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Maximizing Cash Management with SAP® ERP Financials

Galileo Press
Bonn • Boston
## Contents at a Glance

1. Business and Functional Overview ............................................. 19
2. Global Banking and Payment Systems and Practices .............. 33
3. Advanced Inbound Electronic Banking in SAP ERP ............. 45
4. Advanced Outbound Electronic Banking in SAP ERP .......... 87
5. Overview of SAP Bank Communication Management .......... 159
6. In-House Banking with SAP ERP ........................................... 199
7. Global Liquidity Forecasting with Liquidity Planner .......... 241
8. Integration with Procure-to-Pay, Order-to-Cash, and Other Financial Processes .................................................... 289
9. Global Cash Position Reporting and Management ............ 305
11. Leveraging Tools and Enhancements .................................. 349
## Contents

Preface .................................................................................................................. 13  
Acknowledgments ................................................................................................. 17  

### 1 Business and Functional Overview .......................................................... 19  

1.1 International Cash Management ................................................................. 19  
1.1.1 Growing Importance of International Cash Management .................. 19  
1.1.2 Key Business Processes in International Cash Management .......... 20  
1.1.3 The Global Liquidity Crisis and the Treasury Department ................. 22  
1.1.4 Challenges and Opportunities for the Treasury Department .............. 25  
1.2 Regulatory Compliance and Governance Issues ......................................... 25  
1.2.1 SEPA ............................................................................................... 25  
1.2.2 International Accounting Standards (IAS) ....................................... 27  
1.2.3 Bank Secrecy Act ........................................................................... 28  
1.2.4 Stimulus Package ........................................................................... 28  
1.2.5 Regional Tax and Legal Requirements ........................................... 29  
1.2.6 Sarbanes-Oxley Act ........................................................................ 30  
1.3 Technology as an Enabler ........................................................................... 30  
1.3.1 Treasury Systems and Technology .................................................. 30  
1.3.2 The Case for ERP Treasury Systems ................................................. 31  
1.3.3 Key Drivers and Benefits of a Global ERP Treasury System ............ 31  
1.4 Summary .................................................................................................... 32  

### 2 Global Banking and Payment Systems and Practices .............................. 33  

2.1 Overview of International and Regional Banking ..................................... 33  
2.1.1 International Banking ...................................................................... 33  
2.1.2 Regional Banking ............................................................................ 34  
2.1.3 Universal Elements of a Payment Process ........................................ 35
Contents

2.2 Challenges for Global Treasury Management ......................... 36
  2.2.1 Treasury Technology Platforms ................................. 37
  2.2.2 Centralized versus Decentralized Treasury Operations .... 38
  2.2.3 Integrated versus Standalone Treasury Operations ......... 40
2.3 Leveraging SAP ERP Treasury Functionality ............................ 41
  2.3.1 Cash and Liquidity Management ................................ 41
  2.3.2 Treasury and Risk Management .................................. 42
  2.3.3 SAP In-House Cash .................................................. 42
  2.3.4 SAP Bank Communication Management ....................... 42
  2.3.5 Bank Communications and Interfaces ......................... 43
  2.3.6 SAP ERP Tools and Architecture ................................ 44
2.4 Summary ........................................................................... 44

3 Advanced Inbound Electronic Banking in SAP ERP ................. 45
  3.1 Business Process Overview ............................................. 45
    3.1.1 Importing Bank Master Data .................................... 46
    3.1.2 Importing Electronic Bank Statements ....................... 46
    3.1.3 Importing the Cashed Checks File ......................... 52
    3.1.4 Processing Lockbox Files ....................................... 52
  3.2 Inbound Processes: Screens and Examples .......................... 53
    3.2.1 Importing Bank Master Data .................................... 53
    3.2.2 Importing Electronic Bank Statements ....................... 55
    3.2.3 Importing Cashed Checks Files ............................... 63
    3.2.4 Importing Lockbox Files ....................................... 64
  3.3 Configuration and Integration of Inbound Processes .............. 67
    3.3.1 Importing Bank Master Data .................................... 67
    3.3.2 Importing Electronic Bank Statement ....................... 68
    3.3.3 Importing Cashed Checks Files ............................... 82
    3.3.4 Importing Lockbox Files ....................................... 82
  3.4 Summary ........................................................................... 85

4 Advanced Outbound Electronic Banking in SAP ERP ............. 87
  4.1 Business Process Overview ............................................. 87
    4.1.1 Check Payment Processing and Positive Pay File Generation ........................................ 88
    4.1.2 ACH Payments: Domestic and International ............ 91
4.1.3 Wire Transfers .............................................................. 94
4.1.4 Cash Concentration ...................................................... 101
4.2 System Configuration ......................................................... 102
  4.2.1 House Bank and Account ID Creation (Including ALE Configuration) ......................................................... 103
  4.2.2 Payment Program Configuration .................................... 116
  4.2.3 Cash Concentration Configuration ................................. 138
4.3 Business Process Examples ................................................ 140
  4.3.1 Payment Process ........................................................ 141
  4.3.2 Cash Concentration ...................................................... 154
4.4 Summary .............................................................................. 157

5 Overview of SAP Bank Communication Management ............... 159
  5.1 Evolution of Bank Communications and Introduction to the SWIFTNet Service ...................................................... 160
  5.2 SAP Bank Communication Management Functionality Overview ................................................................. 164
    5.2.1 Merge Payments .......................................................... 165
    5.2.2 Approve Payments — Batch and Payment Monitor ......... 166
    5.2.3 Bank Statement Monitor ................................................ 168
  5.3 SAP Bank Communication Management Configuration ................................. 170
    5.3.1 Basic Settings ............................................................. 171
    5.3.2 Payment Grouping ......................................................... 171
    5.3.3 Payment Status Management .......................................... 175
    5.3.4 Bank Statement Monitor ................................................ 177
    5.3.5 Release Strategy .......................................................... 178
  5.4 SAP Bank Communication Management in Action ...................... 184
    5.4.1 Bank Statement Monitor ................................................ 184
    5.4.2 Batch and Payment Monitor .......................................... 189
  5.5 Summary .............................................................................. 197

6 In-House Banking with SAP ERP ............................................ 199
  6.1 Overview of SAP In-House Cash ........................................ 199
    6.1.1 Key Drivers for Implementing SAP In-House Cash .......... 202
    6.1.2 Business Scenarios Supported by SAP In-House Cash .... 203
    6.1.3 Cost Benefit Considerations .......................................... 206
  6.2 Master Data ........................................................................ 208
6.3 System Configuration ................................................................. 209
  6.3.1 Bank Key Terms ................................................................. 209
  6.3.2 Virtual Bank Creation ......................................................... 210
  6.3.3 ALE Configuration ............................................................ 211
  6.3.4 SAP In-House Cash General Configuration ...................... 214
  6.3.5 SAP In-House Cash Payments Configuration ................... 218
  6.3.6 SAP In-House Cash Collections Configuration ................. 227
6.4 Periodic Tasks ........................................................................... 229
6.5 Reporting .................................................................................. 230
6.6 Examples of SAP In-House Cash in Action ................................. 231
6.7 Summary ................................................................................... 239

7 Global Liquidity Forecasting with Liquidity Planner ................. 241
  7.1 Business Process Overview .................................................... 241
    7.1.1 Cash Accounting ............................................................ 243
    7.1.2 Liquidity Planning and Reporting .................................. 246
  7.2 Liquidity Item Assignment Programs ..................................... 249
    7.2.1 Assigning Liquidity Items from Bank Statements .......... 250
    7.2.2 Assigning Liquidity Items from Financial Accounting Documents .................................................. 251
    7.2.3 Assigning Liquidity Items from Accounts Payable Invoices ................................................................. 252
    7.2.4 Assigning Liquidity Items Manually ................................ 252
  7.3 Configuration of Cash Accounting ........................................ 253
    7.3.1 Basic Settings Liquidity Calculations ............................... 253
    7.3.2 Assignment .................................................................. 257
    7.3.3 Query Definition ............................................................ 261
    7.3.4 Information System ........................................................ 265
    7.3.5 Additional Liquidity Planner Tools .................................. 268
  7.4 Liquidity Planner in Action .......................................................... 269
    7.4.1 Cash Accounting: Calculation of Actual Cash Flows ..... 269
    7.4.2 Data Extraction to SAP NetWeaver BW ......................... 275
    7.4.3 Planning in Liquidity Planner .......................................... 277
    7.4.4 Reporting and Actual versus Plan Comparisons ............. 281
  7.5 Summary .................................................................................. 286
8 Integration with Procure-to-Pay, Order-to-Cash, and Other Financial Processes ......................................................... 289

8.1 Integration Points for the Cash Position and Liquidity Forecast Reports ................................................................. 289
  8.1.1 Integration with Sales and Distribution ........................................ 290
  8.1.2 Integration with Accounts Receivable .................................... 292
  8.1.3 Integration with Purchasing .................................................. 294
  8.1.4 Integration with Accounts Payable ........................................ 296
  8.1.5 Integration with Transaction Manager .................................. 298
  8.1.6 Integration with SAP In-House Cash ..................................... 300
8.2 Forecasting in Liquidity Planner .......................................................... 303
8.3 Summary .................................................................................... 304

9 Global Cash Position Reporting and Management ............... 305

9.1 Introduction to the Cash Position Report ........................................ 307
  9.1.1 Working with the Cash Position and Liquidity Forecast Reports ................................................................. 308
  9.1.2 Memo Records .................................................................. 314
9.2 Cash Management Configuration .................................................. 320
  9.2.1 Activating the Default Value Date ......................................... 320
  9.2.2 Configuring Source Symbols .............................................. 321
  9.2.3 Configuring Planning Levels .............................................. 322
  9.2.4 Configuring Cash Management Account Names ............... 324
  9.2.5 Configuring Planning Groups ............................................ 326
  9.2.6 Structuring the Cash Position Report ................................. 327
  9.2.7 Configuring the Distribution Function .............................. 329
  9.2.8 Configuring Archiving Categories .................................... 330
  9.2.9 Configuring Memo Records ............................................ 332
  9.2.10 Defining Levels in Payment Requests .............................. 333
  9.2.11 Configuring Production Startup and Reorganization ....... 334
9.3 Summary .................................................................................... 336

10 Building an Integrated SAP ERP Treasury System .............. 337

10.1 Treasury Workstations versus ERP Systems ......................... 337
10.2 Migrating Standalone Treasury Workstations to SAP ERP ..... 339
10.3 Implementing SAP ERP Treasury Applications ............................. 340
  10.3.1 Project Methodology ..................................................... 340
  10.3.2 “Big Bang” or “Phased Roll Out” .................................... 343
  10.3.3 Time and Resources ....................................................... 344
  10.3.4 Lessons Learned ............................................................. 345
  10.4 Summary ............................................................................ 347

11 Leveraging Tools and Enhancements ....................................... 349
  11.1 Architecture Options for SAP FSCM .................................... 349
  11.2 Tools and Architectures of SAP ERP .................................... 350
    11.2.1 Business Framework Architecture (BFA) .................... 351
    11.2.2 SAP NetWeaver Process Integration (SAP NetWeaver PI) ..... 352
  11.3 SAP Enhancement Packs and New Treasury Functionality .......... 353
  11.4 Summary ............................................................................ 354

The Author ................................................................................ 355
Index .......................................................................................... 357
This chapter uses examples of business scenarios to explain how companies can leverage the SAP ERP Financials In-House Cash component to automate and manage intergroup and intragroup payments, as well as integrate with SAP ERP Financials and Cash Management.

6 In-House Banking with SAP ERP

This chapter reviews most aspects of the SAP In-House Cash functionality. In Section 6.1, Overview of SAP In-House Cash, we provide an overview of the functionality. In Section 6.2, Master Data, we go into more specifics by describing the main master data objects involved in the functionality. In Section 6.3, System Configuration, we provide step-by-step configuration instructions. In Section 6.4, Periodic Tasks, we list the main periodic tasks. In Section 6.5, Reporting, we list and explain the main reports available. Finally, in Section 6.6, Examples of SAP In-House Cash in Action, we provide a walkthrough of the functionality.

6.1 Overview of SAP In-House Cash

In this section, we describe what SAP In-House Cash is, why you should implement it, how to determine whether it's a good fit for your company, and what the cost implications are.

SAP In-House Cash is used to perform what is known as in-house banking, which provides you with some services that are usually provided by external banks, for example, intercompany cash transfers, loan services, investment services, and netting services.

The best way to understand the SAP In-House Cash functionality is to see how companies work with and without it, so let's analyze some examples. Figure 6.1 shows a typical decentralized treasury process that does not use SAP In-House Cash, with payments to vendors and collections from customers being processed...
at each subsidiary, and in which headquarters only gets a copy of each subsidiary's bank statement and reports on cash.

![Diagram](image)

**Figure 6.1** Decentralized Treasury Processing Without SAP In-House Cash

Although this is the easiest process to set up, there is some inefficiency associated with it because you are processing the same functions for each company and having to keep a headcount for that purpose. For example, if you have 100 subsidiaries that pay the same vendor, you may also have to maintain 100 AP departments, receive and review 100 invoices, cut 100 checks, and reconcile 100 outstanding checks. In this case, even though the setup is very easy, the ongoing cost is very high.

Figure 6.2 shows a *centralized* treasury process that also does not use SAP In-House Cash. (Although it is a common misconception that you need SAP In-House Cash to centralize treasury processes, this is not true.) In this example, payable invoices are forwarded to a shared services department at headquarters, where they are validated and paid. In addition, payments from customers are forwarded to a headquarters bank account via cash concentration.

The resulting debits and credits between subsidiaries and headquarters are resolved through automated intercompany postings.
In the specific example shown in Figure 6.2, if 100 subsidiaries get invoices from the same vendor, you need maintain only 1 AP department, cut only 1 check, and reconcile the clearing for only that check. The setup is more complicated because you have to configure the automatic intercompany postings, but the ongoing costs are much lower.

What's inconvenient about this schema is that if you want to determine how much cash belongs to each subsidiary at any moment in time, you must read the line items of the intercompany account, which can be tedious and time-consuming. It is a bit like managing fixed assets using general ledger accounts instead of the Assets component: It's possible, but time-consuming and not user-friendly.

In Figure 6.3, payments and collections are processed centrally; however, instead of using the intercompany account to reconcile how much cash belongs to each subsidiary, you use SAP In-House Cash. This component keeps track of cash at all times, produces bank statements for each subsidiary, and provides reports of how much cash belongs to each subsidiary at any moment in time. The system also allows you to put together surpluses of cash from all subsidiaries and use those surpluses to lend money to the subsidiaries that need it. While doing this, SAP In-House Cash can charge interest to those subsidiaries that borrow and pay interest to those subsidiaries that lend.
In this section, we provide an overview of SAP In-House Cash, specifically focusing on the key drivers for implementing the component, business scenarios supported for it, and cost-benefit considerations associated with it.

### 6.1.1 Key Drivers for Implementing SAP In-House Cash

Your company might consider investing in SAP In-House Cash for a number of reasons, including the following:

- **To optimize your capital structure.**
  
  Instead of having to keep a large number of bank accounts and loans with multiple institutions, incurring multiple fees, SAP In-House Cash allows you to use virtual bank accounts for many of your needs and only use external banks for those things that cannot be resolved internally.

- **To save in interest and banking fees.**
  
  By using your own system to provide financial services, you avoid paying contract fees, wire transfer fees, interest on external loans, and so on.
Overview of SAP In-House Cash

6.1

- **To solve some financial needs internally instead of using a bank.**
  Instead of processing an international wire transfer to send money from one company to another, you can do a payment order in SAP In-House Cash and avoid the fee. This can also be done with loans and other features.

- **To use cash surpluses to finance other companies within the group.**
  Instead of investing cash surpluses at 1%, you can lend them to another of your companies for a little more. This will still be cheaper for that company than if it were to borrow the money from a bank.

- **To increase interest revenue.**
  By lending money within your group, you gain interest revenue.

- **To have a better control of your cash.**
  The system allows you to monitor where your cash goes and how much belongs to each company within your group.

- **To gain the ability to net and combine payments for multiple subsidiaries.**
  Instead of cutting multiple checks for the same vendor, you combine and produce only one check.

- **To comply with statutory cash reporting requirements.**
  Several requirements for regulated industries and for international companies can only be fulfilled with SAP In-House Cash.

6.1.2 **Business Scenarios Supported by SAP In-House Cash**

Three main scenarios are supported by SAP In-House Cash:

- Central payments
- Intercompany payments
- Central collections

In Figure 6.4, we show an example of a central payment in which a subsidiary receives an invoice from a vendor, reviews and approves it, and then runs the payment program at the subsidiary level. This generates an IDoc with a payment order.
The payment order is approved in the SAP In-House Cash component, and, when this is done, the cash balance of the subsidiary is updated (lowered), and a payment request is created. The treasury department then uses the payment program for payment requests to issue a wire payment to the vendor. The bank receives the wire instructions and sends the cash to the vendor, which is reflected in the electronic bank statement the next day.

In Figure 6.5, we show an example of an intercompany payment where one subsidiary submits an invoice to another, and the receiving subsidiary reviews/approves it and runs the payment program. This produces an IDoc with a payment order.

The treasury department approves the payment order within SAP In-House Cash, which lowers the cash balance of the paying subsidiary and increases the cash balance of the receiving subsidiary. SAP In-House Cash then issues updated internal bank statements to each subsidiary; each subsidiary receives the internal bank statement and automatically updates its general ledger.
At this point, the cash balance in the general ledger matches the cash balance in SAP In-House Cash. The transfer is completed without having to issue an external payment or talk to an external bank; virtual cash is moved, but real cash stays in the same place. This may be hard to grasp the first time you hear the process explained, but hundreds of companies do this around the world every day.

Figure 6.6 shows an example of central collections, in which a subsidiary sends an invoice to a customer, and the customer reviews it and sends the payment to the bank. The bank then processes the payment and sends an updated electronic bank statement to headquarters, and then headquarters processes all of the bank statements for all of the subsidiaries. After this is completed, SAP In-House Cash determines which deposits belong to which subsidiaries, and sends updated electronic internal bank statements to each subsidiary. Each subsidiary receives the internal bank statement and automatically updates the accounting to reflect the new cash balance.
6.1.3 Cost Benefit Considerations

SAP In-House Cash is not suitable for all companies because it has significant process implications and costs. It's important to make sure it fits the needs of your organization, or your return on investment won't justify its implementation.

Some of the costs and implications associated with SAP In-House Cash are as follows:

- The AP process gains two extra steps, which makes the process more complex.
- The new process requires the extensive use of IDocs, so the AP and treasury teams must be trained on how to handle them.
- At least one individual is needed to run and follow up on end-of-day processes.
There is tighter integration among AP, treasury, and accounting, which requires coordination.

Some custom reports and enhancements may be needed to fulfill some specific requirements.

Following are some guidelines that might indicate that your company needs SAP In-House Cash:

- **You have more than one company in your group.**
  SAP In-House Cash requires more than one company in your group to work.

- **You incur very high costs on banking fees.**
  If you send a lot of international wire transfers between companies, and pay fees to invest excess cash in some companies and set up loans in others, you may have a good business case to implement SAP In-House Cash.

- **You operate in more than one country.**
  Most countries require detailed cash reporting. Even if the cash is deposited in bank accounts in a different country, cross-border payments are closely monitored by authorities (even more so after 9/11).

- **Your company is part of a regulated industry that requires detailed reporting on cash.**
  Certain industries, such as utilities, cannot be allowed to go bankrupt. To avoid that from happening, they have their cash balances and liabilities closely monitored by authorities. In most cases, the required reports can be accommodated by SAP In-House Cash.

- **You pool cash between companies.**
  If you are already used to lending cash between companies, SAP In-House Cash can make this task easier. Instead of having to use the intercompany account to track the balance of these loans, SAP In-House Cash keeps track for you.

If several of these points apply to your company, you should consider an SAP In-House Cash implementation.
6.2 Master Data

This section lists and describes the main master data objects associated with SAP In-House Cash.

- **Business partners**
  In this component, business partners are primarily banks, brokerage firms, other subsidiaries in your group, and, in some instances, customers or vendors. If you have more than one bank area, you must set up each bank area as a business partner too.

- **Conditions**
  If you charge interest to subsidiaries who borrow from the SAP In-House Cash center and pay interest to those who invest on it, or if you charge fees to the subsidiaries, you must set up conditions that detail interest rates, value dates, and so on.

- **Limits**
  In some instances, particularly in regulated industries, there are some limits to how much you can borrow from the SAP In-House Cash center (commonly referred to as the money pool). Sometimes, companies can borrow up to a certain percentage of the pool assets; other times, there are restrictions known as limits. If the particular condition you want to implement is not supported with standard limit functionality, you may have to do some development.

- **Product definition**
  SAP In-House Cash uses products in a similar way to the Transaction Manager, in the sense that the conditions you use, the transaction types associated with them, and several other functions are determined by which product you configure and use.

- **Accounts**
  In SAP In-House Cash, you must create an account for each of your subsidiaries (possibly more); the account controls a number of management and administration functions, which we discuss in more detail in Section 6.3, System Configuration.
6.3 System Configuration

To make the explanations easier to understand, this section is divided into six different subsections:

- Bank key terms
- Virtual bank creation
- ALE configuration
- SAP In-House Cash general configuration
- SAP In-House Cash payments configuration
- SAP In-House Cash collections configuration

6.3.1 Bank Key Terms

Before we get into bank configuration details, let's look at the definitions for some of the most important bank terms:

- **Bank master data**
  Refers to all existing banks in the world, regardless of whether or not your company has a bank account there.

- **House bank**
  Refers to only those banks in which your company has accounts.

- **Account ID**
  Refers to those bank accounts owned by your company.

- **Bank ALE partner**
  Refers to the settings in ALE needed to send/receive IDocs to/from a specific bank.

- **Bank area**
  Refers to the highest organizational structure within SAP In-House Cash and is usually the entity where SAP In-House Cash processes are centralized and performed. It is also known as the *SAP In-House Cash center*.
6.3.2 Virtual Bank Creation

Even though the SAP In-House Cash center is a virtual bank, it has to exist in the SAP system to be used. To create the bank, execute Transaction F101 (Figure 6.7).

![Create Bank: Initial Screen](image1)

Figure 6.7 Create Bank: Initial Screen

On the screen shown in Figure 6.7, enter the country and the numbers 99999999, which don't belong to any real bank, and thus can be used for a virtual bank. Select Enter.

![Change Bank: Detail Screen](image2)

Figure 6.8 Change Bank: Detail Screen
The screen shown in Figure 6.8 contains specific bank information. Enter “In-House Cash Center” in the Bank Name field, and then enter the state and street address. Because this is a virtual bank, you don’t need to enter additional address details.

### 6.3.3 ALE Configuration

Application Link Enabling (ALE) is the SAP functionality used to connect two separate systems. This communication occurs via IDocs (intermediate documents), which are files that have a specific layout definition and are sent to a specific destination (port). IDocs are frequently used when customers have multiple instances of SAP and decide to set up SAP In-House Cash in more than one of them. For this to work, you need IDocs to send and receive the information between systems.

Figure 6.9 shows the technical architecture options for SAP In-House Cash. As you can see, SAP In-House Cash can be set up on the same system as SAP ERP, or it can be set up in a different system (which is common when you have different subsidiaries in different instances of SAP) — but it’s important to understand that, in either case, ALE has to be fully configured. This is the way the system is designed.

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**Note:** In both options, ALE has to be configured 100%.

**Figure 6.9** Technical Architecture Options for SAP In-House Cash
Figure 6.10 shows the required ALE settings, a screen that is accessed via Transaction WE21. The purpose of the transactions is to create a port, which is the destination of an IDoc.

![ALE Port Creation Initial Screen](image1)

Figure 6.10  ALE Port Creation Initial Screen

Click on the Create icon in the top-left corner, and the prompt shown in Figure 6.11 appears.

![ALE Port Creation Prompt](image2)

Figure 6.11  ALE Port Creation Prompt
The system asks if you want it to create the port name, or if you will assign it yourself. In general, we recommend letting the system assign it. Click the Enter button, and the screen shows in Figure 6.12 appears.

![Figure 6.12 Create ALE Port Details](image)

Enter a description in the Description field; if your SAP In-House Cash system is on the same server as SAP ERP, enter “Send IDocs to self." Then, in the RFC Destination field, enter the technical name of the SAP instance and client to which you will be sending the IDocs.

Now execute Transaction WE20, which is the screen shown in Figure 6.13. Create bank partner 99999999, which, you will recall, is the bank we previously created in Transaction FI01. The bank needs to exist in the system for ALE to recognize it.

Create the ALE partner for the bank as partner type B (Bank), and then link it to a message type. In our example, we use message type PAYEXT, which is the message typically used for payment transactions. In the Message Code field, enter “IHC" for SAP In-House Cash. Enter “F1” in the Message Function field.
In the Outbound Parameters tab, enter the receiver port that you created in the preceding step, select Transfer IDoc Immed., and enter “PEXR2002” in the Basic Type field (this is the IDoc used for sending payment files to banks).

6.3.4 SAP In-House Cash General Configuration

In this subsection, we discuss settings that are not specific to either payments or collections but that are needed for the system to operate. The first step is to create the bank area. This is the top organizational entity in SAP In-House Cash; you usually create it either in the company that holds your headquarters or the one that holds your Shared Services Center. If you have multiple Shared Services Centers around the globe, you can create multiple bank areas, but, remember, the more you have, the more complex your process will be.
To access the configuration of a bank area, use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • BASIC SETTINGS • BANK AREA • DEFINE BANK AREA.

On the screen shown in Figure 6.14, enter a description, the country, the bank key (usually, 99999999), the language and currency, a calendar, a time for post cut off (this is the time at which you close postings for the day), an exchange rate type (M is the default), the company code where the bank area will reside, and the general ledger variant.

You will probably need to create your own general ledger variant; to do this, go to the IMG, and use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • PERIODIC TASKS • GENERAL LEDGER TRANSFER • MAINTAIN GL VARIANTS. In that screen, enter your variant name and description, the chart of accounts used, the clearing account for transactions, the document type, and the posting keys to use for IHC postings. Activate the log and the IHC area.

![Configuration of a Bank Area](image)

Figure 6.14  Configuration of a Bank Area
The next step is to assign products to a bank area; to do this, use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • MASTER DATA • PRODUCT DEFINITION • PRODUCT • ASSIGN PRODUCTS TO BANK AREAS. This takes you to the screen shown in Figure 6.15.

In the screen shown in Figure 6.15, assign SAP In-House Cash product types to your newly created bank area. You can copy the ones assigned to 0001 to your own bank area.

The next step is to define transaction types. To do this, use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • DEFINE TRANSACTION TYPES. This takes you to the screen shown in Figure 6.16.
There are two types of transaction, debits and credits, and for each of those, there are both external and internal transactions. In the screen shown in Figure 6.16, you configure the settings specific to each, specifying information such as which requires a check, which requires a transfer, which is external, and so on. If you are not sure, you can probably copy the settings in this example.

The next step is to define a clearing partner, which you can think of as the clearing house used by the banks to settle interbank transactions. Use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • DEFINE CLEARING PARTNER. This takes you to the screen shown in Figure 6.17.

In the preceding example, the clearing partner is called FI, which is the default setting. We explain how this works later in Figure 6.21.
6.3.5 SAP In-House Cash Payments Configuration

Let’s now discuss the settings that are necessary for payment transactions to work properly. Use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • MAKE BASIC SETTINGS FOR PAYMENT PROCESSES. In the resulting screen, select your bank area, and then click on Processing Transaction on the left menu. The screen shown in Figure 6.18 appears.

![Initial Screen of Basic Settings for Payment Processes](image)

Figure 6.18 Initial Screen of Basic Settings for Payment Processes

Figure 6.18 is the initial screen for processing payment transactions. In this screen, you must link your bank area and each of the transaction types to a processing method, which can be provisional or final. If you select Provisional, you must run another process to make the final posting; if you select Final, the extra process is unnecessary. We recommend selecting Final.

If you select the Forwarder indicator for a provisional processing method, the system sends IDocs with the payment to the clearing partner; if you don’t check it, the IDoc is only created when you run the additional process to make the final posting.
Now click on Settlement Accounts, and the screen shown in Figure 6.19 appears.

Enter your bank area in the Bank column, enter your main currency in the Crcy column, enter “Final” in the SettlmtCat column (unless you selected Provisional in the previous section), and enter each of your SAP In-House Cash accounts (each of your subsidiaries) as Payer in the Item Type column. The only exception to this last option is the company where your bank area sits; in this case, enter the Item Type as Counterparty. In the Cred/Deb column, you need an entry for Debit and an entry for Credit for each of your subsidiaries. Leave the Tran column blank. Enter the business partner that you created for each subsidiary in the Part column. Enter the SAP In-House Cash account that you created for each subsidiary in the Account Num column.

Click on Posting Data, and the screen shown in Figure 6.20 appears.
Enter your bank area in the Bank Area column, enter “Final” (unless you previously entered Provisional) in the SettlmtCat column. Add one entry for Debit and another for Credit Memo. Leave the Transaction column blank. In the Medium and Pay Meth columns, enter “0001”; in the TA Type column, enter “5110” for credit and “0150” for debit. You can think of these numbers as the equivalent of 40 and 50 for the posting keys in the general ledger.

Click on Accounts for Clearing, and the screen shown in Figure 6.21 appears.
Enter your bank area, the clearing partner created previously (FI, in our example), your currency, and the settlement category you’re using (most likely Final). In the Account Number field, enter the SAP In-House Cash account of the subsidiary (or headquarters) where the bank area sits.

Click on Payment Method Data, and the screen shown in Figure 6.22 appears.

![Figure 6.22 Payment Method Data](image)

In the screen shown in Figure 6.22, enter your bank area, clearing partner, and currency in the appropriate columns. In the Transaction column, create an entry for each transaction type (EXTDEB, EXTPAY, INTDEB, and INTPAY). For EXTPAY, instead of one entry, enter one for each payment method that you will use. In the example in Figure 6.22, our payment methods were Wire, Check, and ACH — hence the A, C, and W. However, don’t confuse these letters with the names of the payment methods used in the payment program; we map these to the payment methods used in the payment program later.

Click on Communication Data, and the screen shown in Figure 6.23 appears.

It is important that you configure this screen correctly, or the IDocs won’t work. Enter your bank area, clearing partner, and currency in the appropriate columns. In the Rec. Partn. Type, enter “B” for the bank partner type. In the Partn. No. column, enter the bank key for your SAP In-House Cash center (the one we configured in Section 6.3.2, Virtual Bank Creation). In the Msg. Var. column, enter “IHC”; in Msg, Funct., enter “FI”; in the Account column, enter the account of the
subsidiary where your SAP In-House Cash center sits. (You may remember that these are the same values we configured in Section 6.3.3, ALE Configuration.)

Click on Routes, and the screen shown in Figure 6.24 appears.

Enter your bank area, “Route1” in the Route column, and your clearing partner (most likely “FI”).

Click on External Payments, and the screen shown in Figure 6.25 appears.
In this screen, you configure the clearing account and transaction type used for external payments. Enter your bank area and currency, check the Transfer indicator, and enter the account of the company where your bank area sits in the Clearing Account column. Enter “EXTPAY” in the last column. (This is another configuration that affects the IDoc, and it may become relevant if you have to troubleshoot the IDoc.)

The next step is to configure the default settings for transaction types. To do this, use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • DEFINE DEFAULT SETTING FOR TRANSACTION TYPE. This brings you to the screen shown in Figure 6.26.
In this screen, you link the EXTDEB transaction to External Debit Memo, the EXTPAY to External Transfer, the INTDEB to Internal Debit Memo, the INTPAY to Internal Transfer, and the EXTPAY to Expert Mode.

The next step is to define transaction types for automatic payments. To do this, use the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • DEFINE TRANSACTION TYPE FOR AUTOMATIC PAYMENTS. The screen shown in Figure 6.27 appears.

![Figure 6.27 Determine SAP In-House Cash Transaction Type](image)

On this screen, copy the settings shown here with your own bank area. This will tell the system that for both credits and debits it should use the EXTPAY IDoc.

In the next step, we set up route processing. Access the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • SET UP ROUTE PROCESSING. The screen shown in Figure 6.28 appears.

![Figure 6.28 Rules for Route Processing](image)
As you will recall, we created Route1 in a previous step. Now is when we tell the system what Route1 means. In this case, all you need to do is tell the system that your payer is always bank 999999999 (your own IHC bank) and what your bank area is.

At this point, it’s time to configure the settings for payment orders. To do this, access the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • OUTGOING PAYMENT ORDERS • SET UP CREATION OF PAYMENT REQUESTS FOR INBOUND IDOC IN FI. The screen shown in Figure 6.29 appears.

![Clearing Partner Selection Screen](image)

**Figure 6.29** Clearing Partner Selection Screen

On this screen, select your clearing partner (most likely FI), and then click on Account Details. The screen shown in Figure 6.30 appears.

![Account Details](image)

**Figure 6.30** Account Details

On this screen, enter your clearing partner, and leave the Index column blank. In the Sender Type column, enter “LS” (logical system); in the Partn. No. Column,
enter the name of your SAP server and the client used by Basis; in the Ctry column, enter your country; in the Bank Number column, enter “999999999”; and in the Account Number field, enter the SAP In-House Cash account of your clearing partner.

Click on Posting Accounts, and the screen shown in Figure 6.31 appears.

![Figure 6.31 Posting Accounts](image)

On this screen, enter your clearing partner, an entry for debit, and an entry for credit (in the D/C column). In the Co column, enter the company where your bank area sits. Enter your currency (Crcy) and the general ledger accounts that you will use for SAP In-House Cash debits and SAP In-House Cash credits (G/L Account column).

Click on Processing Parameters, and the screen shown in Figure 6.32 appears.

![Figure 6.32 Processing Parameters Screen](image)
On this screen, map your clearing partners and the SAP In-House Cash payment methods configured previously (in Figure 6.22) to the payment methods configured in the payment program, and the bank accounts and account IDs used by the company that issues payments.

### 6.3.6 SAP In-House Cash Collections Configuration

This configuration ensures that when you upload your bank statement reflecting the cash collected, the system finds the SAP In-House Cash account that corresponds to each bank account and each item in the electronic bank statement. Access the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • CENTRAL CASH RECEIPT/INCOMING BANK STATEMENTS • IHC ACCOUNT DETERMINATION FROM EXTERNAL BANK ACCOUNT. The screen shown in Figure 6.33 appears.

![Dispatcher per Account Number](image)

**Figure 6.33** Dispatcher per Account Number

Map the real routing numbers and bank accounts to your bank area and SAP In-House Cash accounts.
The next step is to set up the account determination for incoming payments. To do this, access the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • CENTRAL CASH RECEIPT/INCOMING BANK STATEMENTS • SET UP ACCOUNT DETERMINATION FOR INCOMING PAYMENT. The screen shown in Figure 6.34 appears.

![Figure 6.34 SAP In-House Cash Bank Statement Determine Sender](image)

On this screen, map your house banks and account IDs to your bank area and your SAP In-House Cash accounts.

The next step is to define transaction types for incoming payments. To do this, access the following menu path: SAP CUSTOMIZING IMPLEMENTATION GUIDE • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • ACCOUNT MANAGEMENT • PAYMENT PROCESSES IN IN-HOUSE CASH • CENTRAL CASH RECEIPT/INCOMING BANK STATEMENTS • DEFINE TRANSACTION TYPES FOR INCOMING PAYMENT. The screen shown in Figure 6.35 appears.

On this screen, map your bank area, the transaction type you use in the electronic bank statement (BAI, in this example), and the external bank statement codes to the SAP In-House Cash transaction type that correctly reflects the nature of the transaction.
This section briefly describes several periodic tasks that have to be performed for SAP In-House Cash to be in sync with the general ledger, Cash Management, Transaction Manager, and so on. The following are the most important:

- **Posting cut off**
  This process ends the transactions for a specific date and sets the date of the next transaction day in the system. This is particularly important regarding reporting and accounting because, in many instances, interests and fees are calculated based on the balances and transactions that occur on a certain day.

- **Balancing accounts**
  If you configured conditions for interest and fees, these are calculated and posted during the balancing process.

- **Generating SAP In-House Cash bank statements**
  This process consists of creating statements for individual subsidiary accounts. When you run it, the system creates an IDoc that is then imported into each subsidiary, and automatically updates the general ledger of the subsidiaries.
with the correct SAP In-House Cash account transactions and balances. For this to happen, configuration for the electronic bank statement has to be done for the bank, in addition to the configuration already in place for real external bank statements.

- **General Ledger integration**
  The SAP In-House Cash statements update the transactions and balances in the general ledger of the subsidiaries, but the general ledger transfer updates the transactions and balances in the general ledger of the company code that hosts the SAP In-House Cash center. This is similar to banks, where you have your accounting of the bank in your books, and the bank has its own accounting of your balance and transactions.

### 6.5 Reporting

This section briefly describes the main reports available in SAP In-House Cash. To access these reports, go to the application menu and access: **ACCOUNTING • FINANCIAL SUPPLY CHAIN MANAGEMENT • IN-HOUSE CASH • INFORMATION SYSTEM.**

- **Condition histories**
  If you configured conditions for interest and fee calculation, the auditors will want to verify the integrity of the master data. This report shows you all of the changes done to the master data.

- **Balance list**
  This gives you an overview of the balances in all your bank areas and SAP In-House Cash accounts.

- **Balance List by key date**
  This report shows you an overview of the balances but also allows you to filter by key date to review the specifics of a certain period of time.

- **Overdraft list**
  This gives you a list of those accounts for which the limit has been exceeded.
Examples of SAP In-House Cash in Action

Display account locks
This shows you locked and inactive accounts.

Interest scale
This report displays the interest scales used for a certain combination of bank area, account number, product, business partner category, and calculation period.

Limit overview
This report displays the internal and external limits of the selected accounts.

Display individual conditions
With this report, you can see which conditions are still valid and which are expired.

6.6 Examples of SAP In-House Cash in Action

In this section, we explore an example that shows how a large corporation uses SAP In-House Cash, which will help you better understand the typical use of the functionality. This particular company (names and actual account numbers are changed to protect confidential information) concentrates the cash of all its subsidiaries into a central account and then allows subsidiaries to invest or borrow money from it. Vendor invoices are approved for payment at the subsidiary level, but the Shared Services Center processes the payments, netting as many payments as possible into one payment (as due date and other restrictions allow).

Figure 6.36 shows one of the available reports, which displays all of the accounts associated with a bank area, as well as the balance and limit of each. Note that the SAP In-House Cash center balance is zero; this is usually the case because the SAP In-House Cash center acts as a Shared Services Center that processes transactions but has no business of its own, other than supporting the operational companies. Therefore, all of the money held by the SAP In-House Cash bank is really owned by different subsidiaries.
Figure 6.36  SAP In-House Cash Balances at the Beginning of the Day

Figure 6.37 shows the screen where you manually change the next posting date. After you do this, every transaction in the system has the new posting date. You can create a batch job to run this transaction.

Figure 6.37  Posting Cutoff

Figure 6.38 shows an invoice for $1,000,000 USD being entered for Company A. The way the process works, the payment program (Transaction F110) is executed to pay the invoice at the subsidiary level, but instead of cutting a check or issuing an electronic payment, the system creates an IDoc that contains an SAP In-House Cash payment order.
Figure 6.38  Enter Vendor Invoice for Company A

Figure 6.39 shows another invoice for $500,000 USD being processed for Company F. As with the previous example, the payment process begins by running the payment program at the subsidiary level, which triggers an IDoc with an SAP In-House Cash payment order.

Figure 6.39  Enter Vendor Invoice for Company F
The payment orders created by the IDocs just mentioned are shown in Figure 6.40. Also on this screen, you can drill down, sort, add totals and subtotals, and — most importantly — approve the payment order.

![Browser for IHC Payment Orders](image)

**Figure 6.40**  Browser for IHC Payment Orders

When you approve the order, several things happen:

- An IDoc with a payment request is created.
- The SAP In-House Cash account balance for the subsidiary where the vendor payment was originated decreases.
- The SAP In-House Cash account balance for the subsidiary where the SAP In-House Cash center sits (either headquarters or the Shared Services Center) increases.

In a subsequent step, you can pay that payment request using a payment program for payment requests (Transaction F111). One of the advantages of this process
is the ability to net multiple payment requests (i.e., when the same vendor sends invoices to multiple subsidiaries) into a single wire or check, saving on wire fees and making the payment process easier.

Figure 6.41 shows how the SAP In-House Cash balance of Company A was reduced by $1,000,000 USD, and the balance for Company F was reduced by $500,000 USD, while the balance for the SAP In-House Cash center was increased by $1,500,000 USD. As we explained previously, whenever the balance in the SAP In-House Cash center increases, it should be temporary; the balance should usually be $0. In this example, the balance will be $0 again when the payment requests are paid to the external vendors.

![Image of SAP In-House Cash Balances after Payment Orders]

Figure 6.41  SAP In-House Cash Balances after Payment Orders

Figure 6.42 shows an internal transfer from Company A to the SAP In-House Cash center. This can be done to invest money, to process an adjustment, and so on.

Figure 6.43 shows the SAP In-House Cash balance increased for the $2,000,000 USD that were transferred to it, and Company A's balance decreased by the same amount.
In-House Banking with SAP ERP

**Figure 6.42** Internal Transfer

**Figure 6.43** SAP In-House Cash Balances after Internal Transfer
Figure 6.44 shows an internal payment order reversing $1,500,000 USD of the $2,000,000; this could be due to a mistake in the original amount, or some other adjustment being processed.

![Process IHC Payment Order](image)

**Figure 6.44** Reversal for Part of the Payment Order

Figure 6.45 shows the updated balances of the SAP In-House Cash center down by $1,500,000 USD, and Company A up by the same amount.

Figure 6.46 shows the parameter entry screen for the payment program for payment requests (Transaction F111); this is different from the payment program for vendors (Transaction F110) because it's specifically designed to be used by treasury department processes. This payment program would be used to send the
$2,000,000 USD that sit in the SAP In-House Cash center to a vendor or to a brokerage firm for investment.

Figure 6.45  SAP In-House Cash Balances after Reversal for $1,500,000 USD

Figure 6.46  Payment Program for Payment Requests

Finally, Figure 6.47 shows the balances at the end of the day. The SAP In-House Cash center balance is again $0, and the individual balances are updated with the amount that accurately reflects their transactions during the day.
In this chapter, we reviewed the SAP In-House Cash functionality, starting with an overview of what it is and how it works, and then continued with an explanation of the criteria you should use to decide when it is a good idea to implement it. We also explained the main business scenarios covered by the functionality and provided business process diagrams for them.

We then provided an explanation of the master data associated with the functionality, as well as the configuration required for banking, ALE, and the SAP In-House Cash functionality. To conclude the chapter, we explained the main periodic processes and reports, and provided an example of the functionality being used.

Although there are many areas of SAP In-House Cash that cannot be covered in a single chapter, we expect that the information contained here will allow users, consultants, and project managers to resolve some of their questions and make the correct decisions about this important functionality. In the next chapter, we review the use and configuration of the Liquidity Planner functionality.
Index

A

ABAP, 97
Account determination, 228
Account ID, 68, 69, 103, 209, 249
Account lock, 231
Accounts, 208
Accounts payable, 252
Accounts Payable, 35, 95, 201, 206
Accounts receivable, 66
Accuity, 46
Actual cash flow, 241
AIG, 24
ALE, 107, 211, 212, 239, 350
  configuration, 211
  functionality, 43
  partner, 213
Alliance Lite, 163
American Bankers Association, 34
American Recovery and Reinvestment
  Act of 2009, 28
Analysis of actual cash flows, 338
Annuity payments, 298
Approve payments, 166
Archiving category, 332
Archiving Category field, 318
ASAF methodology, 340
Assignment program, 273
Automated clearing house, 91

B

BAI, 52, 59, 64, 71, 82, 228
BA12, 52, 64, 82
Balance list, 230
Balancing accounts, 229
Bank, 45, 87
Bank accounting, 44
Bank accounts, 116, 227
Bank Accounts option, 68
Bank ALE partner, 209
Bank area, 209, 218, 228, 301
Bank Area column, 220
Bank details, 142
Bank for International Settlements, 33
Bank group, 131
Bank key, 71
Bank Key field, 104
Bank master data, 46, 67, 209
Bank Number column, 226
Bank reconciliation, 46, 49
Bank relationship management, 20
Bank Secrecy Act, 28
Bank statement, 49, 201, 204, 227, 244, 246
Bank Statement Monitor, 159, 168, 177,
  184, 188, 305
BAPIs, 350
Baseline date, 296
Basic Type field, 214
Batch and Payment Monitor, 159, 189,
  194, 197
Batch input, 56
BCM, 94, 97
Best in class, 25
BIC Directory, 46
Big bang method, 343
BIS, 33
Bond, 298
Borrowings, 307
BPS, 247
Brazil, 24
Business blueprint, 341
Business Framework Architecture, 351
Business partners, 44, 45, 122, 208

357
Index

C
Cash Accounting, 241, 242, 243, 253, 286
Cash and Liquidity Management, 41
Cash balances, 38, 46
Cash center balance, 238
Cash concentration, 38, 87, 154, 200, 306
Cashed checks files, 63, 82, 91
Cash management, 20, 41, 141
Cash Management, 160, 229, 286, 289
Cash management applications, 38
Cash management group, 294, 301
Cash pooling, 207
Cash position, 46, 49, 169, 291, 308, 337
Cash position and liquidity forecast report, 290
Cash position report, 306
Cash transfers, 25
CEMLA, 34
Central Bank, 34
Central collection, 203
Centralized, 38, 200
Central payment, 203
Centro de Estudios Monetarios Latinoamericanos, 34
Check, 52, 87, 88
Check lot, 128
Check register, 90
China, 24
Clearing Account column, 223
Clearing document, 261
Clearing partner, 217, 218, 221
Committee on Payment and Settlement Systems, 34
Communications method, 88
Company code, 256
Condition histories, 230
Conditions, 208, 231
Consolidator bank, 160
Control figures, 40
Copy data, 246
Counterparty, 219
CPSS, 34
Craig Jeffery, 37
Create memo record, 305
Credit default swaps, 24
Credit Risk Analyzer, 42
CTX, 92, 174
Currency exchange rate fluctuations, 25

D
Data Medium Exchange button, 114
Decentralized, 38
Delete a bank statement, 57
Department of the Treasury, 28, 91
Difference status, 170, 187, 188
Digital signatures, 167, 183, 197
Direct connection, 161, 163
DME, 114, 175

E
ECB, 34
EDI, 20, 36, 43, 160
EDI Partner Profiles button, 105
EFT, 313
Electronic banking, 337
Electronic bank statement, 68, 228, 305, 307
Electronic bank statements, 160
Electronic funds transfer, 91
End-of-day processes, 206
Enhancement Pack, 353
EPC, 26
ERP, 30
ETL, 59
Euro, 26, 34
Europe, 26
European Central Bank, 34
European Payments Council, 26
External Debit Memo, 224
External transaction types, 78
External Transfer, 224

F
FASB133, 38
Federal Reserve, 52
Fedwire, 95, 98, 99, 175
FI document, 258
Final preparation, 341
Financial Accounting documents, 273
Financial crisis, 19
Foreclosures, 24
Foreign exchange rates, 25
Foreign exchange transaction, 307
Formulas, 246
Funds Management Division, 91

G
GAAP, 27
General ledger, 66, 72, 204, 229, 300
accounts, 48, 49
Global data, 254
Global liquidity crisis, 23
Global treasury, 36
Go-live and support, 342
Greece, 24

H
Headquarters, 200, 205
High costs on banking fees, 207
House bank, 69, 103, 116, 209, 249

I
IAS 39, 38
IAT, 93

IBAN, 134
IDoc, 43, 97, 108, 203, 206, 232, 234
IFRS, 20, 27
Inbound processes, 45
Incoming activity, 50
Incoming payment, 228
India, 24
Indirect connection, 163
InfoProvider, 276
In-House Banking, 199, 338
Integrated, 40
Integrated Planning, 247, 277
Intercompany account, 201
Intercompany cash transfer, 199
Intercompany payment, 203
Interest, 298
Interest revenue, 203
Interface, 40
Internal Debit Memo, 224
Internal Transfer, 224
International banking, 33
Intraday bank statement, 57
Intraday electronic bank statement, 305
Investment, 307
Investment service, 199
Invoice, 261
Invoice verification, 89

K
Key executives, 25

L
Lessons learned, 340
Leveraged buyouts, 23
Limit overview, 231
Limits, 208
Liquidity forecast, 21, 291, 305, 308, 338
Liquidity item, 244, 267

359
Index

Liquidity item assignment programs, 249
Liquidity Planner, 41, 241, 276, 303, 304, 308
Liquidity Planning and Reporting, 243, 246, 286
Loan, 298
Loan services, 199
Lockbox, 52, 64, 65, 82
Logistics, 291
Long-term cash forecasting, 241

M

Manual bank statement, 62
Market Risk Analyzer, 42
Mask, 72
Memo record, 314, 332
Merge ID, 175
Merge payments, 165
Messages, 163
Message type, 110, 213
Mexico, 29
MT103, 98, 99
MultiCash, 58, 59
mySAP, 160

N

NACHA, 91, 174
Netting services, 199
Note to payee, 245

O

OFAC, 93
Office of Foreign Assets Control, 93
Order-to-cash, 289
Outbound, 45
Outgoing activity, 50
Overdraft list, 230

P

Payable, 35
Payee, 36
Payer, 35, 219
PAYEXT, 108
Paying company code, 118
Payment advices, 155
Payment documents, 190
Payment grouping, 171
Payment media, 35, 162, 174. 192, 195, 197
Payment Media Workbench, 174
Payment method, 35, 221, 227
Payment order, 203, 232, 233, 237
Payment program, 153, 190, 227, 232
Payment program configuration, 117, 130
Payment request, 333
Payment Run button, 189
Payments, 25, 307
Payment system, 33
Payment terms, 296
PEXR2002, 108
Phased roll out, 343
Planning function, 248
Planning groups, 293
Planning level, 322
Planning type, 332
Portfolio Analyzer, 42
Positive pay, 88, 151
Posting cut off, 229
Posting rules, 78
Post process, 67
PPD, 92
Principal payments, 298
Printing program, 127
Private equity firms, 23
Process chain, 276
Processing status, 170, 187
Procure-to-pay, 289, 294
Product definition, 208
Product types, 216, 299
Index

Project preparation, 341
Public Company Accounting Oversight Board, 30
Purchase order, 305
Purchase requisition, 295

Q
Query, 249
Query sequence, 244, 250, 257

R
Real estate bubble, 24
Realization, 341
Reconciled cash, 50
Reconciliation status, 170, 187
ReconNet, 47
Redemptions, 307
Regulated industry, 207
Release strategies, 178, 179
Repayment type, 298
Return on investment, 206
Revaluate data, 246
Risk management system, 38
Role-based security, 44
Roll out, 340
Routes, 222
Routing numbers, 227
Russia, 24

S
Sales and Distribution, 290, 292
Sales invoice, 305
Sales order, 305
Same-day cash position, 241
SAP Bank Communication Management, 42, 94, 101, 153, 159, 162, 166, 175, 189, 305
SAP BusinessObjects governance, risk, and compliance solutions, 30
SAP BusinessObjects Planning and Consolidation, 241, 247
SAP FSCM, 349
SAP In-House Cash, 42, 199, 200, 214, 300, 333
SAP In-House Cash accounts, 219, 227, 234
SAP In-House Cash bank statement, 229
SAP In-House Cash center, 210
SAP Integration Package for SWIFT, 159
SAP NetWeaver BW, 243, 246, 275, 307
SAP NetWeaver PI, 162
SAP NetWeaver Process Integration, 162, 350, 352
SAPscript, 122
SAP SRM, 89
SAP Supplier Relationship Management (SAP SRM), 89
Sarbanes-Oxley Act, 30
Scoping and planning, 346
Search string, 80
Second presentment, 52
Secude, 184
SEM-BPS, 277
SEM-Business Planning and Simulation, 247
SEPA, 26, 134
SEPA Credit Transfer Schema, 26
SEPA Direct Debit (SDD), 26
Serial number status, 170, 187
Service bureau, 163
Settlement Accounts, 219
Shared Services, 200, 214, 343
Shared Services Center, 214
Short-term planning, 289
Single Euro Cash Area (SECA), 27
Single Euro Payment Area, 26
Society for Worldwide Interbank Financial Telecommunications, 35, 98
Source symbol, 321
SOX, 30

361
Index

Standalone, 40
Status messages, 176
Stimulus package, 28
Strategic Treasurer, 37
Subledger, 66
Subsidiary, 201, 205, 219, 221, 234
SWIFT, 20, 35, 98, 114, 134, 161, 175, 354
SWIFT MT940, 58
SWIFTNet, 36, 43, 161, 164
Symbols, 72

U
Update type, 300

V
Value added network, 160
Vendor invoice, 305
Virtual bank, 210
Virtual cash, 205

W
Wire, 43, 87, 91, 160, 305
Wires transfer, 94, 112, 153, 160
Workflow, 167, 182

Z
ZBA, 102
Zero balance account, 102