

KDD013 - Intercompany Reconciliation in S/4HANA

Status	Approved
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Issue

Syensqo is currently using a SaaS application named 'CCH Tagetik' provided by Wolters Kluwer for Intercompany (I/C) reconciliations carried out as part of the local and group period-end closing activities. The application has also been integrated into the current consolidation system used at Syensqo through custom API developments to provide data feeds for easy reconciliation and faster group closes.

In S/4 HANA, an upgraded and modernised version of the classic Intercompany reconciliation tool available in ECC systems (classic ICR) has been introduced under the product name 'Intercompany Matching and Reconciliation' or in short ICMR. It has a lot of benefits compared to its predecessor with view to ease of use, automation and integration capabilities with other SAP products to speed up Financial closing activities so this KDD is meant to outlay and evaluate possible deployment options for ICMR at Syensqo.

Recommendation

It is recommended to **deploy the new Intercompany Matching and Reconciliation (ICMR) function in S/4HANA at a later stage in the transformation program together with the new Consolidation system** to capitalize on its full capabilities through its native integration with Group Reporting in S/4HANA. This is labelled as **Option B** below. Please also refer to the respective **KDD** on the deployment approach for consolidation. Furthermore, it allows the relatively new product ICMR to further mature which reduces the risk of higher maintenance efforts and costs in the beginning due to product bugs and limitations in less mature SAP products.

While the new ICMR tool in S/4 HANA brings about substantial benefits for managing the I/C reconciliation process at period-end compared to the classic special ledger solution previously available in SAP ECC systems, ICMR is only able to play out its full potential of technical and business benefits once all operational entities have started using S/4HANA.

While some cost savings could be reaped from an immediate replacement of the current 'CCH Tagetik' solution by way of licensing reduction, additional customization would be required to integrate the ICMR tool with the existing diverse SAP landscape upstream for local closing activities and down-stream for group closing activities under the assumption that the current degree of automation of the respective process designs should not be decreased in S/4HANA.

Background & Context

ICMR is a newly developed and advanced tool introduced in S/4 HANA designed to facilitate and speed up Financial closing processes. It comes with the following features and functionalities out of the box and as part of the core Finance S/4 HANA licensing package at no additional cost:

- Built into SAP S/4HANA for Finance
- Transactional-level matching and real-time reconciliation
- Automatic discrepancy resolving
- In-app communication and workflows
- Flexible modeling based on various organizational dimensions, such as company, profit center, and consolidation unit.
- High performance in matching and reconciliation
- Intercompany elimination integrated with SAP Group Reporting on S/4 HANA

Additionally, it provides machine-learning capabilities to increase the rate of automated matching and discrepancy resolution, but this add-on is considered an advanced feature of the tool which requires additional licensing.

It also seamlessly integrates with Group Reporting as a consolidation tool in S/4 HANA and can support the consolidation process such as I/C eliminations through automated flows of data and information across the various modules and teams involved in the entity and group closes.

Compared to its predecessor in ECC, the ICMR tool in S/4 HANA has the following capability upgrade and business benefits:

Category	Items	Classic ICR	ICMR in S/4HANA	Business Benefits with ICMR
Data Collection	Read data from other systems	- Via remote function call - File upload - SLT or via central finance	- Data import API - File upload - Remote Data Source - SLT or via central finance - Group Reporting data collection	
	Read data from local system (where the ICMR is located)	- Accounting Journal data	- Accounting Journal data - Group Reporting Journal data	- Real-time data reading without ETL

	Scope of Data Selection	- Open items - Delta data balance items by leveraging special ledger tech.	- Filters defined flexibly by users - Delta data reading	- Full information for I/C reconciliation with high performance.
	Reconciliation Scope Definition	- Self-defined in three categories according to account categories (subledger, open items, balance items)	- User-defined filters, not limited to three data categories	- Reconciliation scope can be defined flexibly and can follow the nature of the business.
	Use Cases and Aggregation Levels	- Company-level reconciliation - Profit Center reconciliation	- Company level, Profit Center level, Consolidation Unit level and Matrix reconciliation	- One tool for various use cases and aggregation levels.
Process	Documents Matching	- Documents matching with matching rules defined at line item or aggregated level.	- Documents matching with powerful matching rules defined at line item or aggregated level. - Machine Learning-based matching (extra license required) - Matching rules plus exception detection rules - Matching criteria displayed on each grouped document	- Business user-oriented rule editing - Higher transparency - High performance - More powerful to improve the level of automation
	Communications	- Email, notes	- Email, notes, notification	
	Automatic Corrections		- Automatically trigger correction posting; workflow-enabled	Improved automation and posting control
	Reconciliation	- Reconciliation report - Open/Close reconciliation period	- Reconciliation status overview - Reconciliation statement - Reconciliation balance report - Approval Workflows	- Improved process governance - Overview to detail drill down analytics
	Elimination		- Generate elimination postings with detailed difference information	- Improved automation and transparency
Performance		- Mainly handled by ABAP programs	- Leverages the HANA in-memory parallel processing to achieve high performance on matching items (1 million matchings in less than 1 minute).	- High performance
User Experience		- GUI	- Fiori	- Modern UI with mobile device supportability

Assumptions

- S/4 HANA will be implemented adopting a phased go-live approach with Syensqo entities operating in S/4 and ECC simultaneously in the interim.
- This KDD assumes SAP Group Reporting will be used as to-be consolidation system in S/4HANA, however this decision is yet to be finalised and is managed separately.

Constraints

- Should the deployment approach change and all operational Syensqo entities go-live at the same time in S/4HANA, the recommendation put forth as part of this KDD needs to be revisited.
- Should the deployment approach for the consolidation software in the to-be solution in S/4HANA change or in case the chosen consolidation software for the to-be solutions is a non-SAP product, the recommendation put forth in this KDD may need to be revisited.
- ICMR is able to source data from SAP Central Finance. Should the project consider to use Central Finance as the main S/4HANA system for the initial deployment, the recommendation in this document may need to be revisited.

Impacts

- Infrastructure/Basis: Application 'CCH Tagetik' to be retained for initial go-live phase of transformation program.
- Security: No impact.
- Technical/ABAP: Integration and interfaces between 'CCH Tagetik' and SAP systems needs to be managed. Most likely there will be multiple SAP systems in the beginning which will be a mix of S/4 and ECC systems.
- Data Migration: No impact.
- Data Cleansing: No impact.

Business Rules

- None identified in the conceptual design phase. This section may be further updated during the detailed design phase when processes are further fine-tuned.

Options considered

Option A: Immediate Deployment of ICMR in S/4 HANA

The main idea in this option is to deploy ICMR immediately as part of the initial go-live of S/4 HANA.

Keeping the currently envisioned phased go-live approach for the S/4 HANA transformation program in mind, it is rather unlikely that all Syensqo entities will start operating on S/4 HANA systems at the same time.

One of the main drawbacks of the current ICMR solution in S/4 HANA is that it requires all entities participating in the I/C reconciliations to be running on S/4 HANA and ideally in the same instance as it cannot source data from satellite systems via remote functional calls like its predecessor in ECC. There are APIs and direct file upload functionalities available but that would lead to additional customization and/or manual efforts for the business to load periodic data from the respective source system which is not desirable.

The current solution 'CCH Tagetik' is able to source and process transactional data from multiple source systems through API technologies that were implemented over the years.

Regarding the integration with downstream consolidation system, ICMR doesn't natively integrate with the currently used consolidation software SAP BFC. Should an automated data flow between the two systems be required to support group close activities, additional customization would be required.

While 'CCH Tagetik' also doesn't natively integrate with SAP BFC, interfaces have been developed that feed the necessary data into the consolidation engine to support group close activities.

B: Deferred Deployment of ICMR in S/4 HANA (together with new Consolidation system)

In this option, the deployment of the ICMR solution in S/4 HANA will be carried out at a later stage in the transformation program together with the implementation of a new Consolidation system.

As the current plan for the deployment of a new consolidation system for Syensqo foresees a deferred deployment towards the final phases of the S/4 HANA transformation program once all operational entities have been onboarded to S/4 HANA, the deployment of ICMR in S/4 HANA would follow this timeline for the following reasons:

1. ICMR can be used as I/C reconciliation tool **without further customization or manual loading activities** for local closes as transactional data for all operational S/4 HANA entities can be sourced directly and in real-time from the underlying database tables in S/4 HANA.
2. ICMR provides **real-time and native data feeds into Group Reporting** where the information can be used to facilitate and speed up group close activities, e.g. I/C eliminations.
3. **No disruptions** to current business processes and closing activities as existing interfaces between Tagetik and SAP BFC would be phased out simultaneously.

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, some cost considerations and how each option scores with view to the below three key pillars of the overarching project principles:

- **Standardisation:** SAP Standard and best practices with harmonized and standardized business processes out of a single system are the preferred solution in S/4 HANA.
- **Simplification:** The solution design should be intuitive and easy to follow for end-users leading to higher adoption of the proposed to-be solutions.
- **Future-Proof:** The to-be solution needs to be future-proof and should strive to be in line with target designs from SAP in S/4 HANA.

Pros & Cons / Project Principles	Weighting (points)	Option A - Immediate Deployment of ICMR in S/4 HANA	Option B - Deferred Deployment of ICMR in S/4 HANA	Remarks

Pros & Cons		<ul style="list-style-type: none"> + License Costs: ICMR is a SAP standard out-of-the box tool in S/4 HANA that does not require additional licenses while the current tool for I/C reconciliation 'CCH Tagetik' is a chargeable SaaS application service. - Additional customization would be required to integrate ICMR with the current consolidation software SAP BFC to support group close activities such as I/C eliminations. - Product is new in S/4 HANA and hasn't fully matured yet. - Extensive training and change management required for an activity which is less critical for local closes. - ICMR requires data to be readily available in S/4 HANA. With a phased go-live approach, this would require either additional customization to connect ICMR with the old ECC systems for data extractions, transformations and loads into S/4 HANA or alternatively manual uploads from the business at period-end which can be a time-consuming exercise. 	<ul style="list-style-type: none"> + No customization required to deploy ICMR as all operational entities participating in the I/C reconciliation process are running on S/4 HANA. ICMR integrates natively with Group Reporting as consolidation engine in S/4 HANA. + No disruptions to current ways of working for business users. + Deferred deployment gives product time to further mature and add capabilities. + Change impact and training can be deferred to later stage of project once core functionalities have stabilised. - Additional license costs for continued use of CCH Tagetik as interim I/C reconciliation tool at Syensqo. 	
Costs	3	Medium	Low	The 'Medium' score for option A can be explained by the additional costs required to establish an interface with SAP BFC and the less mature state of the product which could lead to higher maintenance costs. The 'Low' rating for option B is due to the additional license costs that need to be incurred in the interim for continued usage of CCH Tagetik.
Standardisation	2	Medium	High	The 'Medium' score for option A can be explained by the lacking integration of ICMR with the current consolidation tool SAP BFC. Data connector between S/4 and CCH Tagetik provided by Tagetik. Business Process for I/C reconciliation remains standardized across the group with option B while option A may bring some disparity for entities not yet operating in S/4 HANA.
Simplification	2	Low	High	The 'Low' score for option A is due to the need for manual uploads of I/C-relevant transactions to ICMR by the business users which makes this option least favorable from an automation/simplification perspective. This could be addressed by additional interfaces to be built between ECC and ICMR but that would impact the cost rating negatively.
Future-Proof	2	High	High	Both options score 'High' on this criterion as ICMR is the current target design of SAP in S/4 HANA for I/C reconciliations.

See also

File	Modified
File KDD013 - Intercompany Reconciliation in S4HANA - Business Endorsement.eml Approval Email from HoF	Aug 14, 2024 by BECHTER-ext, Alex

Change log

Version	Published	Changed By	Comment
CURRENT (v. 48)	Jul 25, 2024 08:56	WENNINGER-ext, Sascha	
v. 47	Jul 24, 2024 17:27	BECHTER-ext, Alex	
v. 46	Jul 24, 2024 17:04	BECHTER-ext, Alex	
v. 45	Jul 24, 2024 17:00	WENNINGER-ext, Sascha	

v. 44	Jul 24, 2024 13:19	WENNINGER-ext, Sascha	
v. 43	Jul 15, 2024 13:34	WENNINGER-ext, Sascha	
v. 42	Jul 15, 2024 13:32	WENNINGER-ext, Sascha	changed paragraph ordering in Recommendation section to put the conclusion first
v. 41	Jul 12, 2024 04:08	BECHTER-ext, Alex	
v. 40	Jul 12, 2024 04:06	BECHTER-ext, Alex	
v. 39	Jul 12, 2024 04:04	BECHTER-ext, Alex	




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

Aug 21, 2024	Actor	Type	Activity	Version
Approved	 FALL-ext, Cheikh	State	changed state to Approved at 11:26 am	v48
Pending SteerCo Review	 FALL-ext, Cheikh	State	gave <i>Final Approval</i> approval at 11:26 am	
		State	changed expiry date to '04 Sept, 2024 11:26 am' at 11:26 am	
		State	changed state to Pending SteerCo Review at 11:26 am	v48
Pending Stakeholder Review	 FALL-ext, Cheikh	State	gave <i>Stakeholder Review</i> approval at 11:26 am	
Jul 25, 2024				
	WENNINGER-ext, Sascha	Edit	updated the page at 8:56 am	
		State	changed expiry date to '01 Aug, 2024 06:57 am' at 6:57 am	
		State	changed state to Pending Stakeholder Review at 6:57 am	v48
Edited following DA Endorsement	WENNINGER-ext, Sascha	State	gave <i>Minor change</i> approval at 6:57 am	
			<i>aligned title</i>	