Achieve Balanced Reporting by Automating Document Splitting in the New G/L

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See the rules, steps, transactions, and method for document splitting. Then follow seven steps to configure it in your system.

The new General Ledger (new G/L) in the SAP ERP system offers a feature called document splitting. With document splitting, the system splits accounting line items according to specific characteristics. This enables you to create financial statements for entities such as segments and meet the legal requirements such as International Accounting Standards (IAS) regulations for segment reporting. You can find out more information about these requirements by visiting www.iasb.org.

I’ll discuss the concepts of document splitting with a simple example of a financial transaction of a vendor invoice. Say you have a vendor invoice that has two expense items totaling $10,000 with $1,000 input tax, so the total is $11,000 (Table 1).

<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>

Table 1 Sample vendor invoice accounting entries

If you are responsible for profit center PC-1 and want to analyze all of the financial transactions for PC-1, you cannot do so completely because the Vendor account (A/C) and Input Tax are not assigned to any profit centers. You cannot assign PC-1 or PC-2 because these items are for combined balances, not for individual profit center items.

Looking more closely at the financial document, it is clear that the total expenses of $10,000 were in the ratio of 80%-20% between PC-1 and PC-2. Therefore, according to the same

The splitting method is the main key to activate document splitting in the new G/L, including splitting rules, business transactions, business transaction variants, and more. It is a component of active splitting. The process is a new capability in the new G/L and was not possible in the classic G/L.
calculations, the Input Tax and Vendor A/C should also be in the same ratio of 80%-20% between PC-1 and PC-2 (Figure 1).

Using these calculations, the vendor invoice transaction from the earlier scenario looks similar to what is shown in Table 2. If you were to actually post the vendor invoice as shown here, with multiple Input Tax and Vendor A/C items, you could get the balanced Financials reporting for profit centers PC-1 and PC-2.

While this solves your reporting issue, you still need to be able to post this invoice with split accounting items, as shown in Table 2. Expecting your users to punch in the numbers in calculators, calculate the ratios, and manually split these items is obviously out of the question, so you need to consider how to do this automatically. With the document splitting capability in the new G/L, the user can enter the vendor invoice transaction as shown in Table 1 and the system automatically splits the vendor transaction as shown in Table 2. Before I explain the steps to configure document splitting, I’ll describe the three basic steps and the document splitting method.

### Document Splitting in the New G/L — Basic Steps

Document splitting is basically divided into three steps: passive splitting, active splitting, and zero-balancing. The system first tries passive splitting, in which it copies rules from a previous transaction. Then it tries active splitting, which includes the rules and method I will cover. Then, if zero-balancing is active, it tries to do zero-balancing. I’ll explain each of these in a little more detail.

**Passive splitting.** You use passive splitting especially with clearing transactions (e.g., payment transaction F-53). The system creates a reference to the existing account assignments and uses these account assignments as the basis for the line items to be split. You cannot change the settings for passive splitting because they are pre-set in the system. For the payment transaction, the system takes the rules from the earlier transaction of the vendor invoice and applies those rules from the vendor invoice.

**Active splitting: rule-based document splitting.** In active splitting, the system splits the documents on the basis of predefined splitting rules. The SAP ERP system is delivered with many such predefined rules. If standard splitting rules are not sufficient or you want to enhance the functionality, you can create your own splitting rules. This is outside the scope of this article.

**Splitting using zero-balancing.** Zero-balancing the document ensures not only that the document is balanced but also that the document is balanced for the characteristics. You can define the characteristics that you want to use for zero-balancing, such as a segment or a profit center. I’ll cover zero-balancing in more detail when it comes up in my process.

The active splitting method mentions splitting rules, which are fundamental to document splitting and require a brief explanation. Splitting rules define which accounting items the system splits and which calculations it uses to split (i.e., based on which accounting items). In my vendor invoice example, you need to split the vendor and input tax items and you use the calculations of 80%-20% based on the expense items. So, the splitting rules for the vendor invoice transaction that you should use are:

- Vendor and tax items are accounting items that you need to split
- Expense items to use as the base items

As another example, if you had a customer invoice transaction you would use the splitting rules:

- Customer accounting items that you need to split
- Revenue items to use as the base items

Document splitting rules are a major part of the document splitting method, which I’ll explain next.

### Splitting Method

The splitting method is the main key to activate splitting in the new G/L. In
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Simple terms, it’s the list of all splitting rules for all of the business transactions. Technically, it is a collection of the splitting rules, business transactions, business transaction variants, and more as shown in Figure 2. In Figure 2, the values and description in parentheses show the sample values for the vendor invoice example. Also, the new G/L has the pre-defined splitting method **0000000012**, with pre-delivered splitting rules for various business transactions.

**Figure 2** Schematic representation of the document splitting method

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Continuing with the vendor invoice example, let’s review the Financials transactions in the new G/L. Say you are posting a vendor invoice (transaction **FB60**) to two expense accounts as shown in Figure 3. Figure 3 shows a vendor invoice (document type **KR**) for 11,000 EUR with tax of 1,000 EUR to be posted against two expense items. In Figure 3, you can see how this enters the new G/L. The system assigns expense items to profit centers and segments based on the cost centers to which the expenses are charged, whereas the columns Profit Ctr and Segment are empty initially.

Figure 4 shows the document in the Entry view. The system applies the active document splitting rules and then splits the document as shown in Figure 5 (on the next page), which is the G/L view. End users (or in some cases the automated postings your system carries through) do not need to change their ways because they only fill out the Entry view as shown in Figure 4. In the simulation (Figure 5), you can see the result of the split, where the vendor A/C and tax are split in proportion to the ratio of the two expense postings.

In splitting the document, the system used the splitting method information of business transaction of vendor invoice **0300** and document type **KR** to split the vendor and tax items (category **03000** and **05100**) according to the 80%-20% calculations of expense items (category **20000**) as shown in Figure 2.

It is important to recall that document splitting in the new G/L gets the same results as shown in Table 2. Instead of manually adjusting the financial transactions, traditionally done at the month-end, you can achieve the same results in real time using the rule-based splitting in the new G/L. Now that I’ve described the basic elements of document splitting, I’ll show you some customization to configure it in your system.
Document Splitting Customization

You can find the configuration for document splitting by following menu path IMG>Financial Accounting New>General Ledger Accounting (New)>Business Transactions>Document Splitting. From this menu path, you can follow these steps to customize document splitting in your system.

Step 1. Classify the G/L accounts for document splitting. One of the first steps for configuring document splitting is to assign the item categories to the G/L accounts for your chart of accounts. Item categories are groupings of G/L accounts. Instead of defining the splitting rules for all expense accounts individually, item category 20000 groups all expense accounts together. You could have one rule for all of the expenses. The system comes with pre-defined item categories.

Click on Classify 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, you should use the range of accounts as shown in Figure 6. For example, look at row 8 in Figure 6. Instead of setting the rules for each individual account between 400000 and 419999, you create a range of those accounts resulting in the grouping category 20000. Then you don’t have to create table entries for 20,000 rows. Recall that splitting rules have item categories for the items to be split and base category items. The SAP system is already pre-delivered with the standard item categories as shown in Table 3.

Step 2. Classify document types for document splitting. So that the system considers every relevant financial transaction for document splitting, you categorize the document types to specific business transaction variants. Business transaction variants are a specific version of business
transactions, provided by SAP. A business transaction is a general breakdown of the actual business process. Examples of business transactions are vendor invoice, customer invoice, and cash payment.

There are various business transaction variants (e.g., vendor invoice or payments) that are already pre-defined in the new G/L. Various document types are linked to the business transactions and business transaction variants.

Click on Classify Document Types for Document Splitting to review the configuration and make appropriate changes for the custom document types (Figure 7). In my example, I used document type KR for the vendor invoice.

Step 3. Define zero-balance clearing account. To create balanced Financials for a specific characteristic, you need to use document splitting with the zero-balance option (Table 4). To balance the document on the left for the profit center, you need to post it with a G/L account for zero-balancing the profit center as shown on the right. You need to post two additional accounting line items. Then for these items, you use account number 9999, as illustrated in Table 4.

After document splitting, the system validates whether the document is zero-balanced for the selected characteristic. If it is not balanced, the system creates a balancing entry using a zero-balance clearing account.

Say you have posted a re-post transaction as shown in Figures 8 and 9 (on the next page), which reflect the entry view as seen in the data entry and the G/L view as seen with document splitting, respectively. Using document splitting with zero-balancing for the characteristic Segment, the system posts the splitting document. For the document to be balanced for the segment, it needs to post an additional clearing account, as shown in Table 4.

In this step, you define a G/L account that you should use for creating the zero-
balancing splitting for the characteristics. You need a zero-balance clearing account (Figure 10). You may need to create this G/L account if it does not already exist.

**Step 4. Define document splitting characteristics for G/L accounting.** In this configuration step, you define the characteristics for which the document splitting rules apply. Common examples include **Business Area**, **Profit Center**, **Segment** (Figure 11). For these characteristics, additionally, you specify whether you want to have zero-balancing and whether this characteristic is mandatory. You may want to have the characteristic mandatory to make sure that particular characteristic field value is entered and not left blank.

**Step 5. Define document splitting characteristics for CO and post-capitalization of cash discounts to assets (optional).** You can define the document splitting characteristics for CO and define post-capitalization of cash discounts to assets. For example, you can define the document splitting characteristics for the Controlling (CO) module that use documents transferred from the G/L. Also, you can define whether the cash discount that could be on the payment of the asset invoice should be capitalized along with the asset itself.

**Step 6. Define constants for non-assigned processes.** Here you define default account assignments (for example, default segment) as shown in Figure 12. As the name suggests, when the system cannot determine the characteristic it uses default account assignments.

**Step 7. Activate document splitting.** Finally, activate document splitting in the new G/L (Figure 13). Check the check box next to **Document Splitting** and enter in the method. As I mentioned before, standard SAP includes pre-defined splitting method 000000012, with pre-delivered splitting rules for various business transactions. Note that you activate document splitting at the client
During testing/development, you should test document splitting one company code at a time to reduce the potential adverse impact to other company codes during the testing phase when you would like to make sure your configuration is working properly. I'll cover this in more detail in a future article.

The *Inheritance* indicator in Figure 13 derives the characteristics in the document from the other line items. For example, when you create a customer invoice from a revenue item, the system inherits the characteristics in the customer and tax lines automatically. Without inheritance, you would need to define the rules, for example, to achieve zero-balancing. After you activate the document splitting, you can test your document splitting transactions.

**Vendor Payment (Follow-Up Process)**

As a follow-up process, you can post the payment to the vendor and clear the vendor items. The system first splits the payment document according to the passive document splitting rules for clearing. The payment document uses document splitting rules that you use in the original expense postings. Accordingly, the system creates the payable lines (e.g., AP-domestic account 16000) through passive document splitting rules.

The system splits the vendor payment document as shown in Figures 14 and 15. Again note that the system applied splitting rules appropriately for Petty cash (account 10000) and Input tax (account 154000).

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