

Bookkeeping was just the beginning

SAP WAS FOUNDED IN 1972 BY FIVE FORMER IBM EMPLOYEES NAMED CLAUS WELLENREUTHER, HANS-WERNER HECTOR, KLAUS TSCHIRA, DIETMAR HOPP AND HASSO PLATTNER



+ Right from the beginning, bookkeeping software was one of the key products of SAP. The architecture and concept of SAP's financial accounting software was mainly shaped by Claus Wellenreuther.

He also introduced the concept of real time processing for information. From the first SAP releases, the real time processing feature in the financial accounting software allowed for the simultaneous processing of information in the general ledger and journals. According to the real time principle, prior to the posting procedure, all connected modules are checked for faultless processing. This includes purchasing, distribution, inventory, costing and much more.

Many companies that do not yet use SAP software commonly apply day-end or month-end processing. However, the result is that verification of the postings only takes place sometime after the data entry. In case of corrections, the filed documents have to be reviewed again and file passing is required – these are all additional manual steps.

Many financial accountants are used to (and love) this method of working and have difficulties in the beginning to get used to the real time processing provided by the SAP software. The biggest argument against the SAP software is: "I (the accountant) cannot allow employees from other divisions to do postings in my financial accounting."

However, this is something that the other employees do not do anyway. A goods receipt posting will trigger automatically and simultaneously a stock quantity posting and a value

posting in the financial accounting. This relieves the financial accountants from time consuming routine work; they then have more time to reply to queries from the management which are the result of the increased transparency in the company.

The real time processing is connected with the document principle. The basis of the document principle is that each posting document will only be handled once. If all information is correct at that time, the document can be posted and then filed (electronically and/or physically).

Why is the real time processing concept so important?

It is the precondition so that all company divisions can operate with current data. The management will have the overview on the company at any time at the push of a button.

The concept of real time processing has been implemented in the smallest ERP system by SAP, the SAP Business One solution. This provides for a modern complete solution for small enterprises. It comprises financial accounting, controlling, CRM (customer relationship management), purchasing, sales, inventory, production, service, reporting and can also process batches and recipes.

Financial accounting modules in ERP Financials by SAP

All figures from the journals are collected in the general ledger which is the basis for compiling the balance sheets. The accounts receivable is connected to the general ledger

in real time and allows the managing of accounts receivables on customer and single item levels. New business processes are transferred as invoices directly from the distribution module. The accounts payable manages the suppliers and with that the payables of the company. With the purchasing module, incoming new invoices are directly checked against orders and goods received.

Bank accounts are only mapped to the general ledger; the journal assumes the character of a small sub-ledger.

The module controlling differentiates between cost elements, cost centers and cost-object profitability. The most important controlling elements are:

- + Overhead cost management
- + Product cost accounting
- + Profitability analysis

All modules are based on a joint database. The main advantage is that customer master files must only be available once for the financial ▶

SAP ERP Financials

The following modules are included:

+ Financial accounting

Financial accounting handles all accounting data, monitors business processes based on the document principle, allows for an integrated data flow, provides accounting data in real time and does automatic booking into the general ledger.

+ Controlling

Offers functions for the coordination, monitoring and optimization of all business activities. Controlling is integrated in all modules. This means that all data relevant for cost accounting will be automatically included.

+ Financial Supply Chain Management

Comprises functions for the receivables and credit management and electronic invoicing. The working capital is optimized by the automatic monitoring of all cash flows from the purchase order to the payment and vice versa from the order receipt to the cash receipt.

+ Treasury

SAP treasury and risk management are used for optimization of the internal and external payment transactions. +++



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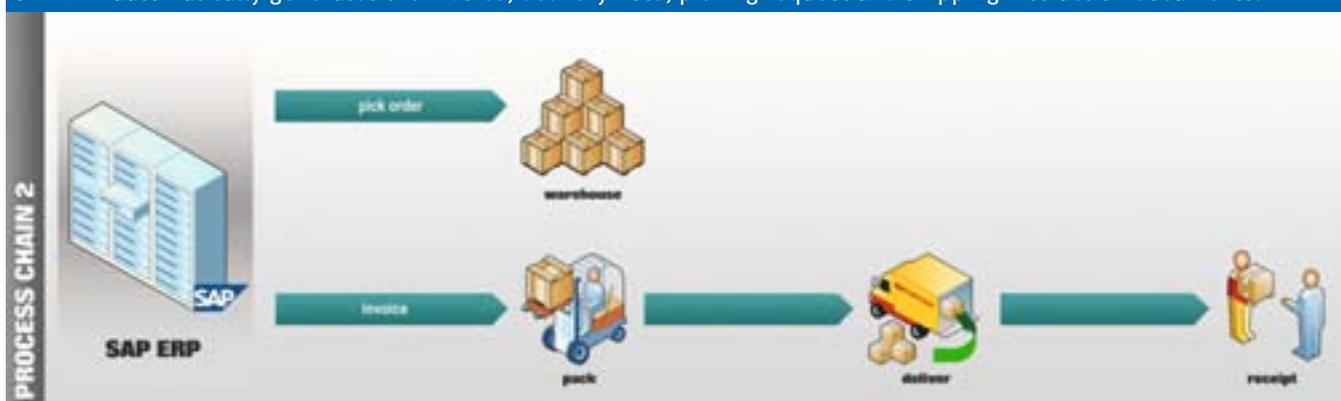


Example of a Financial Supply Chain with SAP ERP Financial

After the customer has placed his order via e-commerce, the process chain 1 is started automatically.



SAP ERP automatically generates the invoice, delivery note, picking request and shipping instruction documents.



All transactions are handled automatically incl. the booking of the open item in the accounts receivable of SAP ERP Financials.



accounting and sales and distribution modules. The same applies to the purchasing process and the vendor master files. This joint architecture is advantageous, in particular, for processing steps taking place at the boundaries of the respective divisions, for example, a credit limit check in the sales department or the checking of goods receipt invoices in the purchasing department.

The data are checked by all relevant modules in real time and then made available. This means that also the controlling department can immediately access all revenue and expenditure positions. The same applies to the bank accounting which can see all future cash outflow items from purchase requisitions, orders and invoices in real time.

Integration

SAP users can call all financial accounting, purchasing, sales, controlling and other functions within a uniform graphic interface as long as they have the respective user rights. In practice this assists in the tracking of the document flow, for example, by using a branch operation process from the due date analysis to the accounts receivable and further on to the sales module. A similar drill down in the reporting is possible from the liquidity survey to the accounts payable and on to the purchasing. All windows can remain open for that process. Both examples demonstrate the integration advantage of a uniform user interface in combination with an internal document flow. +++