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SAP® Material Ledger

Where value and valuation meet

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SAP S/4HANA® continues to draw interest from leaders who see it as tool for simplifying their business and delivering new value. As a digital core platform for evolving demands, the SAP S/4HANA suite offers clarity for a hyperconnected, data-rich world. The suite enables stakeholders from customers to suppliers to travel a common digital path that traverses all business functions—helping to deliver actionable insights while providing intuitive interfaces and extensive connectivity.

With the promise of clarity come a few questions, especially for finance and

supply chain users moving toward SAP S/4HANA. One big set of questions involves SAP's Material Ledger component. The latest version of SAP S/4HANA makes SAP Material Ledger functionality obligatory.

Materially simple

Material Ledger generates financial transactions at the material level—as a prerequisite to actual costing. Its strength lies in supporting valuations in multiple currencies—allowing organizations to improve their ability to manage inventories in multiple currencies or valuations. SAP S/4HANA supports the multiple valuation

approach along with Material Ledger functionality. This functionality provides visibility to value the transfer of goods and services in a legal-entity view, division view (product line or profit center), and corporate/group view.

Material Ledger stands as an inventory sub-ledger in accounting, serving as a basis for the additional functionality of actual costing. While Material Ledger is obligatory, actual costing functionality is not. The beauty of Material Ledger is that, as an obligatory component, set-up is minimal. Simply turn it on and begin working

with it, using it to define the currency or currencies you will use as a common language for viewing and managing your global inventory.

Seeing the potential

Many organizations understand the potential SAP S/4HANA holds for simplifying business, delivering rich functionality, and unlocking new value. SAP S/4HANA's rapid processing capabilities and focus on a more engaging user experience have helped position it as a digital core platform for meeting evolving business demands. Organizations that

employ SAP S/4HANA and Material Ledger effectively stand to unlock a variety of potential benefits that can bolster the bottom line and bring new value. Here are a few key examples.

- Multinational organizations can access real-time inventory valuation and reporting in multiple currencies, instead of just local statutory currencies.
- As a result, they can start acquiring actionable insights they can use for decision-making across a variety of finance and supply chain functions.
- They can also reduce reconciliation needs, as data with Material Ledger is based on foreign exchange rates.
- With a parallel valuations approach, organizations can leverage parallel valuation with transfer price—a useful functionality that adheres to international accounting principles and guidelines, providing an easy view into internal intercompany profits and reducing them during consolidation. You also can review business transactions from a company code perspective.
- For companies wanting to know the true costs of finished goods, an optional actual costing feature of Material Ledger can incorporate foreign exchange differences, purchase price variances, and production variances into inventory valuations.
- And organizations can potentially benefit from greater overall operational

efficiencies, with Material Ledger increasing data transparency and helping organizations to streamline inventory-related activities.

Getting value with Material Ledger

Despite the inherent simplicity, to get the most value from Material Ledger, organizations should develop a strategy for how to get started with Material Ledger and how to align its use with business goals. Here are a few key considerations.

Put business strategy into the mix.

Understand your organization's strategy for future growth. Are you placing big bets on certain geographies, for example? Are you planning to manufacture items in one country and ship them to another for finishing? What are the currency and valuation implications? How you do business can have an impact on how you use Material Ledger.

Refine process models.

Using Material Ledger offers an opportunity to take a step back and examine your current processes, to understand how transactions currently flow through the system and how they should ideally flow. It's an opportunity to refine processes and to align them with your big-picture business goals.

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Get real with real-time analytics.

With Material Ledger, you not only can view information in new ways, you can leverage the information to support instant decision-making. The key? Pairing the postings generated by Material Ledger with real-time analytics capabilities can provide actionable insights. Organizations that fail to do so might fail to unlock the full potential of Material Ledger.

Think about integration.

Material Ledger represents a potentially powerful tool when it comes to valuation. But there might be overlooked corners of your organization that could benefit from the tool. Therefore, take an end-to-end view of how your systems are connected and determine how they can be integrated more effectively to leverage Material Ledger on a broader scale. And since Material Ledger can serve as a bridge to impressive SAP S/4HANA trend and analytics capabilities, you will need to ask

new questions that focus on unlocking insights and value for the enterprise. For example, can data captured at the detailed level be used to develop analytic insights to show where currency has a significant impact in your organization—and help you take steps to reduce fluctuations?

Focus on your inventory.

Material Ledger is a tool designed to help you better understand your inventory, but the real understanding starts well before you use Material Ledger. Consider conducting an inventory valuation analysis. Look at how you are now valuing inventory and what you can do to improve your view of actual costs.

Recognize regulatory requirements.

Do not underestimate the complexity and impact of regulations on a global scale. Shifting regulations and economic impact from country to country can influence currency and valuation decisions and, in

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turn, how you use Material Ledger. As an example, many multinational organizations are evaluating how they record and track inventory financial movements in SAP as part of an overall tax strategy. They are doing so in response to the OECD Base Erosion and Profit Shifting (BEPS) proposal. Material Ledger can play a key role in the technical solution of the strategy.

Spread the knowledge.

SAP S/4HANA and Material Ledger can represent a significant change for any organization. Putting in place training programs can help your finance and supply chain workforce

understand the potential benefits of Material Ledger and how to use the tool.

Take information to the top.

Material Ledger can empower people throughout your organization, giving them new insights into inventory valuation. The new view of information is just as critical for leaders at the top as it is for frontline workers using Material Ledger on a daily basis. For CFO and other top-level finance leaders, Material Ledger provides more than a big-picture view. It also provides them with the ability to examine inventory valuation at a detailed level.

Moving forward

Material Ledger is a data-capture tool—a resource for viewing and managing records and data in different currencies. Though obligatory, it’s not something organizations should fear. Using it effectively, however, requires a strategic and comprehensive view of its potential benefits as well as what it takes to unlock value with Material Ledger.

Want to know how to move forward with Material Ledger? We should talk. We actively co-innovate with SAP, and our alliance with SAP extends back to 1989—meaning we deeply understand

how organizations across the globe and across industries can use SAP solutions to deliver meaningful results for finance and supply chain needs. With a network of more than 16,000 business and technology professionals focused on SAP solutions, we stand ready to help you develop a strategy for addressing your current enterprise needs as well as evolving business demands. Contact us to get the conversation started.

Let's talk

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