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Introduction to New Asset Accounting in SAP® S/4HANA (FI-AA)

- ▶ Explore new asset accounting (FI-AA) functionality in SAP S/4HANA
- ▶ Learn about the new data structure
- ▶ Unlock key fixed asset transactions for capitalization, retirement, and more
- ▶ Plan your migration from third-party or SAP ERP systems

Table of Contents

Preface	5
1 New Asset Accounting at a glance	7
1.1 Fixed assets	7
1.2 SAP S/4HANA	8
1.3 SAP Fiori	9
1.4 New Asset Accounting	11
2 Organization structure and master data	17
2.1 Organizational data/structure	17
2.2 Parallel valuation, ledgers, and currencies	21
2.3 Asset master data	23
3 Capitalization	45
3.1 Without investment management	45
3.2 With investment management	51
3.3 Other acquisition processes	58
4 Retirements, impairments, and value adjustments	73
4.1 Retirements	73
4.2 Mass retirement or change	81
4.3 Impairments	83
4.4 Revaluation	85
4.5 Investment Support	86
5 Depreciation	89
5.1 Depreciation definition and methods	89
5.2 Types of depreciation	95
5.3 The new depreciation engine	101
6 SAP S/4HANA general ledger postings	103
6.1 Capitalizations	103
6.2 Settlements	112
6.3 Retirements and transfers	113

6.4	Depreciation	115
6.5	Additional adjustments	116
7	Period-end processing and reporting	117
7.1	Period-end and year-end processes	117
7.2	Reporting	119
8	Migration at a glance	131
8.1	Conversion from an existing SAP system	131
8.2	Greenfield migration from a legacy system	134
8.3	Central Finance	138
A	The Author	142
B	Index	143
C	Disclaimer	145

2 Organization structure and master data

Fixed assets can be quite complex because they often have to be valued differently for various financial purposes, such as statutory, group, international, or tax reporting, as well as management or cost accounting. There may also be different requirements for how an asset is retired and revalued, and how depreciation is calculated. The next section explains how these requirements can be grouped together and integrated with the financial structure of the company.

2.1 Organizational data/structure

The organizational structure and master data in New Asset Accounting consist of the same key elements as before, that is, the chart of depreciation, depreciation areas, and asset classes. We'll explain these three elements first.

2.1.1 Chart of depreciation

In SAP S/4HANA, the different accounting principles, methods of depreciation, legal requirements, and so on for a particular country continue to be grouped together under the umbrella of a *chart of depreciation*. SAP supplies a template chart of depreciation for most countries based on the legal requirements for that country, but you can create more than one chart of depreciation for a country if there are different business requirements. Each company code with fixed assets is then linked to its local chart of depreciation.

2.1.2 Depreciation areas

The chart of depreciation will contain one or more *depreciation areas*. A depreciation area typically corresponds to a specific reporting requirement or *accounting principle*, such as local GAAP or IFRS. However, a separate de-

preciation area can be used for anything when you need to report different values or use different depreciation methods. You can have additional depreciation areas for cost accounting, insurance, investment support, and for various tax calculations.

Different values can be included in the capitalization cost of the asset or the depreciation, and different rules also can be used regarding what can be capitalized. For one accounting principle, you may be able to include certain fees in the total cost of the asset, such as the dismantling costs of the previous asset, that aren't allowed for another accounting principle. Perhaps the whole asset must be charged to costs for one accounting principle but can be capitalized for another. Group accounting may require you to depreciate something over five years, but for local or tax purposes, you have to depreciate it over three years. The depreciation itself may follow different rules, for example, straight line for one purpose and reducing balance for another. Each depreciation area allows you to have different values for different purposes for each asset where required.

Fiscal periods can be calendar or non-calendar and can also differ slightly between FI and New Asset Accounting, but the year-end date must be identical. You can set this at the company code level or at the depreciation area level, but there are some restrictions.

Many companies simply have one depreciation area for local GAAP with perhaps an additional area for IFRS or group accounting to mirror the structure they have for financial reporting. Other countries, for example, the United States, may have a number of additional depreciation areas to deal with the different tax calculations.

Figure 2.1 shows an example of some U.S. depreciation areas. The first two are book or local GAAP in local and group currency, the next two are IFRS in local and group currency, and the others are different tax calculations. Only the book and IFRS depreciation in local currency physically post to the financial ledger(s), but you can see that, in this case, the other depreciation areas are linked to either LG (local GAAP) or IFRS accounting principles.

Define Depreciation Areas					
Ar.	Name of Depreciation Area	Real	Trgt Group	Acc.Princ.	G/L
1	Book Depreciation	<input checked="" type="checkbox"/>	0L	LG	1 Area Posts in Real Time
31	Local GAAP in group currency	<input checked="" type="checkbox"/>	0L	LG	0 Area Does Not Post
32	IFRS in local currency	<input checked="" type="checkbox"/>	2L	IFRS	1 Area Posts in Real Time
33	IFRS in group currency	<input checked="" type="checkbox"/>	2L	IFRS	0 Area Does Not Post
90	Federal Tax ACRS/MACRS	<input checked="" type="checkbox"/>	0L	LG	0 Area Does Not Post
91	Alternative Minimum Tax	<input checked="" type="checkbox"/>	0L	LG	0 Area Does Not Post
92	Adjusted Current Earnings	<input checked="" type="checkbox"/>	0L	LG	0 Area Does Not Post
93	Corporate Earnings & Profits	<input checked="" type="checkbox"/>	0L	LG	0 Area Does Not Post

Figure 2.1: Depreciation areas in sample US chart of depreciation

The accounting principles in turn are linked to *ledger groups*, namely 0L, which is always known as the leading ledger and, in this case, 2L, which is a parallel ledger. The leading ledger is effectively the main or default ledger, and prior to New Asset Accounting, DEPRECIATION AREA 1 always had to be linked to the leading ledger and was the only one to post in real time. Now, this is no longer the case, and DEPRECIATION AREA 1 can be linked to any ledger, and more than one depreciation area can post in real time.

2.1.3 Asset classes

An *asset class* in SAP is a group of fixed assets that share similar properties, such as account determination, depreciation rules, and master data. All fixed assets must belong to an asset class, which is created at the global level so that all the companies on one SAP client can share the same configuration and categorize their assets in the same way, although users will only see the active asset classes for their country’s chart of depreciation.

Because the *account determination* is at the asset class level, you normally need at least one asset class for each line that you’re required to show separately in the balance sheet. However, you may require additional asset classes for several reasons. For example, you might want to report in greater detail on certain types of machinery, or you might want to split your asset classes further to help users complete the asset master data accurately by defaulting in certain values or making different fields mandatory depending on the type of asset.

You can either set fixed depreciation rules per asset class or allow each asset in an asset class to have different rules. For example, for laptops and desktops, you may have a useful life of three years with the serial number mandatory, but for all other computer equipment, the serial number isn't mandatory, and the useful life may be five years or even variable. In this case, you could have two separate asset classes, one with the useful life already defaulted in at three years (you can also choose whether it can be overridden or not) and with the serial number field mandatory in the master data, and the second asset class with different values accordingly. Both asset classes could point to the same accounts in FI.

The asset class also determines the numbering of the asset in the fixed asset register. You can have the same numbering for all asset classes or a separate number range for each asset class or similar group of asset classes. Some companies use the SAP asset number as their inventory number (and physically attach it to the asset with a metal plate or sticker), but it isn't mandatory, and there is a separate field in the asset master data to hold a different inventory number if required.

You can create an asset class for the types of assets listed in the following subsections.

Tangible and intangible

Tangible fixed assets are physical objects, such as buildings, machines, and vehicles that you can see and touch. Assets can also be *intangible*, for example, goodwill, software, or a right to something such as a brand name or trademark.

Leased assets

You can set up separate classes for *leased assets* and include some of the terms of the lease in the asset master for only those classes.

Low-value assets

Typically, fixed assets have a minimum value, sometimes set by local legislation and sometimes set by the company, so although a stapler may last many years, you would not treat it as a fixed asset. Nevertheless, you may still want to keep a register of certain popular low-value assets, for example, mobile phones or tablets, which are written off in the year of purchase.

They can still be recorded in the asset register using a *low-value asset* class. Against the low-value asset class, you can set a maximum value, and you can also set up a number of similar items as one asset number, for example, 10 mobile phones of the same brand, or group them by cost center.

Low-value assets are usually fully expensed in the year of purchase. When creating a low-value asset, you still charge depreciation, but by setting the expected useful life as one month or one period, the item is fully depreciated straight away.

Asset under construction

A special type of asset class that most companies will need is the *asset under construction* (AuC) class. This is designed to be used where the costs, including parts, labor, and other service fees, of one or more assets are gathered and held prior to capitalization until the assets are completed and ready to be taken into use. Typically, this might occur when an asset, such as a plant or building, is either being built or purchased over time with different materials. However, some companies, in order to have a single process for all assets, may post all assets to AuCs even if they are then immediately capitalized.

A key feature of assets held in the AuC class is that they aren't depreciated until they are transferred to the final asset and brought into use.

2.2 Parallel valuation, ledgers, and currencies

Companies are often obliged to draw up a set of statutory accounts in their local country but need to adjust those statutory accounts when reporting to the head office that requires consistency in what they report globally or for IFRS. Alternatively, their main books may be set up according to group practices, and they need to adjust for local GAAP or report in different currencies.

Currencies



Although in SAP S/4HANA up to 10 currencies are now available (of which, 2 are fixed and 8 are freely definable), only 3 can be used in asset accounting.

B Index

A

Account approach 22
Account determination 19
Accounting principle 17
Acquisition and production costs 31
ALV ABAP List Viewer 122
APC (acquisition & production costs) 31
Appendix ledger 23
Asset class 19
Asset under construction 21
AuC 21

B

Brownfield migration 131
Business Application Programming Interfaces (BAPIs) 138

C

Capex (capital expenditure) 52
Central Finance 138
Chart of depreciation 17
Company code settings 135

D

Depreciation area 17
Depreciation calculation engine 101

E

Extension ledgers 22

F

Fiori Launchpad 10

Fiori (SAP Fiori) 9

G

Greenfield 134
Group asset 42
GUI 9

I

Impairment 83
Intangible fixed assets 20
Intercompany documents 62
Intercompany transfer 59
Intracompany transfer 63
Investment Management (IM) 51
Investment program 52

L

Leased assets 20
Leases 33
Ledger approach 22
Ledger groups 19
Legacy System Migration Workbench 135
Low-value asset 21

M

Manual depreciation 99
Migration cockpit 136
Migration object modeler 136

N

New General Ledger 12
New G/L 12
Nonvaluated GR 51

O

Operational posting 106
Opex (operating expenditure) 52

P

Partial retirement 80
Planned depreciation 95
Posting key 49

R

Revaluation 85

S

Sale of asset 73
SAP General Ledger 11
SAP S/4HANA AnyPremise 8
SAP S/4HANA Extended 8
Scrapping 80
Settlement 112
Single source of truth 13
Statistical cost elements 52
Subnumbers 41
Substitutions 44

T

Tangible fixed assets 20
Technical clearing account 48
Time-dependent 27
Transaction type 49

U

Universal Journal 14
Unplanned depreciation 99

V

Validation 43
Valuating postings 106

W

Worklist 81