td>
<td>Revenue</td>
</tr>
<tr>
<td>40100</td>
<td>Cash Discount (Expense/Revenue/Loss)</td>
</tr>
<tr>
<td>40200</td>
<td>Exchange Rate Difference</td>
</tr>
<tr>
<td>80000</td>
<td>Customer-Specific Item Category</td>
</tr>
</tbody>
</table>

Figure 13 Standard Item Categories for G/L accounts
o **Classify document types for document splitting**

So that every relevant financial transaction is considered for document splitting, you categorize the document types to specific business transaction variants. Standard SAP document types are already defined with appropriate values. Click on ‘Classify document types for document splitting’ to review the configuration and make appropriate changes for the custom document types as shown in Figure 14.

![Classify FI Document Type for Document Splitting](image)

**Figure 14** Classify FI Document Types

o **Define Zero-balance clearing account**

In this step, you define a G/L account which should be used for creating the zero-balancing splitting for the characteristics.

You will need a Zero-balance clearing account, as described in Figure 15. You may need to create this G/L account, if it already does not exist.
Define Document splitting characteristics for GL Accounting

In this configuration step, you define the characteristics for which the document splitting rules apply. Common examples would be Business Area, Profit Center, Segment and more as shown in Figure 16.

For these characteristics, additionally, you specify whether you want to have zero-balancing and also whether this characteristic is mandatory.

If you are planning to use ‘Segment’ a characteristic, you will need to define the segments in the IMG at Enterprise Structure as follows: ‘IMG -> Enterprise Structure -> Definition -> Financial Accounting -> Define Segment’ as shown in Figure 17. In this example, we have defined four segments based on the requirements.
Document Splitting Characteristics for CO / Define Post-capitalization of Cash Discounts to Assets

Optionally, you can define the document splitting characteristics for Controlling and define post-capitalization of Cash Discounts to Assets.

Define Constants for Non-Assigned processes

Here you define default account assignments (for example, default segment) as shown in Figure 18. As the name suggests, default account assignments are used, when the system cannot determine the characteristic.

Activate Document Splitting

Finally, in this configuration step, you activate the Document Splitting in the New GL as shown in Figure 19.
Standard SAP is pre-delivered with pre-defined splitting Method ‘000000012’, with pre-delivered splitting rules for various business transactions.
Activate the document splitting by checking ‘Splitting’ and choosing the method.

Please note that the Activation of the document splitting is done at the client-level and you can always de-activate the document splitting for specific company codes.

**Recommendation:** During Testing/Development, it is recommended to test the document splitting one company code at-a-time to reduce the potential adverse impact to other company codes.

‘Inheritance’ indicator derives the characteristics in the document from the other line items. For example, when you create a customer invoice from a revenue item, the characteristics in the customer and tax lines are inherited automatically. Without inheritance, you will have needed to define the rules, for example, to achieve a zero balancing.

Once you activate the document splitting, you are all-set and ready to test your document splitting transactions!

- **Optional Extended Document Splitting**

Extended Document Splitting configuration settings are available if the existing settings are not sufficient or require enhancements. Using extended functions, you can define your own document splitting method, document splitting rules, Assigning Document Splitting Method and defining custom business transaction variants.

**Important Note:** Please note that these configuration settings are sensitive and utmost care should be taken.
Tip!
If you are creating your own document splitting rules, it is strongly recommended to review the existing rules carefully first as shown in Figure 20 and then adapt to your requirements.

Figure 20  Document Splitting Rules
Document Splitting - Tips and Tricks

**Tip: Zero-Balancing Accounts**

Splitting using Zero-Balancing in the New GL ensures not only the document is balanced but also the document is balanced for the pre-define characteristics. For example, you can configure that the financial document is balanced for the characteristic “segment” also. You can pre-define the characteristics which should be used for zero balancing, for example, the segments to meet the legal reporting requirements of segment-reporting.

In simple terms, during the document splitting in the New GL, system posts additional clearing items, so that the document is balanced for these characteristics. In this article, I want to demonstrate some of the hidden secrets of how system manages zero-balancing. It is sometimes confusing how many additional items are created by the document splitting for zero-balancing. In this article, I want to clarify that confusion.

**Zero-Balancing - Basics**

Let’s start with basics.

Say, you have a fairly simple example, say, you are entering a financial document as shown in Figure 1. The document is posted with two accounts account 100001 and 100002 and is a balanced document, i.e. total of all items equals zero. This document has a characteristic ‘Segment’ and the two lines have segments as ‘SEG-1’ and ‘SEG-2’ respectively.

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG - 1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-100</td>
<td>SEG - 2</td>
</tr>
</tbody>
</table>

*Figure 1  A sample balanced financial document*

Note that although the document is balanced as a whole, but, for the characteristic “segment” it is not balanced.

So, what if the requirement was to balance (i.e. zero balance) the document even for characteristic ‘segment’?

In simple terms, the process of document splitting with zero-balancing even balances the same document for the characteristic ‘segment’.
To achieve the zero-balancing even for the characteristic, system needs to add two so-called ‘dummy’ accounting items, with segment values as shown in Figure 2.

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-100</td>
<td>SEG – 2</td>
</tr>
<tr>
<td>3</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-100</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>4</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>100</td>
<td>SEG - 2</td>
</tr>
</tbody>
</table>

Figure 2    Zero-balancing transaction

Note: All the items represented in bold are the ones created by Document splitting process.

If you observe carefully, although two additional items are created, it did not change the financial meaning of the original document. The dummy account 199999 was used just as a placeholder, because as per the accounting principles every item has to have an account number. The G/L account assigned to these additional items is called as ‘Zero-Balance clearing account’ and can be configured in the IMG.

Also note that it posted the segment values ‘SEG-1’ and ‘SEG-2’, in such a way that the totals of the characteristic ‘Segment’ is also zero as shown in Figure 3.

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>3</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-100</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-100</td>
<td>SEG – 2</td>
</tr>
<tr>
<td>4</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>100</td>
<td>SEG - 2</td>
</tr>
</tbody>
</table>

Figure 3    Zero-balanced document for Segment

This is the technique SAP uses in the New GL to achieve document splitting with Zero-balance.

During the document splitting with zero-balancing, system may posts additional items using Zero-balancing clearing account with required characteristics in such a way that the document becomes balanced even for these characteristics.
Zero-Balancing – Simple example in SAP

Now as we have understood the basics of document splitting with zero-balancing, let’s enter this transaction in the New GL.

Using transaction code **FB50**, let’s enter the financial document as shown in **Figure 4**. The document is a fairly simple transaction with two items: First item debit for 100.00 assigned to account no 100001 and profit center 4100. Second item credit for 100.00 is assigned to account no 100002 and profit center 4200.

![Figure 4 Financial Transaction with two different segments](image)

The assignments to the segments are maintaining their respective profit center master records are as listed in **Table 1** and can be managed using transaction code **KE52** as shown in **Figure 5**.

<table>
<thead>
<tr>
<th>Profit Center</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>4100</td>
<td>10000</td>
</tr>
<tr>
<td>4200</td>
<td>20000</td>
</tr>
<tr>
<td>4300</td>
<td>30000</td>
</tr>
<tr>
<td>4400</td>
<td>40000</td>
</tr>
</tbody>
</table>

**Table 1 Segment assignments for the profit centers**
As described above, using the document-splitting with Zero-balance, system splits the document with two additional items. The Entry view and the General Ledger view are as show in Figure 6. As expected, the document is now zero-balanced for the characteristic ‘Segment’ also.

Figure 5  Segment assignment for Profit Centers

Figure 6A  Entry view
Zero-Balancing – Another Example

Let’s take another example; this time, with three line items as shown in Figure 7. The three items are posted to three accounts 100001, 100002 and 100003 with Segments SEG-1, SEG-2 and SEG-3 respectively.

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG-1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-60</td>
<td>SEG-2</td>
</tr>
<tr>
<td>3</td>
<td>100003</td>
<td>A/C 3</td>
<td>-40</td>
<td>SEG-3</td>
</tr>
</tbody>
</table>

This document is zero-balanced as a whole. To zero-balance the document even for the segment, system will create additional items with zero-balancing clearing account.

Puzzle

Since, there are three different segments, to make it a zero-balanced for the segments, you would think that the system could create three additional items as shown in Figure 8. You would expect the three additional items could have the values as follows: (i) Amount -100 with Segment ‘SEG-1’, (ii) Amount ‘+60’ with segment ‘SEG-2’ and (iii) Amount ‘+40’ with segment ‘SEG-3’.

Right?
Not quite right. Be ready for a surprise.

Instead of posting three additional items, system actually posts four additional items and the document is split as shown in Figure 9.

The odd thing is that instead of one item for SEG-1 for -100.00, there are two different items for the segment ‘SEG-1’ with -60.00 and -40.00.

Specially note that the system posts two zero-balancing clearing items for segment ‘SEG-1’ of -60 and -40, instead of -100.

Sure, technically speaking both the Figure 8 and Figure 9 have the same end-results. In other words, both the documents are still zero-balanced for the characteristic ‘Segment’.

Question is why did the system post four zero-balancing clearing items, instead of expected three items?

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG - 1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-50</td>
<td>SEG - 2</td>
</tr>
<tr>
<td>3</td>
<td>100003</td>
<td>A/C 3</td>
<td>-40</td>
<td>SEG - 3</td>
</tr>
<tr>
<td>4</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-100</td>
<td>SEG - 1</td>
</tr>
<tr>
<td>5</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>60</td>
<td>SEG - 2</td>
</tr>
<tr>
<td>6</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>40</td>
<td>SEG - 3</td>
</tr>
<tr>
<td>7</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-60</td>
<td>SEG - 1</td>
</tr>
</tbody>
</table>

Figure 8    SAP does not split the document as shown here

Figure 9    SAP splits the document as shown
Answer

The answer to the question is system creates the zero-balancing clearing items for each combination of the segment and as well as the partner-segment also. Let me elaborate it.

Let’s look at the transaction with items for segment ‘SEG-1’ more closely. To zero-balance the segment ‘SEG-1’, system posts two zero-balancing clearing items for each of the partner segments ‘SEG-2’ and ‘SEG-3’ respectively. So, to balance the segment ‘SEG-1’, it posts -60.00 for the partner segment ‘SEG-2’ and one more clearing item of 40.00 for partner segment ‘SEG-3’. The system updates the partner-segment for the newly created zero-balancing items as shown in Figure 11.

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
<th>Partner Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG - 1</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-60</td>
<td>SEG - 1</td>
<td>SEG - 2</td>
</tr>
<tr>
<td>6</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-40</td>
<td>SEG - 1</td>
<td>SEG - 3</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-60</td>
<td>SEG - 2</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>60</td>
<td>SEG - 2</td>
<td>SEG - 1</td>
</tr>
<tr>
<td>3</td>
<td>100003</td>
<td>A/C 3</td>
<td>-40</td>
<td>SEG - 3</td>
<td>SEG - 2</td>
</tr>
<tr>
<td>7</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>40</td>
<td>SEG - 3</td>
<td>SEG - 3</td>
</tr>
</tbody>
</table>

Figure 10  Items Re-arranged to show the document is balanced for the Segment

Figure 11  Zero-balancing using the partner-segment
Important Note: The document is zero-balanced the segment, not for the partner-segment.

Now In SAP, using transaction FB50, I will post the similar transaction as shown in Figure 12.

![Figure 12: Financial transaction with three Segments](image)

The document-splitting for zero-balancing the segment, the document is split as shown in Figure 13.

![Figure 13A: Entry View](image)
Note that the system stores the partner-segment information and I could change the layout and include the field ‘Partner Segment’. The system displays the zero-balanced document with the details of segment and partner-segments as shown in Figure 14.

### General Ledger Simulation

**Figure 13B** General Ledger view

**Figure 13** Entry View and General Ledger View

### General Ledger Simulation

**Figure 14** Zero-balanced Document splitting with partner-segment
Zero-Balancing – Another Example

Similarly, if you were to enter a financial transaction as shown in Figure 15, the document splitting with zero-balancing will result the document as shown in Figure 16.

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-40</td>
<td>SEG – 2</td>
</tr>
<tr>
<td>3</td>
<td>100003</td>
<td>A/C 3</td>
<td>-35</td>
<td>SEG – 3</td>
</tr>
<tr>
<td>4</td>
<td>100004</td>
<td>A/C 4</td>
<td>-25</td>
<td>SEG – 4</td>
</tr>
</tbody>
</table>

*Figure 15  Financial document with 4 items*

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Segment</th>
<th>Partner Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100001</td>
<td>A/C 1</td>
<td>100</td>
<td>SEG – 1</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-40</td>
<td>SEG – 1</td>
<td>SEG – 2</td>
</tr>
<tr>
<td>6</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>40</td>
<td>SEG – 2</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>2</td>
<td>100002</td>
<td>A/C 2</td>
<td>-40</td>
<td>SEG – 2</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-35</td>
<td>SEG – 1</td>
<td>SEG – 3</td>
</tr>
<tr>
<td>8</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>35</td>
<td>SEG – 3</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>3</td>
<td>100003</td>
<td>A/C 3</td>
<td>-35</td>
<td>SEG – 3</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>-25</td>
<td>SEG – 1</td>
<td>SEG – 4</td>
</tr>
<tr>
<td>10</td>
<td>199999</td>
<td>Zero-balancing clearing A/C</td>
<td>25</td>
<td>SEG – 4</td>
<td>SEG – 1</td>
</tr>
<tr>
<td>4</td>
<td>100004</td>
<td>A/C 4</td>
<td>-25</td>
<td>SEG – 4</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 16  Document splitting with zero-balancing*

In SAP, using transaction FB50, I will post the similar transaction as shown in Figure 17.
Figure 17  Financial transaction with four segments

The document-splitting for zero-balancing the segment, the entry view and the General Ledger view is as shown in Figure 18.

Figure 18A  Entry view
The same document with details partner-segments is shown in Figure 19.
Summary
So that the Document is balanced for the characteristics, system posts additional items. The number of additional items created, are based on the unique combinations of defined characteristics with partner-characteristics details, as schematically represented in Figure 20.

![Figure 20 Schematic representation of Zero-balancing items for Segments](image-url)
**Tip: Document Simulation in the New GL**

When you post an accounting document in the SAP system (any version), system automatically determines many additional accounting entries based on the pre-configured automatic account determination settings. For example, system will automatically determine accounting entries for input tax, tax on sales and purchases, discounts, short and over payments and more. It posts a balanced accounting document, including the automatically generated system entries.

**Classic GL - Document Simulation**

So that you can identify and review what accounting entries are automatically generated by the system, in classic GL, system offered a feature called as ‘Document Simulate’. This feature helped you determine how the system determined automatically generated accounting entries. It also helped you trouble-shoot and fix any missing configuration settings and also helped you identify any mistakes and opportunity to correct these before you actually posted the accounting transaction.

In this article, I want to demonstrate the very useful features of Document Simulation, especially in the New GL view.

**New GL – Document Simulation**

Similar to Document Simulation in Classic GL, Document Simulation in New GL (starting mySAP ERP 2004 and above) offers very useful information on Accounting document simulations. The simulation is especially useful when you are using Document Splitting in New GL.

Note: This feature of Simulation in New GL is in addition to the existing Document Simulation of Classic GL, so, you will have two simulation features in the new world.

Note that the screen-shots in this article are taken from mySAP ERP 2005 and may have very minor differences with other releases.

In the New GL, accounting document is displayed in two formats (views):
1. Entry View: View of how the accounting document also appears in the sub-ledgers (AR, AP and more)


In addition to Document Simulation in New GL, you also have an additional feature of using ‘Expert Mode’ within the General Ledger View. When you use expert mode, system provides very useful information about the split documents. In addition, it also
provides the information on how the system used the document splitting rules to derive the accounting entries.

Let me walk you through step-by-step screen-shots of using Document Simulate new GL and also provide details on some of the hidden features available to you.

Enter a standard G/L document using transaction code **FB50** as shown in **Figure 1**. In this example, I am posting a fairly simple accounting document with two items to Petty cash account (100000) with two different profit centers: 1005 and 1200.

The ‘Segment’ is a new feature available in New GL for segment reporting. Segment is assigned in the respective profit centers. The profit center 1005 is assigned Segment 4000; profit center 1200 is assigned segment 1000.

![Figure 1](image1.png)

To simulate the New GL document, click on ‘**Document > Simulate General Ledger**’ as shown in **Figure 2**.
Figure 2  Simulate New GL Document

System displays the simulated document in the New GL as shown in Figure 3.

Figure 3  New GL Simulation

Please note that Simulated New GL document has two additional system-generated line items (000003 and 000004) to post balanced document for the field segment also as shown in Figure 4.
Additionally, Simulated New GL document also shows the details of postings to the Leading Ledger (0L). If you want to see how the postings to other ledgers (for example, Non-Leading Ledgers), choose appropriate Ledger (ZQ in this example) and it shows the simulated New GL document for the Ledger ZQ as shown in Figure 5.

For ZQ Ledger, you may want the document to be posted to different fiscal period, accordingly, it maybe posted to different period.

**Expert Mode - New GL Simulation**

New GL also offers more powerful ‘Expert Mode’, with more details and provides very useful information on what configuration rules were used especially for document splitting.

Click on ‘Expert mode’ and system shows the simulated document as shown in Figure 6.
Within the Expert mode, I wanted to elaborate and demonstrate, two additional very useful features available (i) Log of Messages and (ii) Customizing rules for Document Splitting.

### Log

Log provides the detailed log of error/warning messages that could have occurred during the document splitting.

For example, if the system could not determine the segment, it will issue the log-message as shown in Figure 7.
Important Note:
Please note that the classic GL simulation will not issue the error-message that the balancing field ‘Segment’ is missing. This error-message will appear only in New GL Simulation mode.
Customizing for Document Splitting

Within the Expert mode of New GL simulation, you can choose the ‘Customizing for Document Splitting’ icon and system lists all the configuration rules. This helps you understand how system used the document splitting as shown in Figure 8.

You can expand on the ‘Assigned item categories’, ‘Distribution rules’, ‘Base Item categories’ to get more details on the customizing rules as shown in Figure 9 and Figure 10.
Figure 9  Assigned Item categories
New GL Document Simulation After the documents are already posted

Sure, it is not expected that the analysts entering the thousands of transactions to simulate the New GL documents every time they post transactions, i.e. real-time. It will be very time-consuming and also it will not serve the purpose. However, this feature is especially very useful when you are in the design phase of implementing the New General Ledger. I cannot emphasis enough the importance of testing the New GL functionalities, in fact, SAP strongly recommends to involve them during the migration phase. This feature can be of extreme value to the team implementing New GL and validating their design rules.

But, what if you have already posted the New GL document and wanted to know how system applied the document splitting rules? Don’t worry – mySAP ERP system offers a program FAGL_SHOW_SPLIT for this purpose. With this program, you can get very detailed information on split document (as shown in Figure 11) and also what splitting rules were applied.
The program FAGL_SHOW_SPLIT displays as shown in Figure 12:

- The accounting document after system applying document splitting rules
- The configuration settings for the business transactions in Customizing for document splitting
- The detailed log of error/warning messages that could have occurred during the document splitting.
Tip: Testing Document Splitting
New GL offers one of the most powerful features called as ‘Document Splitting’. With Document Splitting, accounting line items are split according to specific dimensions. This way, you can create financial statements for entities such as ‘Segments’ and meet the legal requirements (for example, IAS requirements for segment reporting).

Document Splitting Configuration
The document splitting configuration is done in IMG at ‘IMG -> Financial Accounting New -> General Ledger Accounting (New) -> Business Transactions -> Document Splitting’ as shown in Figure 1.

Once you configured settings for document splitting, you can activate the document splitting using ‘Activate Document Splitting’ as show in Figure 2.
Real-Life Situations

Let’s look at potential real-time situation. As a part of the New GL Team, you are working on designing and implementing the New GL in your organization. As a part of that pilot project, say, you have been designing the business rules for segment reporting and part of that working on document splitting in your development box. As a part of initial exploration, you configured the document splitting rules and you activated the document splitting as shown in Figure x. You tested it by posting a financial document in your specific Company Code and say, it correctly posted the New GL Document.

You feel honky-dory until someone else from other teams complains that he/she is not able to post the financial documents in other company code(s). System issues error-message like “There is no item category issued to account”. Specifically, the error-message (GLT-2076) looks like as shown in Figure 3.

```
There is no item category assigned to account 100000/CAUS
Message no. GLT2076

Diagnosis
The online document splitting is active in your system. Here, each document is assigned to a accounting transaction variant and each document row to an item category.
You determine for each business transaction variant which item categories can or must be posted here.

The following error occurred for the document you entered:

No item category could be determined for account 100000 in chart of accounts CAUS.

System Response
The document cannot be posted.

Procedure
Assign an item category to the account specified.
```

Figure 3  Error-message GLT-2076

Recommendation: Activate the Document Splitting One Company Code at a time in the test environment

When you activate the Document splitting, system activates the document splitting at the whole client-level, in other words, for all the company codes. As described here, if you are in the early stage of exploration of New GL, you may not be all ready with splitting business rules quite as yet. Also, it requires thorough testing with various processes.

So, what to do? How not to interrupt other groups?
Recommendation is that you can activate document splitting for the specific company code only. In the configuration, you can DE-activate the document splitting for all other company codes (other than the one you are working on for New GL project) as shown in Figure 4.

![Change View "Deactivation per Company Code": Overview](image)

Figure 4  Deactivation of Document Splitting per Company Code

In my example, I am configuring document splitting for Company code 1000, so, I would de-activate document splitting for all other company codes by setting Inactive checkbox. So, someone working in, say Company code 3000, will not get the error-message and he/she can continue the normal work.

Note that by selectively activating for one company code only, you will not be able to create any cross-company-code transactions with different document splitting settings. However, once you have tested the transactions sufficiently and are ready to extend the document splitting to other company code, you can reset the Inactive checkbox for that company code.

**Best Practice**

In simple terms, follow these steps for testing document splitting, once you Define Document Splitting rules (Pre-requisite)

1. Deactivate for all company codes, except for one.
2. Test the Document splitting for that one company code
3. Activate Document splitting for next company code by re-setting the Inactive checkbox
4. Test the document splitting for the next company code
5. Test the cross-company-code transactions
6. Repeat the steps 3-through-5 for all required company codes
Summary

Sure, you may need to activate the document splitting for all your company codes in the final production environment. But, when you are in the development/test environment with multiple initiatives going on simultaneously, you want to test all your processes thoroughly but also do not want to adversely impact others. By selectively activating the document splitting, especially in the development/test environment (let me emphasize again), you can significantly reduce the impact.
Tip: Review Document Splitting Rules

New GL offers one of the most powerful features called as ‘Document Splitting’. With Document Splitting, accounting line items are split according to specific dimensions. This way, you can create financial statements for entities such as ‘Segments’ and meet the legal requirements (for example, IAS requirements for segment reporting).

Standard Document Splitting rules are pre-defined in the mySAP ERP system. These splitting rules are available in the IMG using at ‘IMG -> Financial Accounting New -> General Ledger Accounting (New) -> Business Transactions -> Document Splitting -> Extended ‘Document splitting -> Define document splitting Rule’, as shown in Figure 1.

Choose ‘Define Document Splitting Rule’ and you will get an overview screen of document splitting rules, as shown in Figure 2.
Tip!
You can maintain Document Splitting Rules directly using transaction code GSP_RD. Using the IMG menu-path, the screen does not show the correct transaction via ‘system > status’.

Document Splitting Rules have details on splitting Method, business transaction, transaction variant, Level of Details, Account Determination for zero-balance items, Control data for processing category, Detail control with allocation, checking for tax code and cash discounts, base item categories and so on. All these settings are scattered across multiple screens/sub-screens accessed via ‘Dialog Structure’ on the left-pane with clicking on ‘Header data’, ‘Item categories to be edited’, ‘Base item categories’ and more as shown in Figure A.
As a part of New GL project, you would spend reasonably good amount of time reviewing and analyzing the splitting rules. Especially, if delivered functions are not sufficient and you are creating your own rules, you will want to make sure you adapt the settings carefully.

So that you can review these rules carefully, you will need to carefully review the details on multiple screens like ‘Header data’, ‘Item categories to be edited’, ‘Base item categories’.

Instead of clicking on these different screens to get different details, you can simply click on ‘Print’ icon to get an overview of the document splitting rules with all the relevant information in one place, as shown in Figure 3.

**Hidden Tip**

As a part of New GL project, you would spend reasonably good amount of time reviewing and analyzing the splitting rules. Especially, if delivered functions are not sufficient and you are creating your own rules, you will want to make sure you adapt the settings carefully.

So that you can review these rules carefully, you will need to carefully review the details on multiple screens like ‘Header data’, ‘Item categories to be edited’, ‘Base item categories’.

Instead of clicking on these different screens to get different details, you can simply click on ‘Print’ icon to get an overview of the document splitting rules with all the relevant information in one place, as shown in Figure 3.
As you can see, this overview screen shows all the pertinent details like Splitting Method, Accounting Transaction, transaction variant, Assigned item categories (can be expanded upon), account determination of 0 for zero-balancing, item categories to be split and more in one place. The single-screen overview helps for you to analyze all the settings easier.

You would think that the print icon would print the contents to the printer, but, I stumbled upon this cool feature of showing all the relevant details on one overview screen, by accident.
Appendix: Brief Description of IAS 14 / IFRS 8

International Financial Reporting Standards (IFRS), often known by the older name of International Accounting Standards (IAS) are a set of accounting standards. They are issued by the International Accounting Standards Board (IASB).

IAS 14 relates to segment-level financials reporting. The Key objective is to report financial information by lines of business and/or by geographical areas.

Note:
IAS 14 is replaced by IFRS 8 Operating Segments effective for annual periods beginning 1 January 2009.

[Source: International Accounting Standards Board (IASB) (www.iasb.gov)

Core principle - An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The IFRS requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria.

The reportable segments are the operating segments for which a majority of their revenue is earned from sales to external customers and for which:

- Revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or
- Segment result, whether profit or loss, is 10% or more the combined result of all segments in profit or the combined result of all segments in loss, whichever is greater in absolute amount; or
- Assets are 10% or more of the total assets of all segments.

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Source: International Accounting Standards Board (IASB)
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About the Company

Quality Systems & Software (QS&S) is a leading business and technology consulting firm that enables companies to achieve their strategic business goals. QS&S specializes in delivering superior IT solutions using ERP systems, with special focus on SAP products.

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Mitresh Kundalia heads the SAP practice division at Quality Systems & Software (QS&S). Mitresh is widely acknowledged as a leading SAP expert and has been through various SAP assignments, including strategic planning, fresh implementations, upgrades, post go-live support and production support projects. With an MBA degree in finance, Mitresh manages implementations of Financial and Logistics applications with a special focus on Management reporting, Profitability Analysis, New GL and Business Intelligence.

He has published more than 50 white papers and has spoken at more than 20 SAP conferences and events. He is also a technical advisor for SAP Financials Expert Magazine published by Wellesley Information Services.

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