New General Ledger Migration at Nordson for Enhanced Management and Multi-GAAP Reporting

Steve Lykins
Nordson Project Manager

Munish Gupta
PwC

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Agenda

- Nordson Background
- Business Drivers for New General Ledger (New GL) Migration
- Project Background and Scope
- Project Timeline and Key Milestones
- Key Considerations Implementing New GL Migration Scenario 5
- New GL Implementation Leading Practices
- Q&A
Nordson Overview

- Founded: 1954
- Publicly traded on the NASDAQ (ticker: NDSN)
- FY2010 Sales: $1 billion
- Direct Operations: 30+ countries
- Employees: 3,700+
- Customers: 25,000+
- Headquartered in Cleveland, OH

Operating Segments

- Industrial Coating
- Advanced Technology
- Adhesive Dispensing

Geographic Distribution

- United States and Americas
- Europe
- Asia Pacific and Japan
Nordson SAP System Background

- First installed SAP in with version R/3 3.0B for International (Europe) in April 1996.
  - Re-implemented SAP in Europe under 4.7 Enterprise Nov 2005
  - Upgraded to ECC 6.0 in Feb 2007
  - Rolled out to Japan and China and Single US division
  - Globally on ECC 6.0
- US is running on R/3 version 4.7 and going through an instance consolidation project and will go-live on June 1, 2011.
- On a single global SAP instance after Jun 1, 2011.
Project Assessment

- Conducted requirements assessment workshops to review the system landscape and understand business processes.
- Evaluated and identified the benefits of New General ledger from both business and IT perspective for the use of SAP’s New General ledger functionality.
- Performed an assessment of the impact on BW reporting.
- Performed an analysis of the resource requirement, timing and scheduling of the New General ledger project.
- Performed an assessment of cross project timeline impact on other scheduled IS Projects.
- Based on the assessment, prepared a business case, timeline and resource estimates for the New General ledger project ledger implementation project in 4 geographical regions (US, Europe, Japan and China).
Key Drivers for New GL Implementation

- **Robust external reporting**
  - Nordson uses account based approach for multi GAAP reporting. New GL parallel ledger approach provides improved control, robust recording and enhanced reporting of US GAAP and Local GAAP transactions.
  - Enables SEC segment reporting.
  - Build platform for future IFRS and Segment reporting needs.

- **Enhanced Management Reporting**
  - Enriched data with the introduction of new fields and document splitting functionality.
  - Enables real-time reporting.
  - Reduced month-end close activities.

- **Foundation for the future**
  - Future roll-outs for sites operating on non SAP environments will be able to take advantage of New GL capabilities once on SAP.
New GL Functionalities Implemented

- **Document Splitting**
  - Enrich Accounts Receivable (AR) and Accounts Payable (AP) line items with Segment (Line of Business)
  - Enrich AR line items with Business Area (Management Reporting)
  - Enable Balance Sheet by Segment (Line of Business)

- **Parallel Ledgers**
  - Enables robust US GAAP and Local GAAP reporting
  - Build platform for future IFRS reporting
  - Reduced complexity with different Local GAAP fiscal year

- **Real-Time FICO integration**
  - Enables Real-time integration of CO postings into FI based on business requirements
The New GL Future State at Nordson

**Current State**
- Classic General Ledger
  - Company Code
  - GL Account
- Profit Center Accounting
  - Profit Center
- Cost of Sales accounting
  - Functional Area

**Future State**
- Consistent reporting platform for BW (One data source)
- Document splitting & Real time FICO Integration
- Balance sheet by “Segment” for SEC segment reporting
- Parallel ledgers for Local GAAP reporting
- Reduced month end close activities
- Reduced number of profit centers
Planning for the New GL Migration Project

Migration Date 11/01/2011  Activation Date 03/19/2011

Phase 0
Classic GL

Activities in Phase 0
- Engage PwC
- Engage SAP for Purchase of Cockpit and Scenario Validation
- Set up New GL development and testing client landscape
- Set up New GL BW landscape
- Core team training
- Configuration of New GL
- Data Cleansing
- Install Migration Cockpit
- Unit & Integration Test of New GL
- Migration Test #1
- Migration Test #2
- Regression Testing of Phase 1
- Prepare for Nov 01 Cutover
- Nov 01 Go-Live

Phase 1
Classic GL

Activities in Phase 1
- Year end closing in productive ECC system
- Validation log analysis and adjust configuration
- Controlled Master data creation
- Additional New GL configuration (Reporting)
- Set up New GL Allocations
- Integration testing
- Migration Test #3
- Migration Test #4 (Perform more test as required)
- Test Validation (TV) Session
- Complete data migration in productive ECC system
- Prepare for Mar 19 Migration
- Perform New GL Migration

Phase 2
New GL

Activities in Phase 02
- Operate on New GL
- Production support
- New Fields available for reporting
- BW data model ready with New General ledger data
- Future project: Strategize the future reporting strategy based on the New General ledger data structure.
- Create New Reports or change existing reports to align with the reporting requirements.
Key Phases and Activities

- Requirements gathering
- Blueprint Development
- Migration Scenario Analysis with SAP
- New General Design, Construct and Train
- Data Cleansing & Integration testing
- Purchase & Install New GL Migration Cockpit
- Configure Cockpit and Perform Migration Tests
- Production Support & Review Validation
- Adjust Design, Test and Train users
- Continue Migration Tests
- TV Session and Approval
- Production support including Month End

Migration Date Go-Live (Nov 01, 2011)
Activation Date Go-Live (Mar 19, 2011) Migrate data to New GL over migration weekend

3 Months | 4 Months | 4-5 Months | 3 Months

- New GL Design related activities
- New GL Migration related activities
New GL Migration Scenario 5 for Nordson

- Use of PCA or SPL?
  - No
  - Yes
    - Need document splitting?
      - No
        - On ECC 6.0
      - Yes
        - Need to convert from account approach to parallel ledger approach?
          - No
            - Scenario 1 (GL + Cons Ledger + COS)
          - Yes
            - Scenario 3 (2 + Doc Splitting (only in ECC 6.0)*)

Scenario 4 (2 + account-based to ledger-based switch) (only in ECC 6.0)*

Scenario 5 (3 + account-based to ledger-based switch) (only in ECC 6.0)*

Standard New GL Migration Scenario 5
- Document Splitting
- Convert to Parallel Ledger from parallel accounts approach for Multi-GAAP reporting
- Complexity around difference in the source and target fiscal year
Key Considerations to Implement Scenario 5

- **Ledger specific posting during phase 1**
  - New transactions for ledger specific postings FB50L and FB01L will need to be used during Phase 1.
  - Adjust FX revaluation settings to post to ledger groups during Phase 1.
  - Adjust Asset configuration to post to ledger groups during Phase 1.

- **Re-class during migration activity**
  - Migration cockpit migrates to the ledgers using the old accounts used for account approach.
  - Re-class from GAAP specific accounts to shared accounts to be made during the migration weekend. Based on the volume of postings, consider creating upload programs.
  - If fiscal year of target ledger is different from source data, a shortened fiscal year has to be created to fill the gap. Create separate migration plans for relevant company codes for ease of reconciliation.
  - Perform year end closing for the shortened fiscal year.
New GL Implementation Leading Practices

- **New GL Design and Implementation**
  - Use finance business users to perform testing of all business scenarios for New GL functionalities to be used after activation.
  - Control of GL Account and Profit center creation and updates was the responsibility of the New General Ledger team.
  - Perform comprehensive Regression testing of the current business processes because of the impact of the New GL transports during phase 1.
  - Complete Month end close testing including data extracts to BW & reporting.
  - Be on the latest SAP Enhancement pack.
New GL Implementation Leading Practices

- **New GL Migration**
  - Availability of a dedicated SAP environment with copy of current production data for Migration testing.
  - Reduce the number of open item manage accounts (Ledger specific accounts).
  - Set the Validation log to Error.
  - Perform minimum one migration test before the migration date. Perform mock cutover as a part of the last migration test.
  - Business super user involvement during migration testing is important.
  - Plan for Basis support during the migration weekend. Closely work with Basis team for production system refresh and snap-shots.

- **Experienced Resources**
  - Plan for appropriate New GL FICO specialists, New GL Migration specialist, Internal finance IS team, Global business finance team, ABAP, Security, and Business Warehouse (BW).
Questions