

# Agile Business – Finance

enabled by SAP S/4 HANA Finance



# Mastering real-time decision making

The world is changing and technology is changing even faster. New disruptive technologies, new market entrants, changing customer needs and behavior as well as exponentially growing data volumes create challenges for any business. Depending on the agility of your company these challenges can either be a threat – or an opportunity. New disruptive technologies can leverage innovative business ideas and support long-term goals within your enterprise. Those thinking outside the box will be the first to increase value.

Most businesses are lacking the necessary agility. In many companies the finance function – with cumbersome processes, non-integrated systems and a heterogeneous organization – is not up to this challenge. Finance needs to provide real business insights based on detailed data, real-time analytics and modeling capabilities. Technology can help the finance function work in a much more agile way allowing, for example, continuous planning or a near real time close at your fingertips.

## CFO key challenges

- ▶ Lack of business transparency
- ▶ High cost of ownership in finance and audit
- ▶ Complexity of data and closing processes
- ▶ Long lag times in critical business information requests
- ▶ Time-consuming consolidation processes
- ▶ Ineffective or misaligned late controls
- ▶ Limited anticipation of business risks
- ▶ Reporting complexity
- ▶ Poor data quality in planning processes
- ▶ Lack of finance organizational flexibility



## Agile Business – Finance desired outcome

- ▶ Real-time information
- ▶ Fewer controls
- ▶ Improved foresight of risks and opportunities
- ▶ End-to-end view of financial transactions based on more data
- ▶ Reduced data redundancy and latency
- ▶ Fast processing of allocation and distribution cycles
- ▶ Optimized and simplified
- ▶ Faster reporting transactions
- ▶ Better transparency and planning processes
- ▶ Higher flexibility to shape finance roles and responsibilities

At EY, we understand the key challenges of your business. The complexity and run time on your closing process need to be reduced, ineffective or misaligned controls need to be improved, and financial process statuses must be fully traceable and visible, leading to fewer controls and more real-time information in order to anticipate business risks and opportunities.

Real-time reporting and analytics of financial data enables faster reaction times and better anticipation of risks. This is obvious for cash and working capital management but also for other areas along the value chain (procurement, sales and production), with more time spent on analysis and less on data preparation and crunching. More data items can be integrated for a wider, end-to-end view of your financial transactions, including modeling your M&A activities or competitor analysis to help avoiding custom churn.

## Agile Business – Finance



### Is Agile Business – Finance the best approach for all businesses in all industries at any time?

No. The benefits for your company depend on different factors and can be assessed in EY's maturity assessment. EY's maturity assessment on page 2 can show you exactly where and when Agile Business – Finance could make the difference for your company.

For companies that depend on simulating business results, have a lack of business transparency and a time-consuming and complex closing process, the investment in Agile Business – Finance can help keep up with competitors in this fast-paced business world.

## EY maturity assessment

If your answers appear on the right side of the tipping point, Agile Business – Finance could be the right investment for you at this moment in time.

### Complexity of the closing process



### System landscape complexity



### Lead time of the closing process



### In memory database



### Lack of business transparency (internal and external)



### Data complexity



### Cost of finance



### Ineffective or misaligned controls



### Audit costs



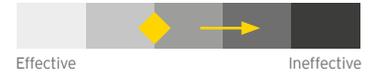
### Simulate business results



### Reaction time



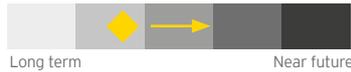
### Collaboration



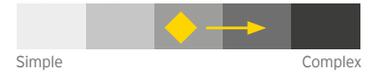
### Business risk



### Mobile



### Reporting



◆ Agile Business - Finance could make the difference at this moment in time.

We have developed a questionnaire to help you find your position on the maturity scale above. Together we can go through the assessment in order to define your status quo. The outcome of this maturity assessment is a heat map that can show the potential complexity and timing of your transformation and can form the basis for an individual business case and an implementation road map.

## Benefits for the CFO

The CFO and CIO together have an unprecedented opportunity to drive a holistic financial transformation. With the EY Agile Business – Finance approach based on S/4HANA Finance, we can help bring the CFO's finance vision closer to reality through changes to core finance applications and a "Purpose-Led Transformation" approach.\*

The question of a centralized or decentralized finance function can be answered in the spirit of the value creation – lack of data availability and transparency emerge as criteria in the background. This data availability in the highest granularity at any point in the company is the decisive advantage of S/4HANA Finance.

Timely preparation and evaluation of options help give you the confidence to do the right thing.

## Accounting

Transactional financial processing can become much more efficient. Important transactions can be accelerated, especially those that require a high level of coordination. Compliance and data integrity can become more reliable. Less complex structures lead to better results; fraud prevention and detection, nowadays a difficult task performed by specialists only, can be executed by the system (detective and preventive) by means of automated controls.

## Controlling

Controllers have access to real-time information and need to use this for immediate analyses for the business.

Real-time reporting and analysis of financial data can enable improved reaction times, especially for cash and working capital monitoring. Daily revenue and margin reporting, and frequent and dynamic P&L, including analyses down to the granular posting, is feasible.

\*With our Purpose-Led Transformation™ (PLT) service delivery method we can help translate your business purpose into actionable plans to bring change inside and outside of the organization. Purpose Activation is part of the Purpose-Led Transformation™ methodology, which is a 5-step cyclical process designed to sharpen and activate purpose throughout your organization with focus, agility and high engagement.

# Accelerating your finance processes

## Financial transaction processing

Reduce MRP run time on average by **50%** leading to better inventory planning, management and valuation\*

Reduce total overhead costs by up to **5%\***

## Financial analytics and management information

Achieve more than **90%** faster transfer of material ledger data\*

Achieve on average **100%** faster query response time\*

## Financial close

Reduce monthly processing times and resources on average by **50%\***

On average **75%-80%** faster financial close\*

### Individual transactions

- ▶ Accelerate transactions: many processes can be moved to daily or weekly processing, e.g., MRP runs, material valuation
- ▶ Leverage business cockpits for single point of access to all process-related data
- ▶ Embed real-time analytics (HANA Live) into critical transactions, e.g., list display of parked invoices, dunning and cost objects

### Batch or bulk transaction processing

- ▶ Leverage rules engine within HANA to automate bulk processing of certain transactions, e.g., vendor invoices, customer payments, bank statements and posting
- ▶ Faster batch transaction processing means many schedules can now be redesigned, saving time, e.g., overhead allocation

### Financial queries and reporting

- ▶ Move away from pre-built reports to real-time information, more time spent on analysis, less on data preparation and crunching
- ▶ More data items can be integrated for wider, end-to-end view of financial transactions
- ▶ Finance process statuses are now visible and traceable, leading to lesser controls and reduced risk

### Data warehousing

- ▶ Enable real-time data upload into BW for up-to-the-minute reporting and analysis
- ▶ HANA has radically simplified data warehouse architecture – quick and easy to change and enhance analytical capabilities and possibilities
- ▶ Significantly reduced systems operations and support costs

### AR/AP

- ▶ Real-time processing, e.g., GR/IR reconciliation becomes real-time
- ▶ Automated VAT and excise duty amount determination via HANA rules framework – more comprehensive and easy to maintain by business
- ▶ Open items can now be managed far more efficiently

### Asset accounting

- ▶ No posting run for asset stock value
- ▶ Faster depreciation run as depreciation is recalculated with the asset transaction or movement
- ▶ No recon between assets and G/L necessary

### Material ledger

- ▶ Real-time processing
- ▶ Daily material valuation, leading to better asset position visibility
- ▶ More accurate transfer pricing determination
- ▶ Reduce effort during period end

### Overhead allocations

- ▶ Fast processing of allocation and distribution cycles
- ▶ Becomes a daily activity
- ▶ Real-time reporting (no long-running batch jobs)
- ▶ Reconciliation ledger between FI and CO no longer necessary

### Profitability analysis

- ▶ Perform real-time profitability reporting on large data volumes
- ▶ Fast processing of cost allocation and distribution cycles
- ▶ Drill down to FI primary posting possible
- ▶ No reconciliation gap between FI and CO-PA (account-based CO-PA)

### Intercompany reconciliation

- ▶ Transfer pricing – real-time management or modeling of margins on intercompany sales using HANA rules framework
- ▶ Significantly reduced effort during period end
- ▶ Reconciliation reports on fly

### Consolidated tax disclosures

- ▶ Real-time calculation of tax provision and disclosures – faster close due to coterminous finance and tax figures and improved ETR visibility

\* Example results; your results may vary.

**Planning, consolidation and simulation**

Achieve on average **77%** faster planning and budget cycle times\*

Reduce planning run times by an average of **92%\***

**Planning and consolidation**

- ▶ Reduce planning cycles by processing with the built-in SAP HANA planning engine
- ▶ Simplify finance systems, transactions (SAP ERP), analysis (SAP BW) and integrated business planning (SAP BPC) by running from the same HANA platform (i.e., all reading same data sets, drastically reduced data movement and reconciliation efforts)

**Predictive and simulation**

- ▶ Use native predictive analytic libraries to spot trends and assess different business strategies
- ▶ Develop models to automate processes for greater efficiency, with built-in rule framework and job scheduler
- ▶ Process mathematical algorithms in-memory to simulate and predict future outcomes and risk

**Audit**

Started years ago with fraud detection and process mining applications on HANA

**Audit analytics**

- ▶ Approximately 30% of audit time goes into running various financial reports and queries.
- ▶ Financial data sets can be made available in single HANA platform (SAP S/4HANA or S/4HANA Finance), improving quality of reports and queries and run times.

**Tax**

Gain global visibility of cash flow improvement opportunities due to real-time analysis of supply chains and monitoring VAT

**Tax analytics**

- ▶ Real-time analysis of expenditure for corporate tax purposes using SAP HANA rules framework
- ▶ Indirect tax analytics: cash flow improvement due to real-time remediation of high-value VAT and excise duty errors, and global visibility of tax positions
- ▶ VAT and excise duty: global visibility of cash flow improvement opportunities due to real-time analysis of supply chains and monitoring VAT and excise duty errors
- ▶ VAT and excise duty: integrated transaction testing and exception reporting in support of the compliance process to identify tax determination and posting errors

**Treasury**

Group-wise cash positions zero-to-seven-days forecast, midterm liquidity plan and built-in variance analysis

**Cash management**

- ▶ New FIORI user interface with drill-down capabilities
- ▶ New central bank account management including overdraft limit analysis, bank risk analysis including signatory management and workflow capabilities
- ▶ Group-wise cash positions zero-to-seven-days forecast, midterm liquidity plan and built-in variance analysis
- ▶ Real-time and multidimensional cash flow analysis and liquidity forecasting integrated into logistic, FI and treasury processes
- ▶ Mobile app: "cash manager" Insight-to-Action KPI Cockpit 2.0
- ▶ Exposure hub

\* Example results; your results may vary.

The text in the light grey boxes is based on our experiences.

### The facts about new G/L

The new G/L is not a prerequisite for an implementation of SAP S/4HANA Finance.

If you are on the classic or new G/L, the implementation of SAP S/4HANA Finance is no issue. As part of the migration, classic G/L data is automatically transferred to the new data structures.

**S/4HANA Finance Accounting is more powerful than the New G/L in SAP ERP.**

It provides all the capabilities of the new G/L and improved capabilities for SAP HANA (e.g., no totals tables but universal journal).

**Migration to S/4HANA Finance Accounting**

- ▶ It can be executed at any period in time.
- ▶ Changes to the coding block are optional. External interfaces have been kept stable.

### Central Finance

With Central Finance, you can transition to SAP S/4HANA Finance while maintaining your current system landscape, which can be made up of a combination of SAP systems of different releases, accounting approaches and non-SAP systems.

Central Finance allows you to create a common reporting structure. To prepare for this common structure, we can support you to map your different accounting entities (for example, account, profit center or cost center) in your local systems to one common set of master data in the central system.

# Embarking on the technical journey

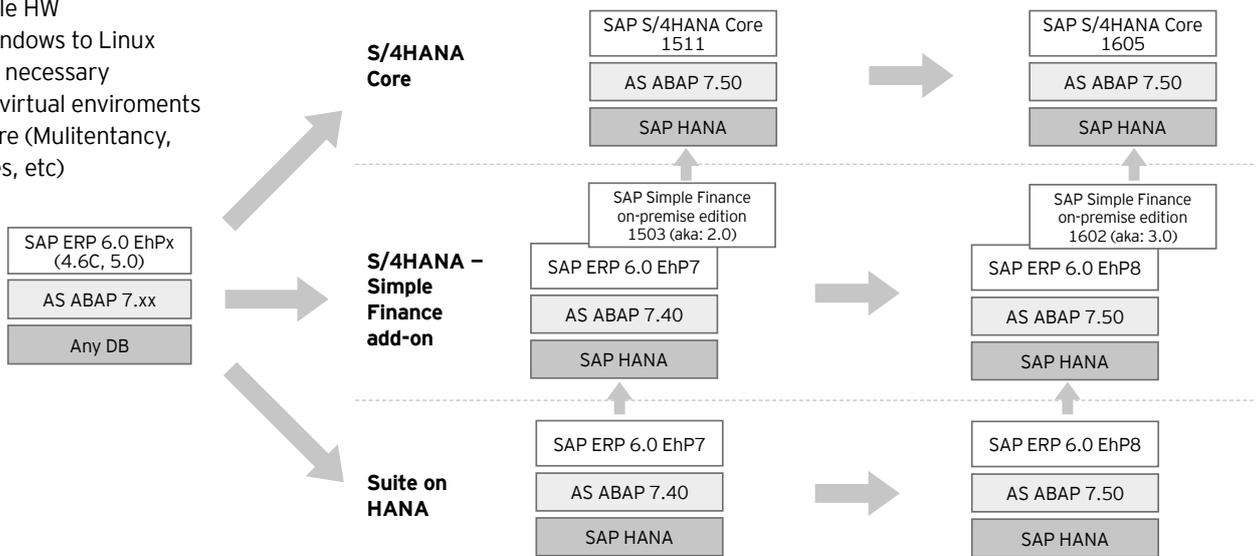
## The journey can start from many different points

The starting point of the journey to implement S/4HANA Finance will differ on the basis of your current SAP ECC environment.

However, a migration from your current database to HANA is required. Don't underestimate the effort and time it may take, whatever the state of your current environment is. It is key to have the right people to guide you through.

The following points should be considered to define the right technical journey:

- ▶ Industry solutions compatible
- ▶ HANA compatible HW
- ▶ Change from Windows to Linux database server necessary
- ▶ Use of HANA in virtual environments
- ▶ Basis architecture (Multitenancy, Backup Instances, etc)



## The data model makes the difference

### The advantages of SAP HANA

- ▶ It eliminates needless duplication and pre-computation of materialized views and aggregates as a physical storage of derived and redundant data in a database, and replaces them with non-materialized compatibility views.
- ▶ Redundancy is a frequent source of inconsistency and anomalies (e.g., difficulties keeping data in sync on updates and redundancies). In the past, it was often needed to improve read performance.
- ▶ The financials system changes to purely line-item-based S/4HANA Finance, which eliminates redundant financial data tables. Aggregation is completed flexibly, directly on the line items.

- ▶ In the end, the transactional data model of core financial accounting – besides master data – consists only of the essential accounting document header (table BKPF) and accounting document line item tables (table BSEG).

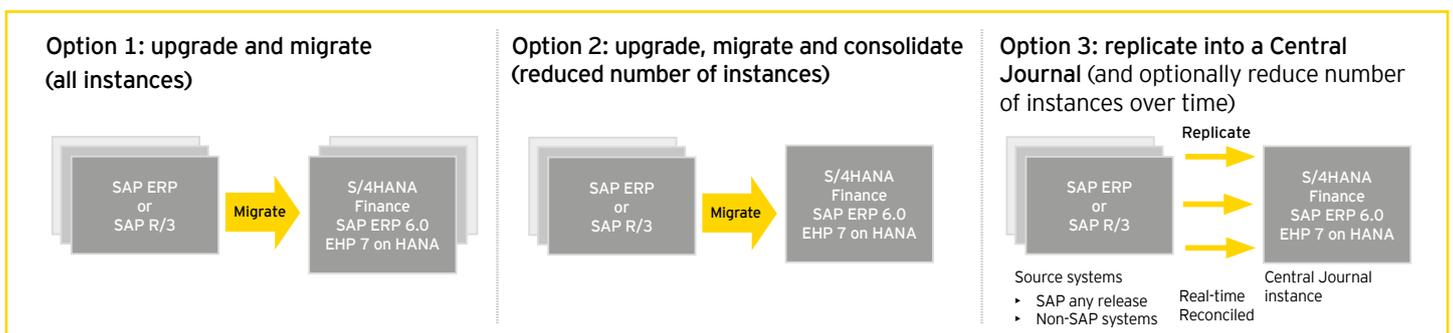
### Increase of transactional throughput

- ▶ Removing materialized views and aggregates to positively impact on the transactional throughput of the system.
- ▶ Posting on account document does not require inserting redundant duplicates in materialized views or updating totals.
- ▶ Improved user experience for both transactional and analytical tasks (using SAP Fiori).

### Reduction of database footprint

- ▶ Removing both materialized views and aggregates reduces the database footprint of financials, occupied by redundant data.
- ▶ Improves flexibility, which, for example, encourages exploring the data according to various analysis needs.

## Deployment and migration scenarios for S/4HANA Finance



# How we can help

Agile Business – Finance can be flexed to where you are in the process of your transformation journey.

Here are some examples of how we can support you:

- ▶ Conducting a feasibility study of the S/4HANA Finance solution
- ▶ Helping identify the potential of S/4HANA and the benefits of Agile Business – Finance based on the strengths and weaknesses of your finance functions or organization
- ▶ Helping to create a business case, including the cost benefits, business impact and implementation road map
- ▶ Evaluating your finance-related IT architecture and assessing how it can be simplified with S/4HANA

- ▶ Assessing time-critical business processes that could benefit from accelerated processing
- ▶ Providing proof of concept using a demo system and your data to show a real-life experience
- ▶ Implementing S/4HANA Finance

We always have in mind that the transformation must be manageable for the company, considering urgent objectives and quick wins, and delivering individual solutions not only for finance functions but also for the business.

## EY differentiators

### Our finance experience

- ▶ EY has in-depth finance knowledge, focusing holistically on finance process improvement and automation, cost reduction, risk mitigation, business analytics, organization management, treasury and tax enablement.

### Holistic approach

- ▶ We use EY processes and finance operating model know-how to assess the impact on your finance organization and support the organizational change throughout deployment.
- ▶ Assessment of current financial system complexity, current challenges and system landscape's adaptation readiness.
- ▶ Alignment of client strategy with technology deployment road map.

### Our SAP knowledge and relationship



- ▶ The well-established and successful relationship between SAP and EY is proven by numerous projects and close collaboration over several years.
- ▶ EY is an SAP global partner with more than 5,200 advisory SAP professionals in EY member firms around the world.

### Additions on top of the S/4HANA services

- ▶ With our TAX provisions and planning we offer a full service.
- ▶ EY IFRS15 and SAP RAR (Revenue Accounting Reporting) professionals can help bring you in line with IFRS15 requirements.

### Our industry focus

- ▶ Our deep industry knowledge helps you identify and solve problems and address challenges.

### Do it once, do it right

- ▶ Whenever we engage with clients, we work in close cooperation with their internal resources. This means that decisions will be fully governed making later maintenance and adjustments much easier.
- ▶ Our teams guide clients through a highly challenging journey. We work to help you do it right the first time.

# Contacts

## IT Advisory



**Mitch S Paul**  
Americas  
Office: +1 213 977 3743  
mitch.paull@ey.com



**Graham Storm**  
APAC  
Office: +656 309 6368  
graham.storm@sg.ey.com



**Ingmar Christiaens**  
EMEIA  
Mobile: +32 498 353 755  
ingmar.christiaens@be.ey.com



**Suzanne Roelofs**  
EMEIA Agile Business – Finance Coordinator  
Mobile: +31 6 21252546  
suzanne.roelofs@nl.ey.com

## Finance



**Tony Klimas**  
Global  
Office: +1 212 773 5949  
tony.klimas@ey.com



**Thomas Cucuzza**  
Americas  
Office: +1 313 628 8950  
thomas.cucuzza@ey.com



**Paul Mitchell**  
APAC  
Office: +61 417 945 564  
paul.mitchell@au.ey.com



**Christian Mertin**  
EMEIA  
Mobile: +49 160 939 13590  
christian.mertin@de.ey.com

EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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