Frequently Asked Questions
SAP ERP Financials

CONVERTING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

FREQUENTLY ASKED QUESTIONS REGARDING IFRS AND SAP



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INTRODUCTION

SAP'S VIEW OF THE IFRS PROJECT

SAP believes that the requirement to convert to the International Financial Reporting Standards (IFRS) may represent a major change in the way most companies currently present their financial results. Adapting the current reporting standards from the local accounting standard in place to the new IFRS requirements will require a conversion project with input from all parties, SAP, consulting partners, auditors, and the customer.

While there are some "Band-Aid" solutions on the market that will offer quick and easy fixes to enable IFRS reporting, in the long term companies must still return to their SAP® software and update both the transactional layer and the reporting and analytical layer, as outlined below.

We believe that an IFRS project that is well planned and executed will save time and money over the long term when compared to the quick fix or Band-Aid approach.

Terms Used in This FAQ

Group accounting principles – Used to reflect the legal setting for the leading ledger; for example, the corporate book of record.

Group close – Activities occurring at the corporate level that are sometimes referred to as the consolidations and reporting layer. Group close activities include financial consolidation, reporting, and the preparation, distribution, and filing of consolidated legal reports.

Local accounting principles (local GAAP) – Used to reflect the setting in nonleading ledgers, local region- or country-specific rules, tax accounting, or other miscellaneous legal reporting requirements.

Local close – Activities concerning the transactional layer, also referred to as the SAP ERP application. Examples include changes in the SAP General Ledger application and asset accounting.

GENERAL QUESTIONS SURROUNDING IFRS

What type of support will SAP provide during the conversion during my IFRS project?

SAP can support your IFRS project from the application standpoint. In other words, SAP can support the configuration changes and various reporting options. However, SAP can only play a role in the landscape design and changes. If you have specific questions around IFRS rules and their interpretation, we strongly suggest you contact your audit firm for further expert guidance. SAP is working with all the major audit firms to help ensure your IFRS project is a success. We don't see this project as an "audit" issue or an "application" issue but rather as a joint effort between SAP, the customer's audit firm, and in-house IT and accounting teams.

Does the SAP ERP Financials solution fully support IFRS accounting standards?

Yes, SAP ERP Financials fully supports the IFRS requirements. In fact, SAP AG is itself required to report under IFRS rules and has done so for many years.

Does SAP consider the implementation of IFRS a significant undertaking?

Yes, we do. The complexity of the IFRS project will be driven by your company size, industry, and country.

Another important factor affecting the complexity of your IFRS project will be the overall landscape design in place at your company. For example, having multiple instances spanning various locations, different enterprise resource planning (ERP) systems, or various SAP software releases in place will all add complexity to the overall project.

Your IFRS project will most likely require input and support from your internal IT and financial teams, your consulting partners, and SAP field services.

Is there a recommended best date to make the cut over to IFRS – end of month, end of quarter, or end of fiscal year? End of fiscal year is strongly recommended, as noted within IFRS 1 First-Time Adoption.

In the past SAP has suggested four options for IFRS configuration within the transactional layer: 1) account-based general ledger (GL) configuration, 2) parallel ledgers (NewGL), 3) parallel company codes, and 4) special ledgers. Are these still the recommended options?

These were the suggested approaches or alternatives for the IFRS adoption projects in Europe. The switch to IFRS in Europe was required several years earlier. Since that time SAP has added many new features to the transactional layer and has acquired enhanced consolidations and reporting functionality within the SAP BusinessObjects™ solution portfolio. With this new functionality, we do not think the parallel company code and the special ledger options make sense to most customers at this time. Our recommendation is to use the parallel ledgers found within the SAP General Ledger application or the account-based configuration for the transactional layer. Also, we suggest a thorough review of the functionality that the SAP BusinessObjects portfolio offers around consolidations and reporting before adopting any option.

Of course, in some very unique and special situations the use of parallel company codes and special ledgers may make sense.

Are so-called top-side adjustments in a consolidations or reporting tool sufficient to satisfy all IFRS requirements? Or will IFRS adoption require changes within the transactional layer also?

This is dependent upon, among other things, the complexity of the adjustments and whether it is "practically" possible to calculate and post as top-side adjustments. Questions to be considered are: at what layer is the transition to IFRS, and what is the nature of the reporting that is being generated (that is, local versus consolidated)? However, in all cases, any adjustments that are made will need to be fully supported and an appropriate audit trail maintained. The best approach is to consult directly with your consulting partner team to find the correct balance between top-side adjustments and any changes required within the transactional layer.

Given all the recent improvements and the delivery of the NewGL functionality, coupled with the addition of the SAP BusinessObjects solution portfolio, what are SAP's plans regarding the functionality supporting a single ledger, or classic GL, and special ledgers? Will they be discontinued?

SAP has no plans to discontinue support for the classic GL functionality or the special ledgers. However, the products with these functionalities are now in maintenance mode. This means that during the maintenance period for SAP ERP 6.0, you will receive support for any legal updates or system fixes. However, there will be no further product enhancements or upgrades available.

Can you provide a high-level overview of the project steps I should follow in an IFRS conversion project?

Please assume all projects start with the classic GL functionality in use.

- If you are currently on an older release based on the SAP R/3* software (4.6c and 4.7):
 - Define customer-specific IFRS requirements
 - Upgrade to SAP ERP 6.0
 - Migrate to NewGL
 - Begin IFRS project
- If you are on SAP ERP 6.0:
 - Define customer-specific IFRS requirements
 - Migrate to NewGL
 - Begin IFRS project

- If you are on SAP ERP 2004:
 - Define customer-specific IFRS requirements
 - Upgrade to SAP ERP 6.0 (suggested)
 - Migrate to NewGL
 - Begin IFRS project

Please note, it is quite possible that these suggested steps can run in parallel. For example, we suggest that any upgrade or migration projects run at the same time the investigation of the specific IFRS impact on your company takes place. Once the upgrade or migration is complete, the IFRS project could start immediately. Figure 1 is a project design that shows the customer, audit firm, and SAP working together. It indicates what parts of the entire IFRS project can run in parallel by phase.

Project Ownership					
Customer and Audit Firm	Customer, Audit Firm, and SAP® Services				
Phase 1 – International Financial Reporting Standards (IFRS) analysis (6–18 months) Planning Landscape design Upgrade/migration considerations	Phase 1 – System redesign (6–12 months) Upgrade to SAP ERP 6.0 General ledger (GL) migration Install central process scheduling as required				
Phase 2 – Determine how IFRS will fit into current SAP software landscape May require some input from SAP Services Pick IFRS implementation scenario that makes sense	Phase 2 – Ensure system is stable after upgrades or migration as required Complete validation period after GL migration project				
Phase 3 – Begin IFRS implementation project	Phase 3 – Begin IFRS implementation project IFRS reporting must begin at start of a new fiscal year Configure/design SAP General Ledger and subledgers as required Configure/design reporting and consolidation tools as required				
	Phase 4 - Various system landscape optimization projects as required				

Figure 1: Project Design for IFRS Implementation

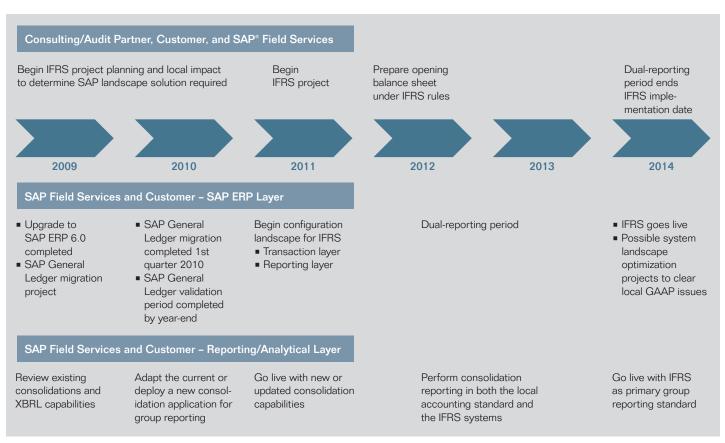


Figure 2: Suggested IFRS Implementation Time Line - U.S. Version

Figure 2 shows a slightly different view based on the current SEC proposal for IFRS adoption. Note that the time line does include time for system upgrades and GL migration projects. Depending on your status, this may or may not apply to your actual project time line. Note that dates are based on the current SEC-proposed time line for IFRS adoption.

I'm confused about IFRS and what it means to my company. Does SAP offer any training for how to implement IFRS within my landscape? Yes, SAP does offer training classes to address functionality in SAP General Ledger and IFRS configuration requirements. We suggest you contact the SAP Education organization to determine the schedule for AC210 and AC212, the GL classes. For IFRS configuration issues, look for AC206. There is also much information available on the customer value network pages on IFRS topics (see www.sdn.sap.com/iri/bpx/ifrs).

How practical would it be for companies that already have significant practice in place in Europe to bring their existing (SAP) solutions from Europe to the United States? This is generally not a good idea. IFRS rules and local GAAP differences will vary by country, industry, and region. European IFRS experience will be rather different; for example, there was no need in Europe for an extended dual-reporting period. Further, any IFRS project must include an evaluation period to determine the impact of IFRS rules on each company's books. You should consider any IFRS conversion project as having a unique solution.

How can SAP's IFRS experience in Europe help with projects here in the United States?

IFRS has been the legal standard in Europe for many years. SAP has adapted our legal reporting standards to comply with IFRS standards. Additionally, over the past few years we have helped many European customers transform their accounting standards from local GAAP accounting to IFRS.

What are the SAP solutions that will cover the IFRS requirements for insurance companies?

Because the IFRS standards vary industry by industry, it is best to contact your consulting partner and your SAP industry expert to get specific answers on how IFRS will affect your industry and company.

Does SAP ERP 6.0 fit into the solution approach for IFRS?

Yes - SAP General Ledger is the recommend approach.

Starting in January 2012 it will be necessary to present an IFRScompliant balance sheet. Are there any suggestions on how this can be completed? The answer will depend on how your general ledger is configured. Here are some suggested approaches:

- If an IFRS parallel ledger was implemented as a nonleading ledger during the initial configuration of SAP General Ledger, you can use one of the prior year's accounting periods to make the "delta" (difference) adjustments to provide a restated balance sheet.
- If there was no nonleading ledger (NL) set up during the initial configuration, set up a new NL by using scenario 7 within the GL migration cockpit from SAP. Note: access to the GL migration cockpit and scenario 7 is handled by the GL migration service. For further information regarding GL migration services, please see the SAP Service Marketplace extranet. (Scenario 7 is currently in development and should be ready by fall 2009.)
- If your initial setup used the account-based approach, you can make the IFRS adjusting entries using a prior year's accounting period within the leading ledger.

SPECIFIC QUESTIONS RELATING TO THE LOCAL **CLOSE LAYER (TRANSACTIONAL/SAP ERP)**

I'm running the NewGL and have selected 0L as the leading ledger. Can I now go ahead and set up a new NL for the parallel reporting requirement?

Yes, it is possible to set up a new NL after going live and to configure it to meet the IFRS requirements. We have outlined that option below (see "Scenario 1: Net-New Customer [SAP ERP 6.0] - Using Parallel Ledgers").

Can I ever go back into the implementation guide (IMG) configuration screen and change the initial switch setting (0L) to designate a new leading ledger?

No, that is not possible. Once you have set the IMG switch to designate a leading ledger, it cannot be changed after going live.

Do the classic GL and NewGL functionalities both support IFRS reporting?

Both of these functions within SAP General Ledger can and do support IFRS reporting standards. However, the NewGL functionality is recommended.

I need separate ledgers for reporting both tax and the local GAAP. How does SAP General Ledger support this requirement?

There are actually two approaches available. The choice depends on your particular needs. The two choices are:

- Use the parallel ledger approach, which is a standard feature found in SAP General Ledger. Although this approach is a bit more complex to configure, it does use some of the best features of SAP General Ledger.
- Configure the leading ledger using the account-based approach. This approach is fairly simple to configure but will add additional GL numbers to the operation chart of accounts and does not use the best features of SAP General Ledger. This approach may also require some additional cleanup in the form of a GL migration or system landscape optimization (SLO) project in the future.

What version of GL does SAP suggest that a net-new SAP ERP customer to install and configure? (Assume SAP ERP 6.0 as the current release.)

Installing SAP General Ledger with NewGL functionality is the recommended approach. Installing a version with the classic GL functionality is not recommended. Net-new customers will not gain the benefits offered by SAP General Ledger. This approach will also require a GL migration project some time in the future.

If SAP General Ledger is the best option for a net-new customer, how should I configure the leading ledger and the other subledgers such as assets? Should they be set to the local GAAP or to IFRS? What does SAP suggest?

Unfortunately there is no clear-cut answer to this question. The actual configuration will vary by country, industry, and customer situation. However, the following two configuration scenarios and their various options can by used as guidelines to begin the decision process.

Basic Assumptions for a Net-New SAP Software Installation and IFRS

Assumptions are:

- Installation release is SAP ERP 6.0.
- IFRS important dates are as currently proposed by
- Two-year dual-reporting periods will be 2012 and 2013 for most customers.
- IFRS-only reporting will be required in 2014.
- Assume no changes to IFRS deadlines, adoption as currently proposed (1/2009).

Definitions found in the following scenarios:

- 0L Leading ledger (LL)
- Z1 Nonleading ledger (NL)
- Depreciation area 01 Asset valuation area 01 (will always link to the LL)
- Depreciation 02 and depreciation area 12 Other asset valuation areas that can be tied to NLs as required

Note: In the following examples only the depreciation areas in asset accounting are used as examples. There will also be additional configuration requirements for IFRS standards in other subledgers. The depreciation area example is used here because it is the usual example used in IFRS discussions surrounding configuration topics.

Scenario 1: Net-New Customer (SAP ERP 6.0) -**Using Parallel Ledgers**

There are two options for net-new customers using parallel ledgers.

Option 1: Without Ability to Address IFRS Requirements This option is for customers planning to go live prior to 2012 without the ability to address IFRS requirements by the implementation date.

The suggested LL and asset area 01 configuration is:

- OL Leading ledger set to report the local GAAP
- Depreciation area 01 also set to local GAAP depreciation rules and tied to LL 0L

Beginning in 2011, configure additional nonleading ledgers and additional asset valuation areas:

- Using scenario 7 within the GL migration cockpit will enable the setup of the new NL.
- The new NL and the asset valuation areas will be used for IFRS reporting during the dual-reporting period.

Note: During this configuration step, both the leading ledger and new nonleading ledger must have the same fiscal-year date settings. For example:

- Z1 NL set to report IFRS
- Depreciation area 02 Tied to NL Z1 and reporting IFRS
- Depreciation area 12 Set to record the delta between the local GAAP and IFRS total; this depreciation area is also tied to NL Z1

Following are some additional comments on this approach.

The dual-reporting period requirements can be met by utilizing the NL for IFRS reporting from NL Z1 (2012-2013).

- Set up new NL using scenario 7 within the GL migration cockpit.
- Copy 0L data from LL 0L to NL Z1.
- Once the copy is completed, use additional accounting periods to post IFRS delta adjustments to NL.
- Check the following in the SAP Notes service for details:
 - SAP Note 227504
 - SAP Note 1272843
- If this configuration option is selected, you may want to consider requiring a unique table group to be established for NL Z1.

The end of dual-reporting requirements is 2014.

After the dual-reporting period is completed, it is necessary to convert LL (01) to IFRS reporting.

- Compare 0L ledger to Z1 ledger.
 - Book IFRS delta entries in special periods with 0L tied balances to IFRS balances found in NL Z1. This can be done via journal entries.
 - Change asset valuation area 01 from local GAAP to IFRS.
 - Engage with the System Landscape Optimization group of experts from SAP Consulting to provide a service to change asset valuation area valuation settings.

Arguments for option 1: If IFRS basic knowledge and skill sets are not available at the scheduled SAP ERP 6.0 implementation date, this argues for option 1. It will force the setup of the LL and asset area 01 to the local GAAP, to be followed, at a later date, by the configuration of IFRS within a NL and additional asset areas.

Arguments against option 1:

- Duplicate data will be recorded in both the leading and nonleading ledgers. This may require setup of additional table groups.
- Prior to 2014, an SLO project will be required to change asset valuation area 01 to be compliant with IFRS rules.
- Controlling data will be recorded in local GAAP standards.

Option 2: With Ability to Address IFRS Requirements

The same basic assumptions apply as for option 1. Customers must be planning to go live prior to 2012. The major difference between the two parallel ledger options is that in option 2, the basic IFRS knowledge and skill sets are in place prior to the SAP ERP implementation date. This enables the LL and asset valuation area 01 to be configured to report on IFRS standards from the original implementation date.

Local GAAP reporting requirements will be met with proper configuration settings within a NL and other asset valuation areas.

Suggested LL and asset area 01 configuration is:

- 0L Leading ledger to report IFRS
- Asset area 01 Set to IFRS and linked to the LL 0L

Suggested configuration for the nonleading ledger and other asset areas is:

- NL Z1 Set to report with the local GAAP
- Asset XX Set to meet the local GAAP and linked to NL XX

Arguments for option 2:

- Simple setup from the implementation date
- IFRS in place in LL and asset area 01 from implementation date
- No need for SLO asset area conversion project
- No migration of data or manual adjustments within LL
- Controlling data will be recorded according to IFRS standards

Arguments against option 2:

- IFRS skills sets and knowledge must be applied during initial configuration
- Initial IFRS configuration must be correct because it is very difficult to change settings after implementation date

Scenario 2: Net-New Customer (SAP ERP 6.0) -**Using Account-Based Configuration**

Assumptions for Account-Based Configuration

This scenario assumes that customers are planning to go live 2009-2014. After an initial investigation, a small number of accounting differences may be discovered between existing local GAAP settings and the IFRS requirements. This is normal, since IFRS regulations vary by company, industry, and country. Which option to pursue is a decision each customer must make based on its own circumstances, with the help of IFRS experts.

In this scenario, the following are also assumed:

- Both accounting principles are contained within the leading ledger (group accounting principle).
- Both local and group accounting principles are reported using data contained within the LL.

This classic approach for parallel accounting will require a unique set of GL accounts in the LL for IFRS or local GAAP reporting.

For the account-based configuration there are two options, described below.

Option 1: Without Ability to Address IFRS Requirements

LL 0L uses the "operating chart" of accounts to report the local GAAP:

- Within the LL 0L, another specific group of parallel accounts are available to report IFRS-specific data.
- Asset area 01 is configured to meet the local GAAP and is linked to LL 0L and the operating chart of accounts.
- Asset area XX is set to IFRS and is also linked directly to the LL 0L group of parallel accounts set to report on IFRS standards.

At the end of the dual-reporting period, the following should be noted:

- An SLO project is required to convert asset 01 to the IFRS standard.
- The asset area XX that was set to report the local GAAP is now obsolete, along with the specific parallel accounts used for the local GAAP reporting.
- To clear the obsolete accounts, an SLO project to revise the operating chart of accounts is recommended but not required.

Arguments for option 1:

- Lack of IFRS knowledge and skill set on-site prevents the configuration of IFRS standards within the GL and asset areas prior to implementation date.
- Limited differences between the local GAAP and IFRS standards can be overcome via the account-based approach.

Arguments against option 1:

- The conversion of the asset valuation area from the local GAAP requirements to IFRS will require an SLO project.
- An additional SLO project will be required to clean up the operating chart of accounts and to remove the asset valuation areas that are no longer needed.

- This configuration does not make use of the benefits of parallel ledgers found in SAP General Ledger.
- A GL migration project will be required to make the conversion from the account-based configuration to the parallel ledger configuration if desired in the future.
- All controlling data will be reported via the operating chart settings. This means that the controlling data will not be posted in compliance with IFRS standards.

Option 2: With Ability to Address IFRS Requirements

- LL 0L uses the "operating chart" of accounts set to IFRS.
- Within the LL 0L a specific group of parallel accounts is used to report the local GAAP.
- Asset area 01 is set to IFRS standards.
- Asset area XX is set to local GAAP and linked to the LL 0L group of parallel accounts set to report on local GAAP standards.
- An SLO project to clear the old parallel accounts is optional.

Arguments for option 2:

- IFRS knowledge and skill sets are available prior to SAP ERP implementation date.
- No SLO project is required.
- Configuration and reporting is simplified.

Arguments against option 2:

- The features and advantages of the parallel ledger approach will not be available.
- A GL migration project will be required if the accountbased configuration must be updated to the parallel ledger configuration.

ESTIONS COVERING OTHER GL CONSIDERATIONS

I'm an SAP ERP 2004 customer using classic GL functionality with no plans to upgrade to SAP ERP 6.0. What can I do to meet the IFRS reporting deadline?

You have three options at this stage:

- Migrate to SAP General Ledger; then use the LL to report IFRS formats and use the account-based configuration as described above.
- If a GL migration project is not an option, continue with the classic GL functionality utilizing an account-based configuration. Note: If you are currently using parallel accounts for local GAAP, additional investigation will be required to determine the correct design.
- Look at the SAP BusinessObjects solutions to find a consolidations solution and reporting options that let you make adjustments at the group close level to meet the IFRS requirements. This approach may also require some configuration changes to the transactional layer. The amount and complexity of these changes will vary with each company's requirements. It is recommended that you complete a thorough review of the current configuration and IFRS requirements with your consulting partner to determine if this approach is feasible.

I recently upgraded to SAP ERP 6.0 and just migrated to the NewGL functionality. My leading ledger is set to local GAAP. How do I convert my LL to IFRS reporting?

I'm running the NewGL functionality with my leading ledger set to my local GAAP, and my asset valuation area 01 is also set to report on the same standard. How can I make the change to IFRS standards in asset valuation area 01?

You can use the parallel ledger approach described in scenario 1 using scenario 7 within the GL migration cockpit. You can also use the parallel ledger approach using scenario 1 and option 1. (See "Scenario 1: Net-New Customer [SAP ERP 6.0] - Using Parallel Ledgers.")

This will require an SLO project for depreciation area change.

If the LL is set to local GAAP, that means all controlling data will be recorded with the local GAAP. During the dual-reporting period, is it possible to record in controlling both the local GAAP and IFRS? This would enable operational planning to take place in both standard formats.

First, it is correct that whatever accounting standard is set in the LL will also apply to controlling, because whatever is recorded in the LL is also recorded in the controlling data tables.

Within the transactional layer there is no automatic way to record different accounting standards within controlling.

Generally stated, SAP and our partners do not think there will be significant differences between the local GAAP and IFRS within operational accounting (controlling). In other words, any differences could easily be handled with an offline plan.

Another approach would be to plan the operational data using planning tools available within SAP BusinessObjects solutions and then download the planned data into controlling.

With the enhancements to SAP ERP (and specifically with the NewGL functionality), can you run multiple ledgers, maintain U.S. GAAP, and be able to have the appropriate information to systematically build IFRS-compliant nonleading ledgers? Yes, but during initial GL configuration it will be necessary to set up additional nonleading ledgers.

QUESTIONS RELATING TO GROUP CLOSE LAYER (REPORTING AND CONSOLIDATIONS)

My company currently has various releases of SAP software in place. Do I need to upgrade all my various systems to SAP ERP 6.0? Or is there some other way to meet the IFRS requirements?

In this case, a recommended approach is to leverage one of the SAP BusinessObjects solutions that support financial consolidation and reporting. These consolidation solutions are designed to access data from both SAP and non-SAP source systems and ledgers and to support communizing the data where necessary. They are well suited to addressing the requirements of heterogeneous environments and allow companies to meet IFRS requirements without changing the underlying transactional systems. In particular, the use of a financial consolidation and reporting application enables companies to:

- Perform top-side adjustments (post journal entries) to adjust amounts posted under local GAAP to IFRS but in such a way as to be able to easily isolate these adjustments in reporting and to provide an appropriate audit trail in support of the adjustments
- Support dual/parallel reporting of both local GAAP and IFRS, in particular during the dual-reporting phase when a company still needs to report in accordance with current local requirements but must be able to report results in accordance with IFRS for historical reporting purposes once the company has actually transitioned to IFRS
- Support IFRS-specific rules with respect to accounting for business combinations

SAP also offers the SAP BusinessObjects XBRL Publishing application by UBmatrix, which enables XBRL (eXtensible Business Reporting Language) reporting in accordance with existing IFRS taxonomies if required in the future.

Top-side adjustments within consolidations are one way to address the need to adjust reported balances from local GAAP to IFRS, particularly during the dual-reporting phase. Longer term, however, you should look at adapting your local systems to IFRS in each instance at the transactional layer. In certain cases, this may in fact be a requirement from an audit or regulatory perspective; in other cases, it would not make sense to continue to maintain an underlying transactional system in accordance with accounting principles that are no longer in use. SAP recommends getting IFRS advice from your consulting or audit firm for further help and advice in this area.

I understand XBRL reporting formats might be required for IFRS reporting. Does SAP have a solution that will allow me to report my final numbers in an XBRL format? Yes. SAP BusinessObjects XBRL Publishing enables business users to leverage data in SAP Business Suite software and SAP BusinessObjects enterprise performance management (EPM) solutions and prepare XBRL documents. Designed for ease of use, speed, and flexibility, the application gives you greater control over the XBRL generation process for the communication of financial and business data.

We have no current plans to adopt the NewGL functionality. Is there some other method in consolidations that will help me meet the IFRS reporting requirements? Yes, you can leverage one of the financial consolidation and reporting applications in the SAP BusinessObjects portfolio. These applications allow companies to meet IFRS requirements without changing the underlying transactional systems.

What role can consolidations play in meeting my IFRS requirements?

Financial consolidation and reporting applications in the SAP BusinessObjects portfolio play a key role in meeting IFRS requirements by enabling organizations to produce "consolidated" financial statements for legal/statutory reporting to regulators and investors. They also facilitate internal management reporting in accordance with IFRS accounting standards related to accounting for business combinations.

IFRS "starter kits" from SAP exist today and are being further developed specifically in accordance with IFRS standards to help ease and accelerate implementation of consolidated financial reporting in accordance with IFRS.

Modern consolidation and reporting applications, which were explicitly designed with multiple reporting scenarios in mind, offer out-of-the-box infrastructure to manage the dual-reporting process where the local GAAP and IFRS rules can be configured in parallel and with ease. Such flexible applications may be easily adapted, leading to a streamlined reporting process and agile reporting, including reconciliation reporting between the local GAAP and IFRS (and other reporting requirements if needed). These types of applications are already well suited to the transition to IFRS.

My company runs a single instance of SAP ERP 6.0. Do I need to look for other reporting tools to meet the IFRS reporting requirements?

You can use the standard reporting tools (report writer or painter) in SAP ERP to produce the required IFRS statements.

In addition, you may want to evaluate the wide range of functionality provided by the SAP BusinessObjects portfolio that supports both analytical and formatted reporting, as well as other functionality that supports the generation of electronic financial statements in accordance with XBRL.

My company is on an SAP ERP release but does not run the NewGL functionality at present. We are small and do not need a consolidation package. What reporting options does SAP offer to help with IFRS?

You can use the standard reporting tools such as the report writer and painter if you don't have any business intelligence reporting tools. However, you will find IFRS reporting much easier with some enhanced reporting capability in place. We suggest you review the SAP BusinessObjects portfolio for the reporting solution best suited to your needs.

We are running SAP ERP 6.0 and an older version of an SAP consolidation solution. Can older consolidation solutions from SAP support the IFRS reporting requirements?

Yes, older consolidation solutions can support handling of IFRS adjustments to locally submitted balances as top-side adjustments and consolidation in accordance with IFRS.

Can the SAP BusinessObjects Planning and Consolidation application satisfy IFRS reporting requirements? If so, how? Can you provide specific examples?

Please be aware, however, that these older consolidation solutions, although fully supported, will not be the strategic platforms upon which new and enhanced consolidation functionality will be delivered. The strategic platforms upon which future consolidation development will be based are the SAP BusinessObjects EPM solutions.

Yes. All necessary functionality is already available in the application, and it has been used extensively in Europe during the transition from local GAAP to IFRS several years ago. In 2009 we introduced an IFRS 2009-compliant starter kit available to speed and smooth the implementation process. Starter kits contain preconfigured application content including IFRS charts of accounts, publishable financial statements, and business rules. Further discussion of the role of planning and consolidation applications in the IFRS transition will soon be available in a white paper sponsored by SAP and its partners, which will include specific examples.

For More Information

For more information on how SAP can support your company in an IFRS conversion, please contact your SAP representative or visit us on the Web at www.sap.com.

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