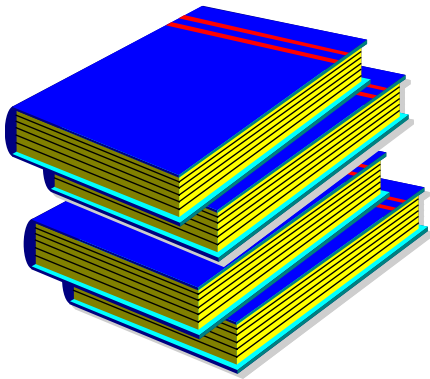


- The SAP R/3 System uses the following organizational structures to represent business processes in financial and management accounting:

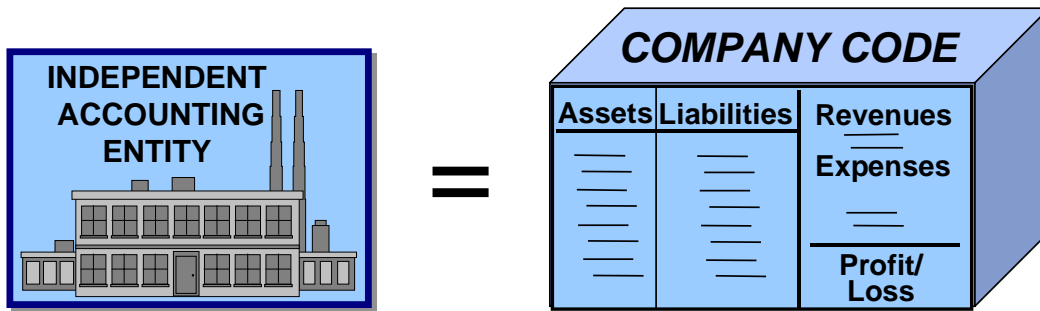


- ◆ Company code
- ◆ Group company
- ◆ Business area
- ◆ Controlling area
- ◆ Operating concern

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- In order to most effectively configure the SAP R/3 System, a project team must understand the organizational elements used within R/3, as well as the company's own structure and requirements.

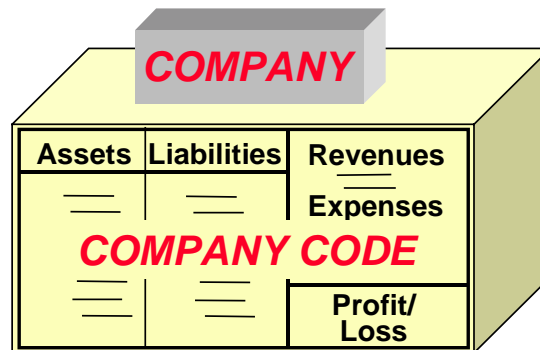
**A company code is an independent accounting entity (the smallest organizational unit for which a complete self-contained set of accounts can be drawn up). An example is a company within a corporate group.**



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- Balance sheets and profit & loss statements, required by law, can be created at the company code level.
- A company code designation will be required on every financially based transaction entered into R/3. It will be input at entry time or the system will derive the information from system configuration.
- Company code uses a 4 digit alphanumeric field.

- A *group company* is the legal unit of consolidation to which company codes are assigned.

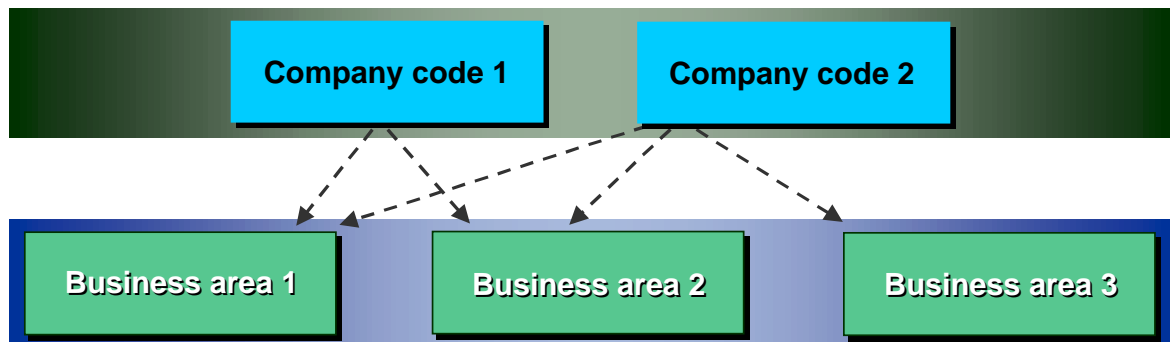


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- A group company can comprise one or more company codes and is the main structure used for consolidations.
- It uses a 6 digit alphanumeric field.

**Business areas are used for internal purposes to create balance sheet and profit and loss statements or alternatively can be used to meet external segment reporting requirements.**

**Every business area can be used by every company code.**

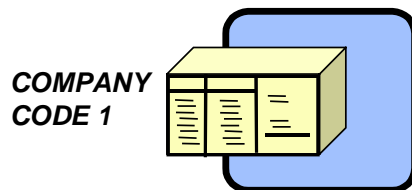


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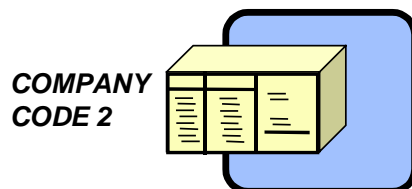
- You can set up several business areas to which the system can assign postings made in any company code defined within a client.
- Business areas may be used to facilitate external segment reporting across company codes, covering the company's main areas of operation (product lines, subsidiaries) where legally required.
- If no external business segment reporting is legally required, the business area is entirely optional and flexible within the constraints of the business area definition.
- Business area is a 4 digit alphanumeric field.

- A controlling area identifies an independent organizational structure for which costs and revenues are collected.
- Each controlling area can have one or more company codes assigned to it (see below).

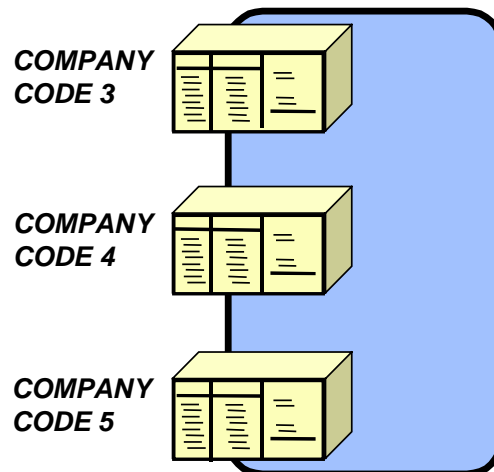
## CONTROLLING AREA 1



## CONTROLLING AREA 2

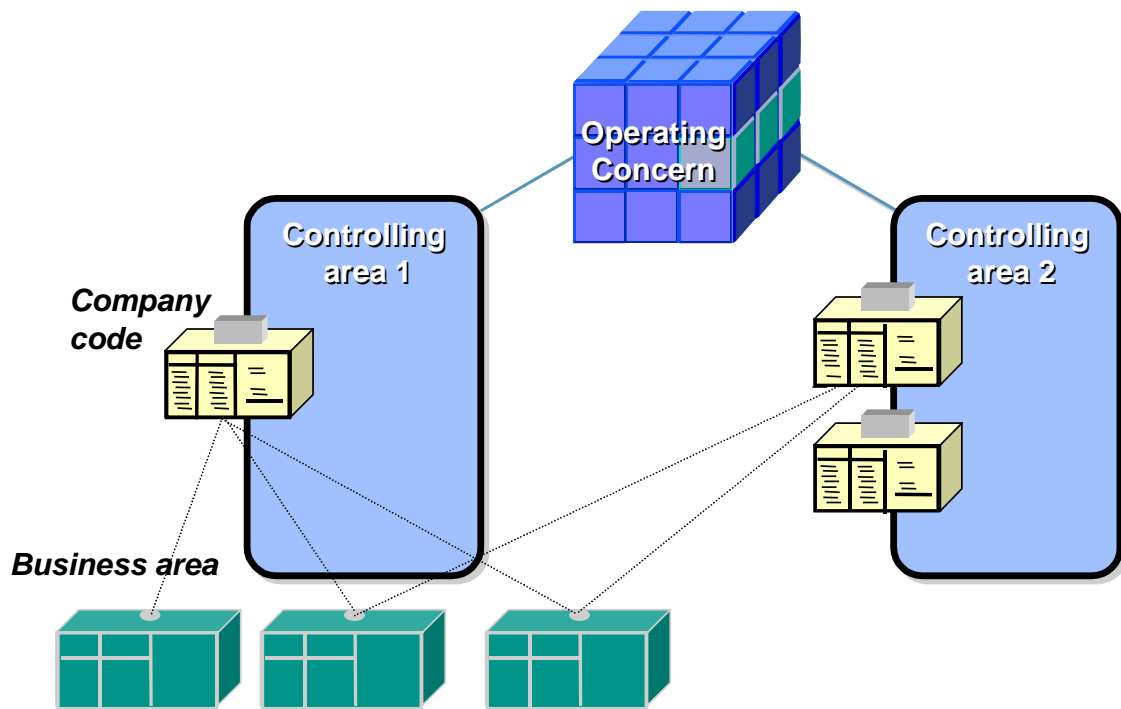


## CONTROLLING AREA 3



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- Controlling area is the structure used to capture revenues and costs for internal management reporting.
- The use of multiple company codes within one controlling area allows for the additional functionality of performing cross company allocations.
- Company codes within the same controlling area must use the same operating chart of accounts and fiscal year.
- Controlling area is a 4 digit alphanumeric field.



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- **Company code** is the smallest organizational unit where a complete balanced set of books is produced.
- **Group company** is the legal unit for consolidated reporting. One or more company codes can be mapped to a group company.
- **Business areas** provide balance sheet reporting for business segments. They can cross company codes.
- **Controlling areas** capture costs and revenues for internal managerial reporting.
- **Operating concerns** provide the structure to analyze market performance on the basis of user defined criteria.

■

