Aylin Korkmaz

Financial Reporting with SAP®

Financial Reporting with SAP®

- Understand and implement strategies for optimizing financial reporting capabilities
- Master best practices for simplifying, streamlining, and automating financial and management reporting
- Learn how to integrate financial reporting with SAP EBP, SAP NetWeaver BW, and SAP BusinessObjects

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The emphasis in this chapter is on recommending the best foundations of segment reporting design. In addition, we explain the key reports in SAP ERP and SAP NetWeaver BW to comply with segment reporting requirements.

3 Segment Reporting

One of the requirements of International Financial Reporting Standards (IFRS) is to provide financial information by line of business and geographical areas to clearly identify the opportunities and risks in these areas, which is known as segment reporting compliance (IAS 14). This compliance applies to companies whose equity and debt securities are publicly traded and to enterprises in the process of issuing securities to the public. In addition, any enterprise voluntarily providing segment information should comply with the requirements of the standard.

A business segment is a distinguishable part of the company that delivers an individual product or service or a group of products or services, which is subject to risks and returns that are different from other business segments. A geographical segment is a distinguishable part of the company that delivers products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

Segment reporting requirements for U.S. Generally Accepted Accounting Principles (U.S. GAAP) are stated in FASB Statement No. 131 (SFAS 131—Statement of Financial Accounting Standards No. 131). The requirements of SFAS 131 are based on the way the management regards an entity, focusing on information about the components of the business that management uses to make decisions about operating matters. In contrast to U.S. GAAP, IFRS requires the disclosure of the entity’s financial statement, divided into segments based on related products and services and on geographical areas.

In spite of convergence initiatives of the accounting standards, accounting regulations using segment reporting still differ. The major differences are in the segment definition, accounting policies, and disclosure of segment information. For example, segment definition is based on risks and return profiles along with internal

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reporting structure in IFRS, whereas it is based on internally reported operating segments in U.S. GAAP.

Segment reports prepared for the board of directors, CFO, and CEO should normally determine segments for external financial reporting purposes. It is important that you first define the segments according to compliance requirements. You can use the following criteria to define your segments according to IFRS. A segment is a reportable object if a majority of its revenue is earned from sales to external customers and if:

- Its revenue from sales to external customers and from transactions with other segments is at least 10% of total sales.
- Its profit and loss is at least 10% of the total profit and loss.
- Its assets are at least 10% of the total assets of all segments.

In addition, it is important to note that if the total revenue of reportable segments is less than 75% of the total consolidated revenue, additional reportable segments must be added until the threshold is reached.

SAP R/3 provided many different and complex ways of providing segment reporting. With SAP ERP, SAP strengthened reporting capabilities a great deal, especially for segment reporting. By using the new functionalities, organizations no longer have to wait until period end close to build their segment reporting, which is an error-prone and expensive approach. That said, many SAP customers have already implemented their SAP system and want to understand how they can improve their segment reporting in line with the strategic direction of SAP ERP.

In the next section, we look at the design considerations and explain the best practices to simplify and streamline segment reporting. Reviewing the different segment reporting solutions and recommended best practices in this section is crucial to generating segment reporting accurately at your organization.

### 3.1 Designing Segment Reporting

Evaluating the range of options that are available for segment reporting within the SAP ERP system is complex, primarily due to the multitude of possible implementation solutions. SAP ERP provides a better way of modeling options for segment reporting compliance. The reporting capabilities of SAP ERP are based on
Designing Segment Reporting

3.1

the unified data reporting structure. You can capture segment details in each data record. Because segment information is stored at the detailed document level, segment-based financial statements are available within standard reporting in the General Ledger (G/L), saving time and minimizing errors. You can review account balances at the segment level and handle periodic activities (e.g., revaluation and balance carry forwards) easily.

You can consider many leading design practices when evaluating segment reporting solutions and approaches. In this section, we discuss these leading design practices and share our experience. We specifically look at:

- Determining the right segment reporting solution
- Splitting and having balanced books on segment reporting objects
- Ensuring that all transactions are updated with segment information
- Simplifying allocations
- Rationalizing the number of profit centers
- Streamlining data flow from SAP ERP to SAP NetWeaver BW

Let’s first discuss reporting solutions and approaches so you can determine the best one to meet your segment reporting requirements, which will in turn influence the design of business processes and the modeling of data flow from SAP ERP to SAP NetWeaver BW.

3.1.1 Determining the Right Segment Reporting Solution

SAP ERP offers several reporting solutions to meet segment reporting compliance. The main applications of these solutions are:

- Business Area Accounting (FI-BA)
- Profit Center Accounting (EC-PCA)
- Special Purpose Ledger (FI-SL)
- New General Ledger (new G/L)

There are similarities and differences between the core functionalities of each of these solutions, and there are variations in the ways in which these solutions can be implemented in SAP R/3 and SAP ERP. The solutions themselves vary in terms of the level of customization involved, requirements met, and desired capabilities delivered. In addition to these reporting solutions, many reporting objects are
available in financial and management accounting. Some of these reporting objects are relevant to only financial accounting, some of them are relevant to only management accounting, and some of them are relevant to both.

Figure 3.1 shows the main reporting objects available in SAP ERP. SAP ERP provides balanced books capability only for dimensions such as the business area, profit center, segment, customer fields, and industry-specific fields such as fund and grant. This means you can generate your segment reporting only for those dimensions. Perhaps the most important question is which reporting solution and dimension is best to use for segment reporting. The answer to this question depends on the SAP release you are using and your business requirements. In this section, we explain and evaluate each of the segment reporting objects in conjunction with the reporting solution to guide you in determining the right solution for your organization.

![Main Reporting Dimensions in SAP ERP](image)

**Figure 3.1** Main Reporting Dimensions in SAP ERP

We first look at business area and profit center reporting objects, which were available in the previous releases of SAP ERP. After that we examine the new reporting object segment and other segment reporting dimensions fields such as customer fields and industry-specific fields integrated with the new G/L.
**Business Area**

The business area has been available as a segment reporting object for a long time. Business area accounting operates within the financial component and is integrated with the logistic and management accounting components. You can define business areas according to different segment areas (e.g., product lines, geographical areas, management areas, etc.). The business area definition is not dependent on any structure or relationship of company codes or controlling areas. They are defined within one client and can be used across all company codes within that client. Business areas are not available in hierarchies and may only be reported in a flat manner within the standard-delivered SAP system reports. It is possible to define business area hierarchies using sets with the Report Painter and Report Writer tools of SAP R/3 and SAP ERP. It is also possible to define master data hierarchies for the business area in SAP NetWeaver BW.

In SAP R/3 you can assign balance sheet items such as fixed assets, receivables, payables, and material stock, as well as the majority of profit and loss (P&L) items directly to a specific business area. However, it is only possible to assign cash discounts, equities, and taxes to business areas using indirect methods via periodic adjustment postings in the classic G/L. Also, Controlling (CO) postings, which include cross-business-area allocations and transactions, are transferred to FI periodically via reconciliation ledger postings. These postings are based on the reconciliation ledger, which is summarized and not easy to reconcile back to individual transactions in CO, resulting in limited visibility within business area reports. For these reasons, it is not easy to create segment reporting at the business area level that would meet international accounting reporting standards in SAP R/3. Although the FI-BA solution is not suitable for producing accurate segment reporting in the classic G/L, as required for IFRS and U.S. GAAP, one advantage is that it does provide standard capability for producing financial statements at the business area level, provided that indirect allocations of balance sheet (B/S) items and reconciliation postings are carried out periodically. You can also generate reporting at the business area level in accounts receivable, accounts payable, and asset accounting, for example, to report AP/AR line items by business areas.

Some SAP customers use business areas for their reporting today. If you are an existing customer using business areas for segment reporting in SAP R/3, you can continue to use business areas, because the functionality will be kept in future releases. You can either use your business area solution in SAP ERP as it was implemented in the previous release or integrate the solution with the new G/L.
To use your business area solution without any change, a technical upgrade to SAP ERP could be enough. However, to use business areas with the new G/L, the main prerequisite is to activate the *business area update scenario*. In addition, you can eliminate the periodic balance sheet adjustment with the new G/L splitting functionality, which we explain in the next section.

However, our recommendation for SAP customers is to use profit center or segment entities instead of business areas. Originally, FI-BA and EC-PCA were developed as parallel solutions for different purposes. FI-BA was developed for internal and external reporting purposes to produce financial statements, whereas EC-PCA was developed for internal reporting of management performance. Over the years and following releases, SAP continued to work with the EC-PCA to improve its capabilities and encourage the use of EC-PCA as the source behind the internal management reporting, and partially for external reporting. FI-BA was never popular in SAP implementations. With more requests coming from customers and increased regulatory requirements on reporting, SAP decided to make a choice about which approach to develop further. The decision was made to pursue the PCA approach as per SAP Note 321190, which was released in 2002, to do no further development for business areas, and to focus future development on profit centers, although FI-BA would continue to be supported. The rationale behind this decision was that EC-PCA had significantly better functionality than FI-BA. For example, EC-PCA has its own allocations, separate ledger, hierarchical reporting, transfer pricing, profit center substitution rules, and integration with planning and SAP Strategic Enterprise Management (SEM). Later, when SAP ERP introduced the *segment* reporting object, the note was amended to recommend the segment in addition to the profit center in reporting.

Now that we have highlighted some of the important historical developments in the area of business area accounting versus profit center accounting, let’s look at the design considerations of using the profit center as a reporting object for segment reporting.

**Profit Center**

The profit center has also been available as a reporting object for a long time and can be defined in a similar manner to the business areas; that is, it is possible to define and create reporting structures based on product lines, geography, a combination of these, or management areas. Profit centers are created within a controlling area, and are therefore dependent on the assignment of company codes to a controlling.
area. They are then available company-code-wide for the assigned controlling area and can be used by company codes within the controlling area in the postings.

With profit centers, it is possible to create hierarchal structures as groups of profit centers and then to use these hierarchies within reporting. Similar to business areas, profit centers are normally assigned to all CO objects relevant for revenue and expense postings (cost centers, orders, work breakdown structure (WBS) elements, etc.). As a result of these assignments, any postings to the assigned objects are then automatically updated with the corresponding profit center. For example, each cost center has a profit center field on its master record, and as a result, any postings to that cost center also appear in the assigned profit center. Additionally, profit centers are assigned to materials to capture material-related postings, such as change in stock, goods receipts, and good issues.

In the previous releases of SAP ERP, EC-PCA had to be activated to use the profit center as a reporting object. Unlike FI-BA, EC-PCA falls neither within the FI component nor within the CO component but is cross-functional, mirroring the transactions of both. PCA achieves this by lying within the separate enterprise controlling (EC) component, with each EC-PCA posting being a separate and parallel posting to the FI and CO postings.

EC-PCA offers many advanced functionalities needed for segment reporting. For example, it provides substitution tools to create rules for more complex assignments as well as postings via assignments of other objects. In addition, certain allocation techniques are available that allow the creation of EC-PCA–only allocations or postings that do not affect other ledgers. Another feature of EC-PCA that is important for segment reporting is that it recognizes CO transactions. Therefore, reports generated from EC-PCA include all accounts within the chart of accounts and secondary cost elements. EC-PCA also allows the analysis of statistical key figures by profit center. (Statistical key figures are defined to capture measures such as number of employees, square meters, and so on, and can be used in allocations and reporting.) Consequently, it is possible to calculate key performance indicators (KPIs) such as return on investment, cash flow, sales per employee, and so on. Because of all these advanced functionalities, EC-PCA is the preferred solution compared to the FI-BA solution. However, if you used EC-PCA for segment reporting, you know that the problems usually arose with balance sheet accounts. Balance sheet accounts are transferred to EC-PCA at the period end. Although you would transfer them as a period end closing task, it was difficult to transfer some balance sheet accounts accurately.
EC-PCA is still available and can be used in SAP ERP. However, with the new G/L, Profit Center Accounting is integrated into the G/L so you no longer need to use the EC-PCA component to report on the profit center; rather, you need to activate the profit center scenario as a main prerequisite. Perhaps it would be much easier to call the new G/L functionality of Profit Center Accounting FI-PCA. However, the reality is that SAP not only adapted the functionalities of EC-PCA within the G/L, but also provided powerful functionalities for segment reporting.

With the adoption of Profit Center Accounting functionalities, profit center and partner profit center are characteristics in the new G/L tables. Thus, profit center details are updated in the financial transactions simultaneously, which gives the ability to get profit center–based financial statements from the new G/L. The data is not updated in other tables as in the EC-PCA. The new G/L provides the one-stop integrated reconciliation of ledgers. Ledgers such as the profit center ledger, cost of sales ledger, and consolidation staging ledger are combined into the new G/L.

After Profit Center Accounting was drastically improved and integrated into the new G/L, many SAP customers who implemented and used EC-PCA raised questions regarding the future roadmap and strategy for the existing and new implementations. One of the questions we often hear is that they want to know whether they can still use EC-PCA in parallel with the new G/L. The answer is yes, provided that this is an interim solution. We don’t recommend keeping EC-PCA in parallel with the new G/L due to increased data volume and the time and effort required for the reconciliation of these two applications.

As we mentioned before, you can also use the segment as a reporting object, which is explained below.

**Segment**

As the name suggests, the segment reporting object is introduced for segment reporting compliance. You can use the segment as a reporting object by activating the *segment reporting scenario* in the new G/L. Segments are not dependent on any structure or relationship of company codes or controlling areas. Like business areas, they are defined within one client and can be used across all company codes within that client. Unlike profit centers, it is not possible to create hierarchical structures as groups of segments and then use these hierarchies in standard reports.

To post, analyze, and display segments in the new G/L reports, you need to derive them in the financial transactions. Segments can be derived from profit centers, via a
business add-in, or defaulted to a constant value. Figure 3.2 shows a schematic view of segment derivation. Once the new G/L is activated, the segment field appears in the profit center master data automatically so that you can assign segments to relevant profit centers. As a result of these assignments, any postings to the profit centers are then automatically updated in the corresponding segment. Postings without profit centers can be updated by either using a business add-in (BAdI) or defaulting to a constant value. In addition, segment information can be manually populated at the time of posting. We recommend that such manual updates be carefully controlled to avoid any mistakes.

Figure 3.3 shows an example of how you can assign segment information in the profit center master data. Once you have assigned the segment to a profit center and saved your changes, the segment field area becomes gray. This means it is no longer possible to change the segment field assignment in the single master data change transaction (Transaction KE52). This ensures consistent balance at the segment level, as any change in segment assignment in the profit center master data
can lead to misstatement in segment reporting if postings were already made to the profit center. However, the system does not allow you to make any changes, even if there is no posting to the profit center. In that case, you can implement SAP Note 940721 and change the segment assignment. After you make the changes, we advise implementing SAP Note 1037986 so that it is not possible to change the segment assignment in the profit center. You should not be able to make changes to the assignment of a profit center to a segment, because this may need to be supported with G/L postings and the conversion of open items that have already been posted to the segment or profit center. In contrast to a single master data change, it is possible to change the segment assignment by using the profit center mass maintenance (Transaction KE55). This is a missing functionality in SAP ERP, so our recommendation is to implement SAP Note 940440 to have built-in control functionality so the segment cannot be changed in the profit center master data.

**Figure 3.3** Segment Assignment to Profit Center Master Data
A Tip on the Segment Reporting Scenario

You have a new installation of the SAP ERP system and use the new G/L and CO. If you assign the segment reporting scenario to at least one of your ledgers in the new G/L, due to missing functionality, the segment field will not be updated in some CO postings, resulting in miscalculations in overheads or price determination. This would lead to inaccurate product costing and profitability reports. To avoid such a situation, we recommend implementing SAP Note 1024480.

Customer Field

Customer fields can be added to the coding block of the general ledger and used as a reporting object. SAP ERP allows the addition of customer fields to the code block of the general ledger as in the previous releases. Once added, these fields behave like other account assignment fields. In the previous releases, customer fields were used for reporting with the FI-SL. Although the customer field approach can provide segmented financial statements, deriving and populating the customer fields in financial transactions are difficult. In addition, if you choose the customer field reporting solution for reporting, you need to enhance the standard SAP NetWeaver BW extractors for the new G/L. This could complicate the data flow design from SAP ERP to SAP NetWeaver BW. Our recommendation is that the customer field approach is not a practical reporting solution for meeting segment reporting requirements. We recommend not using customer fields before fully exploring the standard reporting objects (segment, profit center, and business area).

Industry Solution Field

SAP ERP introduced industry solution fields, where you can get full financial statements. For example, you can get financial statements at the grant and fund level in the SAP ERP for Public Sector solution. We recommend using the industry solution fields along with the scenarios and tables to meet your industry-specific requirements.

In addition to the reporting objects we have discussed, some organizations use the company code approach for their segment reporting. We do not recommend using this approach unless it has already been implemented. We explain the company code approach in the following note.
Company Code Approach

The company code is the smallest organizational unit within SAP for which a complete self-contained set of accounts can be created for the purposes of external reporting. Frequently, the principle is to use one company code per legal entity. To support segment reporting requirements, some implementations have broken this principle and created separate company codes for each reporting unit and then consolidated this information for legal entity reporting. Although in this manner a company code approach would provide full financial information by reporting unit, the sharing of facilities between company codes could be difficult. For example, items such as customers, plants, sales organizations, cost centers, and so on are either directly or indirectly assigned to company codes and as a result would necessitate multiple assignments per legal entity for each reporting unit. This would complicate financial transactions and system management where objects are shared across reporting units. This approach would also complicate business processes such as period end closing, where multiple period end closes would be required for each reporting unit. In addition, using the company code approach for purposes different than its original design intention results in little flexibility for future changes and could lead to many unanticipated problems. We do not recommend using this approach unless it has already been implemented.

As discussed earlier, inflexibilities exist for segment reporting in the previous releases of SAP ERP. Each line item in the FI document or PCA document can have only one assignment. In many cases, it is desirable to split transactions between segment reporting objects to update the segments accurately instead of updating them by periodic adjustment postings. To achieve a split using the segment reporting object, separate line items would need to be created in the financial documents. SAP ERP provides this capability with the splitting functionality and ensures balanced books on segment reporting objects. In the next section, we discuss the splitting functionality, explain how you can have balanced books on splitting characteristics, and give recommendations on splitting design.

3.1.2 Splitting and Having Balanced Books on Segment Reporting Objects

Splitting is a very powerful functionality that was introduced with SAP ERP. It enables line items to be divided for selected dimensions to produce financial statements. As an example of what happens during splitting, consider an invoice from a vendor, which is posted with multiple expense lines to different cost account assignment objects. A comparison of the same documents in split and without split form, along with the segmented balance sheet, is illustrated in Figure 3.4 (for simplicity, not all
the details of the postings are illustrated in the figure). On the left side of the figure, a document without splitting is illustrated. The expense lines are posted to relevant profit centers and segments, but the vendor and the tax lines are not posted to the profit center and segment, resulting in unbalanced books for the profit center and segment. On the other hand, vendor and input VAT line items are split based according to the proportion of expense line amounts and posted to the relevant profit centers and segments, resulting in a balanced book entry at the profit center and segment level, as shown on the right side of the figure.

To get segmented financial statements on selected dimension(s), you need to define them as splitting characteristic(s). For example, by defining the profit center and segment as splitting characteristics, a balanced financial statement for these dimensions is generated, as in the example in Figure 3.4.

**Figure 3.4** Unsplit and Split Comparison
You can define business area, profit center, segment, customer fields, and industry-specific fields as splitting characteristics.

Splitting is facilitated by splitting rules, which are predefined in the standard business content of SAP ERP. Figure 3.5 illustrates a schematic view of the splitting rule definition. To explain splitting rules, we first give detailed definitions of the key terms used.

**Figure 3.5** Splitting Rule Definition

- **Business transaction (BT)**
  A business transaction is an event that leads to a value update in financial accounting, for example, customer invoice and vendor invoice. Business transactions are predelivered by SAP. You cannot define a new business transaction.

- **Item category**
  The item category characterizes the items of an accounting document, for example, customer, vendor, and asset. Like business transactions, you cannot define an item category.

- **Business transaction variant (BTV)**
  A BTV is a special version of a BT in which you can further limit the item categories that are specified in the business transactions.

- **Splitting method**
  The splitting method defines how the split is performed. The splitting method combined with the BT and BTV produce the splitting rules.
Now that we have explained the key terms used in splitting, let’s look at how splitting rules are defined. Splitting rules determine which item categories will be split, as well as which base can be used for splitting. For example, the customer invoices business transaction (0200) with business transaction variant (0001) will be split along with taxes on sales and purchase items based on item categories 20000 expenses and 30000 revenue, as shown in Figure 3.5.

You can define your own splitting rules. Note, however, that it is recommended that you do not change the standard splitting rules. If you need to change the standard splitting rules, first copy them to your own rules and further modify them according to your business needs.

To understand the splitting mechanism, let’s look at a splitting simulation example. Figure 3.6 and Figure 3.7 show how you can simulate the G/L posting to see the splitting rules used in the posting and configuration settings behind the splitting rules. In this example, we allocated cash from profit center PC2, which belongs to segment SEG2, to profit enter PC1, which belongs to segment SEG1. If you navigate to the document menu and select the SIMULATE GENERAL LEDGER option, the system shows the details of the G/L view of the document, as shown in Figure 3.6.

![G/L Simulation](image)
Figure 3.7 shows the G/L simulation view of the document. Because we activated zero balancing of the segment and profit center dimension, the system generated two additional balancing lines with the clearing account (194500) automatically. This ensures zero balancing of the segment reporting dimension. By clicking on the Expert Mode button in the application menu bar, you can see the splitting rule details that were used to split the document. For example, the splitting rule consists of splitting method 0000000012, 0000 unspecified posting business transaction, and 0001 BTV, as shown in the Configuration of Doc. Splitting box on the left side of the figure.

Below are recommendations on splitting and having balanced books on segment reporting:

- Define the splitting characteristics as the dimensions that will be used to produce segmented financial statements.
- Select zero balancing characteristics for the splitting characteristics. By doing so, balance books are secured for the splitting characteristics.
Select the mandatory characteristic option for splitting characteristics. As a result, selected characteristics are populated in each document line.

Activate the inheritance option so that if no reporting dimensions are specified, characteristics are populated from the offsetting lines.

Specify a default assignment for cases where the reporting objects cannot be determined.

Assign revenue, expense, balance sheet, and bank and cash accounts to the right item categories.

Assign new document types to BTs and BTVs.

Review the splitting rules if you define a customer field as a segment reporting object and splitting characteristic.

By using the splitting functionality and enabling balanced books, you can streamline and simplify your segment reporting. Now let’s look at another leading practice for segment reporting, which is to capture and record all transactions with segment information.

### 3.1.3 Capturing All Transactions with Segment Information

The foundation of supporting segment compliance is the availability of segment-relevant data, which is generated as a result of both finance and logistic business processes. Therefore, alignment of those processes and capture of segment information is critical to ensure the generation of accurate reports. In this section we look at the challenges of capturing the derivation of specific items with segment information. As we discussed earlier, the best practice is to use a segment or profit center for segment reporting. Let’s look at the mechanism of segment derivation and capturing segments in all transactions.

The derivation of segments in transactions is met, broadly, by the following options:

- **Deriving from profit center**
  
  You can derive segments from the profit center master data. Profit centers are assigned to cost objects (cost centers, internal orders, WBS elements, etc.), sales orders, and materials. When you post to any of these cost objects, the system automatically updates the profit center and relevant segment simultaneously.
Using business add-ins
If you are not using profit center master data in your implementation, you can define custom derivation rules with business add-in (BAdI) FAGL_DERIVE_SEGMENT to populate segments automatically. BAdIs include not only an ABAP routine, but also include rule-based derivation rules similar to finance validation and substitution definitions.

Using constants for non-assigned processes
In certain postings, it is not possible to derive or identify the correct account assignments at the time of the posting, because the required information is not available or is too difficult to obtain. Non-assigned processes could cause mis-statements in segment reporting. Thus, we recommend using constants, or so-called defaults, for non-assigned postings. In some cases, you need to allocate the non-assigned amounts collected in the constant segment to other segments with allocation cycles. In other cases, it is possible to determine the original correct assignment at a later stage. This may appear a bit confusing at first.

We can explain this mechanism with a cash receipt example in which a cash receipt from a customer is posted to the company’s house bank. When the cash is first received, it is not immediately known which invoices are paid by this cash receipt. Figure 3.8 illustrates the posting journal and FI postings. When you review the postings, you can see how the segment is originated from the customer invoice. In step 1, the customer invoice is captured and recorded in the system with the correct segment. Then a posting from the bank account against the cash receipt is made. Because there is no segment information available in the cash receipt, a default segment is used. The cash receipt clearing account is debited, and the bank account is credited on a default segment (2). Next, the cash receipt account is posted against the customer account during the clearing of the invoice, the correct segment (SEG1) is determined from the cleared invoice, and cash receipt accounts are cleared against each other (3). Because both positions are assigned to different segments, corresponding segment balancing lines are generated (4). As a result, the receipt clearing account is updated with the correct segment derived from the customer invoice, which was not possible when the cash was first received by the company’s house bank.

Updating segments manually
Another way of populating segment information is capturing the segment details manually at the time of the financial posting. Note, however, that there is always a risk of populating wrong segment information with this method, resulting
in the inaccurate representation of financial information, so we do not recommend updating the segments manually. Nevertheless, if you need to use this method, we recommend increasing the system’s built-in controls to reduce the risks associated with a manual update.

![Diagram of Financial Accounting Postings](image)

**Figure 3.8** Financial Accounting Postings

### Profit Center Assignment to Selected Balance Sheet Items

With SAP ERP, profit center assignment functionality is the same as in the previous releases. In addition, SAP ERP allows you to automatically assign a profit center for individual company codes and ranges of accounts. Companies often like to automate the assignment of some balance sheet items to profit centers. This was possible in Transaction 3KEH in SAP R/3. Similar functionality is now available in the new G/L. The new transaction is FAGL3KEH. In addition to the standard settings, the rule can be extended with the use of BAdIs. The derivation of partner profit centers for consolidation purposes is also supported with the use of BAdIs.

Now that we have explained how to capture all transactions with segment information, we can look at another work-in best practice, which is related to allocation.
3.1.4 Simplifying Allocations

One of the important design considerations for segment reporting is related to allocations. For example, do you need allocations in the new G/L? What happens to CO allocations? With new G/L allocations, will you encounter the same problems as in EC-PCA?

EC-PCA allocations create cross-component reconciliation issues. The new allocation capability introduced within the new G/L in SAP ERP gives the ability to maintain cycles and execute them in the G/L for segment reporting objects. The new allocation cycles create financial postings in the G/L and update the profit center and segment dimensions simultaneously. In other words, there is no longer a reconciliation problem because the transactions are updated in the G/L with all dimensions. The recommended best business practice is to use allocations in the new G/L and define a transparent allocation process.

CO allocations are still in CO and should be performed in CO depending on your cost center accounting architecture. We explain the design considerations for CO allocations with a case study example in Chapter 9. With this example, you can make a decision regarding CO allocations.

The following section introduces another important design decision, which can increase the effectiveness of generating segment reporting.

3.1.5 Rationalizing the Number of Profit Centers

One of the questions we hear frequently from SAP customers is that they want to know how many profit centers they can create without affecting the performance of generating reports.

Regardless of which application you are using (EC-PCA or profit center accounting within the new G/L), you need to consider the right and balanced number of profit centers for your reporting and system performance. The number of profit centers you use depends on your organization structure and the way your business needs to report. Too few profit centers will not give the desired granularity in the reports, and too many could cause confusion and potential misstatements. We cannot determine the balanced amount for your organization but will give you guidance regarding the number of profit centers you can use without creating major system performance problems.
The system performance depends on various factors, such as the system infrastructure and the number of totals records. Among other things, the number of totals records is affected by the number of profit centers. Therefore, the important aspect for performance considerations is always the number of profit centers. If there are too many profit centers, there may be performance problems in the system. SAP has given guidance on the number of profit centers based on existing implementations and performance statistics (the figures are rough estimates):

- **Less than 1,000 profit centers**
  This is a normal installation where performance problems are not expected.

- **1,000 to 5,000 profit centers**
  Large global organizations normally have this number of profit centers. Performance problems are not to be expected.

- **5,000 to 10,000 profit centers**
  This is a lot of profit centers and could cause performance issues. Extensive performance testing should be performed before the production start-up.

- **More than 10,000 profit centers**
  This is classified as an extremely large number of profit centers. It is recommended to redesign the solution and reduce the number of profit centers.

If the number of profit centers is not carefully controlled, organizations could face the challenge of rationalizing the number of profit centers, so it is vital to design the right and balanced number of profit centers at the beginning.

### 3.1.6 Streamlining Data Flow from SAP ERP to SAP NetWeaver BW

In previous releases of SAP ERP, finance data was collected via complex data models for segment reporting. The classic G/L does not include all required financial information. For example, it does not have some of the CO transactions (e.g., allocations), which should be included in the segment reporting. Thus, companies get data from different components such as FI-GL, CO, and EC-PCA via complicated update and transfer rules, extensions to the standard data extractor, and so on. The data is then combined and reconciled in SAP NetWeaver BW and SAP SEM.

Organizations using the classic General Ledger often use EC-PCA as their main source for segment reporting, with various combinations of other components and data sources. Figure 3.9 illustrates one variation of this case where data flows from EC-PCA to SAP NetWeaver BW and SAP SEM.
EC-PCA is updated with transactions from logistics, the classic G/L, and Controlling. The data from EC-PCA flows to SAP NetWeaver BW with standards extractors. In addition, data from the G/L can be further extracted into SAP NetWeaver BW and combined with EC-PCA using complex data flow with transfer and update rules, depending on functional design. You can then get data to SAP SEM-BCS for consolidation and SAP SEM-BPS for planning. This model requires that EC-PCA is updated with all financial data so that you can use profit center accounting as a single source and the main ledger for segment reporting. If this is not the case, you need to combine the EC-PCA with additional data flow in SAP NetWeaver BW.

Figure 3.9  EC-PCA as Source for Segment Reporting

Many global organizations use this model, where EC-PCA is the main ledger for segment reporting. They can continue to use the same data model in SAP ERP, provided that this model has already been implemented and they will only technically upgrade to SAP ERP. However, best practices dictate that if the new G/L is used,
it is good practice to use the new G/L as the source, simplify the data flow in SAP NetWeaver BW and SAP SEM-BCS, and improve the data model.

Figure 3.10 shows the data flow from the new G/L to SAP NetWeaver BW and SAP SEM-BCS. The new G/L captures all financial transactions with the dimensions required for segment reporting. In addition, the new G/L DataSources include the transaction data at the segment reporting objects level, so there is no longer any need for complicated update and transfer rules in data flow. This model makes the architecture more transparent, and because all financial transactions are captured and recorded in one source, reconciliation activities are reduced and data flow is simplified. In addition, a single version of the data source can be provided with this model, which is a very important aspect according to the Sarbanes-Oxley Act (SOX).

Figure 3.10  G/L as a Source for Segment Reporting

Next, we look at a case study to illustrate the concepts covered in this section.
Case Study

Here is a real-world example. The global organization ABC, which operates across numerous geographical regions, lacked an integrated view of its segmented financial information. Significant challenges were encountered during data capturing, which resulted in deriving many crucial data items from other applications and spreadsheets, rather than generating reports directly from a single source. In addition, different SAP ERP systems were implemented by various business units, all with different data standards and reporting objects. These and other issues resulted in extensive manual effort to provide management with reliable data, frustration with the lack of the timeliness of reliable information, and general concern about the quality of the financial information.

To overcome the problems in segment reporting, as well as to improve the overall reporting architecture, ABC set out a strategy of “having one source of truth.” To achieve this goal, they decided to implement SAP ERP for their core business, SAP SEM-BCS for consolidation, and SAP NetWeaver BW for their reporting, and to standardize their reporting solution enterprise-wide (45 legal entities in 14 countries worldwide, 9 business divisions globally, etc.).

The project team first carried out a detailed analysis to collect the business requirements, including legal and country business requirements. Then they evaluated the available reporting solutions and decided to use profit center accounting in the new G/L. Profit center and segment reporting objects are used as reporting dimensions for segment reporting. They mapped their legacy-reporting objects into profit centers and segments. Some legacy systems were using the EC-PCA module, and this added more complexity to the project implementation due to the new logic of the G/L and the paradigm of the existing profit center accounting solution. A total of 12 segments along with approximately 150 profit centers were created. All financial transactions are captured in the new G/L, which is linked to SAP NetWeaver BW for reporting. After the implementation, a benefit realization study related to reporting KPIs showed that organization ABC reduced reporting costs by up to 30% due to the high-quality data at the source and the ability to report accurately and on time.

Now that you have learned the best practices and recommendations that will serve as a solid foundation for improving segment reporting, we can look at the key reports available in SAP ERP and SAP NetWeaver BW.

3.2 Key Reports for Segment Reporting in SAP ERP

IAS 14 and FASB 131 have detailed guidance on which items of revenue and expense are included in segment reporting so that all companies will report a standardized
measure of segment results. Disclosures relating to segment reporting include the following:

- Revenue from sales to external customers and to other segments
- Amount of depreciation and amortization for the period and other noncash expenses
- Share of the profit or loss of equity accounted entities and their relevant investment balances
- Segment result between continuing and discontinued operations
- Goodwill, total assets, and total liabilities
- Capital expenditure
- Nature and amount of any material items of segment revenue and expense that is relevant to explain the performance of a segment

Reports vary depending on the approach that we discussed in the previous section. As mentioned earlier in the chapter, splitting and balanced books capability combined with the right reporting solution and object allows you to get segmented financial statements from the new G/L.

### 3.2.1 New Financial Statement Report

The main report you can use for the segmented financial statement is the New Financial Statement report. To access this report, follow the menu path **ACCOUNTING • FINANCIAL ACCOUNTING • GENERAL LEDGER • INFORMATION SYSTEM • GENERAL LEDGER REPORTS (NEW) • FINANCIAL STATEMENT/CASH FLOW • GENERAL • ACTUAL/ACTION COMPARISON • FINANCIAL STATEMENT ACTUAL/ACTUAL COMPARISON** (Transaction S_PLO_86000028).

As shown in Figure 3.11, direct selection by standard characteristics is possible in the entry screen of the New Financial Statement report. You can choose the segment reporting dimension in the selection parameters, that is, segment, profit center, business area, and so on. You can also select your reporting financial statement version along with the comparison time frame. Three output types can be selected. We have selected the graphical report output option for this drill-down report to provide greater flexibility and a better visual effect. With that option, several views of the report are shown on the screen (i.e., the drill-down list and detail list). You can run the report using various combinations of selection criteria and drill down
to the desired detail level. For example, you can run the report for several company codes and drill down to the segment reporting dimension.

**Figure 3.11** Selection Screen of New Financial Statement Report
The flexibility comes from the ability to navigate through all characteristics. From the report output, you can easily investigate additional data on any suspect balance by drilling down into the balance in question. This allows you to determine the accounts affected and the reasons for the transaction in question.

![Segmented Financial Statement Report](image)

**Figure 3.12** Segmented Financial Statement Report

Figures 3.12 and 3.13 illustrate an example of the Balance Sheet report with a graphical output. Figure 3.12 is a segmented financial statement report without drill-down, showing values for all selection parameters. The graphical report output has a navigation toolbar containing buttons such as report parameters and...
download report. Below the toolbar is an information area, where you can show your company logo and other information using HTML templates. In the navigation area you can navigate to other dimensions by double-clicking on the desired dimension. The drill-down of that dimension is then displayed in the drill-down area. At the bottom of the report, you can see the key figure details.

By dragging and dropping a TRADE RECEIVABLES-DOMESTIC item from the drill-down area to the segment characteristic in the navigation area, you can see the details of trade receivables-domestic per segment, as shown in Figure 3.13.

![Figure 3.13 Segmented Financial Statement Report Drill-Down by Financial Statement Item/Account](image)

In addition, you can drill down to the segment level, as shown in Figure 3.14. Here the financial statement for Segment 1 is shown in the drill-down area, and you can navigate to other segments by using the arrow button on the left side of the segment in the navigation area.
Drilldown Reporting Mechanism

The drilldown reporting mechanism is based on the principle of a multidimensional data set. The drilldown principle is illustrated in Figure 3.15, which shows a three-dimensional data set represented by a cube. Normally, reports have more than three dimensions, but for illustration purposes we used only three dimensions: accounts, company code, and segment. Each cube is composed of 27 small cubes. The edge of the small cube represents the value of the dimension. You can look at individual small cubes within the cube or at cross-sections of the cube. By swapping around characteristics, you can view the data from different perspectives. We explain how you can create drill-down reporting and further drill-down functionalities in Chapter 12.
3.2.2 Classic Financial Statement Report

In addition to the New Financial Statement report, you can generate your segment reporting from the Classic Financial Statement report. To access the Classic Financial Statement report, follow the menu path Accounting • Financial Accounting • General Ledger • Information System • General Ledger Reports (New) • Financial Statement/Cash Flow • General • Actual/Actual Comparison • Financial Statements (Transaction S_ALR_87012284).

Note, however, that you need to select reporting dimensions by clicking on the Dynamic Selections button in the Classic Financial Statement report, as shown in Figure 3.16.
The Classic Financial Statement report is not a drill-down report, so it is less flexible than the New Financial Statement report. Figure 3.17 shows the ALV tree control format output of the Classic Financial Statement report. Although the segment is selected in the selection parameters, it is not possible to see segment information in the output.
### 3.2.3 Other Reports for Segment Reporting

The new G/L provides four new drill-down reports in the information system: Profit Center Receivables, Profit Center Payables, Receivables Segment, and Payables Segment. With these reports, you can analyze the line items of accounts receivables and accounts payables per segment and profit center. To access these new drill-down line item reports, follow the menu path **Accounting ▶ Financial Accounting ▶ General Ledger ▶ Information System ▶ General Ledger Reports (New) ▶ Line Items ▶ Open Items.**
Figure 3.18 shows the selection screen of the Segment Receivables report (Transaction S_PCO_36000218). With this report, you can analyze open items, cleared items, or all items of accounts receivable postings for the selected profit center hierarchy, company code, and customer accounts.

![Selection Screen of Segment Receivables Report](image)

The output can be graphical, drill-down, or object list form. A graphical report output type is selected in the example shown in Figure 3.19. You can navigate through profit centers and drill down to line items.

**New Account Balances and Transaction Figures Reports**

SAP ERP also introduces the new G/L Account Balances report and Transaction Figures Account Balance report for the new dimensions. To access these new reports, follow the menu path **ACCOUNTING • FINANCIAL ACCOUNTING • GENERAL LEDGER •**
Both of these reports are drill-down reports and support multiple views of segment information. Figure 3.20 illustrates an example of the G/L Account Balances report.

In our example, we show account balances per segment and currency type. You can further drill down to the profit center level. In addition, you can call up other reports by selecting a particular cell, navigating to the GoTo menu, and selecting line items or calling up the report option. The system calls up other reports and displays values of the selections.

The Transaction Figure report is used to see the debit and credit transactions and the corresponding balance and accumulated balance per period for the selected dimensions. You can see the output of the report in Figure 3.21. In our example, we run the report at the segment level.
In addition to the reports that we explained above, the new display line item report (Transaction FAGGL03) is introduced and available in the menu of G/L accounting. With this report, you can analyze the line items per segment and other G/L reporting objects of one or more G/L accounts per ledger. In the selection screen of the report, you can switch between entry view and G/L view. You enter the company.
code and the account status of the line items in the selection screen. You can further restrict the selection parameters, such as the segment or profit center, in the dynamic selection. This report replaces the old line item report in the classic G/L, which only shows the entry view of the G/L line items (Transaction FBL3N).

Figure 3.22 shows the output of the report in ALV format. Segments and profit centers of the general ledger line items are displayed along with the other line item information. Double-clicking on the line items does not take you to the document level. To analyze the document of the line item, click on the line, navigate to the environment, and select the document option.

**Figure 3.22  Segmented G/L Account Line Item Report**
You can also display individual or a range of G/L account balances at the segment or for other reporting dimensions. To do so, use the Display Balances (New) report (Transaction FAGLB03). This report replaces the old Account Balances report (Transaction FS10N) in SAP ERP. You can see an example output of the Account Balances report for Segment 1 in Figure 3.23.

By pressing show additional characteristics, you can display characteristics/dimensions specified in dynamic selection of the report.

Figure 3.23  Segmented Account Balance Display
The characteristics available as additional characteristics when displaying balances are set in the configuration. You can specify up to five characteristics per ledger. To identify characteristics as selection parameters, follow the configuration menu path **Financial Accounting (New) • General Ledger Accounting (New) • Information System • Define Balance Display**.

Figure 3.24 shows the configuration menu path and an example of balance display settings. In our example, we defined segment (SEGMENT) and profit center (PRCTR) as additional characteristics for balance display.

**Figure 3.24** Define Balance Display
You need to establish adequate controls on authorizations for executing segment reporting. The segment can be used as a security object. The authorization object for the segment is F_FAGL_SEG.

Now that we have explained the key reports for segment reporting in SAP ERP, we can look at the SAP NetWeaver BW queries.

### 3.3 Key Reports for Segment Reporting in SAP NetWeaver BW

You can use SAP NetWeaver BW for more advanced and flexible reporting. SAP NetWeaver BW business content includes standard InfoProviders and InfoObjects to model segment reporting. Note that we already covered the business content for the new G/L InfoArea in SAP NetWeaver BW. In this chapter, we look at business content queries for segment reporting.

#### 3.3.1 G/L (New) Balance Display Report

As the name suggests, the G/L (New) Balance Display (0FIGL_C10_Q0001) query provides an overview of G/L account balances. With this query, you can drill down and set filters by using the characteristics Segment, Profit Center, Value Type, Functional Area, Cost Center, G/L Account, and Fiscal Year/Period. Figure 3.25 shows an example of the output of the G/L (New) Balance Display query in the Web analyzer. The query displays the total debit postings, total credit postings, balance, and accumulated balance per selected characteristics. We filtered the output for characteristics segment, G/L account, and fiscal year/period.

Figure 3.26 shows another output of this query. In this example, the segment characteristic is a free characteristic and is filtered to the SEG1 value.
### Figure 3.25  G/L (New) Balance Display Report Output

![G/L (New) Balance Display Report Output](image)

### Figure 3.26  G/L (New) Balance Display Report Output

![G/L (New) Balance Display Report Output](image)
3.3.2 Balance Sheet and Profit and Loss (New): Actual/Actual Comparison

As we mentioned in Chapter 2, the Balance Sheet and Profit and Loss (New) Actual/Actual Comparison (0FIGL_V10_Q0001) query can be used as a reference to create your own financial statement reports. This query shows the balance sheet and profit and loss statement for the two selected reporting time frames. The query allows you to drill down and set filters by using the characteristics Segment, Profit Center, Value Type, Functional Area, Cost Center, G/L Account, and Fiscal Year/Period. By selecting your segment reporting dimension (segment, profit center), you can generate a segmented financial statement report. Figure 3.27 and Figure 3.28 show examples of segmented financial statements.

![Figure 3.27 Balance Sheet and Profit and Loss (New) Actual/Actual Comparison by Segment](image_url)
3.4 New Segment Reports Available with SAP Enhancement Packages

As of SAP ERP 6.0, SAP introduced the enhancement package strategy called SAP enhancement package for SAP ERP. With the enhancement packages strategy SAP reduced the conflict between stability and innovation. New functions are delivered via a selection process that is designed so that business users and processes are not disrupted. With this strategy, SAP customers lower the effort to install functional enhancements and receive innovation benefits at minimum cost. At the time of writing this edition of the book, the first four enhancement packages for SAP ERP have been delivered and adopted by many SAP customers, and enhancement package 5 has been generally available since May 2011. SAP enhancement packages are cumulative, which means that each new enhancement package includes all functions delivered with prior packages. In this section we will summarize financial reporting innovations included in enhancement packages 3, 4, and 5.

Enhancement package 3 (EHP3) for SAP ERP 6.0 introduces the concept of simplified reporting and provides many reports for segment reporting. Here is the list of some key segment reports available with enhancement package 3:

![Figure 3.28 Balance Sheet and Profit and Loss (New) Actual/Actual Comparison by Profit Center](image)

### Table: Balance Sheet Value

<table>
<thead>
<tr>
<th>Financial Statement Item</th>
<th>EUR</th>
<th>EUR</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>38,091,266.93</td>
<td>36,849,390.05</td>
<td>5.96%</td>
</tr>
<tr>
<td>Net income</td>
<td>138,906.95</td>
<td>133,894.93</td>
<td>3.73%</td>
</tr>
<tr>
<td>Financial statement usage</td>
<td>-48,068.50</td>
<td>-24,000.00</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
New Segment Reports Available with SAP Enhancement Packages

- PC Group Plan-Actual Difference
- PC Group Plan/Plan/Actual
- Profit Center Group: Key Figures
- Profit Center Comparison Return on Investment
- Segment Plan-Actual Difference
- Segment Plan/Plan/Actual
- Segment: Key Figures
- Segment: Return on Investment
- Payables: Segment (POWER List)
- Payables: Segment
- Receivable: Segment
- Financial Statement: Actual/Actual Comparison
- Financial Statement: Plan/Actual Comparison
- Balance Sheet/P+L Statement
- Balance Sheet (Enterprise Report)
- Income Statement (Enterprise Report)
- Cash Flow (Indirect Method) (Enterprise Report)
- Cash Flow (Indirect Method)

These reports can be used for performing analysis either for an individual profit center, for a range of profit centers, for a profit center group, or for an individual segment or range of segments. You can drill down by profit center, partner profit center, segment, and partner segment. The new reports can be called on the SAP NetWeaver Portal from the Launchpad iView.

With enhancement package 3, SAP also delivers a migration tool so that you can automatically migrate existing Report Painter and Report Writer reports built on the EC-PCA ledger (ledger 8A) to the new G/L.

In addition, SAP delivers new SAP NetWeaver content and POWER lists for segment reporting with enhancement package 3. You can only use this content if you use enhancement package 3 for SAP ERP 6.0 and have activated the Reporting Financials business function. Figures 3.29 and 3.30 show the new segment and profit center reports with the descriptions in SAP NetWeaver Business Client (NWBC) Launchpad.
## Financial Reporting (FI-GL)
- **Receivables: Profit Center (List)**
  - Customer-specific open general ledger line items for one or more profit centers (or a profit center group).
  - Receivables: Profit Center (Analysis)
  - Customer-specific open general ledger line items for one or more profit centers (or a profit center group).
- **Receivables: Profit Center (List)**
  - Vendor-specific open general ledger line items for one or more profit centers (or a profit center group).
  - Receivables: Profit Center (Analysis)
  - Vendor-specific open general ledger line items for one or more profit centers (or a profit center group).
- **Profit Center: Master Data Index (List)**
  - Displays profit center master data for information and documentation purposes.
  - Profit Center: Master Data Index (Analysis)
  - Displays profit center master data for information and documentation purposes.
- **Profit Center Group: Plan/Actual Variance (Analysis)**
  - Compares the financial statement actual data of a group of profit centers with the data of two plan versions.
  - Displays a hierarchy of financial statement items or a hierarchy of profit centers.
- **Profit Center Group: Plan/Play/Actual Versions (Analysis)**
  - Compares the financial statement actual data of a group of profit centers with the data of two plan versions.
  - Displays a hierarchy of financial statement items or a hierarchy of profit centers.
- **Profit Center Group: Key Figures (Analysis)**
  - Displays several key figures based on financial statement data of a group of profit centers within a specific analysis period both for the actual version and a plan version.
- **Profit Center Comparison: Return on Investment (Analysis)**
  - Compares the return on investment for two specific profit centers. The calculation is based on financial statement data and given both in the actual version and in a plan version.

## Segment Reporting (FI-GL)
- **Receivables: Segment (List)**
  - Customer-specific open general ledger line items for one or more segments.
  - Receivables: Segment (Analysis)
  - Customer-specific open general ledger line items for one or more segments.
- **Receivables: Segment (List)**
  - Vendor-specific open general ledger line items for one or more segments.
  - Receivables: Segment (Analysis)
  - Vendor-specific open general ledger line items for one or more segments.
- **Segment: Plan/Actual Variance (Analysis)**
  - Compares the financial statement actual data of selected segments with the data of a plan version.
  - Displays a hierarchy of financial statement items or a list of segments.
- **Segment: Plan/Play/Actual Versions (Analysis)**
  - Compares the financial statement actual data of selected segments with the data of two plan versions.
  - Displays a hierarchy of financial statement items or a list of segments.
- **Segment: Key Figures (Analysis)**
  - Displays several key figures based on financial statement data of selected segments within a specific analysis period both for the actual version and a plan version.
- **Segment Comparison: Return on Investment (Analysis)**
  - Compares the return on investment for two specific segments. The calculation is based on financial statement data and given both in the actual version and in a plan version.

**Figure 3.29** New Segment Reports Available with Enhancement Package 3

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New Segment Reports Available with SAP Enhancement Packages

With enhancement package 3 you can generate your receivables and payables reports by segment and profit center via the Launchpad. Figures 3.31, 3.32, and 3.33 show example outputs of these reports.
Figure 3.32  Segment: Receivables

Figure 3.33  Payables: Profit Center
Enhancement package 4 for SAP ERP 6.0 includes a business function called Reporting Financials 2. It includes new features such as simplified reporting for closing, investment management, asset accounting, and profitability analysis. Reports can be displayed in SAP NetWeaver Portal or SAP NetWeaver Business Client. In addition, there are multiple options on where to read the data from when report is called. Figure 3.34 shows a sample report launch pad in SAP NetWeaver Portal.

![Figure 3.34 Example of Reports Delivered with Enhancement Package 4](image)

Enhancement package 5 for SAP ERP 6.0 includes a business function called Reporting Financials 3. It comes with formatted reporting with Crystal Reports software and a dashboard with Xcelsius software for key applications of financial and managerial accounting within the SAP ERP Financials solution. Figure 3.35 shows the Balance Sheet report launched with SAP BusinessObjects Crystal Reports. You can generate this report by segment and profit center level.

Note that we explain enhancement packages for SAP ERP as well as SAP's simplified financial reporting innovation in Chapter 15.
With SAP ERP, SAP has strengthened reporting capabilities, especially for segment reporting. Compared to previous releases, many of the modified functions and possibilities, as well as the new features, represent a significant improvement, and, if used correctly, will increase the quality of segment reporting while reducing the total cost of ownership (TCO). The best way to ensure that your organization is utilizing the SAP segment reporting functionalities in the most efficient manner is to utilize the best practices described in this chapter.

We recommend that organizations integrate their profit center accounting into the G/L and have a single source of truth so that they can benefit from the advantages of SAP ERP.

To make segment reporting more accurate, it is vital that all transactions are captured with the segment information.

Figure 3.35 Example of Balance Sheet (Crystal Report)
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