ESPRESSO TUTORIALS

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First Steps in SAP® Business One

- Foundations of SAP Business One
- Key processes for procurement, inventory, production and sales
- Tips for navigating the system
- Reporting guidance and best practices

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2 First principles

We now know what SAP Business One is and how it evolved. We know its blueprint and how it interacts with other SAP and non-SAP products, and we know about the powerful tools available for integration and bespoke development. We know where it is sold and how, and we also know about maintenance. Let's now see how it works and what it can do for you.

2.1 How SAP Business One works

SAP Business One is the complete solution necessary to run most types of businesses. It has a full finance and accounting package, transparent transactions, full inventory and procuring controls, and caters for sales commissions, accurate gross profit and cash flow reporting; it is so intuitive that end-user training is quick and uncomplicated.

The application can be divided into roughly four parts:

- **Master Data**, such as **Business Partners** and **Items** for sale
- Transactions, with business partners or internal
- Reporting and analysis
- Integration with extensions and/or other systems

Transactions depend on the master data they are associated with and reporting/analysis depends, in turn, on the transactions. Everything is interlinked and therefore easily accessible.

The pillars of SAP Business One are the master data sets. *Master Data* is more or less static data that is pulled during transactions. In SAP Business One, we can consider four types of data as master data:

- Chart of accounts
- Business partners
- Inventory items
- Users

2.1.1 Chart of Accounts

Every localized version of SAP Business One comes with at least one pre-defined chart of accounts, which has been identified as a popular choice in that country. In some countries, it is common to have segmented accounts, which are delivered as well.

While it is not mandatory to adopt the preloaded chart of accounts, it makes G/L account determination of the default accounts very easy because the application automatically proposes them. When you choose to either manually create or import a legacy chart of accounts, then the G/L account determination also has to be done manually.

An example of the predefined Chart of Accounts in the US Demo Database can be seen in Figure 2.1.

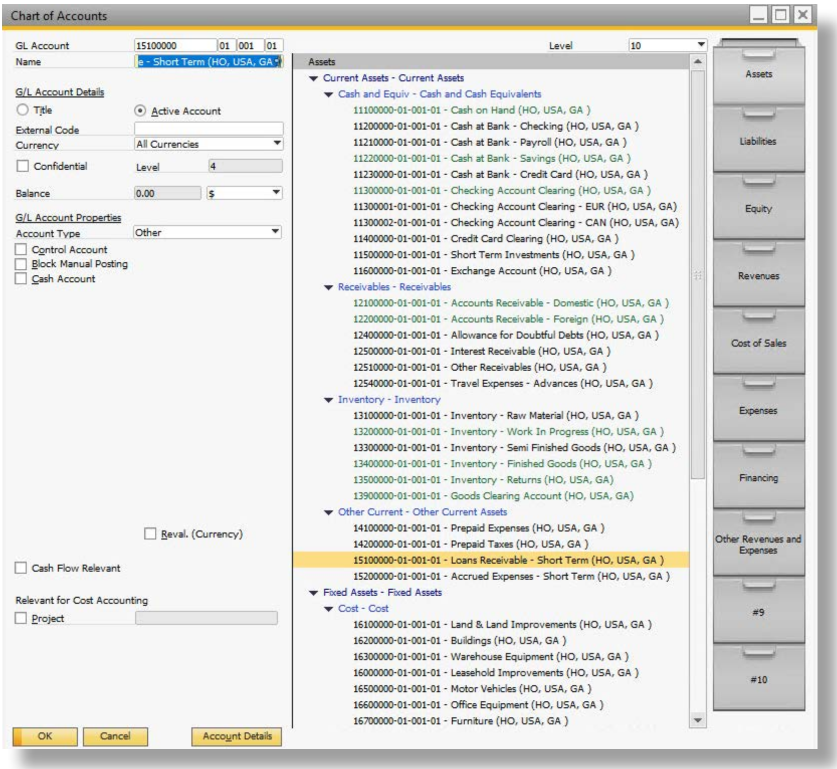

Figure 2.1: US Chart of Accounts

The accounts are segmented, as is customary in the US. The drawers on the right neatly package the chart of accounts into its logical components and there are also two empty drawers (#9 and #10), which accountants can use for customized or industry-specific accounting. The chart is organized hierarchically and according to GAAP (generally accepted accounting principles).

A maximum of 10 levels of accounts can be defined, where Level 1 is already taken up by the drawer titles. Level 10 cannot have title accounts, only active ones. In the screenshot above (Figure 2.1), you will note that some accounts appear fainter than others. This is because in the application, different types of accounts are displayed in different colors.

Some **Title Accounts** are on Level 2. In the above example, these are displayed in dark blue script (Current Assets—Current Assets and Fixed Assets—Fixed Assets) and the account titles in the level below are displayed as lighter blue. Title accounts can easily be identified by color or, even easier, by the drop-down triangle beside the name, as long as they have a higher level title or active accounts.

Active accounts are displayed in black.

The accounts in green are used in G/L account determination, meaning these accounts are mapped to be used automatically when creating transactions. You can select to block manual journal entries to these accounts, thereby safeguarding the integrity of automatic postings.

In the predefined chart of accounts in the US localization, Level 4 is the highest. Accountants can also add more accounts and define more levels.

When you click or tap on a field or object in SAP Business One, you activate it and gain access to whatever it is linked to. When you are actively engaged with a table, object or menu, we say you are *standing on* it.

So, while standing on an account, some account details are displayed on the left side—vital information such as the account currency, balance in that currency and some of its properties. Note that an account can be held in a definitive currency or can be used for all currencies. A single-currency account can always be converted to a multi-currency account, but not vice versa. You cannot make any postings to an account where the currencies don't match, unless it is a multi-currency account. These accounts are held in local currency.

Here, it is possible to assign an account to be relevant to either sales or expenditure, a selection that is already suggested for active accounts in the Revenues (sales) and Expenses (expenditure) drawers. These pre-selected choices are not binding and can be changed by the authorized user, generally the accountant. These assignments become relevant in reporting.

There are also several checkboxes available for accountants to make further choices; they may, for example, want to block manual postings to accounts other than the defined control accounts, or restrict the display of an account by electing it to be confidential payroll information or existing credits. An account marked Confidential is only visible to persons who have the authorization to view confidential accounts.

Accounts can also be marked as Cash Account; these accounts are also automatically selected to be relevant to the cash flow. The setting can be changed as long as there are no transactions on the account.

The Reval. (Currency) checkbox is for companies where the local currency differs from the account currency. When you select this checkbox, a report showing conversion differences, as well as automatic difference reconciliations, can be produced.

Accounts can be associated with a project and/or cost accounting, allowing for comprehensive reporting.

By clicking on the Account Details button, you drill down into the account to view all information about it (see Figure 2.2).

You can give it a Foreign Name, assign a Code for Exporting, and define a Default Tax Posting Account, Tax Code and two categories.

The first Category is based on the position of the account within the chart; assets, liabilities and equity accounts are automatically assigned to the **Balance Sheet** category. The accounts in the other drawers are categorized as belonging to **Profit and Loss**. However, this classification can be changed.

The other two main categories are **Trial Balance** and **Others**. In the standard US Chart of Accounts these have to be defined by the accountant. Subcategories also need to be defined manually in the US.

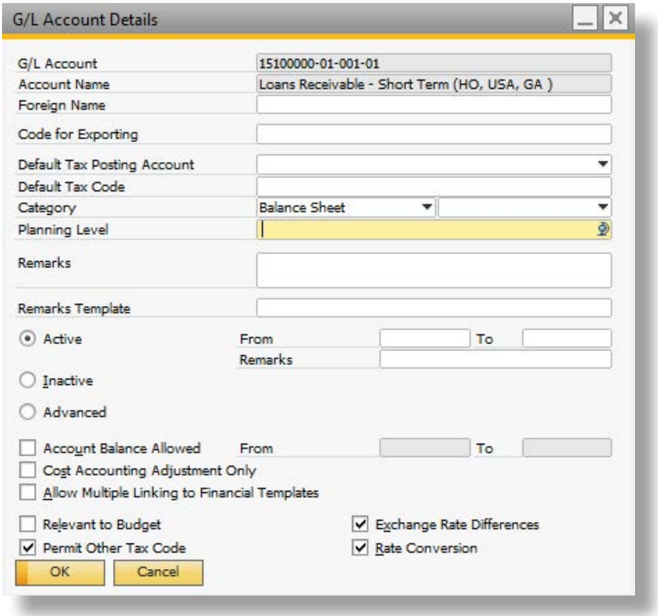

Figure 2.2: G/L Account Details window

Often in SAP Business One, fields are added to fulfil a legal obligation in a certain country. The codeline is the same for all countries, therefore these fields can be easily exposed for other localizations as well, particularly if the functionality is useful.

In this case, the subcategories could be used for customized reporting using **Crystal Reports**.

The situation is similar to the Planning Level field, shown in the image above. This field is specifically designed to interact with the B1iSN Liquidity Forecasting integration scenario. As previously mentioned, SAP Business One is easily integrated and readily adapts to data exchange with other systems. The headquarters of a large multinational might use SAP ERP, and small field offices might use SAP Business One. Using the Planning Level field, the SAP Business One data can provide source data for the overall liquidity report in SAP ERP.

In the Remarks field, free text can be entered. This is not to be confused with the Remarks Template field, which has a direct impact on any journal

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