Highlights of SAP Country Version
Russian Financials/Operations

SAP Globalization Services
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Objectives

At the end of this lesson, you will be able to:

• Gain general information about SAP in Russia
• Explain key Russian localization topics for SAP ERP in the Financials and Logistics areas
In the following 30 minutes, the following will be dealt with:

• Introducing the Russian country version, we will start with a general overview of SAP’s business in Russia and the Russian legislation to provide a background for understanding the Russian market complexity.

• Then, we will focus on general questions, for example, what is the delivery model for Russian localization and how to align the Russian country version with a company's global template.

• Then, we will present the solution map of Russian localization for SAP ERP Financials and Operations in detail.

• As a last topic, we will show information resources available for Russian localization in SAP portals.
SAP has a well-established infrastructure and business in the countries of the former USSR, integrated into Commonwealth of Independent States (CIS): Russia, Ukraine, Belorussia, and Kazakhstan, not a startup but rather a stable business with very high potential.

In 1992, SAP appeared on the CIS market and was acting as a representative office until 2002. As of 2002, we have a fully operational local subsidiary in Moscow that acts as an operational basis of SAP for all CIS countries.

The CIS organization has always demonstrated good performance, being in the top 10 markets for the last several years and moving steadily towards the top 3.

It is particularly remarkable that CIS has always shown excellent margin performance, comparable to top-performing SAP countries.

- Present on the market for over **18 years**
- Within the SAP world, SAP CIS became the **5th top market** in 2010 up from the 9th place in 2009
- Customer network of over **1,100 companies**
- Estimated number of SAP users in CIS: approx. 450,000 (you can say close to half a million)
- Largest customers being RZD (about 160,000 users), Gazprom (60,000 users), Rosatom
- **600 employees**, distributed over **8 office locations**
- 120 service partner companies, 5,000-6,000 SAP consultants
- SAP has dominated its position with **over 50%** annual share in **entire CIS ERP market segment**
As already said, SAP has a well-established infrastructure in Russia. SAP has not only representative offices, located in 5 Russian cities, but also an established development and support infrastructure for Russian country versions.

The Russian country version is produced by SAP Globalization Services and represented by the team in (~50 employees, mostly in Moscow). We are planning to at least double our resources dedicated to Russian localization – additional 50+ FTEs (mostly located in Moscow) will be hired in 2011/2012 based on the CIS growth plan. SAP Active Global Support, Production, and Validation teams have representative offices in Russia too.

This helps SAP to ensure that all parts of development and maintenance cycles are represented for Russian country versions in Russia to be more close to the customer base:

- Product/Solution Management
- Development
- Knowledge Management
- Quality Assurance
- Validation and Production
- Primary-, Second-level and Development support
The reason for SAP to establish a solid country version development infrastructure is the complexity of Russian legislation in the accounting and taxation area. Legislation complexity pushes companies to spend an average (of course, depending on their business complexity) of 450 hours per year to prepare accounting reporting and payment of taxes. The key difference between Russia and other countries is the depth of legal regulations – all steps in accounting processes are regulated by the legislation and require that SAP provides the corresponding functionality in the country version to help customers to be legally compliant. Now, in Russia we have more than 200-300 active legal acts and authorities statements, which are relevant to accounting and reporting processes.

At first, there is a Russian legislation-specific difference in financial and tax accounting approaches starting at the transactional level. This means that the reflection of the same transaction in financial accounting and for tax accounting purposes can be different. For example, assets can be fully depreciated for tax accounting purposes, but still have a value for financial reporting. As a consequence of such a difference in financials and tax accounting principles, a company is advised to keeping record of the differences between these accountings on a regular basis for audit purposes.

Postings to the General Ledger are regulated by the law too and in some cases are different from international rules. Moreover, Russia has special General Ledger posting principles, a so-called account correspondence, which is the basis for legal journals and financial reporting preparation.

A company is obliged to cumulate all transactional information into legally regulated journals with a predefined layout, which are to be printed and kept on a periodical basis for audit purposes.

And only then, final period-end closing reporting for tax and financial accounting areas can be prepared by a company. Tax declarations and financial reports are to be delivered to the authorities in XML format. However, in any case, printed, signed, and stamped hard-copies of all reporting are to be kept in the company’s bookkeeping department for audit and reconciliation purposes. Of course, printing layouts of all tax declarations and financial statements are predefined and regulated by the law.

Such complex legislation structure supposes high frequency of legal changes:

- 1-3 per week – relevant for different areas of accounting processes and can be solved by customizing changes or changes in accounting processes
- 1-2 / month – legal changes require corresponding changes in country-version functionality
- 3-4 / year - dramatic legal changes require big development efforts for country-version
Prior to ECC 6.0, the Russian country version was delivered as an add-on that was developed on top of the standard SAP software, and is delivered separately from the standard CD/DVD. Taking into account the Russian market complexity, its importance and potential, SAP decided to deliver the Russian country version as a standard solution as of SAP ERP 6.0. The country-specific functions are integrated directly into the software and do not constitute separate solutions. Since all of the country-specific functions are supplied as part of the standard SAP software, all of the standard country versions are mutually compatible and can be used simultaneously, which is important for multinational companies. With ERP 6.0, you do not need to install any additional software to use country-specific features delivered by SAP in the Financials and Logistic areas. You just need to activate country ‘RU’ for the new company code, install ‘SAP Library Russia’ and use the country-specific functionality.

The life cycle of the Russian country version is similar to other standard localizations delivered by SAP:

- SAP delivers legal changes, as a first priority task, through SAP Notes available for download from the SAP Support portal.
- Accumulated legal changes and minor functional improvements are delivered via Service Packages (for SAP_APPL package).
- New functionality, which improves both scope and flexibility of the country version, is added through Enhancement Packages.
For multinational companies, who use Global Template for the most of all countries where they have a business, it is important to know, that SAP specially designed Russian localization to make it more flexible for such companies.

Companies with a global chart of account template can use the Russian localization, keeping the global account number as main number of an account. The Russian account number in this case should be kept as alternative number.

In addition, customers do not need to change their global template in the New GL and Special Ledgers usage. The Russian localization supports both General Ledger extensions.
Parallel accounting – a process of accounting transactions (from original documents) in the two and more standards (Russian Accounting Standard, IFRS/IAS/GAAP, or another). There are three ways to conduct parallel accounting from a business point of view:

1. The first method is a detailed data recalculation on each business operation. In accordance with this method each transaction saves in both main and parallel bookkeeping ledgers on weekly, monthly or quarterly basis depending on accuracy which company would like to use.

Parallel accounting can be done in two ways, by using the Russian chart of account CARU, which is predefined in the system:
   1.1 Using New GL registers AND parallel charts of accounts
   1.2 Other possible solution: Using the special ledger AND parallel charts of accounts

2. Method 2: Accounting reporting transformation – carried out on a certain date (usually reporting), the procedure of reporting under RAS by another (IFRS/IAS/GAAP/other) accounting principle. Thus it’s necessary to make adjustment entry to eliminate differences between main and parallel ledgers data. This difference is usually calculated at the end of the reporting period. This method is

3. Method 3: IAS reporting gets the data from Russian ledger without any adjustment. RAS Accounting is done separately and at the end of the reporting period, RAS figures (balances on accounts, P&L figures) are converted to IAS reporting w/o any adjustments. This method is detailed data recalculation on each operation. Either RAS or IFRS/IAS/GAAP might be primary accounting or parallel (and vice versa).
Before a deep dive into the SAP ERP FI/LO solution map will take place, let us focus on its legend:

- **Standard delivery** – The country-specific functions are integrated directly into the software, and do not constitute separate solutions. All standard functionality is maintained by SAP according to a maintenance contract with customers: bug-fixing, legal changes relevant for already delivered functionality.

- **Best Practice** – The country-specific functions are available in SAP CIS consulting as consulting SAP Notes, or as SAP CIS consulting paid services. Best practices are not supported within the maintenance contract framework.

- **Limitations** – Absent functionality for separate country-specific legal requirements. In most cases, limitations could be classified as:
  - Requirements cannot be automated due to the absence of the corresponding data in the system.
  - Can be solved outside the SAP system at much less costs for the customer.
  - Known limitation, already included or to be included in the future releases according to country version planning.

Going thru the presentation, we will pay attention to what customers can do with limitations identification for their own business and how to close such limitations during the implementation project.
In addition to the generic SAP system functions, the Russian country version comprises functions designed for laws and business practices specific to Russia. There is also a country template to help you customize the system according to local requirements. This Solution Map does not cover the generic functions of SAP software but focuses on the local market requirements only.

The complexity of this solution map correlates with the complexity of Russian legislation. This affects almost all components of Financials and Logistics fields. The most important areas for managing the daily business are already delivered by SAP. However, SAP extends the Russian country version from release to release so as to provide tailored (localized) functionality for more specific areas of businesses in Russia. Most of the country-specific functions for Russia relate to Financials, with some additional features in Logistics as well:

- Printout of various forms in accordance with the law to confirm and prove in paper about the transactions made in the system
- Posting of accounting documents in accordance with Russian accounting regulations in General Ledger
- Preparation of financial statements processes in accordance with the law
- Tax calculation and preparation of tax declaration for major taxes
- Preparation of various reports, such as legal journals, in accordance with the law and common business practices

The following slides describe the solution map in more details.
The basis of Russian localization is Financial Accounting.

The Russian chart of accounts has a strictly predefined structure – all accounts have a fixed 2-digits number. A company is not able to change these 2-digits account prefixes or use the account number for purposes other than defined in legal acts. The next digits (or symbols) in the account number are not blocked and can be used by the company according to business and reporting needs. The Russian country template contains the corresponding chart of accounts template. The daily work of an accountant with general ledger postings, cash desk, and bank processing is supported in the Russian localization by legally required forms and localized payment formats.

As we said before, GL entries in Russia should be done with a keeping of accounts offsetting rule. Negative posting is allowed too and should be used instead of reversals for most of all correction transactions. The Russian localization provides the corresponding functionality for these legal requirements to allow the Financial statements creation and printing:

- Balance sheet with addendum (Forms 1 and 5)
- Profit and loss statement (Form 2)
- Statement of changes in stockholders' equity (Form 3)
- Cash flow statement (Form 4)

From EhP5, these financial statements, excluding form 4, are available in the PDF and XML formats.

IFRS reporting requirements are relevant for Russian companies, which are planning to be engaged in IPO (Initial Public Offer). Russian legislation requires that such companies provide reporting similar to international financial standards. The SAP CIS consulting best practice solution is available to cover this requirement.
Accounting for fixed assets for accounting and tax accounting has a number of specific requirements. As already mentioned, each entry must be confirmed by primary documents. Russian localization contains a set of required reporting forms (primary documents and reports) that are required in accounting for fixed assets from purchase to retirement.

SAP Standard depreciation rules can be modified according to the requirements in a particular country with the exception of the bonus depreciation for tax accounting. Russian localization also includes other functionality that is required for the calculation of taxes on fixed assets:
- Additional fields for printing the declaration on property tax and transport in XML format
- Accounting for deferred VAT on fixed assets
- A special area of FI-AA for the purposes of income tax

Solutions for accounting land tax are not included in the localization as there is no single source of data for calculating the tax: E.g. FI-AA, or SAP Real Estate can be used.
Fixed Assets accounting in Russia has several country-specific requirements related to every-day operations and tax accounting for fixed assets. As we mentioned before, all transactions in Russia have to be confirmed by printing the corresponding forms. The country version contains a package of obligatory forms, which are produced by the bookkeeper during the fixed asset lifecycles from purchasing to final write-off. The SAP standard Depreciation Engine allows you to customize all country-specific rules, excluding the so-called “depreciation bonus” function for tax accounting purposes. All other tax-related functions for fixed assets accounting were developed for the Russian localization too:

- Property and Transport taxes declaration printout and XML formats are supported by special country-specific fields in the asset’s master data.
- VAT processing is supported by the deferred VAT calculation function at the moment of an asset going into operation.
- Profit tax accounting for fixed assets has calculation rules, which are different from general financial accounting. Therefore, country version delivers in FI-AA special valuation area for profit tax accounting purposes.

Land tax is not part of the country version now, because there is no common data storage for source information for this tax: FI-AA, or SAP Real Estate, or SAP Land Use Management solutions can be used by customers for land accounting purposes.
Value-added tax is the most often and most thoroughly validated tax by the tax authorities in Russia. Taking into account the importance of the VAT, the country version provides all the tools required to calculate and track VAT thru Financials and Logistic business processes to support the legal compliance of our customers in this area.

According to the legislation, VAT processing in country version is separated by several areas:

- Receiving and producing the tax invoice documents for delivered goods, services, and advance payments with registration in legal tax invoice journals.
- Correction tax invoices processing, which has been put into practice by a legal change in October 2011, should be issued in case of any changes of sent tax invoices. This new legal requirement is supported by the Russian localization too.
- The next stage is VAT clearing and reposting for return purposes according to the legislation and depending on the business activity type – simple deferred VAT, VAT in transit, separate VAT accounting, VAT deduction for export, VAT transfer for tax agents, and so on.
- Then, in the month closing stage, all information regarding VAT-related activities, is cumulated inside legal journals – Sales and Purchase ledgers.
- As a result, the customer is able to create a VAT declaration in paper and electronic XML format.

Due to the complexity of the VAT legal base and continuous changes in this area, SAP is going to fully automate VAT processing from release to release. With SAP ERP Enhancement Package 6, only a few small special cases require manual postings like non-taxable activities transfer to expenses for deferred VAT or invoices splitting for separate VAT processes.

As we mentioned before, the electronic workflow will replace the paper workflow in Russia in the feature. Currently, tax invoice exchange is a pilot area in Russia and authorities are about to complete a legal base for it. When the rules, formats, and the technical infrastructure for the electronic exchange of tax invoices will be completed in Russia, then SAP intends to provide the corresponding functionality for the current release.
SAP ERP Financials – Operations for Russia
E-invoicing and E-Primarily acceptance documents (TORG-12 and AoA*)

Electronic VAT invoicing – business logic

Creating E-Invoice  Signing E-Invoice  Sending E-Invoice  Request for clarification processing  Receive E-invoice  Link to FI document  Archive

E-Primarily acceptance documents (TORG-12 and AoA)

Creating E-Torg-12 or AoA*  Signing by Digital signature  Sending to Buyer  Receive Title of Buyer or rejection  TORR-2 processing  Attach TORR-2 to Title of buyer  Archive

Receiving E-Torg-12 or AoA*  Good receipts Or AoA* acceptance  Link to MM document  Create Title of Buyer or rejection  Sending Title of Buyer or rejection to Seller

Country-specific customizing

Operators of Electronic document flow definition  Assign electronic ID to customers and vendors

Country-specific objects

Electronic E-delivery and acceptance documents Journal  Set of programs to create, send and receive E-invoices and E-TORG-12 and AoA

* AoA – Act of acceptance

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The Sales and Distribution and Material Management localization is related to the transactional level and supports most of the legal requirements relevant to the distribution business. Special attention is paid to VAT processing and printing forms. 14 standard printing forms with 8 Best Practice layouts help to cover everyday business needs of the distribution business.

Existing localization limitations in SD and MM refer to special business processes more characteristic for huge companies with a wide spectrum of business activities, such as commission trading, transportation by own vehicles, and so on. Country version portfolio planning will close these limitations to reduce the manual efforts customers have in these areas.
The Russian localization contains special objects, customizing, and business logic to automate Foreign trade processes according to Russian legislation requirements and according to common business practice. The solution was designed as an extension for standard SD and MM transactions and allows a company to operate with information about passports of deals, cargo customs declaration numbers, border passing dates, and so on.

The “export” part of the solution is dedicated to support export cargo customs declaration (CCD) tracking for its life cycle:
- To start export processes, the company has to start from creation of a passport of export deal document to be compliant with the currency control procedure.
- Then, the company prepares temporary CCD with precalculated custom fees to confirm these fees with Russian Customs.
- After approval of the temporary declaration, potentially with some corrections made by the Customs office, CCD receives the permanent status and the company can do physical goods transfer abroad.
- The final step is the correction of customs fees via a correction document if customs fees were changed on the date when goods physically left the territory of Russia.

The “import” part of the solution is dedicated to import control procedures fixed in Russian legislation. According to the law, information about the CCD number should be tracked with goods during their movement around Russia to the end customer. The corresponding functionality allows the storage of data about the custom declaration number, its date, and the quantity of goods imported with this declaration. Then, during stages of sales or goods write-off, you will be able to link outgoing goods to the corresponding inbound custom declaration. Having this information, the system fills CCD fields in tax invoices, purchase, and sales ledgers.

These complicated business processes are supported by the new solution delivered with Enhancement Package 5 for ECC 6.0.
For profit tax, SAP only delivers a core customizing in the standard country version such as tax codes hierarchies and posting procedures for differences between profit tax and financial accounting. All other parts of the profit tax solution are delivered by SAP CIS Consulting as Best Practices due to the following reason:

Profit tax calculation is based on the collection of tax base data in tax registers, which do not have a strict format that might have been regulated by the law. The formats are just recommended by the legal authorities. This means that each company can be flexible in modifying the recommended tax registers. Therefore, a Best Practice solution just provides a template that can be modified in the course of the implementation project according to the customer’s business needs. All other calculation programs, data import, and data selection tools are highly dependent on the customer’s structure of tax registers and have to be somehow adopted during implementation too.

As we mentioned before, this solution, as all other local SAP Best Practice solutions, is not supported by SAP and provided only as a template for our customers. Nevertheless, SAP checks the possibility to migrate the Best Practice tax accounting solution to the standard country version to provide a support of legal changes in this area within the standard maintenance contract framework.
On the previous slides, we have presented the major types of taxes in Russia relevant to:

- Profit tax
- Value added tax (VAT)
- Property tax
- Transport tax
- Land tax

SAP CIS Consulting can provide Best Practices services for the implementation of Excise accounting, which is relevant to a limited numbers of industries, such as oil and gas, tobacco and alcohol producers. Used by small enterprises, simplified and unified taxation schemas are available as Best Practice service too.

All companies in Russia have to provide special reporting to the Ministry of Statistics. In the worst case, for very huge and complex businesses, the number of such forms can exceed 167 separate reports, collecting information from all parts of the information system. Unfortunately, these forms do change every year or every second year. This makes their implementation much more complex from the customer’s side than a manual preparation using information from standard SAP reports.

In the rest of the Russian legislation system, you can find several taxes, fees, and legal reporting — and there might be additional local requirements depending on the exact region. SAP is not going to provide localization for the entire scope of federal, regional, and territory taxes due to the absence of the corresponding system data or due to the simple manual (Excel-based) process of preparation of such taxes and reports. Even if SAP planned to propose solutions for such taxes, their implementation would prove to be extremely difficult and expensive for our customers, as opposed to a periodical manual preparation.
For more information on topics discussed in this lesson, see the following references:

- Country Information in [Russia country page](#)
- Russian localized scope - [FI Russian-specific objects in ERP 6.0](#)
- Legal Changes - [Legal change report](#)
- Available Documentation:
  - SAP Library - [SAP Library FI MM SD](#)
  - SAP Library Russia - [SAP Library Russia](#)
- SAP Best Practices - [Link to Best Practices](#)

For more information on topics discussed in this lesson, see the links referring to the SAP Portal listed here.
We recommend that your implementation team subscribes to the Support Spotlight News for the CIS region to be informed about significant changes in the country version, such as urgent legal changes delivery, announcements about workshops, or knowledge transfer sessions for Russian localization.

To see the CIS news on the portal, you need to check your portal’s profile settings. If "CIS" is not displayed in the "Countries according to my installation" section, then expand the "Additional countries" selection and select the CIS region checkbox.
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How to register:

Complete the registration via e-mail (Russian GPM team mailbox):

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pm.cia@sap.com
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Thank You!

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Thank you very much –

For questions please contact globalization@sap.com

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