

# FUND MANAGEMENT



# Overview of Fund Management



# Topics

- ❖ Introduction to Funds Management
- ❖ Master Data
- ❖ Budget Structure
- ❖ Budget Execution
- ❖ Integration with other Modules
- ❖ Closing Operations – Carry Forward

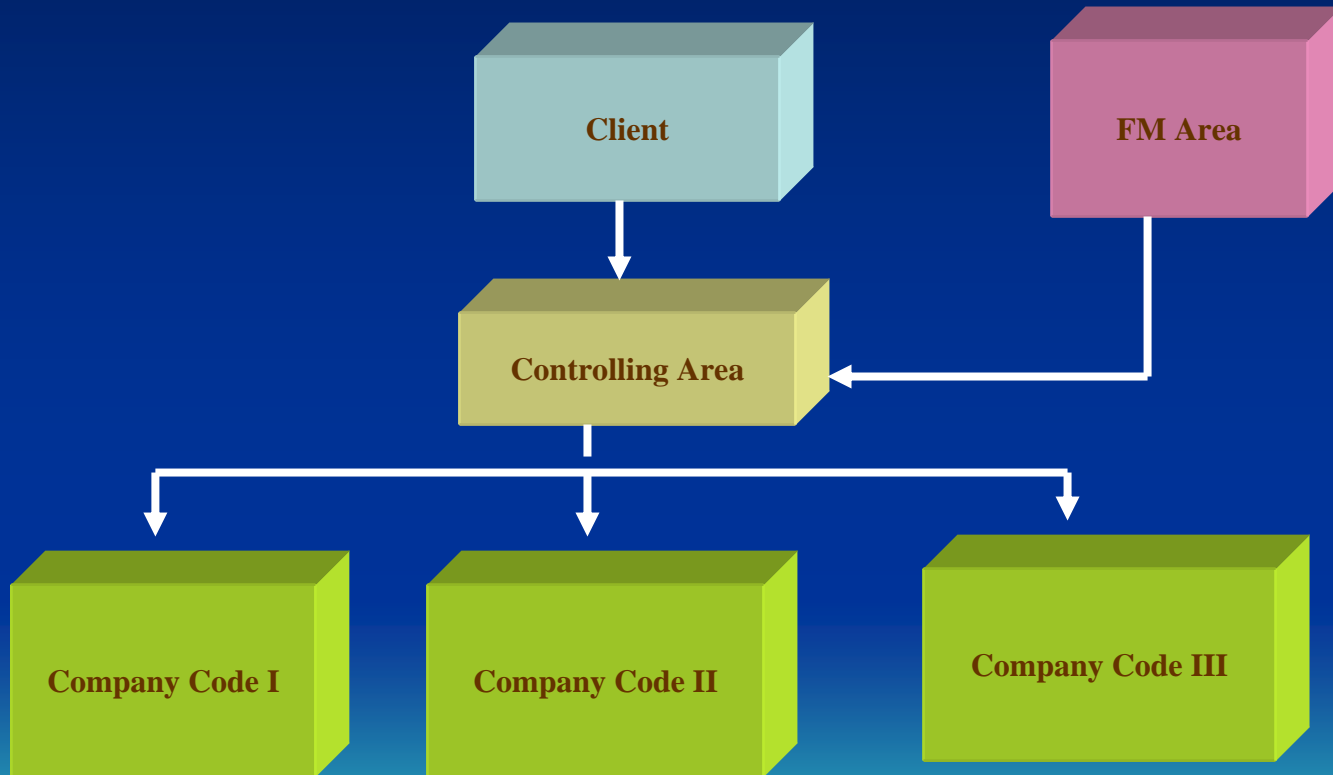


# Funds Management

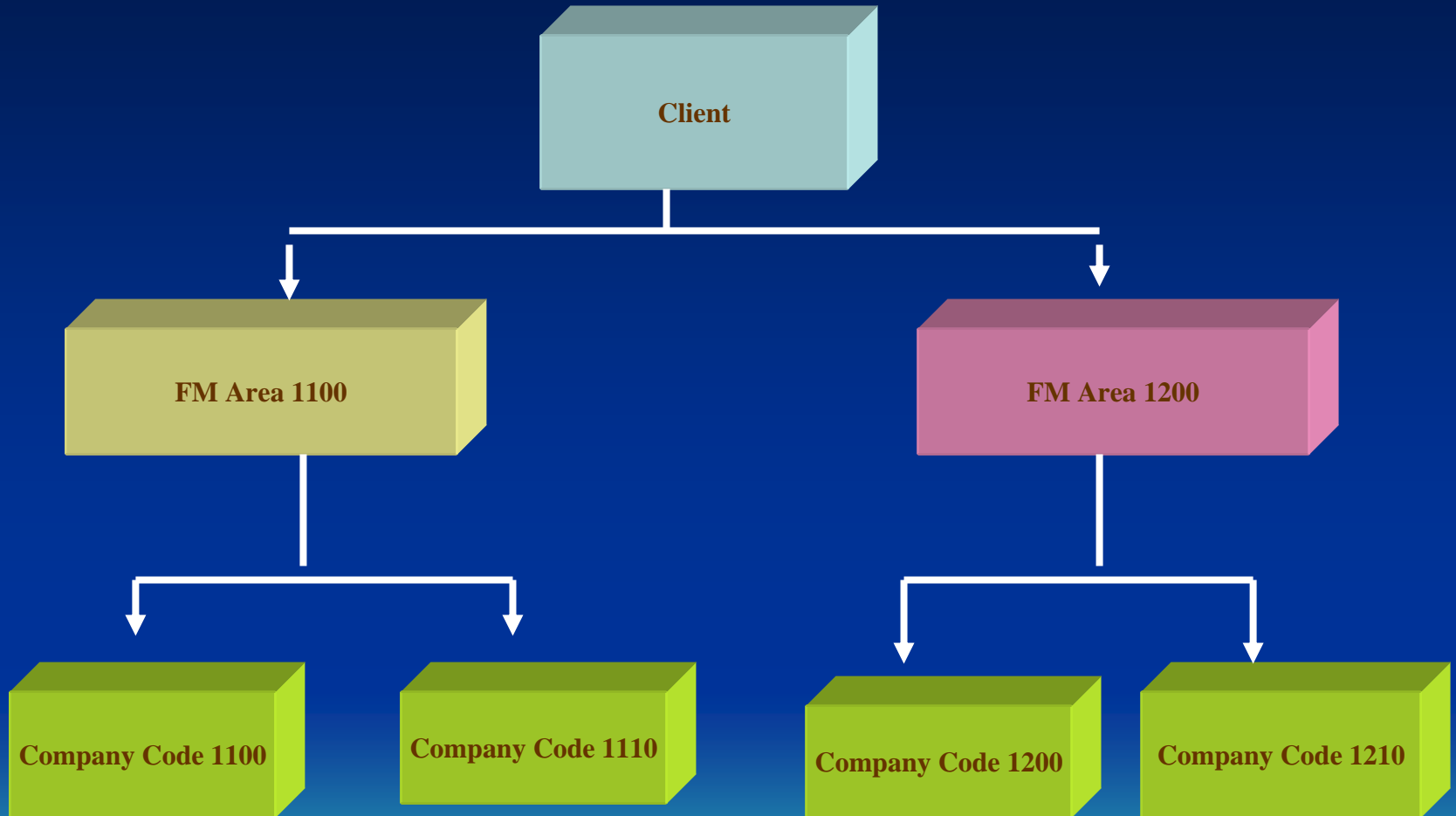
- ❖ Budgets all Revenues and Expenditures for individual responsibility areas
- ❖ Monitors Funds Movements in the light of budget available
- ❖ Prevents Budget Over-runs
- ❖ Integrates with all other SAP Modules



# Organization Structure



# Fund Management Area

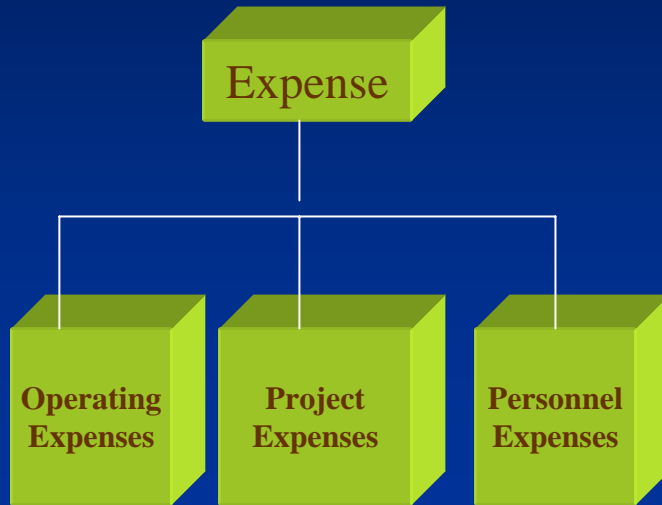


# Master Data



# Commitment Item

## Commitment Hierarchy

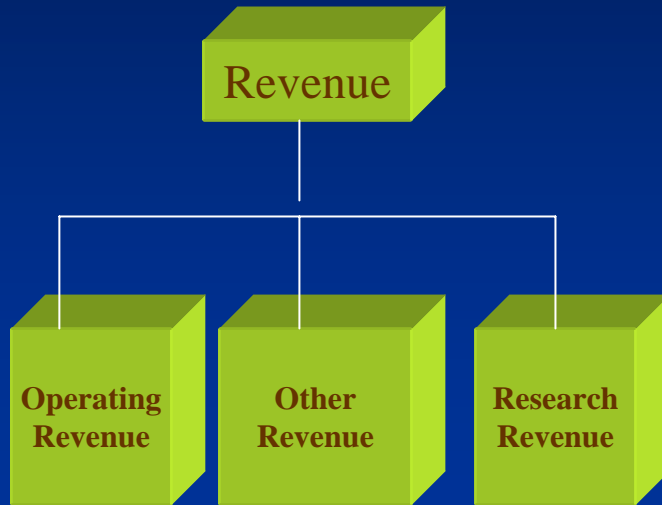


- Commitment item represents Revenue & Expenditure in FM
- Commitment items in Funds Management are arranged in hierarchies. You can create more than one hierarchy for an FM area. Example: one hierarchy for revenues and another for expenditures



# Commitment Item

## Commitment Hierarchy



- Commitment items classify budget transactions and business transactions affecting liquidity into revenue, expenditure, and cash balance items. You can assign budget for particular responsibility areas (funds centers) to the commitment items. Budget is used up as postings are made to commitment items and funds centers, giving rise to commitment and actual values

# Type of Commitment Item

There are two types of commitment item:-

- ❖ **Account assignment items** (= lowest level in the hierarchy)

You can post to and budget these items.

- ❖ **Summarization items** (= hierarchy nodes)

You can budget these items, but cannot post to them. Summarization items are needed for setting up a commitment item hierarchy. You define a commitment item hierarchy by combining accounting assignment items at any summarization level you want. Within the hierarchy, a summarization item can be succeeded by a summarization item or an account assignment item. This means that budget assignment is not tied to the lowest level in the hierarchy.

The system totals up the posting data from the account assignment items and displays it in the appropriate summarization items.

# Commitment Item Master Record

The commitment item master record contains important information:-

- ❖ **Financial-transaction**

The financial transaction represents commercial business transactions from the Funds Management feeder systems; it is of central importance in passing on data from those systems to Funds Management.

- ❖ **Item-category**

The item category determines whether this commitment item is a revenue, expenditure, or cash balance item.

- ❖ The financial transaction and item category in a commitment item hierarchy are identical.

- ❖ Funds center

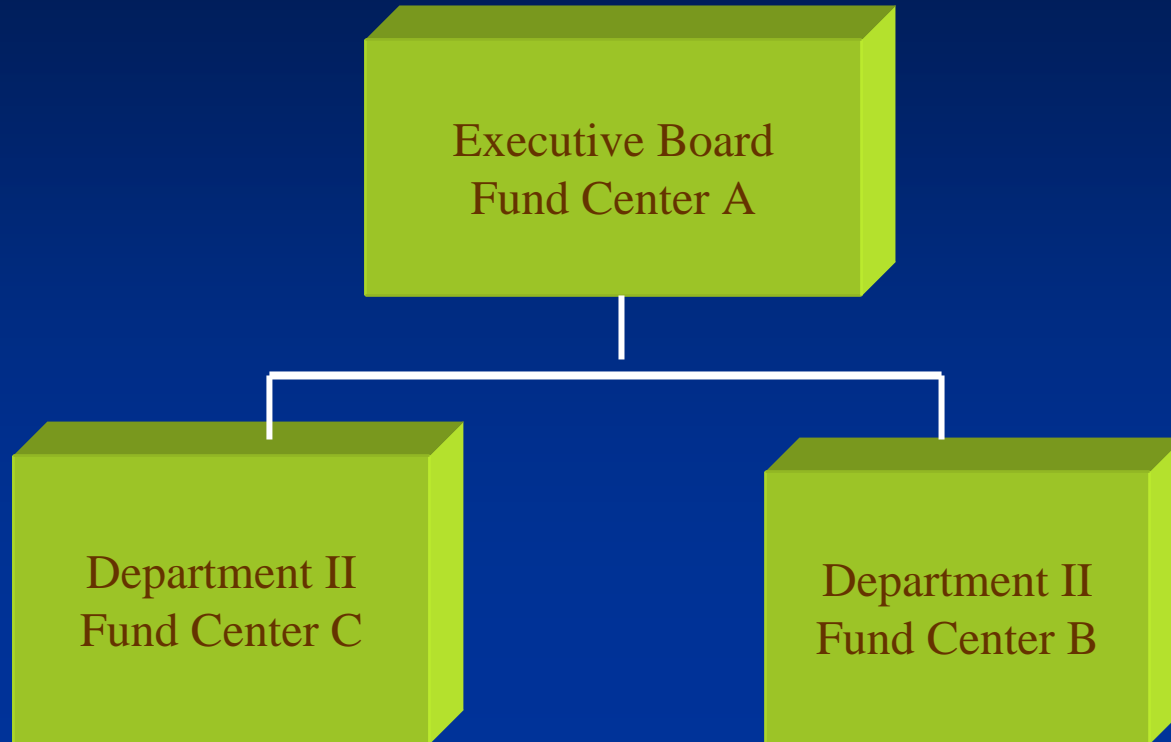


# Fund Center

- Organization unit within an FM area which represents the structure of an organization in the form of a hierarchy.
- You can assign budget to funds centers. Budget is used up as postings are made to funds centers, giving rise to commitment and actual values.
- Funds centers in Funds Management are arranged in hierarchies. You can define one funds center hierarchy per FM area. There is only one top funds center in a funds center hierarchy. Every other funds center has one superior funds center.



# Fund Center



# Fund

- ❖ Fund can be defined as a further sub division of the commitment item or fund center and can be very useful for reporting. An example of fund could be lets say if you have travel as a commitment item a fund could be foreign travel and local travel.
- ❖ Funds are used to Track Sources & Application of Funding.



# Master Data Design

- ❖ In FM an Organization is represented by three Master Data dimensions namely Fund Center, Commitment Item and Funds.
- ❖ While finalizing Master Data design the following factors need to be considered :-
  - ❖ The way you setup the Revenue/Expenditure hierarchies influence the structure and options available in Budgeting, recording and Availability Control.
  - ❖ The funds center defines the area of responsibility for budgets.
  - ❖ The Budget Value and the Actual Values are always assigned to Fund Center/Commitment item or to Fund Center/Commitment item/Fund and never to individual items.




# Budget





# Budget -Introduction

- ❖ Before the start of the financial year, you have to enter budget values into the structure. There may be several run-within the budgeting process until a budget can finally be chosen and compiled.
  - ❖ Depending on the planning approach, different versions of budgets may be necessary. Here it will be explained how budgets can be represented in the system and what functions are available for the operational support of the planning process.
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# Budget Structuring

- Budget Structuring basically helps in quicker creation of the budgets for the fund manager.
- The following example will make that clear:
- Once the commitment level hierarchy for the company is drawn, each fund center manager can structure his budget to allow only those commitment items which he wants to budget. In that way when he does his budgeting exercise he saves considerable amount of time by having only the necessary fields for input.
- In this example the fund center dept 1 uses a different budget structure than the fund center admin. Thus when each of these fund center managers enters his budget values it would make life much easier for him. Infact after he does his budget structuring SAP provides a transaction code which automatically filters only the items selected and makes life easier for the fund manager.



# Budget Execution

- ❖ Once the master data and the budget structure is set up the budget execution process has to be implemented. This exercise basically helps to control the budget which has been set. This feature is one of the most powerful features in Funds Management .
- ❖ There are three types of messages which can be structured for every budget profile based on the budget utilized. They can be combined with the transactions.
- ❖ The messages are :-
  1. Warning Message
  2. Warning + A Mail to the Fund Center Manager.
  3. Error Message.



# Active Availability Control

- ❖ Organization uses Active Availability to Control the generation of system reactions to Budget & Actual Entry.
- ❖ An Important function in the Funds Management system is the monitoring of available Fund.
- ❖ Active Availability Control determines which Budget structure elements have Budget and what actual and Commitment values have been posted to them.



# INTEGRATION WITH OTHER MODULES



# Integration : Sales & Distribution

- ❖ Sales Revenue which is to be shown as Income in Fund Management can be posted using invoices in the Sales & Distribution Component.
- ❖ Integration between the Sales and Distribution (SD) and Funds Management (FM) components enables you to assign FM account assignments to the business transactions in SD, such as sales orders and sales contracts. This means that revenues, which were posted in SD, can be assigned to the FM account assignments (commitment item, funds center, and fund). This way you can also assign the FM account assignments to procurement transactions that are triggered by a sales order, as well as goods issue postings that arise in conjunction with the delivery of materials.



# Integration : Sales & Distribution

- ❖ You assign the FM account assignments when processing a sales order. You can enter the FM account assignments for each order item. When you enter an order item, the system first of all tries to derive the FM account assignments from the CO assignment table. If assignments of FM account assignments to CO account assignments (profit center, WBS element) have been maintained and the order item has been assigned to a profit center or WBS element, the FM account assignment appears as the default value which can be overwritten. In the follow-on documents for the sales order (purchase requisition, goods issue, billing document), the FM account assignments are not ready for input. The FM account assignments are automatically derived from the sales order.



# Integration :Materials Management

- ❖ Following Business transactions posted in Materials Management can be updated in Funds Management :
- ❖ **Purchasing**
- ❖ Purchase requisition, purchase order, scheduling agreement
- ❖ **Inventory management**
- ❖ Goods receipt, goods issue, transfer
- ❖ **Invoice verification**
- ❖ Invoice receipt, logistics invoice verification





# FI Transactions updated in FM

- ❖ Business transactions posted in Financial Accounting are updated in Funds Management. The following business transactions are relevant for the updating:
- ❖ **G/L accounting**
- ❖ G/L account posting, parked documents, settlement cancellation, incoming payments, outgoing payments
- ❖ **Accounts payable accounting**
- ❖ Invoices, credit memos, down payments, internal transfers, incoming payments, outgoing payments
- ❖ **Accounts receivable accounting**
- ❖ Invoices, credit memos, down payments, internal transfers, incoming payments, outgoing payments.



# Year End Activities

- ❖ Fiscal Year End leads to some major decision regarding the carry forward of Commitment, Fund balances & Budgets.
- ❖ For Year-end activities in Funds Management Following Activities require to be defined:
  - ❖ Carry forward rules must be defined.
  - ❖ Transactions may be reversed for open items that are not going to be settled in the current year and are also not going to be carried over to the next year (such as deleting purchase requisitions, canceling reservations, resetting purchase orders and notifying the vendors).
- ❖ If the Year End process is not correctly carried out then:-
  - ❖ Any budget not used remains in the old year and cannot be used in the new year.
  - ❖ Open items are reduced in the old year as soon as they are processed in the new year



# Year End Activities-Fiscal Year Change

- ❖ During the fiscal year change, you have to process both open commitments
- ❖ with their associated budget and genuine residual budgets (other budget dollars not used in the current year).
- ❖ Open commitments include:-
  - ❖ **Purchase requisitions** from Materials Management
  - ❖ **Purchase orders** from Materials Management
  - ❖ **Funds reservations** from Funds Management
  - ❖ **Invoices** (only when updating on a cash basis)
- ❖ A budget is linked to these commitments in each case. It is known as associated budget



# Carry Forward Residual Balance

- ❖ If at the end of a Financial Year there are unused Budget still remaining for some individual Budget items it can be carried forward to the next year .To do this you need to define rules as to how to carry forward the residual balance.
- ❖ You use carry-forward rules to help in the processing of genuine residual budgets. They help in carrying out the following requirements:
  - ❖ Changing the FM account assignment - For each combination of funds center, commitment item and fund, you can define the combination to which budgeted values are to be carried forward in the new year.
  - ❖ Converting surplus revenues into expenditure budget - By changing the FM account assignment in the way described, it is possible to make surplus revenues which were realized over and above the budgeted revenues available as expenditure budget in the new fiscal year.
  - ❖ Handling negative residual budgets (budget overruns) - If expenditures exceed the budget in the fiscal year which has just come to an end (for example, if you have set the tolerances for availability control to over 100%), then the resulting negative residual budget can be carried forward and therefore be deducted from the subsequent year's budget



Thank You

