

The Consolidation Process

The Intercompany Integration Solution for SAP Business One
Version 2.0 for SAP Business One 9.1



Welcome to the course on the consolidation process of the Intercompany Integration Solution.

Topic Objective



At the end of this topic, you will be able to:

- **Configure the consolidation company database:**
 - Multi-Level Consolidation
 - Chart of Accounts Distribution
 - Account Mapping

- **Perform current consolidation tasks:**
 - Journal entries and journal vouchers consolidation - export, import
 - Define schedules

- **Utilize Intercompany consolidation reports.**

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- At the end of this topic, you will be able to:
- Configure the consolidation company database with:
 - Multi-Level Consolidation
 - Chart of Accounts Distribution. And,
 - Account Mapping
- You will also be able to perform current consolidation tasks such as:
 - Journal entries and journal vouchers consolidation - export, import. and,
 - Define schedules
- And finally utilize Intercompany consolidation reports.

Process Overview

The Consolidation Process:

Topic 1: Consolidation Company Configuration

Topic 2: The Consolidation Process - Manual and Automatic

Topic 3: Intercompany Financial Reports

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- In this course we will review the consolidation process across branch companies.
- We will start with configuring a consolidation company.
- Then, we will review the two consolidation options.
- And finally we will list the consolidated financial reports.

The Consolidation Process: Business Scenario



- OEC Computers has three branches in the US: New York, California and Texas with New York as the head office.
- James the CEO wants to run SAP Business One financial reports for the entire organization.
- For this purpose you create a separate database – the consolidation company with a dedicated chart of accounts.
- You then map all active G/L accounts in the branches to the consolidation chart of accounts.
- On a regular basis you export journal entries from the branch companies and import them to the consolidation company.
- As a result, James can run the standard SAP Business One financial reports in the consolidation company.



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Let us start with a business example:

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First, we configure the Consolidation Company.

The Consolidation Company

- The intercompany integration solution allows journal entries of all branch companies to be consolidated into a dummy consolidation company, enabling a single way of running SAP Business One financial reports for the entire organization or, for a division of the organization.



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- The intercompany integration solution allows journal entries of all branch companies to be consolidated into a dummy consolidation company, enabling a single way of running SAP Business One financial reports for the entire organization or, for a division of the organization (as will be explained in the following slides).
- The consolidation company must be set up like any other company in SAP Business One, with its own setup and chart of accounts.
- The intercompany integration solution will enable the user to generate the following consolidated financial reports:
 - Trial Balance
 - Profit & Loss Statement
 - Balance Sheet, and
 - The Cash Flow

The Consolidation Company

The Consolidation feature allows you to:

- Set up multi-level consolidation hierarchy to enable group-wise reporting.
- Run different Chart of Account Structures for each branch and consolidation company.
- Run the consolidation process based on defined schedules.
- Adjust consolidated financial statements to reflect minority interest in companies in the group.



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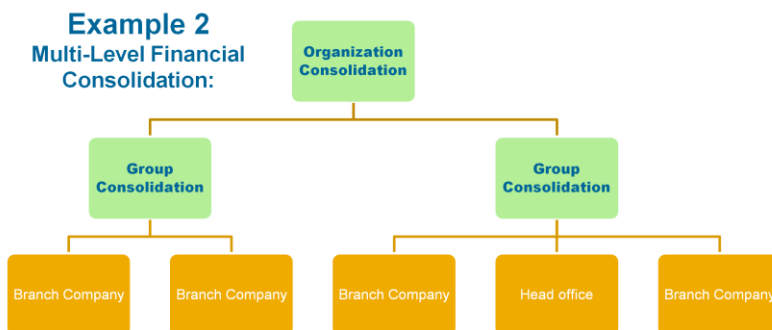
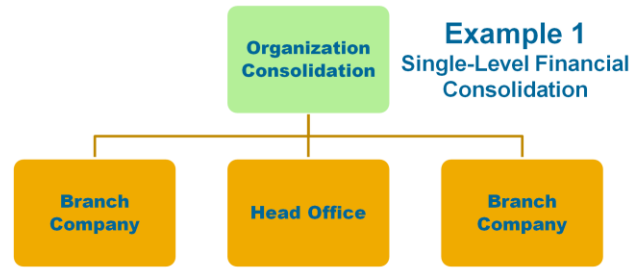
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Consolidation Company Configuration

Consolidation Hierarchy

- In the *Intercompany Landscape*, in the *Administration Console* you register all Branch and Consolidation companies.
- This definition should be derived from the business structure.



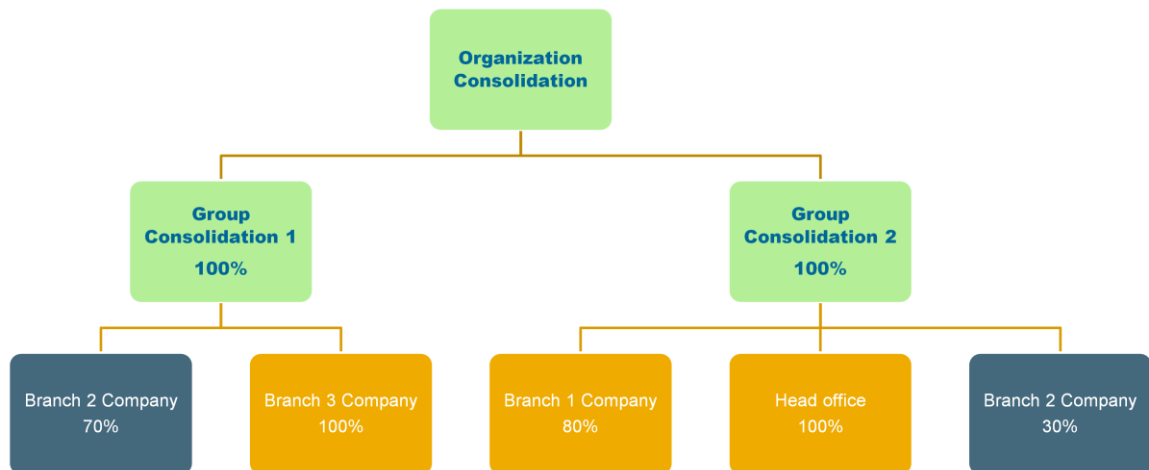
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- A Consolidation Company should be defined if the financial consolidation module is to be used.
- The first step for using the financial consolidation module is to define and register a consolidation company.
- You register all Branch and Consolidation companies in the **Intercompany Landscape** web application, in the *Administration Console*. For information on the registration process refer to the Initial Configuration topic.
- The structure of the hierarchy depends on the business scenario. For example, if you run two regions with branches in each region and you want to consolidate each region but also to have the organization consolidation, you will choose example 2 (presented in the slide), with multi-level consolidation. That is, two consolidation companies and one organization consolidation company. In this training we will work with the simple scenario of one level of consolidation.
- Then, in **SAP Business One consolidation company**, under the *Administration* module, you have the Consolidation Setup Wizard which is exclusive to the consolidation company.
- After you finish the definition in the Landscape web application, you can view this information in SAP Business One in the *Intercompany Landscape* and the *Consolidation Landscape* windows, under *Administration* → *System Initialization* → *Intercompany*.

Consolidation Company Configuration

Consolidation Hierarchy

- It is possible to link a branch company to multiple consolidation companies in the *Intercompany Administration Console*.
- Also, each branch can have a different local currency definition to enable multiple localization consolidation.

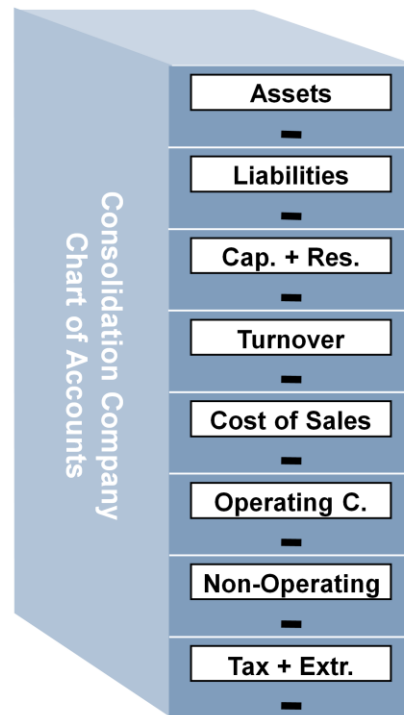


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- It is possible to link a branch company to multiple consolidation companies in the *Intercompany Administration Console*. The user can define consolidation percentage distribution across the linked consolidation companies, that is – a branch company can be consolidated into multiple consolidation companies based on the percentage distribution.
- The **Consolidation Percentage** is defined in the company registration page of the intercompany landscape and indicates the share that the organization holds in the company. You enter the percentage that indicates how much of each account for this company should be included in the consolidation.
- In the example shown, you can see that branch 2 is consolidated to both group consolidation companies: 70 percent to group consolidation 1 and 30 percent to group consolidation 2.
- In addition, each branch can have a different local currency definition to enable multiple localization consolidation (we will discuss this later).
- For more details on how to configure the consolidation hierarchy in the Intercompany Landscape, refer to the Initial Configuration topic.

Define the Consolidation Company Chart of Accounts

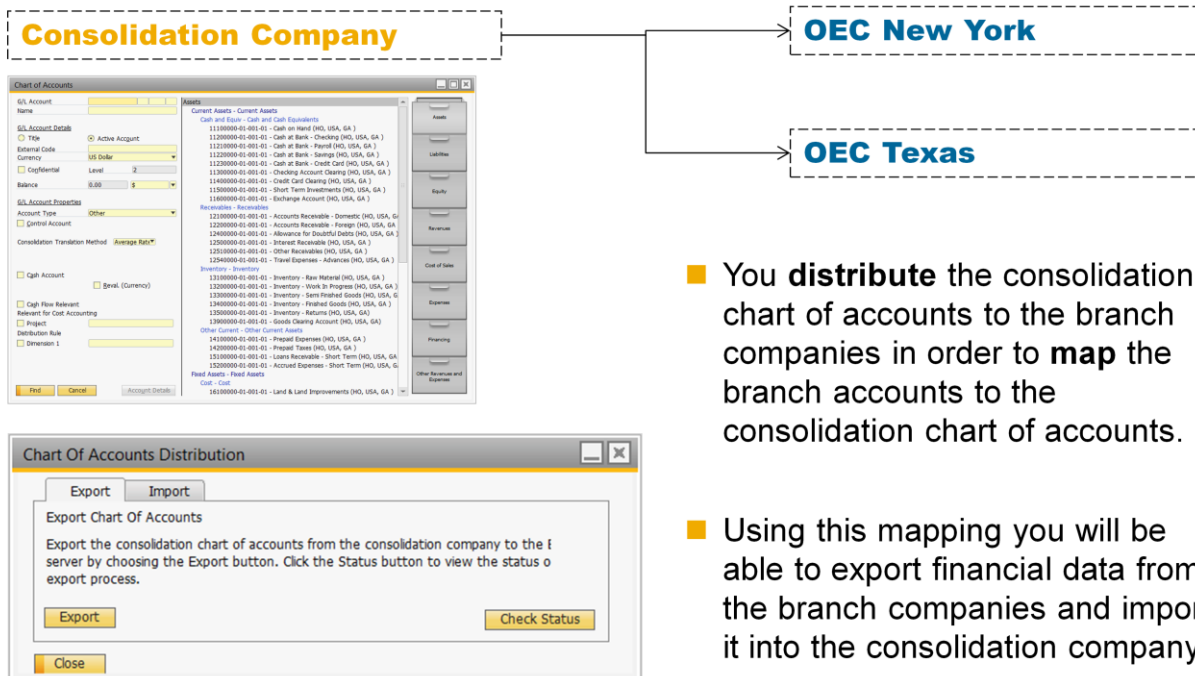
- In the consolidation company, you prepare the consolidation chart of accounts. The chart of accounts should fit the purpose of generating financial reports.
- This chart of accounts is independent of the chart of accounts in the other branch companies.
- The chart of accounts in the individual branch companies may differ from one another.



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- The chart of accounts in the individual branch companies may differ from one another.
- In SAP Business One, use the **Chart of Accounts window** in the **consolidation company** to prepare the consolidation chart of accounts.
- Ensure that none of the accounts is marked as a control account.
- You prepare the consolidation chart of accounts for the purpose of generating financial reports, either to meet the requirements of statutory authorities or to accommodate corporate-internal reporting requirements.
- Complete the **Consolidation Account Setup** in the consolidation company. Choose **Administration → Setup → Intercompany → Consolidation Accounts Setup**.

Chart of Accounts Distribution

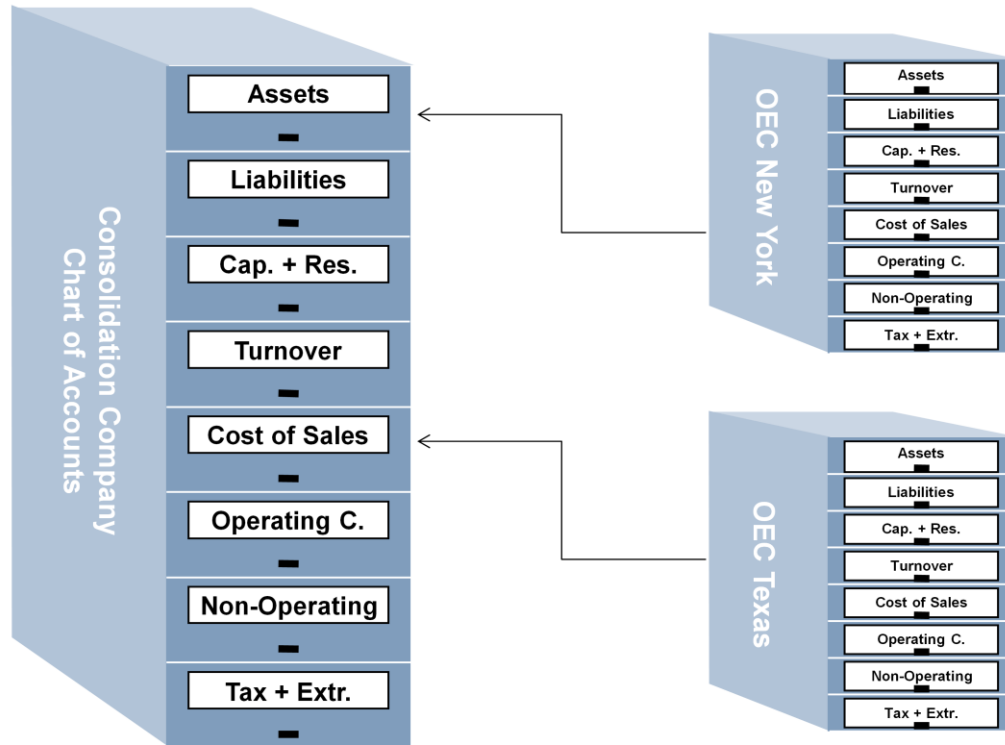


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- Once the consolidation chart of accounts is ready, you **distribute** it to the branch companies in order to map the branch accounts to the consolidation chart of accounts.
- Using this mapping you will be able to export financial data from the branch companies and import it into the consolidation company.
- In the consolidation company, choose **Administration → Setup → Intercompany → Chart of Account Distribution**.
- Follow these steps:
 - **Export** the consolidation chart of accounts from the consolidation company to the B1i server by choosing the *Export* button. Click the *Status* button to view the status of the export process.
 - **Import** the consolidation chart to each branch company by selecting a branch code and choosing the *Import* button. The dropdown only displays the companies which are set up to consolidate into the logged in consolidation company. Click the *Status* button to view the status of the import process. Repeat this step for all branch companies.
 - Alternately, you can select **All** from the dropdown list to import the consolidation chart of accounts to all branch companies.

- Note that if any changes were made to the consolidation chart of accounts, you should re-export and import the consolidation chart of accounts.
- **Users in the branch companies** can view the consolidation chart of accounts from the menu path: ***Consolidation → Consolidation Chart of Accounts***. However, they cannot make any changes to the consolidation chart of accounts. It is for reference only.

Consolidation Account Mapping



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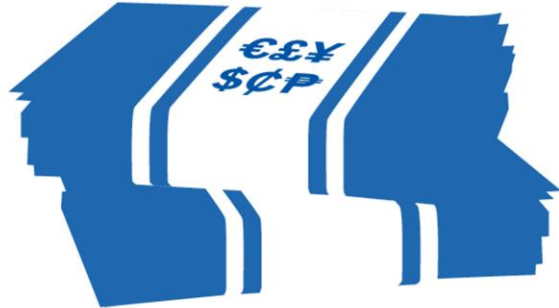
- After you have distributed the consolidated chart of accounts to the branch companies, you need to go into **each branch company** to specify the mapping of the branch accounts to the consolidation accounts.
- For each active G/L account in each branch company, **specify an active G/L account** in the consolidation chart of accounts **to which the balance will be transferred on consolidation**.
- The account mapping is performed using the **Consolidation Account Mapping** window in the *Consolidation* module in each **branch company**.
- Remember to map all active G/L accounts in all drawers to the consolidation chart of accounts.
- This step must be completed in all companies that will consolidate into the consolidation company.
- If the chart of accounts structure in a branch company is identical to the chart of accounts in the consolidation company, choose the **Auto Map Account** option to automatically map the G/L accounts to the consolidation chart of accounts.
- Note that you need to perform the Auto Map Account option for each drawer in the chart of accounts.

Consolidation Accounts Setup

- You define the **Consolidation Accounts Setup** in the consolidation company only:

- Exchange Rate Gains
- Exchange Rate Losses
- Residual

- This definition supports the scenario of branch companies using different currencies in SAP Business One..



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- The Consolidation Accounts Setup is relevant to the consolidation company for cases where branch companies use different currencies in SAP Business One, for example a company that has business partners in few currencies.
- You define this setup in the menu path: **Administration → Setup → Intercompany → Consolidation Accounts Setup**. In this window you define the system accounts:
 - **Exchange Rate Gains** - the G/L account to which the system posts any exchange rate gain.
 - **Exchange Rate Losses** - the G/L account to which the system posts any exchange rate loss.
 - **Residual** - the G/L account to which the system posts any residual amounts due to rounding differences.
- As in SAP Business One, intercompany transactions can occur in foreign and local currencies however this **is not** the Multi-Currency Consolidation scenario.
- Whenever you perform a foreign currency transaction, its journal entry is also recorded in local currency. And for consolidation purpose we use the local currency balances.
- The multi currency consolidation scenario is relevant only when you have branches in different countries with **different currencies** defined as the **local currency**.

- Make sure you define all accounts in the Consolidation accounts setup as *All Currencies*.
- You can **replicate exchange rates across branch companies** including consolidation companies. Choose *Administration → Exchange Rates and Indexes*. click the *Sync* Button.

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Topic 2: The Consolidation Process - Manual and Automatic

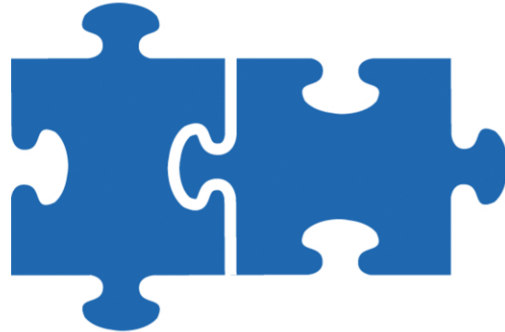
Topic 3: Intercompany Financial Reports

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The next topic will be the consolidation process and the two consolidation options.

The Consolidation Process

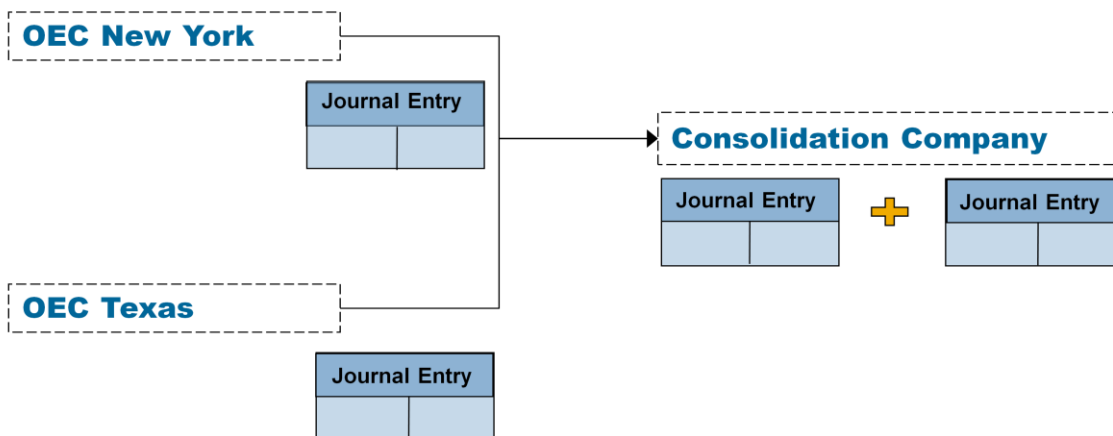
- To be able to run SAP Business One financial reports for the entire organization you need to perform current consolidation tasks.
- On a regular basis you export journal entries from the branch companies and import them to the consolidation company.



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The Consolidation Process



- You perform both the export and the import tasks in the consolidation company database.
- You have two consolidation options:
 - Manual Consolidation
 - Automatic Consolidation

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- You perform both the export and the import tasks in the consolidation company database.
- You have two consolidation options:
 - Manual Consolidation
 - Automatic Consolidation
 - For the **Manual Consolidation** – in the consolidation company choose *Consolidation* ☐ *Manual Consolidation* .
 - Note that in case of multi-level consolidation, the process should be repeated for all consolidation companies. Ensure that these steps are executed for each consolidation company in a hierarchical manner, that is – bottom up.
 - The **Automatic Consolidation** will enable you to run the consolidation process based on defined schedules.
- To setup the automatic consolidation process: choose *Administration* → *Setup* → *Intercompany* → *Consolidation - Automation*.
- Note that if the automatic consolidation is on Start mode, you will not be able to run the manual consolidation. To run the manual consolidation you have to first stop the automatic consolidation.
- In the consolidation company, you can enter manual journal entries for adjustments.

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The last topic will be intercompany financial reports

Consolidated Financial Reports

The screenshot displays three overlapping SAP Business One financial report windows. The 'Profit and Loss Statement' window is in the background, showing a date range from 01/01/13 to 12/31/13. The 'Balance Sheet' window is in the middle, showing the same date range. The 'Trial Balance' window is in the foreground, showing a date range from 01.01.13 to 31.12.13. The Trial Balance window contains a table with columns for Name, Debit, Credit, and Balance.

Name	Debit	Credit	Balance
Assets			
Total Assets	92,552.78	264,382.47	-171,829.69
Liabilities			
Total Liabilities	604,117.14	18,278.26	585,838.88
Capital and Reserves			
Total Capital and Reserves	229,951.83	601,666.64	-371,714.81
Turnover			
Total Turnover		22,259.50	-22,259.50
Cost of Sales			
Total Cost of Sales	3,009.29	25,500.00	-22,490.71

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- Once the financial data from all branch companies has been imported into the consolidation company using either the manual or the automatic consolidation process you can run the standard SAP Business One financial reports in the **consolidation company**.
- Note that it is possible to view data of an individual company by filtering the financial report using project codes.
- The **Consolidation Filter Code** for each branch company is defined in the Landscape application.