

Parallel Currency Activation & Conversion

Changing parallel currencies in the live SAP system is difficult. This white paper helps explain how to carefully approach Parallel currency activation and conversion. Activation requires conversion of existing financials transactions, and those conversions should be considered as a separate initiative, involving detailed analysis and complex data conversion.

Background

Many users of SAP are multi-national enterprises that undertake transactions in a multitude of currencies. At month end, these transactions need to be consolidated to provide a global view of the enterprise's performance. A key part of this is the conversion of transactions into a single enterprise wide currency, e.g. for a U.S. company it would be USD, while for a European enterprise it would be EUR. This enterprise wide currency is referred to as the Group Currency (GC) in SAP.

To optimize the month end closing process enterprises, try to perform as much of the required preparation in advance to minimize the work load during the critical close period. The same approach can be taken to converting transaction values to Group Currency (GC), rather than converting at month end the values can be calculated as each transaction is posted.

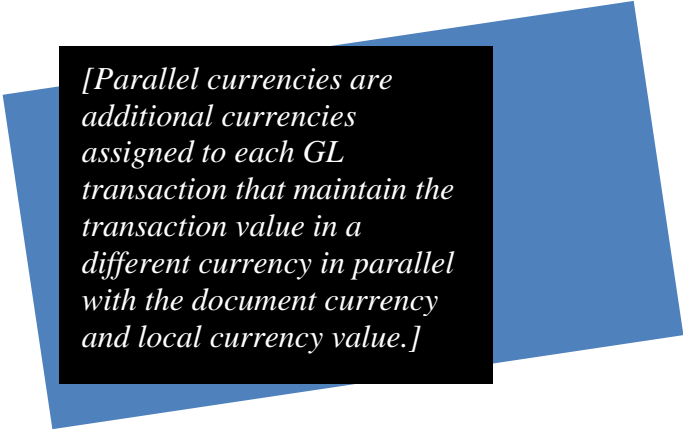
In this article I will show you how to gain the benefits of Group Currency in your SAP system and describe how to avoid some of the pitfalls of activating Group Currency without the appropriate preparation.

Parallel Currencies

In General Ledger, the system stores the currency values in Document Currency (DC) and Local Currency (LC). Note that Document Currency is also known as Transaction Currency, as it related to a particular transaction and Local Currency is also termed as Company Code Currency, as the local currency defined for the given company code.

Parallel currencies are additional currencies assigned to each GL transaction that maintain the transaction value in a different currency in parallel with the document currency and local currency value.

In addition to Local Currency, SAP lets you define up to two additional Local Currencies (aka parallel currencies or LC2 and LC3) in the General Ledger. Typically, additional parallel currencies are configured for enterprises with operations across the globe, e.g. a U.S. enterprise with operations across North America, Europe, and Asia may set the first parallel currency as the corporate Group Currency. Setting Group Currency as the first parallel currency is the most common configuration, as evidenced by the sample configuration in the SAP IDES system.



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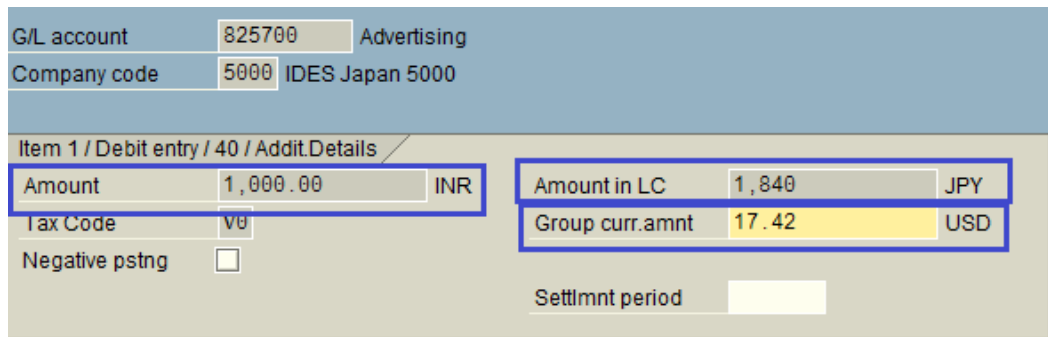
Benefits of Group Currency Activation

Before going to the detailed configuration and possible solutions for Group Currency activation, let me explain the benefits of parallel currencies and then show an example of why a company may not have initially configured Group Currency at go-live.

The major benefit of having consistent Group Currency (GC) configuration is that all company codes and transactions can be reported on quickly in the common currency of the enterprise; this allows quick preparation of consolidated accounts without performing additional currency conversions and allows analysts to get a value basis for a transaction posted in an unfamiliar currency. Group Currency (GC) configuration also assists an enterprise in meeting accounting standards, e.g. US FASB 52 requirements for foreign currency reporting.

Going forward, SAP's standard financial solution will be based on SAP General Ledger (aka New G/L). For that, the customers may need to migrate classic G/L data to SAP General Ledger. Migrating to New G/L will require consistent currencies setup in the source Ledgers, such as Classic G/L. For the new G/L to have consistent currency types, the Classic G/L also must have consistent currency types.

In Figure 1, the financial document is stored with currencies as Document Currency 1,000.00 INR (DC), Local Currency 1,840 JPY (LC) and Group currency 17.42 USD (GC). The financial analysts can quickly see the Group Currency value of the transaction.



G/L account	825700	Advertising
Company code	5000	IDES Japan 5000
Item 1 / Debit entry / 40 / Addit.Details		
Amount	1,000.00	INR
Tax Code	V0	
Negative pstng	<input type="checkbox"/>	
Amount in LC	1,840	JPY
Group curr.amnt	17.42	USD
Settlmnt period		

Figure 1: Currency Amounts for an FI Document with Parallel Currency (Group Currency) Active

Initial Setup of Parallel Currencies

Strictly speaking, configuration of the Parallel currencies or Group Currency is optional – it is not mandatory.

Many customers who started with small scale operations, say in the U.S. only, could have legal entities with LC as USD. In the following example, I will show you a client I was called to assist; let's call them ABC Corp. When ABC Corp. initially went live with SAP, they decided Group Currency was redundant and accordingly, did not set up the GC configuration. The detailed configuration will be shown later in Figure 3. The currencies for these company codes were configured as shown in Table 2.

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Company code	Local Currency	Group Currency	Remarks
0001	USD	-	GC deemed to be not required as GC = LC
0002	USD	-	GC deemed to be not required as GC = LC
0003	USD	-	GC deemed to be not required as GC = LC

Table 2: Initial Currencies Settings for ABC Corp.

Now, over a period of time, the business expanded and the operations were expanded to Canada; accordingly, a new legal entity of 0004, ABC Corp (Canada), with LC as CAD was created. Now, since the operations are across different Local Currencies, it was deemed necessary to have Group Currency. Therefore, Group Currency was set as USD as shown in Table 3.

Company code	Local Currency	Group Currency	Remarks
0001	USD	-	GC deemed to be not required as GC = LC
0002	USD	-	GC deemed to be not required as GC = LC
0003	USD	-	GC deemed to be not required as GC = LC
0004	CAD	USD	

Table 3: Currencies Settings for ABC Corp after international Expansion

Let's refer to Table 3 for sample company codes within a global enterprise. The Company codes 0001, 0002 and 0003 have the LC "USD", which is same as GC "USD". So, it was common to have the GC set as blank.

Consistent Parallel Currencies

Although not setting the GC for these company codes did not cause an adverse impact on day-to-day transaction processing in the SAP ECC system, it is recommended that you set the GC for all the company codes consistently as shown in Table 4. As we discussed earlier, there are several benefits from activation Group Currency, e.g. consistent group reporting within classic G/L.

Company code	Local Currency	Group Currency	Remarks
0001	USD	USD	Best Practice for consistent GC reporting
0002	USD	USD	Best Practice for consistent GC reporting
0003	USD	USD	Best Practice for consistent GC reporting
0004	CAD	USD	Best Practice for consistent GC reporting

Table 4: Best Practices for Parallel Currencies

Also various other workarounds were available for ABC Corp to have a consolidated group reporting. These workarounds, e.g. BI reporting, Special Purpose Ledger (SPL or FI-SL), third-party consolidations or separate consolidations, etc., made it possible to have consolidated group reporting, even though group currency amounts were not available consistently for all the company codes in the classic G/L.

However, using one of the workarounds mentioned previously will detract from the many benefits of using SAP GL and having one source of reporting will add to business costs as additional systems need to be maintained, and slow the close process.

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Don't Turn on Parallel Currencies Once the System is Live

Now, realizing that the company codes 0001, 0002 and 0003 were not set up for the GC, you may think that all you need to do is update the company code configuration to include GC for these company codes that are already productive.

Please be extremely careful changing the parallel currencies in the live SAP system. You may find yourself with more problems than you started with!

Simply do not turn on the Group Currency (GC) in the productive SAP environment. It is very critical to understand that the existing financials transactions, which are already posted in the system, are NOT updated with the GC amounts.

Activating the parallel currencies once the system is live could cause serious system problems, and often the cost of correcting these problems is greater than the cost of investing in the correct activation approach. For example, activating the GC incorrectly could create issues with clearing transactions, e.g. F-03, F-28, F-44. Table 4 illustrates what occurs when the clearing transactions will not work correctly.

Document # 10000 was posted when the GC was not set. The GC Amt column is blank accordingly. Similar document #20000 was posted when the GC was set. Now, these documents cannot be cleared, as the system checks for zero balance for all the currency types.

Document	LC Amt USD	GC Amt USD	Remarks
10000	123.45		Document posted without GC amounts
20000	-123.45	-123.45	Document posted with GC amounts

Table 4: Sample Documents Post with the GC Setting

Currency Types

The currency types are assigned currency types codes internally by SAP; these codes are sometimes used in customizing, e.g. OB22 (see Figure 2), and are always used when viewing raw table data using SE16, SE16N & SE17, e.g. Document Currency is "00", Local Currency is "10". Table 5 shows the currency types available in the SAP system. It's not critical to know these values, but they come in useful when trouble shooting.

Currency Type	Description
00	Document currency
10	Company code currency
20	Controlling area currency
30	Group currency
40	Hard currency
50	Index-based currency
60	Global company currency
70	Controlling object currency
80	Ledger currency
90	Profit center currency
A0	Financial management area currency
B0	CO-PA Operating concern currency
C0	Consolidation unit currency

Table 5: Sample Currency Types

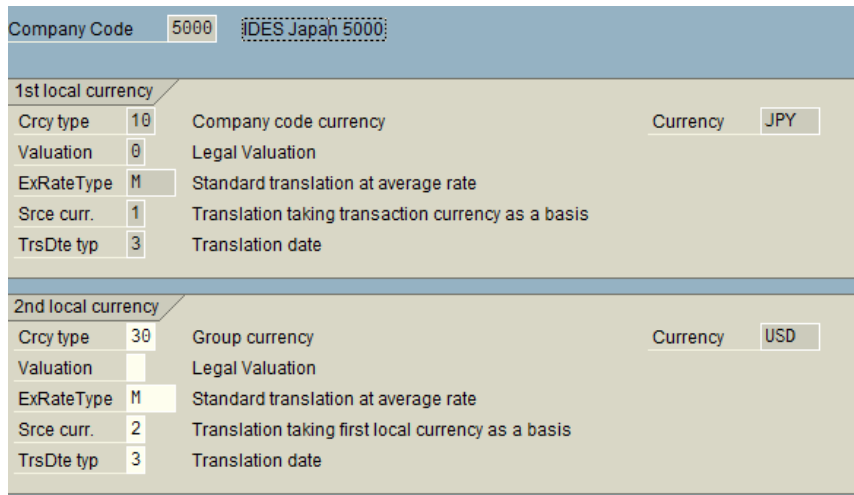
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Configuration

Parallel currencies are configured at a company code level using transaction-code OB22. You can use various different currency types as parallel currencies.

Note: Since it is very common to set the second parallel local currency to be the Group currency (GC), this configuration is also widely known as Group Currency (GC) configuration.

Figure 2 shows a sample company code “5000” based in Japan, with company code currency being “JPY” and corporate group currency set as “USD”. For this company code, if the financial document is posted in “INR” currency, system stores the amounts as shown in Figure 1.



Company Code		IDES Japan 5000	
1st local currency			
Crcy type	10	Company code currency	Currency JPY
Valuation	0	Legal Valuation	
ExRateType	M	Standard translation at average rate	
Srce curr.	1	Translation taking transaction currency as a basis	
TrsDte typ	3	Translation date	
2nd local currency			
Crcy type	30	Group currency	Currency USD
Valuation		Legal Valuation	
ExRateType	M	Standard translation at average rate	
Srce curr.	2	Translation taking first local currency as a basis	
TrsDte typ	3	Translation date	

Figure 2: Group Currency Set as Parallel Currency in OB22

Figure 3 is an example of an incorrectly configured company code in which Group Currency configuration is missing, as discussed in the earlier example of ABC Corp’s initial configuration.



Company Code		SAMPLE US Company Code	
1st local currency			
Crcy type	10	Company code currency	Currency USD
Valuation	0	Legal Valuation	
ExRateType	M	Standard translation at average rate	
Srce curr.	1	Translation taking transaction currency as a basis	
TrsDte typ	3	Translation date	
2nd local currency			
Crcy type			Currency
Valuation		Legal Valuation	
ExRateType			
Srce curr.			
TrsDte typ			
3rd local currency			
Crcy type			Currency
Valuation			
ExRateType			
Srce curr.			
TrsDte typ			

Figure 3: No Parallel Currencies Setup, Especially When GC Equaled LC in OB22

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Solutions Approach

There is no standard SAP solution to activate the parallel currencies in the productive SAP environment. SAP Note 39919 describes the critical points you'll have to consider when you intend to introduce parallel currencies in the live SAP system. As each customer configures the SAP system to suit their own needs and activates a range of Financial modules to meet their requirements, the solutions approach needs to be individually tailored for each customer.

In addition to very careful impact analysis of currencies to various processes, Group Currency Activation in the productive environment also requires conversion of existing Financials transactions. Typically, the GC conversion will require a specialized toolset. The toolset – a collection of customized programs – calculates and updates the posted financials transactions with the missing GC values.

One such sophisticated toolset is “SAP Data Re-organization Optimizer – SDRO”. The SDRO toolset manages the complete conversion with detailed step-by-step guide.

GC Activation - Approach

Considering the complexity and sensitivity associated, GC Activation and Conversion should be considered as a separate initiative requiring a specialized tool-set and skill-set. The phased approach illustrated in Figure 4 manages various detailed and inter-dependant steps required to during the activation project.

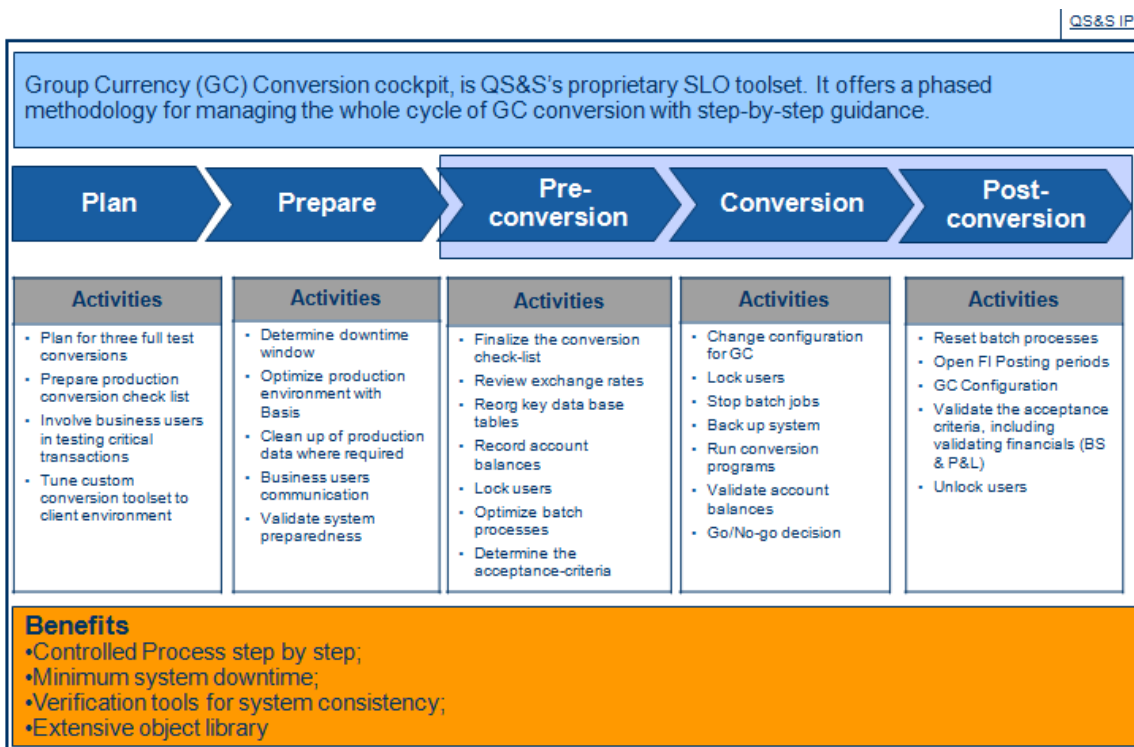


Figure 4: GC Conversion Cockpit Phased Approach

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SDRO – Solution Benefits

The SAP Data Re-organization Optimizer, SDRO, is a sophisticated and mature toolset that allows activation of Group Currency in a productive SAP environment. As we've reiterated throughout this paper, it is critical that a comprehensive approach is taken to Group Currency activation in a productive system to avoid major issues in your productive system.

In the earlier case of ABC Corp, they activated Group Currency in a simplistic manner and had clearing issues in their production system which they had to resolve by removing the GC configuration within one day of activation.

Some of the benefits of using SDRO are:

- Phased methodology for managing whole cycle with step-by-step guidance
- Very detailed Audit control checks offering comparison of pre and post conversion
- Options for Minimal system downtime or Minimum system resources
- Migration and conversion of complete data sets, including historical data
- Mature, revision-secure procedure to migrate and convert large amounts of data
- Little project effort needed because of extensive object libraries
- Tools for the verification of system consistency
- Extensive analysis functions for the different services
- Functionality to update SAP ECC, BI, CRM, SRM and other SAP modules

Summary

You'll want to leverage the power of parallel currencies to get the most out of SAP. However, be careful - simply turning on the parallel currencies in the live system; without analyzing the potential impact, it could cause serious system problems. Introducing parallel currencies in a live SAP system requires detailed analysis and conversion of existing Financials data that can only be done by a sophisticated toolset.

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