Bank Account Reconciliation

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Bank Account Reconciliation– Abstract

Are you automating bank statement functionality in your system? Would you like to better understand the functions and features of bank statements? Are you struggling to understand when to implement different types of reconciliation functionality based on IT availability and want ideas on how to approach the work?
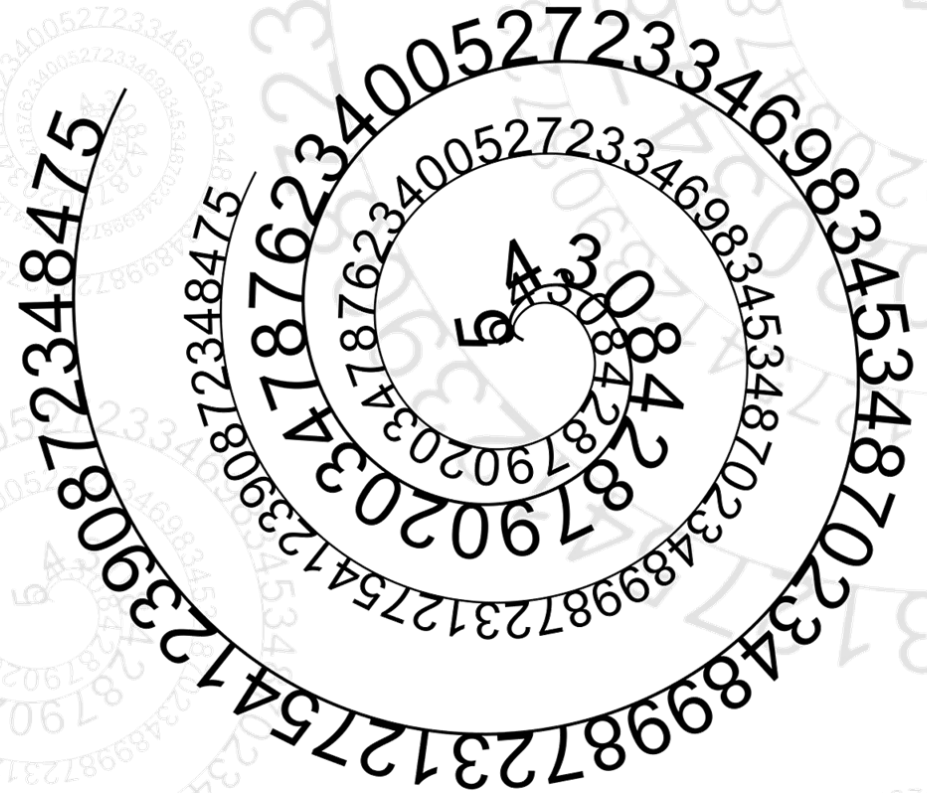
Bank Account Reconciliation– Key Takeaways

- Transaction choices typically used when reconciling bank accounts in your system

- How to choose the appropriate transactions for your business needs

- Functions and features for electronic bank statements

Bank Account Reconciliation– Presenter Information

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What does Ace do?

We specialize in providing innovative, client-centric solutions for SAP treasury and cash management needs to clients of all sizes.

We provide project consulting, ad-hoc consulting and on-going support in areas that encompass the involvement of cash and/or financial structure of your organization.

We have deep expertise in the payments space, having implemented in 35 countries.

- SAP Accounts Payable
- SAP Accounts Receivable
- SAP Bank Communication Manager
- SAP Bank Master Data
- SAP Cash Management
- SAP Electronic Bank Statements
- SAP & SWIFT Integrations
- SAP Treasury
- Working capital analysis

Bank Reconciliation

Bank reconciliation compares the cash position of the bank accounts in your system to the position on your banks system. Any discrepancies should be noted and resolved.

It is a treasury best practice to perform daily account reconciliation. *Why?*

- Error detection on failed payments
- Earlier fraud detection
- Accurate account balances
- More accurate view of cash

Bank reconciliation- why automate?

- There is often good return on investment (ROI) because of the time it takes staff to to manually enter all this information on bank statements and reduction in errors

- Automating statements will expose inconsistencies in upstream processes to streamline overall processes

- Depending upon how manual and time consuming current AR processes are today, there could also be a Days Sales Outstanding (DSO) reduction by automating

- Transactions used to load bank statements can also be used for other activity using clearing account structures such as credit card payments or receipts

Bank Reconciliation

The typical tools used in SAP implementations to support bank reconciliation include:

- Preprocessing or mapping programs

- Posting mechanism for bank statement activity

- Clearing mechanism for line items

Posting process for bank statement activity

There are four common ways to post bank statement activity in SAP (outside of country specific programs):

FF.5 - Transaction that performs an upload of a banking file.

FEBP - a transaction that performs posting of an IDOC bank statement file

FF67 - Manual entry of a bank statement

F-04 or **FB50** - manual entry of the individual line items against a GL account.

Clearing process for line items

There are generally three ways to perform the clearing for line items:

FEBAN transaction

F-04 - Manual clearing for GL accounts

F.13 - automatic clearing for GL accounts

How do you choose an approach?

Criteria to choose:

1. Volume - how much activity is on this bank account?

2. Auditing or Sox control requirements – does this help you limit who needs access to accounts?

3. Impacts on month end close- can automation of activity help close the books faster?

4. Affects on dependent processes- is information required for activities such as cash position for Treasury?

5. Technical capabilities- what functionality available in automated transactions that is not available manually? Do I need that functionality? Examples- search strings, user exits, interpretation algorithms, etc.

Considerations for Bank account reconciliation automation

- Global design of bank statements

- Garbage In- Garbage out

- Search strings and role in automation

Global design of bank statements

Will you standardize layouts around the world? What choices might you have?

- CAMT053 XML

- BAI2

- MT940

- Multicash

- IDOC

- Country specific layouts

Garbage In- Garbage out

Don't automate bad/inconsistent processes- as supportability problems may ensue. Ask questions like:

- Do you have a consistent process for how to handle Direct Debits on this account?

- Are payments originating from this account automated or keyed through a bank portal or other platform? If automated, can we receive information back such as EndtoEnd Id or DME reference number to facilitate clearing?

- Will we receive the file automatically or will it be downloaded from a portal and manually uploaded?

- Is any master needed for postings updated properly?

- Do I have a consistent clearing account strategy?

Search Strings in SAP- their role in automation

Search Strings allow for special posting in bank statements based on patterns in the note to payee text. Potential examples include:

- Recurring pre-authorized direct debits

- Credit card receipts and fees

- Zero balance account (ZBA) transfers between house banks or other cash sweeps

- Payroll batch payments originating from HR or Third party payroll systems

- Interest earned on bank balances

- Spacing or other numeric problems in invoice numbers

- Application of receipts with virtual account numbers

- Bank Fees

Search Strings in SAP- their role in automation

Examples of symbols help as part of pattern matching:

Character	Meaning	Example
|	Or	a|b finds a or b
()	Group	c(ac|b)d finds cacd or cbd
+	Repetition (as often as you like, must occur at least once)	(ab)+ finds ab or abababab
*	Repetition (as often as you like, must occur at least once)	ab* finds a or b or abbbbbbb
?	Wildcard	a?b finds a Qb or a1b
#	Digits 0-9	
\	Slash (searches for special characters)	\#\#\# finds ### and not 123, for example
^	Start of line	
$	End of line	

Search Strings in SAP

Search strings can also be used to substitute fields based on the patterns. A few examples include:

- Cost Center

- Profit Center

- Text Description

- Project

- Internal Order

- Offsetting GL accounts (example- bank fees, interest expense, etc).

Three BDC fields can be substituted per search string (i.e. posting).

Interpretation Algorithms

- Interpretation algorithms are standard functionality provided by SAP to address different types of posting scenarios: https://help.sap.com/erp_fao_addon10/helpdata/en/4d/c5efb40c381c36e10000000a42189b/content.htm

- Custom interpretation algorithms can be built if the standard ones do not meet needs.
  - Example- special customer lookup not based on invoice number

Bank Statement functionality in EHP6

Bank Statement functionality in EHP6

Two new pieces of functionality are available in EHP6

New transaction for processing bank statements and moving processed files

New functionality for post processing bank statements

Tip: The functionality is reversible as part of switch framework in transaction SFW5

FIN_BL_EB_1	FI-BL, Importing and Postprocessing of th...	☑
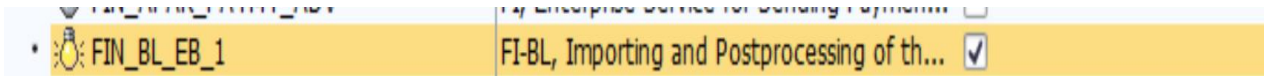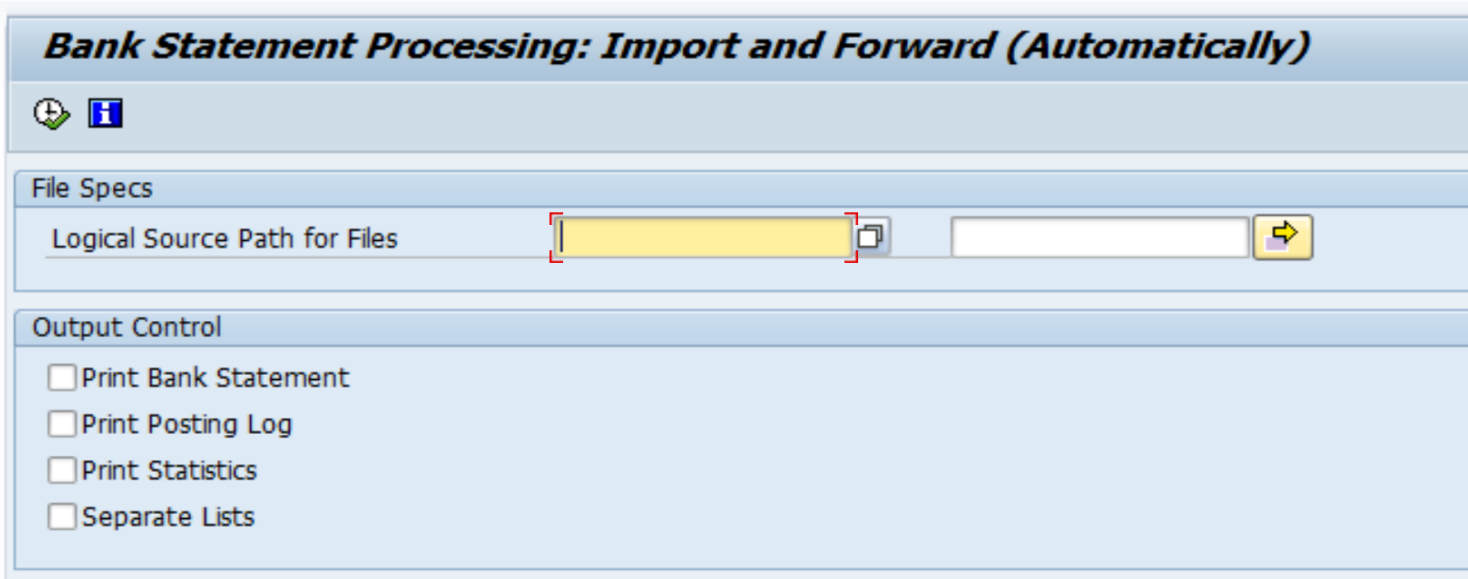
Bank Statement functionality in EHP6

New transaction FEB_FILE_HANDLING:

Transaction reads from a logical source path for your bank statement files

Reads dynamic file names based on patterns

Moves and archives files that have been processed

Bank Statement Processing: Import and Forward (Automatically)

File Specs

Logical Source Path for Files

Output Control

- ☐ Print Bank Statement
- ☐ Print Posting Log
- ☐ Print Statistics
- ☐ Separate Lists

FEB_FILE_HANDLING

Process will call the same program as FF.5

Multiple files can be processed as part of run

Simple user interface with limited selection options

Options for file processing are configured for each bank statement

Bank Statement Processing: Import and Forward (Automatically)

File Specs

Logical Source Path for Files   ZEBS_DIRECTORY   to

Output Control
- ☑ Print Bank Statement
- ☑ Print Posting Log
- ☐ Print Statistics
- ☐ Separate Lists

Update Account Statement/Check Deposit Transaction

```
US Inc Company Code                    Bank statement posting              Time 21:36:15   Date 03/20/2015
New York                               Posting Log                         RFEBBU00/WFTCLOUD702 Page      1

Posting Ar     Bank Key  Name of bank    Bank acct St no Shrt key
MR no Shrt key Pst. rule ExtT TCode Itm Type PK Account Description   AC  Amount Field Selection Value Messages

Subledger acctng 938573829 Bank of America 223449832     9      179
     1      179 ZPK0     455 FB01   1 KZ  25 100375              USD 800.00
     1      179          455        2     50 113530 Wells Fargo- Cash USD 800.00     Document 1500000009 was posted in company code 0006
```

Sample output-similar to FF.5

FEB_FILE_HANDLING

Program is able to handle conditions where no file is available. This allows flexibility for job scheduling for automated interfaces- as the interfaces no longer fail.

New Post processing for bank statements

Selection screen allows for filtering on all items, or only open items:

New Post processing for bank statements

The top section of the screen shows all the items selected.

New Post processing for bank statements

The middle section of the screen shows the individual item selected.

New Post processing for bank statements

The bottom section of the screen shows the individual item and can be used for additional processing.

New Post processing for bank statements

In this example, the customer sent a separate remittance email. The list of documents can be pasted and re-scanned to automatically apply the payment.

This can happen for SEPA payments when over 140 characters of remittance exist for a payment

New Post processing for bank statements

All invoices were found.
There's a payment difference:

Cash discounts can be entered

Assigned amounts can be changed. If the amount of the payment did not match the payment can be applied as a partial payment or a payment with a residual item.

Text can be added for the partial payment if desired.

New Post processing for bank statements

Additional items can be selected based on a variety of selection criteria. This is similar to post-processing in the previous bank reconciliation transaction. Once all the items are selected, the payment is posted.

New Post processing for bank statements

Upon saving, the item now shows as posted in both the ledger and sub ledger.

The next open item can then be processed until all items are posted.

Questions??

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Electronic bank statements

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- Posting vendor direct debits - series
- Clearing ACH payments using DME reference numbers

Payments

Same day ACH - series