

KDD018 - GAAP Ledgers and Currency Types

Status	Approved
Owner	BECHTER-ext, Alex
Stakeholders	TAMIOLAKIS-ext, Emmanouel
	ZAPONNE-ext, Antonio
	TONDO, Mario, ZHANG, Ling (Frances), MADJARIAN, Gilles

Issue

In the past, Syensqo adopted the 'account approach' to deal with multi-GAAP accounting and reporting requirements. The account approach is based on different sets of General Ledger accounts within the operational Chart of Accounts representing the respective valuation principle which creates complications at period-end for Finance users to attain accurate statutory accounts for local reporting. It also leads to increased overhead in the system from a maintenance perspective as additional master data and system configurations need to be put in place to facilitate reporting based on local GAAP accounts.

SAP has meanwhile introduced the concept of ledgers to replace the outdated - and often inefficient - account-based solution for parallel accounting to handle multi-GAAP reporting requirements for its customers which should be considered in every new S/4 HANA implementation.

Introducing additional (standard) ledgers and/or currency types for a particular ledger is a time-consuming process requiring smaller-scaled data migration projects. Activating ledgers also has process implications especially with regards to period-end activities as certain closing activities are ledger-specific so introducing additional ledgers may create additional workload for business users with limited benefits. To mitigate the drawbacks it is advisable to establish design principles upfront on the default ledger and currency type setup for Syensqo entities in S/4 HANA and put forth guidelines to follow for future company codes set up in the system.

The following two decisions shall therefore be made as part of this KDD:

1. Which default ledger setup should be implemented in S/4 HANA
2. What currency types and ledger assignments should be considered.

Recommendation

There are two key decisions to be made with each considering two options described in detail in the "Options Considered" part of this KDD, the default ledger setup (decision 1) and the definition of currency types and ledger assignments (decision 2). Each decision has multiple options - the recommendation for each decision is as follows:

After considering two options, the recommendation is to go with **option A (Multiple GAAP Ledgers, Mixed Valuation Ledgers)** for both **Decision 1** and **Decision 2**.

For both configuration items, option A is the more future-proof and streamlined setup compared to option B, with benefits clearly outweighing the drawbacks of the proposed design options.

The main business benefits for Syensqo from following the proposed design recommendations are:

- Multi-GAAP accounting and reporting in real-time based on IFRS and local GAAP reporting requirements without manual adjustments.
- Additional separate tax ledger allowing for adjustments to statutory accounts for tax calculations and reporting.
- Ability to report accurate margins according to different valuation views in real-time (legal and group).
- Leaner operational Chart of Accounts.
- Ledger design supports unified global process designs for IFRS as well as local reporting.

The main technical benefits for Syensqo from following the proposed design recommendations are:

- Future-proof ledger design in line with SAP target designs (e.g. UPA readiness)
- Ledger design and currency types in line with best practice setup in the EML systems (apart from group valuation ledger/currency types which are not activated in the EML landscape)
- Low probability of additional ledger requirements in the future which would require IT support
- Streamlined ledger and currency setup allowing for easier governance and reduced maintenance efforts from an IT perspective.
- Reduced maintenance efforts from leaner Chart of Accounts (e.g. account determinations for local accounts no longer required).

Although this decision technically reduces the number of accounts in the system, the net result of the combination of the *multiple ledger* and *multiple currency types* approaches means that flexibility in management and compliance reporting is actually enhanced over Syensqo's account-based setup in ECC.

It is recommended to **set up the following currency types** with the specified attributes as per below table to enable the implementation of the above recommendations:

Currency Type	Description	Valuation	Translation from Currency Type	Global/ Local Setting	Rule
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00	Document Currency	-	-	Global	
10	Company Code Currency, Legal Valuation	Legal	00	Global	Must follow functional currency of company code.
30	Group Currency, Legal Valuation	Legal	10	Global	Group Currency should be translated from the functional currency as per IAS21.
11	Company Code Currency, Group Valuation	Group	00	Global	Must follow the currency key of the base legal currency (company code currency).
31	Group Currency, Group Valuation	Group	10	Global	Must follow the currency key of the base legal currency (group currency).

Background & Context

Large multinational organisations with a global footprint such as Syensqo are typically required to report Financial Statements out of their main operational accounting systems with different accounting standards and principles in order to comply with internal group policy and regulatory accounting rules. In the past, Syensqo used the 'account approach' for this purpose which has been replaced by a new 'gold' standard in S/4 HANA commonly known as 'ledger approach' which allows a company to run multi-GAAP ledgers concurrently in the system.

For Syensqo, this means that local GAAP reporting can be performed in real-time in the future out of a parallel ledger following local GAAP valuation rules without a need for any adjustment or reclassification postings at period-end. The system will be able to produce zero-balanced local GAAP Financial Statements at any given point in time. At the same time, it gives Syensqo the opportunity to further consolidate and rationalize their operational Chart of Accounts. Local accounts used for multi-GAAP reporting in the current account-based solutions are creating a larger data footprint in the system (15-25% of all G/L accounts used in the current operational CoAs are local accounts) that is no longer needed in S/4 HANA.

Three key aspects need to be considered in the decision-making process on the ideal default ledger setup for Syensqo:

1.) Leading and Non-leading Ledgers

For further background information on ledgers in S/4 HANA, please expand the below section:

a) Leading Ledger

By using the mandatory new G/L module in S/4 HANA, a customer has to decide which ledger shall be used as the leading ledger for its Financial Accounting processes. The leading ledger is defined at client level so it will be applicable to all Syensqo entities set up in the system.

Only the leading ledger is connected by default to the Controlling module in S/4 HANA as entries made in non-leading ledgers are usually not relevant for Management Accounting. Controlling can read data from non-leading ledgers but can never write data into the non-leading ledger across all Controlling processes unless a new feature introduced in S/4 HANA Edition 2022, called Universal Parallel Accounting (UPA) is switched on. This is the subject of [a dedicated KDD](#).

Accounting interfaces with the Logistics modules or HCM, for example, are usually ledger-agnostic which means transactions triggering Financial Accounting postings from integrated modules are posted simultaneously in real-time across all active ledgers in a company code.

By default SAP assigns ledger code '0L' to the leading ledger. It is common practice to stick to this ledger code as it is widely recognized as the leading ledger code in official SAP documentations. It is however up to each customer to decide which accounting principle the leading ledger should follow (e.g. IFRS, Belgian GAAP, etc.).

b) Non-leading Ledger

Non-leading or parallel ledgers are optional to use in S/4 HANA. It is, however, widely used nowadays to serve primarily two purposes:

1. Allow for different accounting treatments based on differing local GAAP standards compared to the leading ledger's accounting principle.
2. Allow for reporting according to different fiscal year variants compared to the leading ledger

As indicated in the above statement, non-leading (standard) ledgers can have different fiscal year variants assigned from the leading ledger. The system therefore also allows customers to use a different posting period variant compared to the leading ledger as posting period cycles may differ between the two ledgers.

Direct postings into the non-leading ledgers from an FI module are only feasible via the ledger-specific postings either in the General Ledger directly or via the Fixed Asset sub-module. Updates to the non-leading ledger figures only for AP, AR or any other Finance-integrated system module (e.g. Materials Management, Sales and Distribution) are not supported.

2.) Ledger Types

For further background information on ledger types, please expand the below section.

a) Standard Ledgers

In S/4 HANA, standard ledgers are distinguished from extension ledgers. In contrast to extension ledgers, standard ledgers have a life of their own and can therefore be considered as technically entirely independent ledgers.

The leading ledger is always defined as a standard ledger. For non-leading or parallel ledgers a choice can be made to either set them up as a standard or an extension ledger. Standard ledgers can follow different fiscal year and posting period variants as opposed to the leading ledger.

Subsequent implementations of standard ledgers require data migration activities.

b) Extension Ledgers

Extension ledgers are typically used for scenarios where top-side adjustments are necessary. This may be required for tax reporting purposes, for example.

Extension ledgers are reliant on underlying base ledgers. When reporting out of extension ledgers, the data from the underlying base ledgers will always be read along with any delta postings that were made specifically to the respective extension ledger as target ledger.

As such, extension ledgers are technically not independent ledgers and therefore inherit not only the data but also the settings and configurations of the base ledgers with regard to fiscal year assignments and currencies.

Extension ledgers can only be updated directly out of the General Ledger module. Exceptions to this rule are technical extension ledgers such as commitment update or sales prediction ledgers which cannot be posted to directly in general and receive its updates to the transactional figures via events triggered in the integrated Logistics modules (e.g. goods issue, goods receipts).

The biggest advantage of extension ledgers are more technical in nature. The data footprint is drastically reduced as the majority of its data is coming from the underlying base ledger therefore saving database storage. The second key advantage is that an activation of extension ledgers does not require any data migration activities and can be done at any given point in time as data does not need to be rolled-up into the respective database tables.

3.) Currency Types

Currently, Syensqo is only able to generate a global view of P&L results for the period with I/C revenue and COGS eliminated at period-end in the consolidation system. By using group valuation currency types besides the mandatory legal valuation in S/4 HANA, group controllers can get instant insights into the global P&L in real-time out of the operational accounting system.

For further background information on currency types, please expand the below section.

As currency types are difficult and sometimes even impossible to change in a productive environment, it is important to activate the relevant and required currency types in the respective ledgers during the initial setup of a new S/4 HANA system.

a) Fully-integrated FI currencies and Freely-defined Currencies

In S/4 HANA, we distinguish between fully integrated FI currencies (formerly known as local currencies 1, 2 and 3 in the old line item table BSEG) that are managed based on historic conversions in all integrated sub-modules (e.g. Fixed Asset Accounting and Controlling) and non-Finance modules (e.g. Material Ledger and Materials Management) and freely-defined currencies which are solely available in Financial Accounting and re-translated based on the defined currency translation rules at transaction stage therefore not keeping track of historical values of preceding transactions in end-to-end business processes (e.g. Fixed Asset capitalizations from settlement of WBS elements).

The currency types activated for the leading ledger dictate what currency types can be used in the non-leading ledger - the currencies activated in the non-leading ledgers can only be a subset of the currencies activated in the leading ledger. Document currency, company code currency and controlling area currency are mandatory currency types for all ledgers.

Currency Type	Leading Ledger	Non-Leading Ledger	Remark
00 (Document Currency)	X	X	Mandatory
10 (Company Code Currency)	X	X	Mandatory
30 (Controlling Area Currency)	X	X	Mandatory
40 (Hard Currency)	(Optional)	(Conditional)	Only required for company codes where functional currency does not follow country currency and local authorities mandate reporting in country currency. Optional for leading ledger, mandatory for non-leading ledger if activated as fully integrated currency in the leading ledger.
Z* (Freely-defined currencies)	(Optional)	(Optional)	Cannot be configured as fully integrated currency in the leading ledger (no valuation at historic costs possible)

b) Legal Valuation vs. Group Valuation vs. Profit Center Valuation:

In S/4 HANA, ledgers can store values of currency types following different valuation views. Posted amounts can either be stored based on a legal view for external reporting, based on a group-centric view where I/C profits and mark-ups are automatically eliminated by the system for relevant I/C transactions and can even help to eliminate intra-company profits charged for sales between business units (profit centers) within a single entity.

Group valuation currency types are meant for managerial reporting primarily for the P&L and some parts of the balance sheet (e.g. inventory valuation) but cannot be directly used for consolidation and external reporting.

The respective currency types can be identified by the second digit of the currency type code as follows:

Currency Type	Valuation View	Example
*0	Legal	10 - Company Code Currency, legal view
*1	Group	11 - Company Code Currency, group view
*2	Profit Center	12 - Company Code Currency, profit center view

Different valuation views can be combined in a single ledger but limitations apply for currency conversions. Please refer to section 'Options Considered' for further details.

The relevant valuation views for Syensqo are further assessed in a separate KDD on Transfer Pricing ('[KDD008 - Transfer Pricing](#)') - please refer to this document for further details on the evaluation of relevant valuation views for Syensqo.

Assumptions

- Syensqo will move to a private-cloud S/4HANA environment. This is important to call out as some configuration features for ledger and currency types are not available in public cloud environments, and are also covered in a [separate KDD](#).
- Best practice and roadmap design from SAP S/4HANA Finance is followed to step away from an account-based solution towards a ledger-based solution for multi-GAAP accounting.
- Syensqo will not use conversion with Selective Data Transition (SDT) for migrating from ECC to S/4HANA. New ledgers and additional currency types cannot be introduced during an SDT conversion from ECC to S/4HANA in a standard migration scenario. SAP SLO or similar services (e.g. from SNP, Natuvion, etc.) are available for a conversion from an account-based solution to a ledger-based solution as part of an SDT conversion but require additional chargeable consulting services to be purchased.
- Translation of functional currency closing balances to the group's presentation currency for consolidation purposes takes place in the consolidation system. S/4HANA will provide accurate values for each company's functional currency in legal valuation only.
- Transfer Pricing solution will be enabled in S/4HANA.
- The system design should allow for potential activation of UPA (Universal Parallel Accounting) in the future.
- As part of the detailed design phase of the SyWay program, the most suitable options to potentially report under US GAAP were explored should this be required shortly after or even before the go-live of the S/4 HANA systems. The recommended approach to facilitate US GAAP reporting in USD out of Group Reporting has been endorsed by key financial stakeholders of the organization (refer to the presented [slide deck](#) for further details). As such, there is no direct impact to the ledger and currency design in S/4 HANA from this decision. Should a primary listing in the US unexpectedly occur before go-live, the ledger design proposed in this KDD will need to be revisited.

Constraints

- Should the Transfer Pricing solution not be enabled in S/4HANA, the group valuation currency types become obsolete hence a revision of the proposed ledger setup and currency type assignment will be necessary.

Impacts

- Infrastructure/Basis: No impact.
- Security: No impact.
- Technical/ABAP: No impact.
- Data Migration: The data migration approach for Finance transactional data needs to allow for introduction of new ledgers and currency types in the target system. The data needs to be migrated from local accounts (current parallel accounting approach) to the respective local ledgers (to-be parallel accounting approach) with enrichment of data for the newly introduced currency types.
 - Migration of material masters and stock balances will require extra attention due to the recommended implementation of dual valuations for the IFRS ledgers.
- Data Cleansing: No impact but data in the respective accounts for IFRS as well as LGAAP accounting shall be brought on in a tidy state with a minimal amount of open items.

Business Rules

1. The company code currency of a company (currency type 10) must follow its functional currency.
2. The hard currency of a company code shall follow the country currency if the country currency is not defined as an entity's functional currency but tax reporting is required to be performed in the local currency of the country. This is to allow for accurate tax accounting and reporting in country currency.
3. Accounting principles for the local GAAP ledger need to be defined for every country separately to pave the way for a future seamless deployment of UPA (see [SAP Note 3191636](#) for further details).

Options considered

Two decisions are required to be made as part of this design document. Options for both decisions are proposed separately.

Decision 1 - Default Ledger Setup for S/4 HANA company codes:

Option A: Leading IFRS Ledger & Mandatory Standard Non-Leading Ledger for local GAAP Accounting & 2 separate Extension Ledgers for Tax Accounting and Commitment Updates

In this design option, a non-leading ledger for local GAAP accounting and Tax Accounting is mandated besides the mandatory leading ledger for all operational Syensqo entities set up in the system.

Should an entity not require a local GAAP ledger currently because of identical accounting treatments between IFRS and their local GAAPs, the idea is to still activate the ledger but set it up in the same way as the leading ledger so month-end activities need not be performed for this ledger by the responsible departments. This makes the ledger setup for each Syensqo entity streamlined, future-proof and scalable with minimal disruptions and additional workloads for the business users at period-end.

For management of commitments from the Materials Management module, a technical extension ledger is also recommended to be added to the base ledger setup in this option to follow SAP's target design for Commitment Management in S/4 HANA.

Proposed setup:

Ledger	GAAP	Leading	Ledger Type	Base Ledger	Fiscal Year	Purpose	Remark
0L	IFRS	X	Standard	-	Jan-Dec	Group Reporting, Legal View	Mandatory
LG	LGAAP		Standard	-	Jan-Dec or alternate FY variant.	Statutory Reporting	Mandatory: Same configuration for LG as for 0L if no LGAAP is required in the respective country.
LT*	LGAAP		Standard	-	Jan-Dec	Technical ledger to enable local GAAP accounting in Fixed Asset Accounting for countries with alternate FY variants.	Conditional: Only mandatory in countries with alternate FY requirements for statutory reporting (e.g. India)
TX	LGAAP		Extension	LG	Following LG	Tax Reporting	Mandatory
CO	IFRS		Extension	-	Jan-Dec	Commitment Reporting / Predictive Sales Reporting	Mandatory

* As explained by SAP in note [2220152](#) as the only possible option in S/4 HANA to handle parallel accounting with different fiscal year variants across multiple ledgers in Fixed Asset Accounting.

Option B: Leading IFRS Ledger & Optional Standard Non-Leading Ledger for local GAAP and Tax Accounting & Mandatory Extension Ledger for Commitment Updates

In this option, the usage of the non-leading ledgers for local GAAP and Tax Accounting is not mandated. The usage of local GAAP and Tax ledgers can be decided on by the respective Finance country managers. The decision to use or not use local GAAP ledgers must be taken at country level as Chart of Depreciations in the Asset Accounting module are defined and harmonised at country level. Depreciation areas set up in each Chart of Depreciation are linked to ledgers via accounting principles. All company codes sharing the same Chart of Depreciation are therefore required to also have the same set of ledgers set up in Financial Accounting.

For management of commitments from the Materials Management module, a technical extension ledger is also recommended to be added to the base ledger setup in this option to follow SAP's target design for Commitment Management in S/4 HANA.

Proposed setup:

Ledger	GAAP	Leading	Ledger Type	Base Ledger	Fiscal Year	Purpose	Remark
0L	IFRS	X	Standard	-	Jan-Dec	Group Reporting, Legal View	Mandatory
LG	LGAAP		Standard	-	Jan-Dec or alternate FY variant.	Statutory Reporting	Optional
LT*	LGAAP		Standard		Jan-Dec	Technical ledger to enable local GAAP accounting in Fixed Asset Accounting for countries with alternate FY variants.	Conditional: Mandatory in countries with alternate FY requirements for statutory reporting (e.g. India)

TX	LGAAP		Extension	LG	Following LG	Tax Reporting	Optional
CO	IFRS		Extension	-	Jan-Dec	Commitment Reporting / Predictive Sales Reporting	Mandatory

* Explained by SAP in note [2220152](#) as only possible option in S/4 HANA to handle parallel accounting with different fiscal year variants across multiple ledgers in Fixed Asset Accounting.

Decision 2 - Currency Type Assignments in Ledgers:

Option A: Mixed Valuation Ledgers with three fully-integrated FI currencies & two freely-defined currencies

In this option, the idea is to combine currency types from legal and group valuation into one single ledger. This reduces the storage requirements as well as the time and efforts involved in closing operations.

Proposed setup:

[illegible]

Please refer to the below section for further detailed explanations:

- Currency types 10 and 30 are fixed and cannot be changed for data integrity reasons.
- As per SAP recommendation, all currency type defined in the Currency & Valuation profile maintained at Controlling Area level should be set up as fully-integrated FI currency therefore LC3 is in this option reserved for currency type 31. This is to ensure that historic values are stored in integrated modules with lifecycles (e.g. Fixed Asset Accounting) and subsequent computations of dependent transactions (e.g. Depreciation) are based on historical values.
- The P&L for currency type 31 will consequently always be valued at spot rate except for Fixed Asset-related transactions where the P&L postings will be a proportionate value based on historical costs. This will give the group controller and other decision makers an accurate view of the integrated margins which have I/C revenues and COGS eliminated in real-time..
- For statutory reporting, accurate P&L as well as B/S reporting will be possible out of the LGAAP ledger 'LG' in the functional currency of the entity (currency type 10).
- The closing balances from the leading ledger ('0L') in currency type 10 (functional currency) will be extracted and imported into the consolidation system at period-end for group consolidation purposes.
- Balance sheet translation to presentation currency will be carried out in BFC as part of the consolidation process.
- For inventory accounts, the difference between currency type 30 (legal valuation) and currency type 31 (group valuation) can be used as the basis for the profit in stock elimination posting performed in BFC.
- Freely-defined currencies 11 and 31 need to be added for technical reasons. Currency type 11 may not be accurate in all cases though as different conversion rules apply for freely-defined currencies which are not always compatible with translation rules stipulated in IAS21 so they are just indicative figures.

The main drawbacks of this option are:

1. The leading group valuation currency type (currency type 31) occupies a fully integrated FI currency with the other two available fully integrated currencies being defaulted by the system design in a non-editable way. Should there be a need in a specific entity or country to report taxes, for example, in a different currency than the entity's functional currency directly out of the system there is no currency type left to support this requirement. At present, this situation does not exist at Syensqo. Should it become a requirement along the way, custom developments may be required for accurate tax reporting in such situations.

Option B: Single Valuation Ledgers with two parallel currencies

The idea behind this option is to keep separate ledgers for each valuation view.

The leading ledger (OL) will be kept for legal valuation only while a non-leading, parallel ledger (OG) is introduced to capture the value flows in the group valuation view.

For local GAAP, Tax as well as Commitment reporting only legal valuation figures are relevant hence group valuation currency types are not required in the respective ledgers.

Proposed setup:

[illegible]

TX	Local GAAP	Legal	10	30											
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Please refer to the below section for further detailed explanations:

- Ledger 0L will be reserved for currency types representing legal valuation views thereby following IFRS valuation principles.
- Ledger 0G will be reserved for currency types representing group valuation views thereby following IFRS valuation principles.
- Currency types 10 and 30 are fixed and cannot be changed for all ledgers for data integrity reasons. For ledger '0G' currency types 10 and 30 will automatically be replaced with the corresponding group valuation currency types '11' and '31'.
- Accurate global P&L reporting in group currency is possible out of the group valuation ledger '0G' with I/C profits eliminated in real-time. Unless currency type 11 will be activated as a material-ledger currency, currency type 11 may not be accurately reflecting group valuation value flows which is also not required in local currency typically. Technically currency type 11 must be enabled in the system if group valuation views are used in the system (see SAP note 2882025).
- For inventory accounts, the difference between currency type 30 (legal valuation) in ledger '0L' and currency type 31 (group valuation) in ledger '0G' can be used as the basis for the profit in stock elimination posting performed in the consolidation system.
- For statutory reporting, accurate P&L as well as B/S reporting will be possible out of the LGAAP ledger 'LG' in the functional currency of the entity (currency type 10).
- The closing balances from the leading ledger ('0L') in currency type 10 (functional currency) will be extracted and imported into the consolidation system at period-end for group consolidation purposes.
- The tax ledger ('TX') will inherit the currency settings from the underlying local GAAP base ledger ('LG'). As such, tax adjustments can only be made to legal valuation views for statutory tax filings.

The main drawbacks of this option are:

1. Fixed Asset Accounting can not be integrated with the group valuation ledger (refer to SAP note 255492 for further details). Without dedicated depreciation areas in Fixed Asset Accounting, acquisition costs cannot be tracked historically and periodic depreciation will therefore be inaccurate over time. This may affect the group valuation price calculated for all standard price materials by the product costing processes.
2. The project cost settlement process at period-end which will be used for all CAPEX purchases in the to-be solution is not able to settle historical group costs captured in the group valuation ledger. A Proof-of-Concept study was carried out during conceptual design where this limitation was further evaluated and it was observed that Fixed Asset costs in the group valuation ledger will be capitalized based on legal historical costs leading to inaccuracies in the depreciation calculations. This inconsistent system behavior was also further investigated by SAP product owners who [concluded](#) that this is an unsupported settlement scenario in SAP standard and emphasized that no fix will be provided to address this product constraint. The recommended workaround from SAP is a mixed valuation ledger. Please refer to the [slide pack](#) prepared as part of the PoC study for further details.
3. Universal Parallel Accounting (UPA) does not support transactional data migration of values from single valuation ledgers into UPA-active ledgers which constitutes a potential roadblock for future activation of UPA.
4. The business function to calculate COGS (FIN_CO_COGM) based on the non-leading local GAAP ledger, which may be required to efficiently comply with regulatory requirements in certain countries, technically necessitates a mixed valuation ledger setup for the underlying non-leading ledger for data integrity reasons.

Evaluation

The below table provides a summary of the pros and cons of each option explained in the above section for both key design decisions and how each option scores with view a of the four key pillars aligning with the overarching project principles:

- Standardization: Process designs should be standardized across the organization wherever this is operationally possible and practical. Solution designs should be standardized, ideally leveraging SAP standard technology.
- Simplification: Process designs should be easy to understand and execute for the users with a primary focus on getting the basics right.
- Future-Proof: The process and solution designs should pave the way for future product innovations from SAP and should be forward-looking to allow for easy adoption of expected product improvements and innovations.
- Process Discipline: Exceptions, workarounds and off-system work routines and procedures should be avoided by implementing simple global process designs that foster process discipline and in-system work routines across the organization.

	Decision 1 - Default Ledger Setup		Decision 2 - Currency Type Assignment		Remarks
Pros & Cons/ Project Principles	Option A Mandatory: Leading (IFRS), Local (LGAAP), Tax and Commitment	Option B Mandatory: Leading (IFRS), Commitment Optional: Local (LGAAP), Tax	Option A Mixed Valuation Ledger	Option B Single Valuation Ledger	

Pros and Cons	+ Harmonised ledger setup across all operational Syensqo entities. + Unambiguous governance rules can be established for future maintenance. + Future-proof and flexible solution for LGAAP accounting when and where required. + Fully-ready ledger design for future UPA (Universal Parallel Accounting) activation. + Local GAAP ledger can be used for statutory views and checks of the Transfer Pricing compliance levels of each Syensqo entity. + Caters for top-side adjustments to statutory accounts in the LGAAP ledger for tax reporting purposes via an extension ledger for tax accounting. + Commitment Management using extension ledger follows SAP target design for commitments in S/4 HANA. - Additional (non-mandatory) period-end activities for local GAAP ledger such as: - o FX Valuation - o Re-grouping of liabilities and receivables - Constraints apply to the new commitment management solution via extension ledger as it's still a new solution but they are manageable via interim solutions.	+ Non-leading ledger closing activities can be applied in a more targeted way to only countries where LGAAP accounting is necessary due to legal requirements. + Caters for top-side adjustments to statutory accounts in the LGAAP ledger for tax reporting purposes via an extension ledger for tax accounting. + Commitment Management using extension ledger follows SAP target design for commitments in S/4 HANA. - Non-standardised ledger setup across Syensqo entities - More difficult to govern as decision-making on non-leading ledger is decentralized delegated to countries. - Subsequent implementation of non-leading ledger for countries that opt out during initial setup requires data migration activities. - Local GAAP ledger adjustments may continue to be calculated outside the system using offline spreadsheets. - Constraints apply to the new commitment management solution via extension ledger as it's still a new solution but they are manageable via interim solutions.	+ Accurate calculation of profit in stock on inventory accounts in group currency in real-time and easy reconciliation as legal and group valuation are available in the same ledger. + Accurate global P&L and integrated margin in group currency with I/C profits eliminated in real-time. + Single ledger reducing data footprint and time and effort required for month-end activities by ledger - Group valuation currency type taking up remaining space for fully-integrated currency. Some countries may require a third legal currency type for tax reporting to be fully integrated. - Freely-defined currencies can only be used for indicative reporting as currency conversion rules are not always in line with IAS rules.	+ Additional fully integrated currency type available for legal reporting out of SAP if required for tax reporting purposes. - Incompatibilities with Fixed Asset Accounting leading to wrong acquisition costs and subsequent depreciation amounts captured in the group valuation ledger. - Inaccurate global P&L and integrated margin in group currency due to inaccuracies in depreciation calculations for group valuation ledger. - Inaccuracies in profit in stock calculations expected due to miscalculated product costs in group valuation. - Additional period-end closing activities required for group valuation ledger '0G': - o Actual Costing Run: If the Transfer Price functionality is implemented, activation of actual costing becomes mandatory. The revaluation on actuals program (transaction code: CKMLCP) needs to be executed in one run for all valuation areas where the multiple valuation is desired. - Potential data loss of group valuation data stored in group valuation ledger upon activation of UPA (refer to SAP incident 1997441/2024 for further details).	
Standardization	High	Medium	High	Low	For both decisions, option B will lead to a lower score in terms of standardization. While it leads to a lower process standardization for decision 1, option B will also require complex customization of SAP standard to deliver accurate results for integrated margin reporting which is the main reason for the low score of option B in decision 2.
Simplification & Operational Efficiency	Medium	High	High	Medium	Due to the additional (optional) period-end activities option A has a slightly less favorable score compared to option B for decision 1. For decision 2, the medium score for option B can be explained by the additional mandatory period-end activity for costing purposes and the potential need for additional reconciliation due to reporting inaccuracies.
Process Discipline & Ease of Reporting	High	Medium	High	Low	For decision 1, option B may foster the use of offline calculations and off-system reporting for local GAAP and tax accounting purposes which can lead to complications during audits. For decision 2, the low score is caused by the fact that accurate integrated margin and profit-in-stock reporting cannot be guaranteed in SAP standard and would require complex customization.

Future Compatibility					The low score on this evaluation criterion for option B in decision 1 is driven by the need for additional data migration activities should a non-leading ledger be required due to changes in accounting policies for countries without a local GAAP ledger. For decision 2, the low score of option B can be attributed to the lack of a migration path to UPA with a single valuation ledger setup. As per latest information received from SAP, this migration scenario is not supported currently and not foreseen to be enabled in the future (see incident 1997441/2024). The medium score for option A in decision 2 can be explained by the full use of all integrated currency types available in SAP standard in this option. Should there be a need for an additional integrated currency type in the future (not foreseen currently), customization of SAP standard may be required.
	High	Low	Medium	Low	

See also

Document
KDD - Transfer Pricing
KDD - Universal Parallel Accounting

File	Modified
PDF File KDD018 - GAAP Ledgers and Currency Types - Approval.pdf Approval	Apr 15, 2026 by CRESPIN-ext, Edouard
PDF File Single Valuation Ledger with 11 and 31 - Integration with Fixed Asset Accounting - Case 1197441_2024 - SAP For Me.pdf	Mar 26, 2026 by BECHTER-ext, Alex
Microsoft Powerpoint Presentation PoC Group Valuation Ledger for Fixed Asset Accounting.pptx	Mar 26, 2026 by BECHTER-ext, Alex
PDF File US listing - SyWay approach- shared.pdf	Mar 24, 2026 by WENNINGER-ext, Sascha
File KDD comments.eml Approval from HoF	Aug 23, 2024 by BECHTER-ext, Alex

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Change log

Version	Published	Changed By	Comment
CURRENT (v. 106)	Apr 13, 2026 00:50	BECHTER-ext, Alex	
v. 105	Apr 09, 2026 02:00	BECHTER-ext, Alex	
v. 104	Apr 09, 2026 01:48	BECHTER-ext, Alex	
v. 103	Apr 09, 2026 01:39	BECHTER-ext, Alex	
v. 102	Apr 09, 2026 01:19	BECHTER-ext, Alex	
v. 101	Apr 09, 2026 01:06	BECHTER-ext, Alex	
v. 100	Apr 09, 2026 00:45	BECHTER-ext, Alex	
v. 99	Apr 09, 2026 00:32	BECHTER-ext, Alex	
v. 98	Mar 26, 2026 11:02	WENNINGER-ext, Sascha	
v. 97	Mar 25, 2026 02:51	BECHTER-ext, Alex	

[Go to Page History](#)

Workflow history

This view shows the 5 most recent entries. The complete workflow log is available from the 'Document Activity' menu item.

Apr 15, 2026	Actor	Type	Activity	Version
Approved	WENNINGER-ext, Sascha	State	changed state to Approved at 11:34 am	v106
Pending SteerCo Review	WENNINGER-ext, Sascha	State	gave <i>Final Approval</i> approval at 11:34 am Approval attached	
		State	changed expiry date to '29 Apr, 2026 11:34 am' at 11:34 am	
		State	changed state to Pending SteerCo Review at 11:34 am	v106
Pending Stakeholder Review	WENNINGER-ext, Sascha	State	gave <i>Stakeholder Review</i> approval at 11:34 am Approval attached	
		State	changed expiry date to '22 Apr, 2026 11:33 am' at 11:33 am	
		State	changed state to Pending Stakeholder Review at 11:33 am	v106
Edited following DA Endorsement	WENNINGER-ext, Sascha	State	gave <i>Minor change</i> approval at 11:33 am Updated following feedback from Chris Davis	
From Apr 09, 2026 to Apr 13, 2026				
	 BECHTER-ext, Alex	Edit	updated the page at 12:45 am	