

South Korea



Release 4.6C



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South Korea

South Korea

General Information

Functional Overview

Functional Overview

The Korean Release offers the necessary functions to use the SAP R/3 system in Korea. You will find some Korean specific functions in the standard SAP system in addition to descriptions on how to realize typical Korean Business Processes using SAP standard processes and functions.

The functionality has been taken over from Korean Localization Version 3.1H. No additional functionality has been added and also all major functions have been transferred to the Rel. 4.5A from the Localization Version 3.1H. To reduce the numbers of the reports, some reports were merged together without eliminating any functions. In the documentation of those reports, there are additional hints how to use them correctly.

The localization focused mainly on financial accounting. Together with Coopers & Lybrand, the gaps between Korean business requirements and the earlier SAP standard software have been analyzed. Based on the recommendation of Coopers & Lybrand, additional functionality and changes in the SAP standard processes have been developed in the Korean Localization Version. The transfer of the functionality from Korean Localization Version to Standard R/3 system now satisfies the major requirements of Korean financial accounting.

The SAP R/3 Korean Release offers:

Korean Tax Reporting: SAP R/3 is able to handle Korean tax reporting. New reporting functionality has been created including:

- Summary of tax invoices
- Entertainment expense list
- Donation list
- Taxes and dues list
- Withholding tax reporting

All tax lists are printed in the mandatory format. The Input and Output VAT summary can create a file which can be passed directly to the tax authorities.

Period Closing: The Korean Release offers a Korean Balance Sheet version and a Korean Profit and Loss statement. The Profit and Loss statement is based on cost of goods sold.

Automatic Payments: Automatic Payments can be made on business place level.

Bill of Exchange and Check management: Bills of exchange and checks can be printed out directly from the system. The form numbers are managed in the system. The mandatory reports on bills of exchange receivable, bills of exchange payable and bills of exchange discounted can be created. Furthermore, it is possible to manage forms purchased from the bank and a report on the usage of the forms can be printed.

VAT Invoice: The system can print out the mandatory VAT invoice.

Asset Accounting: Korean depreciation rules are used in Asset Accounting. This comprises ordinary depreciation as well as special tax depreciation. Several tax reports can be created by the system.

Korean sample company: A Korean sample company has been pre-configured in the system.

Korean Address Printout

Korean Address Printout

A new layout key (17) has been created for Korea and inserted in table t005a and can be used when creating customer or vendor master records.

The layout key 17 prints the address like following:

The postal code for post boxes are generally ignored in Korea.

From abroad to Korea:

Name with title

- Street

- District

City

Country postal code



SAP Korea Ltd.

23-2, Youido-Dong

YongDeungPo-Ku

Seoul

Rep. Of Korea 150-010

In case of post boxes (from abroad to Korea):

Name with title

Street (enter the post office in which the post box is)

PO BOX Post box

District

City

Country Postal code



SAP Korea Ltd.

Youido Post Office

PO BOX 456

YongDeungPo-Ku

Seoul

Rep. Of Korea 123-456

From Korea to Korea:

City District

Street

Name 1

Name 2

Name 3

Name 4

Postal code



Seoul YoungDeungPo-Ku

23-2 Youido-Dong

SAP Korea Ltd.

150-010

In case of post boxes (from Korea to Korea):

City District

Street (enter the post office in which the post box is)

'PO BOX' Post box

Name

The Korean word for 'PO BOX' is printed.



Seoul YongDeungPo-Ku

Youido Post Office

PO BOX 456

SAP Korea Ltd.

123-456

Short form:

SAP Korea Ltd./Seoul

EDI:

Seoul 150-010

Legacy Data Transfer

Legacy Data Transfer

If documents are to be transferred from the legacy system, the following issues have to be considered:

- Before going live with the SAP system, you should create the VAT reporting in your old system. It is not possible to create a VAT reporting in SAP for documents taken over from the legacy system.
- Open vendor items must be taken over with the correct section code allocation if payments to these vendors are subject to withholding tax. SAP FI posts the withholding tax amount in the moment the open items are paid (default setting for Korea). In order to allocate the withholding tax amount to the correct section code, the section code must be entered in the section code field on the vendor line.

It is important to use the correct withholding tax code when posting these open items. Consider that for Korea two withholding tax types are used (K1 and K2). For more information on withholding tax please, read [Withholding Tax \[Page 41\]](#). All other documents do not need to be posted using a tax code or a tax jurisdiction code during legacy data transfer.

Data Migration

Data migration from an earlier Korean Localization Version to the standard release is supported only for the following releases:

Korean Localization Version 3.0F

Korean Localization Version 3.1H

Korean Localization Version 4.0B

For the Korean 4.5A version, new objects had to be created and the same functions were realized in different ways. Therefore, the data migration from any Korean Localization Version to the standard release 4.5A is delivered on a separate package with a migration manual.

Master Data

Master Data

[Business Place \[Page 15\]](#)

[Section Code \[Page 16\]](#)

[Allocation of Business Place and Section Code \[Page 17\]](#)

[Type of Business/Type of Industry \[Page 19\]](#)

[Tax Office and Local Tax Office \[Page 20\]](#)

[Customer and Vendor Master Data \[Page 21\]](#)

Business Place

The business place in Korea is a legal hierarchical layer located under the company code. It can be matched with plants but this is not mandatory. Usually Korean companies have more than one business place and larger corporations may have several dozen of them. A business place can be seen as part of the company under jurisdiction of one tax office. Tax reporting is done on business place level to the tax office which has the jurisdiction of that particular business place.

Organizational data such as the name and address of the business place representative and more importantly, the VAT registration number (10 digits, first 3 representing the number of the tax office), is stored at the business place level. Each business place is assigned a VAT registration number from the tax office. A business place is allowed to issue invoices only after it is assigned a VAT registration number.

The information stored on business place level must be listed in VAT reporting and printed on the VAT invoices (Tax Invoice). The VAT invoice has to be issued when selling a good. It is the official form of an invoice which is valid in the whole country and states the VAT amount due when a product is sold.

In the R/3 system the number of characters for business place is limited to 4.

Here you enter the following business place variables:

- Name of the representative
- Type of business
- Type of Industry
- Social ID number
- VAT registration number
- Tax Office

The address for the business place is maintained by using the central address maintaining function. To reach the address fields you have just to click on the envelope symbol in the icon bar when maintaining the business place master data.

To customize the [tax office \[Page 20\]](#), see the IMG.

You should mark the business place, which is the headquarters of your company. To mark the headquarter of your company follow the IMG: *Financial Accounting* → *Financial Accounting Global Settings* → *Company Code* → *Enter Global Parameter*.

Choose your Company Code and click for details. Then click additional details. Here, you can enter which business place is representing your headquarter.

Section Code

Section Code

The section code is an reporting unit of the R/3 system. It represents the reporting unit in a company of the withholding tax in Korea. The section code can be described as a combination of a Tax Office and a Local Tax Office. The reporting and payment of withholding tax is divided into two parts. Each part has to be reported either to the Tax Office or to the Local Tax Office. The part which has to reported to the Local Tax Office is the local tax part e.g. the inhabitant tax.

It is allowed to report the withholding tax by units or sections of a company which has the ability to do Accounting. Usually these sections are characterized by units who has got a VAT-registration number (10 digits). One section code can be, of course, a business place because the business place of a Korean company code has a VAT-number.

In the R/3 system, the section code is a sub-structure of a company code which can be optionally linked to a business place. The link to the business place is optional. In the reality there can be no relation between a business place and a section code. But if a business place is reporting the withholding tax which is quite often the case then the section code master data should contain the business place as an attribute. This depends on how your company is reporting the withholding tax. The section code master data can be created in the IMG. Enter your company code in the pop-up window. Then click on new entries and enter the section code (max. 4 chars), the text, the business place (optional, see above), the Tax Office and the Local Tax Office.

See also:

[Tax Office and the Local Tax Office \[Page 20\]](#)

Allocation of Business Place and Section Code

When posting a taxable document in the financial accounting application, the document must be assigned to the business place which eventually reports the VAT to the tax authorities. Therefore the R/3 System contains the field business place in every tax relevant transactions. The business place is a obligatory entry field in the posting screen whenever a document is posted and has a tax code (only for Korean Company Codes). Only one business place per document is allowed, even if a company has to issue Tax Invoices between business places (Stock transfer between plants which are different business places). How to handle the VAT between business places will read VAT on Stock Transfers between Business Places.

The [business place \[Page 15\]](#) can be customized in the IMG.

You enter only a part of the financial documents directly through FI. Most of the documents are transferred to financial modules from other integrated SAP modules. When passing taxable transactions to the FI module, the field business place must be correctly filled with the key of the responsible business place. To achieve this, the other modules have to be configured.

Materials Management

The plant is the central organization unit in Material Management. Material movements always occur either within one plant or from one plant to another. By allocating the business place to the plant, we can determine the business place that purchased the material. If plant 0001 is allocated to business place 'BP01' and plant 0002 is allocated to business place 'BP02', then the movement of material between plant 0001 and plant 0002 is also a movement between business place 'BP01' and business place 'BP02'.

The section code cannot be determined by the plant automatically. The section code as a reporting unit for withholding tax has to be entered manually for each invoice by using the Logistic Invoice Verification. The section code can be found in the Document header of the invoice (Logistic Invoice Verification).



The 'normal' Invoice Verification does not support the allocation of the business place and section code!

Sales and Distribution

Similar to the MM module, goods are managed on plant level. When goods are sold, the system can determine the delivery plant. This plant is stored in the SD document. When a billing document is passed to the financial accounting application, the system reads the business place assigned to the plant and writes it into the document. The allocation between plant and business place can be done in the IMG.

Asset Accounting

Asset transactions are posted automatically from the Fixed Asset module to the FI module. To indicate which asset belongs to which business place in the FI-AA module, the 4-character evaluation group fields are used. One of the available evaluation groups (4-character) must be determined for the use as the business place. In this chosen evaluation group in the asset master data you have to enter the business place. In the screen layout rule for the asset master records, the 4-character evaluation group should be configured as a mandatory field. But before entering the business place in the asset master data you should customize all business places in the

Allocation of Business Place and Section Code

chosen evaluation group. You find this transaction in the IMG. *Financial Accounting* → *Asset Accounting* → *Master Data* → *User fields* → *Define 4-character evaluation groups*.

Type of Business/Type of Industry

The customer's type of business must be printed on each issued tax invoice and on the VAT summary for input VAT and output VAT.

When master records for vendors or customers are created or accounting documents are posted to one-time-vendors or one-time-customers, then the system asks for the entry of a type of business.

To make the maintenance of the customer and vendor master records more convenient and to offer a selection of possible entries to the persons in charge of master data maintenance in your company, a list of possible entries can be created. These entries are proposed when creating/changing master records or posting accounting documents to one-time-vendors or customers. However, the type of business you enter in the customer/vendor master record can be different from any entry in this table. You can customize the type of business and type of industry by the IMG.

Tax Office and Local Tax Office

Tax Office and Local Tax Office

The tax office to which the business place reports the VAT and other taxes must be entered in the business place master record. Enter the number of the tax office (3 characters, unique in the whole country) as the key and the name in the tax office master data table. This table is language dependent so that you should maintain it in all possible login languages.

In the section code master data a tax office and a local tax office have to be entered since the section code is a combination for those two tax authorities and a reporting unit for the withholding tax. Even if the withholding tax reporting is done on the business place level in your company it is not sufficient to enter only the business place instead of the tax office in the section code master record. The tax reports are accessing the tax office and the local tax office field in the section code master data. Enter the number of the local tax office as the key (3 characters, unique in the whole country) and the name in the local tax office master data table. This table is language dependent so that you should maintain it in all possible login languages.

Customer and Vendor Master Data

In the customer and vendor master record, the business place master data has to be entered. Generally, one vendor or customer master record is created for each business partner. In Korea we recommend to create one master record for each business place of each customer and vendor. This inflates the number of master records, but with one master record for each business place of each business partner, it is possible to report the business volume for each customer and vendor business place separately.

In order to display the balances or the individual line items for all the business places of a business partner you can create a work list that contains all the customer or vendor master records of the business places of this company. Use this work list when displaying open line items. If the payment of your business partner is done centrally (customers and vendors) use the alternative payee/payer fields in the vendor/customer master records.

Where do we store the business place master data in the vendor and customer master records?

The VAT reg no is entered in the field tax code 2. The ID of the representative is entered in the field tax code 1. To enable entry of the name of the representative, the type of business and the type of industry, three new fields have been added to the general data part of the master records. When customizing the account groups for vendor and customer, allow optional entry or require mandatory entry for the fields of the field group Korean Business Place Data.

Please do not leave blank spaces or hyphens in the fields for the VAT registration number and the social ID of the representative. In the country specific settings for Korea, the length of the field tax code 1 was configured for 13 digits without blanks and the field tax code 2 for 10 digits without blanks.

Financial Accounting

Taxes

Value-Added Tax (VAT)

Value-Added Tax (VAT)

VAT is levied on sales in Korea. The VAT amount is posted when products are sold. When buying goods, the VAT amount charged for the purchase can be deducted from the total VAT obligation. At the end of a three month period, every company is required to file several reports to the tax authorities. These reports state the total number of taxable transactions with each customer and vendor, the total amount of these transactions and the amount of posted VAT resulting from these transactions. This tax declaration must be made on business place level.

For VAT purposes, the business place information must be stored for your own company and for all domestic companies in which you are doing business.

When posting a document, it is important to indicate not only the tax rate (currently the tax types 10% and 0% exist) but also if the transaction was documented by a tax invoice, cash register receipt (in case of smaller amounts) or based on a credit card receipt from an employee who entered it into the system to get a refund for expenses. Additionally, it has to be indicated whether or not the input VAT amount posted is deductible. All of this information is necessary for an accurate tax reporting.

The input and output VAT is presented separately in two different forms. The first form states the business place information of the reporting business place in the header and the second lists the totals of tax invoices, base amount and tax amounts. Next, this information has to be detailed for every business place of the customers and vendors with taxable transactions. Regarding the output VAT statement, we have to distinguish between VAT transactions and ID transactions. In some cases, the customers are new companies and have not yet received a VAT registration number. In other cases, our customers are individuals and do not have VAT registration numbers. If there is no available VAT registration number, then the social ID number of the representative of this business partner is printed in the report. Therefore, when posting a document, differentiate between posting a VAT transaction or an ID transaction. Tax authorities also permit reporting the VAT as an electronic file. An official format exists. The file can be produced on a diskette or on a tape.

See:

[Processing Value-Added Tax \[Page 25\]](#)

[Configuration of Tax Codes \[Page 26\]](#)

[Value-Added Tax Reporting \[Page 29\]](#)

Processing Value-Added Tax

The R/3 System provides the business place field in all taxable transaction to assign the tax related documents to the responsible business place. The business place has to be filled on the line item level (included in all tax relevant tables like BSEG, BSET). It is enough just to enter the business place in one posting line on the document. It will be copied to all other line items during the simulation and posting. When configuring the organizational structure of the company, create for each [business place \[Page 15\]](#) in your company a business place master record in the R/3 System. For integration aspects (postings from other R/3 modules), see [Master data \[Page 14\]](#).

The tax relevant documents contain only one business place. There are only few exceptions. Payment (clearing) documents can have more than one business place if the cleared invoices originated from more than one business place. Keeping these rules the VAT reports in the system are able to select all VAT postings for any business place of your company.

Configuration of Tax Codes

Configuration of Tax Codes

In the pre-configuration of the Korean-specific Customizing, the following tax codes have been created:

Input VAT of 0%

V0	Purchase of non-taxable goods, a general bill was received
V1	Purchase of non-taxable goods, a cash register receipt was received
V2	Purchase of non-taxable goods, a credit card receipt was received
V8	Purchase of non-taxable goods, a tax invoice was received

Non-deductible input VAT of 0%

X0	Entertainment expenses
----	------------------------

Input VAT of 10%

VA	General taxable transaction (including direct import), a tax invoice was received
V3	Purchase of fixed assets, a tax invoice was received
V5	General taxable transaction, a general bill was received
V6	General taxable transaction, a credit card receipt was received
V7	General taxable transaction, a cash register receipt was received
ZX	Allocation of common input tax, a tax invoice was received
ZY	Allocation of common input tax, a cash register receipt was received
ZZ	Allocation of common input tax, a credit card receipt was received

Non-deductible input VAT of 10%

V4	General non-deductible transaction
X1	Acquisition and maintenance expenses for small-sized automobiles, a tax invoice was received
X2	Business-unrelated expenses, a tax invoice was received
X3	Free business expenses, a tax invoice was received
X4	Entertainment expenses, a tax invoice was received
Y1	Acquisition and maintenance expenses for small-sized automobiles, a cash register receipt was received
Y2	Business-unrelated expenses, a cash register receipt was received
Y3	Free business expenses, a cash register receipt was received
Y4	Entertainment expenses, a cash register receipt was received
Z1	Acquisition and maintenance expenses for small-sized automobiles, a credit card receipt was received

Configuration of Tax Codes

Z2	Business-unrelated expenses, a credit card receipt was received
Z3	Free business expenses, a credit card receipt was received
Z4	Entertainment expenses, a credit card receipt was received

Output VAT of 0%

A0	Sale of non-taxable goods or services, a tax invoice is issued, VAT output tax is 0%
A1	Sale of non-taxable goods or services, a cash register receipt is issued, VAT output tax is 0%
A2	Sale of non-taxable goods or services, a credit card receipt is issued, VAT output tax is 0%
A8	General 0% taxable transaction for local export, a tax invoice is issued.
A9	General 0% taxable transaction for direct export

Output VAT of 10%

A3	General taxable transaction, credit card receipt is issued
A4	General taxable transaction, cash register receipt is issued
A5	General taxable transaction, a receipt is issued
A6	General taxable transaction, a general bill is issued
A7	General taxable transaction for personal ID transactions, customers can be identified by their personal ID number, but have no VAT registration number
AA	General taxable transaction with a trader, a tax invoice is issued
B4	Payment by proxy
B5	Imputed rental charge

Internal consumption as entertainment expense and donations

B1	This code is applied when a company makes a self consumption for business purposes and posts the transaction to the G/L account entertainment expenses [Page 48] .
B2	This code is applied when a company makes a self consumption for personal purposes and posts the transaction to the G/L account entertainment expenses [Page 48] .
B3	This code is applied when a company makes a donation and posts it to the G/L account donations [Page 51] .

Customizing tax codes:

1. In Customizing choose *Financial Accounting* → *Financial Accounting Global Settings* → *Tax on Sales/Purchases* → *Calculation* → *Define Tax Codes for Sales and Purchases*.
2. All expense accounts of your chart account, where taxable transactions are posted, should be marked with '*' in the field tax category in the company code dependent part of the G/L account master record.

Configuration of Tax Codes

3. The tax codes are not only important for calculating the correct tax amount, but also for selecting the correct transactions when creating the tax reports. For example, when running the output VAT report, you have to explain the report in the selection screen, the tax code to select, and indicate which of the selected tax codes are VAT transactions and which are ID transactions. In this case, enter A7 as ID transaction. For all of the transactions posted with A7, the report then lists the social ID of the Customer and not the VAT registration number.

Value-Added Tax Reporting

Korean companies are required to file several tax reports to the tax authorities.

SAP R/3 can execute the following:

- Create the tax invoice summary for input VAT
- Create the tax invoice summary for output VAT
- Create the tax invoice summary for input and output VAT on tape or diskette
- Prepare the advance return statement for taxes on sales and purchase

For internal tax controlling, a report has been created that displays the VAT details for every business place and tax code.

The following programs for VAT reporting have been created for Korea:

RFUMSV45 - Tax invoice summary for input / output VAT on legal format and on diskette.

RFUMSV49 - For internal tax controlling with VAT details per business place and tax code.

RFUMSV00 - Standard report for advance return statement for taxes on sales and purchase with business place enhancement.

Tax Invoices for Output VAT/Input VAT

Tax Invoices for Output VAT/Input VAT

Reporting Output Tax

In Korea, tax invoices must be issued when goods are sold. These tax invoices are printed in a mandatory format and must contain data about the issuing business place and the receiving business place. The goods sold have to be described and the transaction and tax amount have to be listed. A list of the tax invoice issued is required by the tax authorities.

At the end of a three month period, a list of all issued tax invoices is created for each business place and sent to the tax office that has jurisdiction over the business place.

See Tax Invoice how to create the mandatory tax invoice.

The report RFUMSV45 enables you to create the mandatory list of taxable transactions for every customer business place. The report states for each customer business place the total number of transactions, the total of the transaction amount and the total of output VAT which has been posted resulting from these transactions.

Start this report using the standard report tree FIGL, which contains all Korean specific VAT reports, or by choosing *System* → *Services* → *Reporting*.

Enter the business place for which you want to report on. Enter the tax codes you used for normal VAT transactions in the select option of the same name. The reporting date you enter in the bottom of the selection screen is printed on the output list.

During the posting of an invoice, the VAT number or the social ID number is transferred to the reference key 3 field of the customer line item.

If the report encounters a transaction, which it is unable to list because there is no available VAT registration number or a social ID number in the reference key 3 (XREF3) field of customer line item, then this document is displayed in an error list at the end of the list. With a double click on the error line, you can drill down to the document or to the customer master record to analyze the error.

Set the check box for tax invoices if you wish to select the data from tax invoices. For this selection you have to enter the document type for the tax invoice (e.g. customize TI for tax invoices).

Set the check box for FI-Invoices if you wish to select the data from FI-Invoices. The difference between tax invoice and FI-Invoice is explained in Tax Invoice.

To get the list of the tax transaction in a legal format set the flag 'create list'.

Reporting Input VAT

Incoming tax invoices are posted in invoice verification in the MM module, or if you do not use the MM module, they are posted as accounting documents in the FI module. Incoming tax invoices should be indicated by using special tax codes. This way they can be distinguished from other transactions. If you look at the list of tax codes created for Korea, you see that special tax codes have been created for the posting of tax invoices received.

To create the mandatory list of tax invoices received, execute the report RFUMSV45. This report is created for input VAT and output VAT. In the selection screen, set the flag for input tax, select the reporting period, the tax codes to report and so on. The report then lists all the documents posted within the selected period and posted using the selected tax codes.

Tax Invoices for Output VAT/Input VAT



It can happen that an employee (or another natural person) is buying for the company. This is the case an employee just buys some business related stuff in the name of the company and gets a tax invoice from the vendor. E.g. a gift as entertainment expenses for 3rd party. In this case posting must be made like following:

Invoice:

1) DR: Expense Account CR: Vendor (also one-time)

Input VAT

Transfer posting:

2) DR: Vendor (also one-time) CR: Employee

The input VAT would be reported correctly because the report selects the data from the Vendor master data and the payment is made to the employee.

To get the list of the tax transaction in a legal format set the flag 'create list'.

Input and Output VAT on Tape or Diskette

The VAT summary can also be created on a file. To produce this file, execute the report RFUMSV45 with the selection-options 'create file'. You can produce this file in the file system of your operating system or download it to your local front end. For further information about file format, please refer to the online documentation of the report.

For the selection by tax invoices or FI-Invoices (output tax) please, refer to above.

If the system can not display documents due to a missing VAT registration number stored in the master record or any other problem, then the documents are displayed in an error list on the screen. With a double click on the error line, you can drill down to the document or to the master record and correct this error.

VAT Advance Return Statement

To prepare the quarterly VAT advance return statement, use the report standard RFUMSV00. This report has been enhanced by the business place functionality for Korea. For each business place (mandatory entry field for Korean Company Codes), this report creates a list for the total amount and the tax amount of the documents posted with each tax code. Optionally, you can create a list displaying all individual documents posted with each tax code. Enter the desired posting period, the range of tax codes, and the business place code.

VAT Advance Return Statement

VAT Advance Return Statement

To prepare the quarterly VAT advance return statement, use the standard report RFUMSV00. This report has been enhanced by the business place functionality for Korea. For each business place (mandatory input field for Korean company codes), this report creates a list for the total amount and the tax amount of the documents posted with each tax code. Optionally, you can create a list displaying all individual documents posted with each tax code. Enter the desired posting period, the range of tax codes, and the business place code.



If you do not specify a business place, the report RFUMSV00 creates a batch input for the whole company code. If the VAT is reported by business place and the tax payable is also posted by business place, then execute the report for every business place. This report allows you to enter either one business place or no business place.



This report only takes FI invoices into account. If you want the VAT statement by tax invoices, use report RFUMSV49.

Internal VAT Controlling

To display VAT details for every business place, execute the report RFUMSV49. This report lists the tax amount and the tax base amount for each document sorted by the customer and vendor account number. A subtotal is displayed for each tax code and business place.

Two list variants are available and can be selected in the selection screen of the report RFUMSV49: either summary by business place or summary by business place/tax code.

A batch input session can be created by using the report to post VAT payable to the tax payable account. To do this, you must enter the document type, posting date, and due date of the tax payable (you also have the option of entering an alternative tax payable account).



If you do not specify a business place on the selection screen, the report creates only one posting batch input session for the whole company code. If you specify business places, the report creates one tax payable posting for each business place.

For detailed information on this report, refer to the report documentation and F1 help.

Rerun of VAT Reports

Rerun of VAT Reports

All VAT reports are enhanced by the functionality to exclude all documents already reported by a previous run.



In the beginning of April, the VAT reporting for the first quarter is prepared and the VAT summary report RFUMSV00 and the tax invoice summary reports are executed.

In the beginning of July, the VAT reporting for the second quarter is done. All documents posted during the period April to June must be reported. However, the documents posted in the first quarter of the year but not yet reported to the tax authorities must also be selected.

It is now possible to mark all the documents selected by a VAT report by activating the check box Update tax item date/time. If this check box is activated in the execution of the report RFUMSV49 in April, all selected documents are time stamped and the report RFUMSV49 can be executed again in July. By selecting all documents posted since the start of the year, the report only displays those documents not time-stamped during a previous run of the report.



If the summary output VAT is created based on issued tax invoices, i.e. the report RFUMSV45 is used to create the summary list of output VAT and the option Update tax item date/time is activated in the report RFUMSV49, then the issued tax invoices are marked with a time stamp. Or more in details: the FI-Invoices which belong to tax invoices are marked with a time stamp. The tax invoice in the system which is also a normal FI-document does not have a time stamp field itself.

The time stamp can be used for two different purposes. The first purpose is to rerun a VAT report and exclude the documents already reported. For this option, mark the flag *Excluding reported data*.

The second purpose is to reproduce the result of a previous report. In this case, the report would select only those documents with a certain time stamp. For this option, enter the desired execution date and the time of the VAT report in the fields *Date of tax report* and *Time of tax report* in the selection screen of any of the VAT reports. The selected documents are then checked against the other selection criteria entered on the selection screen of the report.

Tax Invoices

Under the Korean tax law regarding VAT, tax invoices in business transactions are issued and the required contents in the invoices are stipulated. In general, tax invoices are printed out by filling in pre-printed forms, which comply with legal requirements. If a business issues an incomplete tax invoice, then the business is subject to additional tax payment.

The tax invoice must include the business place details of the issuer and the receiver of the products. There are four lines to display the transaction in detail with a description of the materials sold, value of the transaction and VAT amount. If there are more than four transactions, all transactions are shown on a separate sheet of paper (not a legal form) and the summary is shown in the first line of the tax invoice.

To differentiate between the tax invoices to your business partner and the ones between business places different reports have been programmed in the R/3 System. Read below to follow the right procedure of the business processes.

See:

[Creating and Processing Tax Invoices \(Customers\) \[Page 36\]](#)

[Creating and Processing Tax Invoices \(Business Places\) \[Page 38\]](#)

[Customizing Tax Invoices \[Page 40\]](#)

Creating and Processing Tax Invoices (Customers)

Creating and Processing Tax Invoices (Customers)

In the R/3 System, programs have been developed to create and print tax invoices on official pre-printed forms.

The print programs create tax invoices for the invoices posted on the customer account. The user can create either a tax invoice for a single invoice or create one tax invoice for all invoices posted to the customer account in one month. The data for the print out of tax invoices is read from the accounting document. If the invoice is posted in the SD module, the system reads the information from the corresponding SD document.

Example of the process flow:

1. Post two invoices for one customer in the SD module
 - SD invoice # 1001
 - 100 units of material fmat-01 and
 - 200 units of material rmat-03 are sold to customer cust-1
 - SD invoice # 1002
 - 200 units of material fmat-01 are sold to customer cust-1
2. The SD module posts these two documents to FI
 - FI invoice # 1000001
 - DR: customer 2200 CR revenue 2000
 - VAT 200
 - FI invoice # 1000002
 - DR: customer 1100 CR revenue 1000
 - VAT 100
3. One tax invoice needs to be created which contains data from both SD invoices. Run the tax invoice report. Enter the number of the customer master record. You can make additional selections such as a range for the posting period of the documents to select. The report now selects the two invoices posted to the customer account. The data from the SD invoices is interpreted and aggregated. The VAT registration data of the customer as well as the address, name of the representative, type of industry and type of business is read from the customer master record.

The tax invoice created has two line items. The first line item shows 300 units of material fmat-01 sold and the second line item shows 200 units of material rmat-03.

The tax invoices created receive a unique number and are stored internally for later usage. The numbering for the tax invoices is the standard numbering for documents. The tax invoice in the technical sense is a normal clearing document. The tax invoice should be customized by a separate document type and number range to distinguish them from normal FI-documents (see chapter about Customizing of Tax Invoices). The report RFIDKRTC which creates the tax invoice in the system clears all selected items against a new open item. Internally the transaction FB05 (transfer posting with clearing) is called to create a new document. This newly created document is the tax invoice for the R/3 System. If we look at the example from above it means that the two open A/Rs are cleared against a new one. This new open item can be cleared by the following payment from the customers. With the payment the whole process is closed.

Creating and Processing Tax Invoices (Customers)

The tax invoice summary report RFUMSV45, which has to be filed to the tax authorities at the end of a three month period, selects all the data from the issued tax invoices from this table.

If there are more than four line items to print out in the tax invoice, the program only prints out a sum in the first line and summarizes all items in a separate list which is not liable to a legal form.

If an invoice is posted directly into the FI module because the SD module is not used in your company or because the invoice does not proceed from a SD transaction, then the data on quantity and material description cannot be shown on the tax invoice.

Of course, it is possible to create a tax invoice for each FI-invoice.

After the successful creation of the tax invoice in the system the print report for tax invoices is started automatically. But this print report can be started manually as well if the first print-out has been destroyed or the or if the customer requires a second copy. If the creation of the tax invoice cannot be done for some reason the program shows a message window. After clicking to the button for the error protocol you see what kind of error happened during the clearing process.

The report RFIDKRTC creates and calls the print report of the tax invoice in the system after creating the tax invoice. Once executed after filling the selection criteria the report RFIDKRTC shows a list of possible documents (either SD or FI-documents) of which the tax invoice can consist of. All documents, which match the selection criteria, are displayed. Here, you can select the invoices you want to include in the tax invoice. This list is made by the ABAP List Viewer, a new tool for list design. For more information see Cross Applications -> ABAP List Viewer. When you have made the choice of either SD or FI-invoices (of course, you can select just one item as well as several items), click on save button to create the tax invoices. Please refer to the documentation of the report for the details of the functionality.

If a particular tax invoice can be found in the system you can assume that the tax invoice has been created and printed once. The link between the tax invoice which is just a 'normal' FI-document (should be customized by a separate document type and number range) and the FI- or SD-invoices are made by references on the document. Every FI-document has a reference field which is filled when being transferred from SD. And also a reference field is filled if the document is cleared. By those fields the references are made to the information like material description and quantity.



One-time customer: For one-time customers the VAT-no is not filled when posting from SD to FI. Therefore maintain first the field 'tax code2' with the VAT-no before executing the tax invoice report (RFIDKRTC) in case that you want to process one-time customers.

Tax Invoice Printout

The report RFIDKRTP prints the created tax invoice. Usually this report is called automatically after creation of the tax invoice when executing RFIDKRTC. But if copies of the tax invoices are destroyed or the customer needs another copy the report RFIDKRTP can handle the single print-out. Fill in the selection criteria upon your needs in the selection screen.

The SAPscript layout set is FTIV_KR_DEB. For adjustment of the print-out it might be necessary that the form is set according to your preprinted forms.

Creating and Processing Tax Invoices (Business Places)**Creating and Processing Tax Invoices (Business Places)**

In Korea, it is common business practice that deliveries between two business places of the same company code result in the issue of a tax invoice (see also [Creating and Processing Tax Invoices \(Customers\) \[Page 36\]](#)). In this case, VAT input tax and output tax have to be posted. In the SAP R/3 system, it is not possible to post VAT real-time while goods are moved within one company code.

It is therefore recommended that a company, which plans to use SAP and consists of more than one business place, applies for an Aggregation of Payment permission. With the permission of Aggregation of Payment, goods movements within one company are exempt from VAT postings.

If it is inconvenient for your company to apply for this Aggregation of Payment permission, you have to post the VAT manually using direct posting in FI. To post the input and output tax manually some prerequisites have to be met before. In the R/3 System it is not allowed to enter more than one business place. A document consisting of more than a business place would be denied by the system. Therefore a clearing account for VAT between business places has to be defined. In the Korean template of the system you can find the account 9100 0000 (Chart of Account CAKR and company code KR01) which was created for this purpose. You can use just one account for all transactions between all business places or several accounts, e.g. for each combination of the business places in your company one account. The choice should be made upon the no of the transactions between business places.

The process is defined as followed:

Post output tax and clearing account (for the issuing business place). Enter the code of the partner business place in the reference1-field on the clearing account line item. To do that the field status must be customized so that this field is open for entry.

Post clearing account and input tax (for the receiving business place). Enter the code of the partner business place in the reference1-field on the clearing account line item (like step A)).

The two open items will be cleared against each other by a report. This clearing document is the tax invoice. Execute the report RFIDKRTCIB to create and print the tax invoice.

After step A) and B) the clearing account should have two open items. One on debit and one on the credit side. It is important that the clearing account is open items managed because the clearing of the two open items against each other is the tax invoice for the system. In more details the report RFIDKRTCIB creates a clearing document by clearing the two open items against each other. The created clearing document is the tax invoice for the system. This clearing document should be of the same document type the tax invoice for customers. Then you have just one document type for tax invoices in general.

Example of the process flow:

1. Post the output VAT

DR: Clearing Account (9100 0000 in CAKR)

Reference 1: Code of the receiving business place

CR: Output tax xxx

Base amount: amount of the original transaction

Business Place: Business Place of the issuing business place

Tax code: tax code for 10% output VAT

Creating and Processing Tax Invoices (Business Places)

Base amount: tax base amount

2. Post the input VAT

DR: Input tax xxx

Base amount: amount of the original transaction

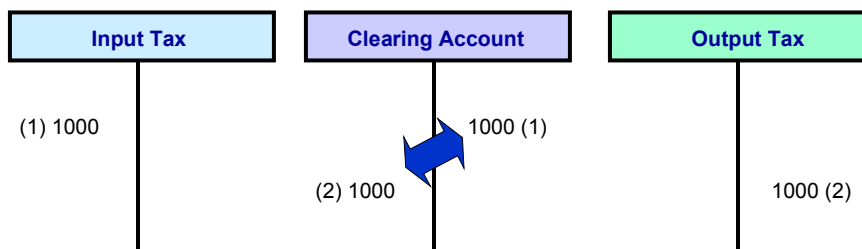
Business Place: Business Place of the receiving business place

Tax code: tax code for 10% input VAT

Base amount: tax base amount

CR: Clearing Account (9100 0000 in CAKR)

Reference 1: Code of the issuing business place



Tax Invoice Printout

The report RFIDKRTPIB prints the tax invoice between business places. Usually this report is called automatically after creation of the tax invoice when executing RFIDKRTCIB. But if copies of the tax invoices are destroyed or the customer needs another copy the report RFIDKRTPIB can handle the single print-out. Fill in the selection criteria upon your needs in the selection screen.

The SAPscript layout set is FTIV_KR_IBP. For adjustment of the print-out it might be necessary that the form is set according to your preprinted forms.

Customizing Tax Invoices

Customizing Tax Invoices

To create tax invoices in the system some customizing work has to be done. Here, the required activities are listed.

- Document type & number range: At least one document type should be defined as the tax invoice e.g. TI. A separate number range should be assigned to this document type. The tax invoice will be numbered by the standard numbering. But if each issuing business place should have its own number range then create for each business place a document type. The document type for tax invoice must be valid for customer accounts and for G/L accounts.
- Posting keys: The tax invoice programs RFIDKRTC and RFIDKRTCIB have default posting keys when executing. But if you wish own posting keys because of some other customizing settings like maintained field status by posting keys, then create own posting keys.
- Clearing account for tax invoices between business places: As mentioned in [Creating and Processing Tax Invoices \(Between Business Places\) \[Page 38\]](#) a clearing account is needed. It must be managed on open items and not be reliable to tax. If you have many transactions between business places it can be make sense to have more than one clearing account. Every combination of the business places can be assigned to a separate clearing account. In this case create the accounts by copying the sample account 9100 0000 in the chart of accounts CAKR (company code KR01).
- SAPscript layout sets: If the delivered layout sets do not match your form of the tax invoice you can change them or copy them before modifying (recommended).

Customer: FTIV_KR_DEB

Between Business Places: FTIV_KR_IBP

Withholding Tax

According to Korean tax law, any person or entity paying income such as interest, dividends, salaries, retirement income, business (freelance occupation) income or other income to individuals is required to withhold a certain amount of tax at source when the income is paid. The tax withheld must then be paid to the government on or before the tenth day of the next month following the month of payment and withholding.

When paying certain domestic source income to foreign corporations with no permanent establishment in Korea, the person or entity must withhold a certain portion of the income at the time of payment and pay the withheld tax to the government by the due date.

In most cases, 100% of the income is used as the tax base. In some cases, only a portion of the income, for example 20% or 25%, is the tax base. The withholding tax rate varies from 1% to 90% according to the type of income and income earner.

In addition to this withheld income tax, a surcharge called inhabitant tax is withheld. This inhabitant tax amount must be reported and paid separately by the withholding company. Generally, the companies maintain two accounts to record the withholding of income tax and inhabitant tax separately, but this practice is not legally binding.

The recipient of a payment due to withholding tax receives a withholding tax receipt, which states the amount of tax withheld and the data of the withholding companies.

See:

[Processing Withholding Tax \[Page 42\]](#)

[Reporting Withholding Tax \[Page 44\]](#)

[Refundable Withholding Tax \[Page 46\]](#)

Processing Withholding Tax

Processing Withholding Tax

Korea uses the [extended withholding tax \[Ext.\]](#) in the R/3 System.

Make sure that the new withholding tax is set for your company code. Choose the IMG path: *Financial Accounting → Global Settings → Company Code → Activate extended withholding tax*. Here you see whether the flag or your company is set or not.

Tax codes:

To differentiate between the standard withholding tax and the local tax that is a surtax (e.g. inhabitant tax) two withholding tax types are used for Korea. Type K1 represents the general tax and type K2 represents the local tax (inhabitant tax). By using two different tax types it is possible to post the tax amount to two different amounts as well (it is even possible to post the tax to different accounts for each tax code). The problem is that K2 cannot refer to the tax amount of K1 as the basis amount. It means that all tax codes of type K2 must have the same tax base amount like K1. To customize the local tax rate you must divide the tax rate by 10 (10% local tax e.g. inhabitant tax). So if you have a tax rate of 25%, you must enter 2.5 % as the tax rate for K2. To get the right K2 tax code for each K1 tax code the same codes are used for both types as a convention for Korea. E.g. tax code 06 of K2 is the local tax for tax code 06 of K1. Some tax codes are not reliable to local tax. In this case no tax code of type K2 exists. All withholding reports are using this assumption. So this convention must be kept if you create your own withholding tax codes. Please, refer to the example below for a better understanding.

Several withholding tax rates can be created as withholding tax codes in the system. These withholding tax codes can be assigned to the vendor master records. Every time an open item is posted to a vendor account, the withholding tax code from the vendor master record is defaulted in the posting screen and can be overwritten. The tax withholding is then posted when the payment is made.

Several withholding tax codes have been created for Korea. If you need to create new tax codes, choose IMG path: *Financial Accounting → Global Settings → Withholding Tax → Extended Withholding tax → Calculation → Withholding Tax Codes → Define Withholding Tax Codes*.



K1: The withholding tax rate for interest income is 20%. In addition to this rate of 20%, a rate of 10% inhabitant tax must be withheld. The taxable portion of the income paid is 100%. 20% of this income is withheld as income tax.

K2: All settings are like K1 but the tax rate is set to 2% (10% of 20%).

For several withholding tax codes, the percentage rate depends on the income amount. For example, the percentage rate for other global taxation is 0% for incomes of an amount lower than 20.000 KRW. For incomes higher than this amount, the tax percentage rate is 20%. For this type of calculation, a withholding tax formula is applied for both tax types. See in the IMG under *Financial Accounting → Global Settings → Withholding Tax → Extended Withholding tax → ...*

A special case is restricted withholding tax rates. Korea has special arrangements with some other countries such as Japan. Japanese citizens working in Korea are liable to a certain percentage rate of income tax withheld. In contrary to the normal withholding tax procedure, no inhabitant tax is levied on top of this income tax withheld, but the inhabitant tax is already included in the percentage rate withheld. In these cases the tax base amount and the tax amount should be entered manually. The reports do not have a special treatment of exceptions. They just get the portion of the income tax and inhabitant tax from posted amounts. In general you can

Processing Withholding Tax

post amounts manually, if you have just an exceptional case which does not fit to any of the withholding tax codes.

The withholding tax is posted on the account entered in the account allocation table for withholding tax: *Financial Accounting* → *Financial Accounting Global Settings* → *Withholding tax* → *Posting* → *Accounts for withholding tax* → *Define accounts for withholding tax to be paid over*. The presetting for Korea is that the accounts for types K1 and K2 are different, i.e. the income tax and the local tax (surtax) are posted into different accounts. You can even assign different accounts for each tax code. Please refer to the manual of [extended withholding tax \[Ext.\]](#) for further information on that topic.

Posting:

Withholding tax reporting must be done on section code level. Therefore, you have to enter section code in the field business place when posting an invoice relevant for tax withholding. The field business place can only be filled if a tax code has been entered in the line item. Therefore, always enter a tax code when posting documents relevant for tax withholding. If the tax rate is 0%, enter V0 as tax code.

In several of the reports on taxes withheld, the number of the corporation must be printed out. This corporation number is assigned to the company code in the customizing of the company code for Korea. Choose *Financial Accounting* → *Financial Accounting Global Settings* → *Customizing Entries for Korean Requirements* → *Maintain Company Codes for Korea*

Reporting Withholding Tax

Reporting Withholding Tax

The withholding tax receipt for the receiver of a payment can be created with report RFQSKR09. Enter the number of the accounting documents you want to print out. In the field *Withholding Tax Code Selected*, enter the tax code for which you want to select documents from the document database.

The report leaves these fields blank. They should be manually filled in afterwards.

If you want to print out the receipt for withholding tax on business income, select the radio button *With. Tax on business income*. If you want to print out receipts for other income, select the radio button *Other withholding tax*. Receipts for business income are printed individually on the screen and receipts for other income are displayed first on the screen and can then be passed to the printer.

In order to fill in the receipts correctly, define the income type and the type of residence of the income recipient. The possible entries for these selection fields are displayed by pressing F4 on one of these fields.

A new report has been created to get the withholding tax data in different views. The report RFQSKR00 creates an ABAP List Viewer list with all relevant data. Some output variants are already pre-delivered so that these views are possible:

- Summary of taxes withheld: In the selection screen, enter the tax office where you want to file the withholding tax report. The report selects all withholding tax posted for the section codes allocated by customizing to the selected tax office code. For each withholding tax code, a summary line is printed. For each tax office code, totals of the amount, tax exempt amount, tax base amount, withheld income tax and withheld inhabitant tax are calculated for the selected period. To calculate the total of income tax withheld and inhabitant tax withheld, the tax amount posted is split into two amounts: the income tax withheld and the inhabitant tax withheld.
- The totals of income tax and inhabitant tax withheld for each section code belonging to the company code.
- The income tax withheld for each vendor account and totals the tax amounts by tax office, regional tax office and withholding tax code. The withholding tax codes used for the posting of corporate income tax withheld must be entered in the selection screen, because the values related to this code are displayed on the corporate tax side instead of the income tax side.

There are 7 variants pre-delivered and you can customize your own variants as well. But the own variants are user dependent, besides the pre-delivered ones. 28 fields (some as listed below) are offered in this report to make your own output variant. For detailed information please, refer to the documentation of the report.

Output fields:

- Clearing date
- Clearing document
- Document No.
- Flag: Partial / Down payment
- Document date

Reporting Withholding Tax

- Vendor No.
- Vendor name
- official tax code
- Withholding tax code
- Local tax office no.
- Tax office
- Section code
- Business Area

The report RFQSKR21 creates the summary of withholding tax for business income. This program is used to create the report on the details of the withholding tax on business income to be submitted in the form of a tape or a diskette.

The report reads all documents within the selected number ranges that were posted using one of the selected tax codes. The withholding tax report is created in form of a file. This file can be created in the file system of the operating system or it can be downloaded to the disc drive of the local front-end. In the selection screen of the report, enter the desired withholding tax codes, the business place and the tax office. You can also select the output medium to determine the location of the file storage.

Refundable Withholding Tax

Refundable Withholding Tax

If banks pay interest for the deposits that you hold on the bank account to your company this interest might be reliable to withholding tax. In Korea this tax is refundable (or better: offsetting with the tax to be paid). The company has to file a report on the refundable tax that can be created with the report RFQSKR06.

Post the interest and the refundable withheld tax by using the reference1/2/3-fields like the sample below. Customize the reference fields with field status groups so that they are open for posting.



Posting example:

DR: Bank (interest payment) 80,000 KRW

DR: Refundable withheld tax 20,000 KRW

Text-field: Interest

Reference-1: Basis amount

Reference-2: Tax rate

Reference-3: Koram Bank

CR: Interest earnings 100,000 KRW

Other Operational Taxes

In addition to VAT and withholding tax, other operational taxes must be reported to the authorities.

See:

[Entertainment Expenses \[Page 48\]](#)

[Donations \[Page 51\]](#)

[Taxes and Dues/Prepaid Expenses \[Page 53\]](#)

Entertainment Expenses

Entertainment Expenses

Companies are required to report entertainment expenses. The list must be presented in a mandatory format and contain the posting date, the expense amount, the VAT registration number of the receiver, his address and the name of his representative. In the case of internal consumption, the VAT registration number of the consuming business place must be displayed.

Processing Entertainment Expenses

Entertainment expenses should be posted to an expense account, which is customized and named accordingly. In CAKR, the Korean Chart of Account, the accounts 53001200 - 53001205, 54001500, 54001550 and 54001590 have been created for the different forms of entertainment expenses.

Three different transaction types exist:

1. Posting to an Employee Account

An employee incurs an entertainment expense and presents the receipts (e.g. cash register receipt, credit card receipt, tax invoice) for refund. To automatically use the FI module to refund the employee, the employee is created as a vendor account (a special account group for employees can be used but is not necessary).

The reference 3-field of the expense line stores the identification of the vendor (the VAT-no of the vendor) displayed in the entertainment list as issuer of the invoice. To enter data in the reference 3-field this field must be customized accordingly with field status groups. To get to this field press the 'more data' button on the expense line. The information entered in the expense line item of the document is displayed in the entertainment expense list. Enter the address, company name and representative of the payment recipient in the text line of the expense line item. Use a comma (,) to separate the address, company name and the name of the representative. If an employee has made several entertainment expenses, several expense lines with details can be created. Then all information in the expense lines will appear in the entertainment list, each line as one line in the entertainment list.

CR: Entertainment expenses 1

Entertainment expenses 2

DR: Employee as vendor

2. Posting to a Trading Vendor

The credit posting is posted directly to the vendor. In this case, you are not required to enter information in the reference 3-field of the document because the report finds the identification of the vendor by reading the debit posting line of the document. You can also post to a one-time vendor.

3. Internal Consumption



If you retire an asset for internal consumption, the document should be posted as follows:

DR: Entertainment expenses 120,000 KRW

CR: Asset 100,000 KRW

Entertainment Expenses

Output VAT 20,000 KRW

In this case, the VAT information of the business place entered in the tax jurisdiction code of the expense line item is regarded as vendor information

To enter this type of document, you should proceed as follows:

- Enter the expense line - Do not enter any tax code in the expense G/L master. The field *Posting without tax allowed* must be checked.
- Enter the B/S line item - Do not enter any tax code.
- Enter a third line item and post it to the output VAT account - Enter the tax amount manually, e.g. 20.000 KRW Enter the base amount manually, e.g. 200.000 KRW Do not activate the checkbox *Determine Tax Base*.
- Post the document.

In order to execute the above procedure, it is necessary to classify the affected B/S accounts as tax relevant. By activating the checkbox *Posting without tax allowed*, you can post on these accounts without tax. The G/L account for output VAT must allow direct postings.

The output VAT account must be opened for manual postings.

If you use MM, SD or FI-AA, you can post the net transaction in these modules and manually post the tax amount in FI.



The asset retirement is posted in FI-AA. You can create a new transaction type, which uses the entertainment expense account as clearing account for the scrapping. (FI-AA offers a standard user exit to determine a transaction type-dependent account allocation. However, this user exit must be programmed individually by the customer).

In the next step, manually post the tax amount in FI.

DR: Entertainment expenses 20.000

CR: Output VAT 20.000

To produce this type of posting, use B1/B2 as tax code (or a tax code that is customized accordingly) on the expense line of the document and post manually to the output VAT account. Enter the market price of the asset consumed as base value and manually enter the tax amount.

In the case that an employee has received a tax invoice for entertainment expenses, post first the VAT to the vendor to report VAT correctly, then post a transfer of the amount to the employee so that he gets his refund.

Invoice:

DR: Entertainment Expenses

CR: Vendor (also one-time)

Input VAT

Transfer posting:

DR: Vendor (also one-time)

CR: Employee

Entertainment Expenses

The input VAT summary report selects the vendor master record and reads the VAT data (representative, type of business, type of industry) from the vendor master record. The entertainment report would report from the master record of the vendor because no information is entered in the reference 3-field and the text field (see case 2 above).

If a tax invoice has not been received for the entertainment expenses, the expense must not appear in the input VAT summary. In this case, it is sufficient to enter the VAT registration number, address, company name and the name of the representative in the expense line item, which is displayed in the entertainment expense list (see case 1 above).

Use different tax codes to separate the two types of postings. In standard customizing, the tax code X4 is used if a tax invoice has been received. The tax codes Z4 and Y4 are used if a cash register receipt or a credit card slip has been received.

A validation check of the accounting document can be created and customized in such a way so that every time a tax code for entertainment is used and the document is posted to an employee account, the system asks for the VAT-no in the reference 3-field. To achieve this please, read the chapter about validations.

When executing the input VAT summary report (RFUMSV45), exclude tax codes used for entertainment expenses in which a credit card slip or a cash register receipt has been received and select only those tax codes used for tax invoices received.

Reporting

To create the mandatory entertainment expense list, run the report RFUMSV48.

In the selection screen, enter the G/L accounts used for posting entertainment expenses. You can select and enter a range of tax codes by using the dynamic selections. If you use different tax codes for different transaction types, you can separate these transactions in the reports by specifying various tax codes. Enter the tax codes for tax invoices and credit card slips to the according fields. The report creates only the entertainment list (2) but gives a summary of all transactions with tax invoices, credit card slips and amounts below 100,000 KRW. These data is needed to file the entertainment list (1) which is a summary sheet. The entertainment expenses with tax invoice, credit card slips or amount below 100,000 KRW are not reliable to report the details like VAT-no, address, name and representative.

To create the report, the entertainment expense accounts must be configured in such a way that allows line item display. To do this, activate the flag Line item display in the master record of the G/L account.

Donations

In Korea, companies are required to report their donations to the tax authorities. If a company gives goods for free to a customer, then the transaction must be listed in a donations list, which states the receiver of the donation and a description of the transaction. In the case of a goods donation, the company has to calculate and post output VAT. In the case of internal consumption, the base amount of the output VAT is the market value and not the acquisition and production cost of the good or asset sold.

Processing Donations in SAP

If you give donations, such as giving goods away for free, the debit line should be posted to a G/L account used exclusively for donations. For each of the transaction types, *Stipulated Contribution*, *Fully Deductible Contribution* and *Non-deductible Contribution*, a different G/L account should be created and posted. When posting a donation, the output VAT amount must be posted manually. Since the base amount for the calculation of the VAT is the market value and not the cost of the donated goods, the system does not automatically calculate the output VAT amount.



If the product cost of the material is 200.000 and the market value is 300.000, then the donation amount to be reported would be 230.000, which is the production value of the product plus the output VAT that is calculated on the basis of the market value of the product.

DR: Stipulated Contributions 230,000 KRW

CR: Material 200,000 KRW

Output VAT 30,000 KRW

To enter this type of document, you should proceed as follows:

- Enter the expense line. Enter a tax code for 0% output tax.
- Enter the B/S line item. Enter a tax code that was customized for donation. In the pre-configuration, the tax code B3 is prepared for this type of transaction. The tax code must use the condition type KRNI (see chapter 3.7). Do not activate the automatic calculation of the tax amount. Enter only the net amount, e.g. 200.000 KRW.
- Enter a third line item and post it to the output VAT account. Enter the tax amount manually, e.g. 30.000 KRW. Enter the base amount manually, e.g. 300.000 KRW. Do not activate the checkbox *Determine Tax Base*.
- Post the document.

In order to execute the above procedure, it is necessary to classify the affected B/S accounts as tax relevant. By activating the checkbox Posting without tax allowed, it is also possible to post on these accounts without tax.

The output VAT account must be opened for manual postings.

If you use MM, SD or FI-AA, you can post the net transaction in these modules and post the tax amount manually in FI.

Donations



The goods issue is posted in MM. You can create a new transaction type that uses the donations account as expense account for the goods issue. When you create the new transaction type with transaction code OMBQ, you can enter a new account modification group, e.g. DONA. In the account allocation table for the MM module, you can assign the donations account to this account modification group. The system then posts the goods issue automatically to the donations account.

In the next step, you have to post the tax amount manually in FI.

DR: Donations 30,000

CR: Output VAT 30,000

To produce this type of posting, use B3 (or a tax code customized accordingly) on the expense line of the document and post manually to the output VAT account. Enter the market price of the asset consumed as base value and enter the tax amount manually.

Every time you post a document to the G/L account *Donations*, enter the payee in the reference 3-field (must be customized so that this field is open for posting; you can get to the reference 3-field by clicking the button 'more data') and a description of the transaction in the text field of the document line item that is posted on the expense account. The data entered in these fields is displayed in the donation list.

Reporting

To create the official report on donations, execute the report RFUMSV44 and click the radio button for donations.

Taxes and Dues/Prepaid Expenses

Korean tax laws require special reports on taxes and dues paid and prepaid expenses. This report has to display the payee and the description of the transaction.

The Taxes and Dues List is the summary list of the taxes and dues paid by the company during the year. The Prepaid Expenses List is the detail of prepaid expenses.

Processing Taxes and Dues and Prepaid Expenses

In the default Korean Chart of Accounts CAKR, special accounts have been created for these types of transactions such as the accounts 13030100 - 13030500 for prepaid expenses. Post prepaid transactions to one of these accounts. In the posting line, enter the data to be displayed in the Prepaid Expenses List. This includes the payee in the reference 3-field of the document and a description of the transaction in the text field of the line item, which you post on the G/L account Prepaid Expenses.



DR: Prepaid Expenses 10,000

Payee:Tae-Dong Comp.

Description: Commissions

CR: Trade Payable 10,000

In case of Taxes and Dues the processing is similar:

DR: Taxes and Dues Account 10,000

Payee: Kangnam tax office

Description: Education tax

CR: Bank 10,000

Reporting

For the Prepaid Expense list, execute the report RFUMSV44 and click the radio button to 'Prepaid expenses'. Enter the G/L accounts used for the posting of Prepaid Expenses. You can make further selections concerning the posting date, the numbers of the posted documents, etc.

For the Taxes and Dues list, execute the report RFUMSV44 and click the radio button to 'Taxes and Dues'. The selection screen is the same as for the Prepaid Expense list. Enter the G/L accounts used for the posting of Taxes and Dues and make further selections concerning the posting period and so on.

Accounts Receivable

Accounts Receivable

Processing Bills of Exchange Receivable

Posting

For bills of exchange receivable, the form number is entered manually in the document reference field in the document header enabling the bill of exchange number in the list of bills of exchange receivable to be displayed. Bills of exchange can be discounted and collected using the SAP standard processes for bills of exchange.

Bills of exchange can be dishonored in two ways.

The first option is to change the status of the bill. Bills of exchange not paid until due date can be identified using the standard report RFWEKR01. The records found can be marked for example with the bill of exchange status key D. The list for dishonored bills of exchange is then able to identify the dishonored BOE and list them. You can create your own bills of exchange status keys in order to distinguish between different types of dishonored bills of exchange. Bills of exchange status keys can be created using the IMG (*Financial Accounting → Accounts Receivable and Accounts Payable → Business Transactions → Bills of Exchange Receivable → Maintain Bill of Exchange Status*).

The second option is to dishonor the bill of exchange using a special general ledger indicator. For example:

39y Bill of Exchange Dishonored

29w Bill of Exchange Receivable

Here, the original bill of exchange receivable is cleared and passed to the reconciliation account for dishonored bills of exchange. The report that creates the list of dishonored bills of exchange offers both alternatives in order to select dishonored bills of exchange.

Bills of exchange received as a guarantee can be posted as a noted item. In the reference document field of these noted items, the bill of exchange number of the bill of exchange form can be entered.

Usage

To post usage of bills of exchange receivable, use the transaction FBWE. Enter the special reconciliation account you assigned to the special general ledger indicator used for posting bills of exchange (e.g. 'W'). You can further select the bills of exchange to be cleared by bill of exchange number (document reference number), payment methods, document types and so on.

In the bills of exchange list selected, you can display the bill of exchange number by *View → Reference number*. It is also possible to sort the entries by bill of exchange number (*Sorting → Reference number*).

Allocate the house bank to the bills of exchange to be presented and select the usage type ('I' for collection and deposit or 'D' for discount).

In the customizing of the Cash management module, G/L accounts must be allocated to the house banks for posting usage (*Financial Accounting → Bank Accounting → Business Volume → Cash Balance Management → Bill of Exchange Presentation → Maintain Account Determination*).

The bill of exchange number is displayed in the presentation log as document number and the clearing documents contain the bill of exchange number in the document reference number field. Execute the batch input session created to post the clearing documents.

Processing Bills of Exchange Receivable

The document reference number field can later be used as matching criteria when the bank account statement is posted.

Reporting Bills of Exchange Receivable

Bill of Exchange Receivable List by Due Date (RFWEKO02)

This standard report sorts and lists bills of exchange receivable open items in the order of due date. All open items posted in the selected posting period are displayed. You can further restrict the output by entering a key date (field: *Open items at key date*) Only those bills of exchange are listed which have not been cleared before the date entered in this field. In the selection field *G/L account*, the account for bills of exchange receivable must be entered. This G/L account is the alternative reconciliation account assigned to the special general ledger indicator for bills of exchange. On this G/L account, all bills of exchange are posted. This account must be configured with line item display.

You can further restrict the output list by entering the customer account number or the issue date of the bills of exchange at the bottom of the selection screen. It is even possible to show the already cleared bills of exchange. Tag the check box *cleared bills of exchange*.

If you only want to display bills of exchange already used (discounted or collected), then tag the radio button *With bill of exchange usage*. If you tag the button *Without bill of exchange usage*, then only the bills of exchange, which have not been used yet, are displayed. You can also display both types of bills of exchange by selecting *With and without usage*.

The list displays the due date, posting date, issuing date, name of the customer, domicile, BOE number (reference no), amount in local currency, drawee, age in days, document number and usage. The list is made with ABAP List Viewer. Please, refer to the documentation of the report RFWEKO02 for the details of the functionality and the online documentation for ABAP List Viewer (Cross Application).

For detailed functionality and user guide refer to the documentation of the report.



BOE No. 10001	Document date: 96.09.01
	Clearing date: 96.11.15 e.g. discount
BOE No. 10002	Document date: 96.09.01
	Clearing date: 96.11.20 e.g. collection
BOE No. 10003	Document date: 96.10.02
	Clearing date: 96.12.20 e.g. reversed

Entries in the selection screen of the report RFWEKO02:

	<i>from</i>	<i>to</i>
Document date:	96.09.01	96.10.01
Open items at key date:	96.11.17	

Output: Only BOE No. 10002 would be listed, because BOE No 10001 is already cleared at 96.11.17 and the document date of BOE No 10003 is higher then 96.10.01.

Reporting Bills of Exchange Receivable

Discounted Bill of Exchange List (RFWEKR01)

This report selects and displays all discounted bills of exchange sorted by the discounting date. It lists all discounted bills of exchange posted during the selected posting period and discounted during the selected discounting interval. Only the documents not cleared before the date entered in the field *Open items at key date* are displayed. Therefore, the bill of exchange is only listed when the document date is lower than the key date entered and the clearing data is higher than the key date entered.

To get the correct results for discounted bills of exchange make sure that the radio button is tagged to *Discounting* in the further selection screen.

The list displays the discounting date, due date, BOE number, name of the customer, domicile, amount in local currency, interest amount and discounting bank. The list is made with ABAP List Viewer. Please, refer to the documentation of the report RFWEKR01 for the details of the functionality and the online documentation for ABAP List Viewer (Cross Application).

For detailed functionality and user guide refer to the documentation of the report.

Dishonored Bill of Exchange List (RFWEKR01)

This report selects and displays all dishonored bills of exchange sorted by the issue date.

It lists all dishonored bills of exchange posted during the selected posting period and dishonored during the selected dishonored interval. Only the documents that are open items at the selected key date are displayed. Therefore, the bill of exchange is only listed when the key date entered is located in the range between the document date and the clearing date. Enter the BOE status keys you created in order to mark the bill of exchange as dishonored. If you used a special general ledger indicator in order to post the dishonoring of a bill of exchange, enter the special general ledger indicator used.

To get the correct results for dishonored bills of exchange make sure that the radio button is tagged to *Dishonored* in the further selection screen. In the selection field *G/L account*, enter the reconciliation account for bills of exchange receivables.



BOE No. 10005	Document date 96.05.05
	Due date 96.08.05
	BOE status D
	Reversal date 96.09.07
BOE No. 10006	Document date 96.04.05
	Due date 96.08.05
	BOE status D
BOE No. 10007	Document date 96.04.05
	Due date 96.08.05
	BOE status E

Entries in the selection screen of the report J_1KFB00:

	<i>from</i>	<i>to</i>
Document date:	96.04.01	96.11.17

Reporting Bills of Exchange Receivable

Open items at key date: 96.11.17

BOE status key D

Output:

BOE No. 10005 – not listed, reversed on 96.09.07

 - at the key date entered it was a reversed item not an open item

BOE No. 10006 – listed

BOE No. 10007 – not listed, BOE status key did not match

The list displays the Issue date, due date, posting date, name of the customer, domicile of the BOE, BOE No., amount in local currency and drawee of the dishonored BOE. The list is made with ABAP List Viewer. Please, refer to the documentation of the report RFWEKR01 for the details of the functionality and the online documentation for ABAP List Viewer (Cross Application).

For detailed functionality and user guide refer to the documentation of the report.

Collected Bill of Exchange List (RFWEKR01)

In Korea, the general practice is that companies commit the BOEs received from the customers to the bank's custody. The banks carry out the collection for the companies at the due dates. The collected BOE list shows the BOEs committed to the banks, the commitment dates, bank information, and commitment charges.

These transactions are made using the standard BOE collection function. The bank account is entered for the bank information and the date of actual cash collection by the bank is entered for the value date. Only the BOEs not cleared by the date specified in the *open item at key date* are displayed. In other words, the BOEs, for which the document date is earlier than the key date and the clearing date later than the key date, are listed.

To get the correct results for endorsed bills of exchange make sure that the radio button is tagged to *Collection* in the further selection screen.

The displayed items of the list are commitment date, issue date, due date, posting date, BOE number, customer, amount, commitment charge, and commitment bank. The list is made with ABAP List Viewer. Please, refer to the documentation of the report RFWEKR01 for the details of the functionality and the online documentation for ABAP List Viewer (Cross Application).

For detailed functionality and user guide refer to the documentation of the report.

Endorsed Bill of Exchange List (RFWEKR01)

In Korea, the BOEs received from customers can be endorsed to the vendors.

The posting is made as:

1. BOE receivable/Account Receivable
2. Account Payable/BOE endorsed (posted to A/R with special G/L indicator)
3. BOE endorsed/BOE receivable

Transactions 1, 2 and 3 should be cleared against each other and the BOE number should be manually entered in the *Reference document number* to link the BOE receivable to the BOE endorsed.

Reporting Bills of Exchange Receivable

Displaying the list requires entry of the endorsed BOE account number (account number '11060300' if you use the pre-configured chart of account CAKR) in the *G/L account field*. The date entered in the *Open items at key date* dictates that only the items posted earlier than the specified date are displayed.

To get the correct results for discounted bills of exchange make sure that the radio button is tagged to *Endorsement* in the further selection screen.

The display items of this list are issue date, due date, endorsement date, BOE number, receiver, drawee and amount. The list is made with ABAP List Viewer. Please, refer to the documentation of the report RFWEKR01 for the details of the functionality and the online documentation for ABAP List Viewer (Cross Application).

For detailed functionality and user guide refer to the documentation of the report.

Accounts Payable

Processing Automatic Payments on Business Level

Processing Automatic Payments on Business Level

In Korea, business places usually handle payments to their vendors independently from each other. They may use different house banks to manage their payments or they may prefer different payment methods and payment terms.

Documents with VAT have a business place because during the posting the entry of a business place is mandatory. But if business places manage the payments on their own then all documents should carry the business place independent from the VAT. Otherwise the payment program cannot recognize the open items according to business places and those documents without a business place would not be paid by business places.

In the SAP system, payments are made at company code level usually. House banks are assigned at company code level and the payment run can be run only for the whole company code. But to make it possible for the business places to manage their payments independently, the payment program was slightly enhanced for the Korean requirements.

There are two possibilities to select the open items for the payment program:

1. You want to select open items of only one business place:
Enter the business place to be selected in the parameter screen of the payment run. Under 'Organizational Assignment' the field business place can be found. (If the field is not visible then enter the company code which must be a Korean company code and press the enter key once. Then you should see it.)
2. You want to select several business places:
Leave the field business place empty under 'Organizational Assignment'. In this case the selection has to be made by defining house banks for each business place.

The house banks carry the business place as an additional feature. If a house bank is assigned to a business place then this house bank is only valid for open items of this business place. But the system requires a separate house bank ID per business place. Even if the house bank is the same in the reality the system needs to have to separate house bank IDs. A house bank without any business place is valid for payments for all business places.

In the IMG you can find the transactions to customize the house banks. Select *Financial Accounting* → *Bank Accounting* → *Bank Accounts* → *Define house banks*.



There are three business places in your company (BP01, BP02, BP03). Each business place pays the open items independently from the other business places.

Business place 01 uses the account 987 of the Koram Bank.

Business place 02 uses the account 789 of the Koram Bank.

Business place 03 uses the account 5678 of the Cho Hung Bank.

A) Create three house bank master records and assign the correct business place to them:

KOR01 for account 987 of Koram Bank ⇒ BP01

KOR02 for account 789 of Koram Bank ⇒ BP02

CHO01 for account 5678 of the Cho Hung Bank ⇒ BP03

B) Create the account IDs for the bank accounts:

Processing Automatic Payments on Business Level

KOR01/trans for account 987 of Koram Bank

KOR02/trans for account 789 of Koram Bank

CHO01/trans for account 5678 of the Cho Hung Bank

C) Customize the bank selection for the payment program:

Ranking order table (T042A):

PymtMeth	Curr.	Rank.Order	HouseBk
T	KRW	01	KOR01
T	KRW	02	KOR02
T	KRW	03	CH001

Account determination table (T042I):

HouseBk	PymtMeth	Curr.	Acct ID	Bank subacct
KOR01	T	KRW	trans	11010911
KOR02	T	KRW	trans	11010912
CHO01	T	KRW	trans	11010913

D) When posting open items, enter the business place for paying this open item.

E) Run the payment program.

The automatic payment program selects the first open item. If the first open item was posted using T as payment method and BP01 as business place, then the payment program selects the house bank KOR01. If the program finds that the house bank KOR01 is assigned to the business place BP01, then the check is valid, and house bank KOR01 is used for the payment. The contra posting for this payment takes place on G/L account 11010911.

If the next open item was posted using T as payment method and BP02 as business place, then the payment program tries to select KOR01 but it fails because KOR01 is not valid for business place BP02. The automatic payment program now selects the house bank, which comes next in the ranking table, KOR02. This time the check is successful, because KOR02 was assigned to business place BP02. The contra posting for this payment takes place on G/L account 11010912.

The procedure for an entered document using BP03 as business place is similar. The house bank CHO01 is chosen and the posting takes place on the G/L account 11010913. You can allocate each house bank to exactly one business place or none.

A house bank without an entry in the business place field is valid for all business places.

If separate management of payments for each business place is not needed in a company code, do not enter any business place in the configuration of the house banks.

Posting and Printing Payments

Posting and Printing Payments

In Korea, the payment methods most commonly used are:

- Check
- Bill of exchange
- Bank transfer
- Cash

Bills of exchange and checks are written on pre-numbered forms. The forms are purchased in lots from the house bank.

Processing Payments

In the pre-configuration for Korea, the following payment methods have been created:

- C: Pre-numbered check
- T: Bank transfer domestic
- W: Pre-numbered bill of exchange

Lot Maintenance

Check lots or bill of exchange lots purchased from the house bank can be entered in the system. You can store the number of the first form in the lot and the total number of forms in the lot. As additional information, it is necessary to enter the purchase date and the payment method. A short text can be entered for each lot.

When printing a bill of exchange or a check, the check lot used must be entered in the selection screen of the print report. The print program assigns the next free number of the lot to the payment document. This allocation is stored in the table PAYR and can be used for reporting on used forms. If there is no form left in the lot, the print program turns over to the next lot. The purchase date is reported in the form usage list.

Check lots are used for bills of exchange forms and check forms. To distinguish bills of exchange from check forms, the field payment method is a mandatory field in the check lot maintenance. The print reports compare the selected payment method with the payment method assigned to the selected check lot. If it is not the same, the report gives an error notice.

Pre-Numbered Checks

The print report RFFOUS_C prints the payment data on the Korean check form. It must be assigned to the payment method in the configuration of the payment method per country. The name of the layout set is F110_KR_CHK. This layout set has to be assigned to the payment method in the configuration of the payment method in the company code.

In the selection screen of the print program, you have to enter the house bank, the account ID and the number of the check lot you want to use for the printout.

The print program reads the next free check form number from the check lot selected and assigns it to the check. A summary list of all checks printed during one execution of the report can also be created. The payment amount is displayed in Hangul characters on the form.

Sender details, such as the name of the company code and the name of the representative of the company code, are printed.

Posting and Printing Payments

If you want to print the issuing location or the name of the representative of the business place on the check form, you must modify the print program and the SAPSCRIPT layout set. When maintaining check lots, it is possible to enter the issuing location. The representative of the business place is stored in the business place master record table J_1BBRANCH. The details of the check, such as check number, amount, receiver, are stored in the table PAYR. This table is used for reporting on check and bill of exchange forms.

Pre-Numbered Bills of Exchange

The print report RFFOUS_C prints the payment data on the Korean bill of exchange form. It must be assigned to the payment method in the configuration of the payment method per country. The name of the layout set used is F110_KR_BOE. This layout set has to be assigned to the payment method in the configuration of the payment method in the company code. Since printing bills of exchange is similar to printing checks, the report RFFOUS_C works similar to the case of checks. Here, you also have to enter the house bank, the account ID and the number of the check lot you want to use for the printout.

Processing Bills of Exchange Payable

Processing Bills of Exchange Payable

When you post bills of exchange, different entry screen variants exist. These entry screen variants must be assigned to the company code in the maintenance of the global parameters of the company code. Because Korea is using the extended withholding tax which does not require a separate entry screen variant leave the field for the entry screen variant blank in the customizing. You find the entry screen variant in the IMG under the section for general settings for the company codes.

In Korea, bills of exchange are used for different purposes:

- Normal business transactions
- Borrowing
- Guaranty/Security

Normal business transactions

Bills of exchange used for normal business transactions are first posted as a payment document in the vendor sub-ledger creating a manual payment or using the automatic payment transaction. Afterwards, they can be printed out using the report RFFOUS_C.

Bills of exchange payable can be cleared using the SAP standard processes.

Borrowing transactions

If you do not want to print out this bill of exchange, you have to create a manual check entry for the accounting document. To create the usage list for the bill of exchange forms purchased from the house bank, then update this payment document in the check register table. This update is performed by printing the bill of exchange or by creating a manual check entry.

However, to use the transaction *Create manual check entry*, it is necessary to add two lines to the document. The document makes a credit posting on a G/L account and this posting must be cleared by a posting on the same or a different account. Otherwise, the document is not recognized as payment document. The G/L account on which the credit posting is done must be customized as relevant to cash flow (skb1-xgkon must be marked).

Bills of exchange used for borrowing can be posted using a special general ledger indicator for bills of exchange issued for borrowing for example:

Post a received invoice

31	Vendor X	40	Expenses
----	----------	----	----------

Paying with BoE

25	Vendor X	39u	Vendor X (BoE)
40	Bank	50	Bank

The amounts of the Bank line items must be same like the BoE amount. The system will print the amount of the Bank line item to the BoE media. The special G/L indicator 'u' in the above example must be created in the customizing first before it can be used. To create a posting like 2) of the example enter manually the 2nd line (Bank line item) with posting keys 40 and 50 additionally.

Guaranty/Security

Processing Bills of Exchange Payable

Bills of exchange used as a guarantee can be posted as a noted item. In the reference document field of these noted items, the bill of exchange number of the bill of exchange form can be entered. The bill of exchange form used for this transaction must be marked with a void reason code (*Environment → Check Information → Void → Unused Check*).

By assigning this void reason code, the bill of exchange form is marked as used, and it can be selected by the report, which creates the form usage list.

The user can create his own void reason codes using the standard customizing transaction for void reason codes (*IMG: Accounts Receivable and Accounts Payable → Business transactions → Outgoing payments → Automatic outgoing payments → Print → Check management → Define void reason codes*).

The report for the usage list of BOE and check forms classifies the forms according to the void reason codes assigned to the forms.

Printing

Use the report RFFOUS_C to print out the bills of exchange payable. The report must be assigned to the payment method used for bills of exchange.



Execute the report RFCHKU00 after printing the bill of exchange to update the reference document field with the form number of the bill of exchange.

When executing the report make sure that the radio button is set to 'Reference' in the target field selection. The reference no. field can be used for matching when the bill of exchange is cleared.

Clearing

For the clearing of bills of exchange, the transaction FBWD can be used. It is possible to select the bills of exchange to be cleared by the reference document number. The reference document number is filled with the bill of exchange number after the printout when executing the report RFCHKU00.

Enter the bank sub-account you assigned to the payment method for bills of exchange.

The bills of exchange posted on this account are now selected. By *View → Reference number*, you can show the bill of exchange number of the bills of exchange. By *Sorting → Reference number*, the bills of exchange selected can be sorted by the bill of exchange number.

The bill of exchange number is displayed as document number in the created log. In addition, the bill of exchange reference number is populated in the document reference field of the clearing document created. Execute the batch input session created to post the clearing documents.

The document reference number field can later be used as a matching criteria when the bank account statement is posted.

Reporting Bills of Exchange Payable

Reporting Bills of Exchange Payable

Bill of Exchange Payable List by Due Date (RFWEKO02)

The standard report RFWEKO02 selects and displays all open bills of exchange payable sorted by issue date. Documents that are open items at the selected key date are displayed. Additionally the report shows as an option the cleared bills of exchange. The list is made with ABAP List Viewer. Please, refer to the documentation of the report RFWEKO02 for the details of the functionality and the online documentation for ABAP List Viewer (Cross Application).

Usage List (RFWEKR00)

The usage list lists all forms in a lot and displays for each form number whether it was used for a business transaction, borrowing, guaranty or if it was voided due to destruction, test printing and so on.

Use the report RFWEKR00 to produce this list. Enter the company code, house bank, house bank account ID, payment method and reporting period. To mark a BOE as issued for guaranty, the BOE must be voided using special void reason codes. As previously documented, bills of exchange for guaranty are not created by the system because they do not reflect a payment. The only possibility to track their usage is by voiding them with special void reason codes. These void reasons have to be entered in the selection screen of the report.

Bills of exchange used for borrowing are identified by the special general ledger indicator.



The user creates the void reason code 31 for bills of exchange given as a guaranty to bank1 and the void reason code 32 for bills of exchange given as a guaranty to bank2. Bills of exchange issued for borrowing are posted using the special general ledger indicator 'u'.

When running the bill of exchange usage list, 'u' is entered as special general ledger indicator for borrowing and 31-32 are entered as range of void reason codes for bills of exchange handed out as guaranty.

Reporting

Financial Statement Version

Financial Statement Version

According to Korean GAAP, the primary financial statements include the balance sheet, profit and loss statement, statement of appropriation of retained earnings and the cash flow statement. The form and content of each statement must be in accordance with the Korean GAAP.

A financial statement version has been created for Korea. This version is called BAKR and comprises all financial statement items that have to be displayed in the balance sheet, profit and loss statement and manufacturing cost sheet.

Accounts not allocated in the version must be balanced to zero.

You can access this financial statement version in Customizing by choosing *Financial Accounting* → *General Ledger Accounting* → *G/L Accounting Business Transactions* → *Closing* → *Documenting* → *Define financial statement versions*.

Simplified structure of the created financial statement version:

Assets

Current Assets

- Quick Assets

- Inventories

- Other Current Assets

Investment & Other Assets

- Investments

- Other Assets

Fixed Assets

- Tangible fixed assets

- Intangible fixed assets

Deferred Charges

- Organization costs

- Pre-operation costs

- New stock issue costs

- Debenture issue costs

- Research & development costs

Liabilities

Current Liabilities

- Bank overdraft

- Trade Account Payable

- Trade notes(BoE) Payable

- Short-term borrowings
- Account payable - security deposit
- Other Account payable
- Advances from customers
- Deferred Income
- Withholdings
- Accrued expenses
- Accrued income TAX
- Cur. portion of long-term debt
- Long-term liabilities
 - Debentures
 - Discounts on Debentures issued
 - Premium on Debentures issued
 - Conversion of debentures
 - Long-term debt
 - Long term account payable
 - Long-term notes (BoE) payable
 - Present value discount
 - Stockholders' Equity
 - Capital stock
 - Capital Surplus
 - Retained earning(or deficit)
 - Capital Adjustment

P&L Statement

- Net Income
 - Income before Income Taxes
 - Ordinary Income
 - Operating Income
 - Gross Profit
 - Gross Sales
 - Cost of Goods Sold
 - Selling and General Administrative Expenses
 - Non-Operating Income
 - Non-Operating Expense

Financial Statement Version

Extraordinary Gains

Extraordinary Losses

Income Taxes

Accounts Not Allocated

Balance Sheet for Korea

The balance sheet according to Korean GAAP can be created using the standard reporting tree for the general ledger (FIGL). Or you can directly execute the report RFBILA00. Here you can select the report BalSheet/P+L (List). Enter the identification of your company code and BAKR as financial statement version. If you want to make additional selections, choose Dynamic Selections.

The balance sheet items can be detailed up to the G/L account level.

Profit and Loss Statement

Profit and Loss Statement

The Korean profit and loss statement can be created on the basis of cost of goods sold. You can use the Financial Information System to create the profit and loss statement according to Korean GAAP. A sample report can be found in the report tree FIGL_INFO. The Selling and General Administrative Expenses is distinguished by Sales Costs, General Administration Costs and R&D Costs.

Enter the year under review and the name of the company code.

The structure of the sample profit and loss statement is as follows:

1. Sales
2. Cost of Goods Sold
 - 2.1. Beginning Inventory
 - 2.2. Material Expenses
 - 2.3. Labor Expenses
 - 2.4. Overhead
 - 2.5. Ending Inventory
3. Gross Profit..... (1 + 2.2 + 2.3 + 2.4 + 2.5 -2.1)
4. Sales Costs
5. General Administrative Costs
6. Research and Development Costs
7. Operating Income..... (3 - 4 - 5 - 6)
8. Non-Operation Result
9. Ordinary Income.....(7+8)
10. Extraordinary Gains
11. Extraordinary Losses
12. Income before Income Taxes..... (9 +10 - 11)
13. Income Taxes
14. Net Income..... (12 - 13)

The line items 2.1. (Beginning Inventory) and 2.5 (Ending Inventory) display the inventory of

- Merchandise
- Finished goods
- Semi-finished goods
- Goods in transit

To separate production costs, sales costs, general administrative costs and research and development costs, the functional areas are used. In the pre-configuration 4 functional areas have been created which you can interpret as following:

- 0001 Sales

Profit and Loss Statement

- 0002 Administration
- 0003 Production
- 0004 R&D

The line item Cost of goods sold reads the costs caused by the functional area 0003 and the line item Sales cost reads the expenses caused by the functional area 0001 and so on.

See:

[Functional Areas \[Page 77\]](#)

Manufacturing Cost Sheet

Manufacturing Cost Sheet

The cost of goods manufactured list is an additional document which manufacturing companies are required to prepare.

You can use the Financial Information System to create a profit and loss statement according to Korean GAAP. A sample report can be found in the report tree FIGL_INFO.

Cost of Goods Manufactured List

1. Raw Material Cost..... (1.1 + 1.2 - 1.3)
2. Beginning Inventory of Raw Materials
3. Raw Materials Purchase
4. Ending Inventory of Raw Materials
5. Labor Cost
6. Overhead
7. Total Manufacturing Cost..... (1 + 2 + 3)
8. Beginning Inventory of WIP
9. Total..... (4 + 5)
10. Ending Inventory of WIP
11. Cost of Goods Manufactured (6 - 7)

The line items labor cost and overhead only reflect the costs related to the functional area production (0003).

Functional Areas

To distinguish general administration costs from sales costs or R&D costs, it is not necessary to post on separate G/L accounts. The costs from all areas can be posted on the same G/L account but must be distinguished by entering the responsible functional area in the posting document.



a) Posting of expenses for the sales area

DR:Salaries

Cost center: 1030 (Sales office 003)

Functional area: 0001 (Sales)

CR:Employee

b) Posting of expenses for the administration area

DR:Salaries

Cost center: 2040 (accounting department)

Functional area: 0002 (Administration)

CR:Employee

Both postings were made on the same G/L account. When creating the Profit and Loss statement, the expenses of the sales area can be distinguished from the expenses of the administration by reading the functional area.

The field functional area must be made ready for posting in the field status variant used for the postings on expense accounts. The functional areas are created by choosing *Enterprise Structure* → *Maintain Structure* → *Definition* → *Financial Accounting* → *Maintain Functional Area*.

The functional area can be entered manually in the document or deducted automatically from the cost center. Substitution rules can be created to deduct the functional areas from the cost center type or any other specification entered in the document line. Choose menu path *Financial Accounting* → *Financial Accounting Global Settings* → *Company Code* → *Prepare cost of sales accounting*.

For more information, please see the standard documentation on cost of sales accounting in SAP.

Trial Balance

Trial Balance

In Korea, a trial balance is done before the real balance sheet is created. The trial balance is a list of all GL accounts with the following information:

- Account
- Beginning balance
- Net increase debit
- Net increase credit
- Ending balance

Additionally the Net increase debit and Net increase credit of the actual period is shown. This list is also created with ABAP List Viewer. Please, refer to the documentation of the ABAP List Viewer (Cross Application).

A sample report can be found in the report tree: FIGL_CLOSE > FIGL_CLOSE_ACCOUNT > FIGL_CLOSE_ACC_KOREA. Report name is RFGLKR00.

Enter the document types which should be excluded from the selection. E.g. the document type for the tax invoice must be excluded from the selection since the tax invoice uses the clearing transaction in the system. For more information, see [Tax Invoice \(VAT\) \[Page 35\]](#). The reversed documents do not have to be considered if they are posted negatively. For Korea, all reason codes for document reversal should be customized with negative posting. Select in the IMG: *Financial Accounting* → *General Ledger Accounting* → *Business Transaction* → *Document Reversal* → *Define reasons for reversal*.

Asset Accounting

Chart of Depreciation

Chart of Depreciation

The Korean chart of depreciation consists of:

- 01 book depreciation area
- 02 tax limit area according to Korean Corporate Tax Law (CTL)
- 03 tax area according to Tax Reduction Control Law (TRCL)
- 20 cost accounting area
- 30 consolidation area in KRW
- 31 consolidation area in group currency

In the book depreciation area, the ordinary depreciation plus the additional special depreciation is calculated and posted to G/L accounts.

The tax limit area is used to calculate the tax limit allowed by the Corporate Tax Law and compared to the operational depreciation calculated in area 01. The depreciation calculated in the tax limit area is not posted to the G/L accounts but can be used for reporting.

The tax area is used to calculate the lump sum depreciation. This lump sum depreciation is not posted to the G/L accounts but is only used for reporting.

Using the report RABKA01, you can display the differences in depreciation amounts and net book value between the bookkeeping area and the tax areas for all assets. Assets, which show a difference, require special reporting to the tax offices. The data from the list created by this report can be reported to the tax authorities.

Asset Depreciation

[Straight-Line Depreciation Method](#)

[\[Page 82\]Declining-Balance Depreciation Method \[Page 87\]](#)

[Special Tax Depreciation](#)

[\[Page 93\]Capital Expenditure \[Page 96\]](#)

[Period Control for Half-Year/Full Year Convention \[Page 97\]](#)

[Treatment of Residual Value \[Page 98\]](#)

[Change in Depreciation Method \[Page 104\]](#)

[Change in Useful Life \[Page 110\]](#)

[Depreciation Keys \[Ext.\]](#)

Straight-Line Depreciation Method

Straight-Line Depreciation Method

With the revision of the Korean corporate tax law effective as of January 1, 1995, the legal percentage of residual value has been changed. The residual value of 10% will continue to apply to assets acquired before January 1, 1995. As for the assets acquired after December 31, 1994, 5% residual value applies to assets using declining-balance method and 0% applies to assets using straight-line method. Based on this principle, depreciation keys have been created for Korea according to acquisition year and depreciation method.

Another requirement to be carried out with the revision of the law is to fully depreciate the residual value of 10% of the asset acquired before the end of 1994 by equal amounts from the following (0, 1 or 2: dependent from company's policy of choosing the "gap-years" between the end of ordinary depreciation and the start of uniform depreciation of residual value) year after the completion of depreciation for a three, four or five-year period. If capital expenditure occurs during that period, then this additional value is also depreciated by equal amounts for the rest of the period. To satisfy these legal requirements, new depreciation keys have been created for Korea.

If a declining-balance depreciation method is used to depreciate an asset (which was acquired after Dec 31st, 1994), 5% of the acquisition value of that asset must be considered as scrap value in order to calculate the annual depreciation percentage rate. The year, in which the net book value of this asset hits 5% residual value, the asset can be written off.

Special depreciation is calculated either by depreciating a specified percentage of ordinary depreciation each year or by depreciating a given percentage in a lump sum in the first year of depreciation. Assets acquired before January 1, 1995 are subject to both methods, and only the second method applies to assets acquired after December 31, 1994.

Fully Depreciated Assets

If the asset is fully depreciated, then there is no need to further calculate depreciation amounts in the bookkeeping area. If only the residual value (10% of the acquisition value) of the asset remains at the point of the old data takeover in FI-AA, a uniform depreciation amount of residual value can be calculated over 3, 4 or 5 years depending on which one the individual company chooses as the additional depreciation period.



Machine A	Acquisition cost	10,000,000 Won
	Acquisition date	1980.1.1
	Useful life	9 years
	Residual value	1,000,000 Won
	Net book value as of 12-31-93	1,000,000 Won

In this case, the following six options exist.

Additional depreciation amount allowed by the revised CTL:

Option:	1	2	3	4	5	6
Year						
1994	333,000			250,000		200,000
1995	333,000	333,000		250,000	250,000	200,000
1996	334,000	333,000	333,000	250,000	250,000	200,000
1997		334,000	333,000	250,000	250,000	200,000
1998			334,000		250,000	200,000

Use one of the following pre-configured depreciation keys for the asset:

Option:	1	2	3	4	5	6
Depreciation key	KRL3	KRLA	KRLB	KRL4	KRLC	KRL5

Enter 1980 as ordinary depreciation start date and the original useful life of 9 years. And enter 1994 as the change-over year in the asset master data (go to valuation -> double click on depreciation key).



Your company chooses to depreciate the remaining value over 5 years. In 1997, the old data takeover takes place in order to go live with SAP FI-AA. Enter KRL5 as depreciation key of the asset in the bookkeeping area, enter the first posting period of 1980 as ordinary depreciation start date and enter 9 years as useful life.

Acquired Before 1/1/95 - Not Fully Depreciated

Acquired Before 1/1/95 - Not Fully Depreciated

If there is an amount not depreciated when you takeover your old asset, or when the net book value of the asset is more than 10% of the acquisition value, then a uniform depreciation amount of residual value is recorded over 3, 4 or 5 years starting from the year with the “gap-years” after the completion of depreciation (when the net book value hits the residual value of 10% of the acquisition costs).



Machine A

Acquisition cost: 10,000,000 Won

Acquisition date: 1990.01.01

Useful life: 9 years

Depreciation method: straight-line

Residual value: 1,000,000 Won

Net book value as of 97.01.01: 3,000,000 Won

In this example, six options exist for the calculation of depreciation:

(In the assets ended ordinary depreciation on December 31 in 1994, the option 1,4 or 6 of the following options started from 1995 is admitted according to the Korean GAAP.)

Additional depreciation amount allowed by the revised CTL and GAAP:

Option:	1	2	3	4	5	6
Year						
1997	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
1998	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
1999	333,000			250,000		200,000
2000	333,000	333,000		250,000	250,000	200,000
2001	334,000	333,000	333,000	250,000	250,000	200,000
2002		334,000	333,000	250,000	250,000	200,000
2003			334,000		250,000	200,000

Please assign one of the following pre-configured depreciation keys to the asset:

Option:	1	2	3	4	5	6
Depreciation key	KRL3	KRLA	KRLB	KRL4	KRLC	KRL5

These depreciation keys calculate the annual depreciation amount on basis of a 10% residual value. The system changes the calculation of the depreciation when the 10% residual value is reached. After the residual value is reached, the residual value is depreciated according to the selected option.

Acquired Before 1/1/95 - Not Fully Depreciated

Enter 1990 as ordinary depreciation start date and the original useful life of 9 years. The system will automatically change over to the depreciation of the residual value after the residual value percentage rate of 10% is hit.



Your company chooses to depreciate the remaining value over 3 years. In 1997, the old data takeover takes place in order to go live with SAP FI-AA. Enter KRL3 as depreciation key of the asset in the bookkeeping area and enter the first posting period of 1990 as ordinary depreciation start date.

Acquired After 12/31/93

Acquired After 12/31/93

Assets acquired after the revision of the Korean Corporate Tax Law can be depreciated to zero. The depreciation key KRLN was configured for this purpose and should be assigned to these assets.

Declining-Balance Depreciation Method

[Fully Depreciated Assets \[Page 88\]](#)

[Acquired Before 1/1/95 - Not Fully Depreciated \[Page 90\]](#)

[Acquired After 12/31/94 \[Page 92\]](#)

Fully Depreciated Assets

Fully Depreciated Assets

If the asset is fully depreciated, then there is no need to further calculate depreciation amounts in the bookkeeping area.

If only the residual value (10% of the acquisition value) of the asset is remaining at the point of the old data takeover in FI-AA, then a uniform depreciation amount of residual value can be calculated over 3, 4 or 5 years depending on which the individual company chooses as the additional depreciation period.



Machine A

Acquisition cost: 10,000,000 Won

Acquisition date: 1984.1.1

Useful life: 9 years

Residual value: 1,000,000 Won

Net book value as of 12-31-1998 1,000,000 Won

In this case, the following six options exist:

Additional depreciation amount allowed by the revised CTL:

Option:	1	2	3	4	5	6
Year						
1994	333,000			250,000		200,000
1995	333,000	333,000		250,000	250,000	200,000
1996	334,000	333,000	333,000	250,000	250,000	200,000
1997		334,000	333,000	250,000	250,000	200,000
1998			334,000		250,000	200,000

Use one of the following pre-configured depreciation keys for the asset:

Option:	1	2	3	4	5	6
Depreciation key	KRD3	KRDA	KRDB	KRD4	KRDC	KRD5

Enter 1984 as ordinary depreciation start date and the original useful life of 9 years. And enter 1994 as the change-over year in the asset master data (go to valuation -> double click on depreciation key).



Your company chooses to depreciate the remaining value over 5 years. In 1997, the old data takeover takes place in order to go live with SAP FI-AA. Enter KRD5 as depreciation key of the asset in the bookkeeping area, enter the first posting period of 1984 as ordinary depreciation start date and enter 9 years as useful life.

Fully Depreciated Assets

Acquired Before 1/1/95 - Not Fully Depreciated

Acquired Before 1/1/95 - Not Fully Depreciated

If there is an amount not depreciated when you takeover your old asset, or when the net book value of the asset is more than 10% of the acquisition value, then a uniform depreciation amount of residual value is recorded over 3, 4 or 5 years starting from the year with the “gap-years” after the completion of depreciation (when the net book value hits the residual value of 10% of the acquisition costs).



Machine A

Acquisition cost: 10,000,000 Won

Acquisition date: 1990.01.01

Useful life: 9 years

Depreciation method: declining-balance

Residual value: 1,000.000 Won

Net book value as of 97.01.01: 1,664.000 Won

In this example, six options exist for the calculation of depreciation:

(In the assets ended ordinary depreciation on December 31 in 1994, the option 1,4 or 6 of the following options started from 1995 is admitted according to the Korean GAAP.)

Additional depreciation amount allowed by the revised CTL and GAAP:

Option:	1	2	3	4	5	6
Year						
1997	376,000	376,000	376,000	376,000	376,000	376,000
1998	288,000	288,000	288,000	288,000	288,000	288,000
1999	333,000			250,000		200,000
2000	333,000	333,000		250,000	250,000	200,000
2001	334,000	333,000	333,000	250,000	250,000	200,000
2002		334,000	333,000	250,000	250,000	200,000
2003			334,000		250,000	200,000

If the takeover of the old assets occurs before January 1, 1999, one of the following depreciation keys should be assigned to the asset:

Option:	1	2	3	4	5	6
Depreciation key	KRD3	KRDA	KRDB	KRD4	KRDC	KRD5

These depreciation keys calculate the annual depreciation amount on basis of a 10% residual value. The system changes the calculation of the depreciation when the 10% residual value is reached. After the residual value is reached, the residual value is depreciated according to the selected option.

Acquired Before 1/1/95 - Not Fully Depreciated

Enter 1990 as ordinary depreciation start date and the original useful life of 9 years. The system automatically changes over to the depreciation of the residual value after the residual value percentage rate of 10% is hit.

Acquired After 12/31/94

Acquired After 12/31/94

If a declining-balance depreciation method is used to depreciate an asset, 5% of the acquisition value of that asset must be considered as scrap value in order to calculate the annual depreciation percentage rate. The year, in which the net book value of this asset hits the 5% residual value, the asset can be written off.

In the R/3 System, assets subject to the 5% residual value regulation are depreciated using a depreciation method with an assigned 5% cut-off value key.

In the year before the 5% residual value is hit, the depreciation changes over to a calculation key that depreciates the remaining net book value of the assets.

Assign a depreciation key KDnn to this asset, where nn stands for the number of years of the useful life of the asset.

See:

[Residual Value of 5% \[Page 101\]](#)

Special Tax Depreciation

[Lump Sum Depreciation \[Page 94\]](#)

[Additional Depreciation \[Page 95\]](#)

Lump Sum Depreciation

Lump Sum Depreciation

Under this type of special depreciation, the company is allowed to take a certain percentage (30%, 50%, 70%) of the acquisition value of the fixed assets as initial depreciation in the first taxable year of acquisition, regardless of the ordinary depreciation allowed by the CTL. After the first year, ordinary depreciation is applied.

All the existing regulations in the TRCL (Tax Reduction Control Law), regarding the special depreciation, allow only this type of special depreciation.

You can create a new depreciation key that calculates a fixed percentage rate of the acquisition value. The system provides already such a key (KRS1). You can use this key as a sample for copying. The same for the calculation key KRS1.

Additional Depreciation

Under this type of special depreciation, additional depreciation prorated to ordinary depreciation (e.g. 20%, 30%, 50%, 100%) is counted as depreciation expenses in addition to the ordinary depreciation.

The base value key '51' calculates the special tax depreciation as a percentage rate of the ordinary depreciation amount of the asset of the same depreciation area. The percentage rate for the additional depreciation is visible in the field '%-rate'. The system provides already such a key (KRSL, KRSD:30%). You can use this key as a sample for copying. The same for the calculation key KRS2.

Refer to the following:

Depreciation key:	KRSL	KRSD
Depreciation method	Straight-line	Declining-balance
Ordinary calc. key	KRL3/A/B/4/C/5	KRL3/A/B/4/C/5
Special calc. key	KRS2 (30%)	KRS2 (30%)
Cutoff value key	KR1	KR1

Capital Expenditure

Capital Expenditure

In the depreciation keys for Korea, the full year convention is used for capital expenditure. Therefore, independent from the date of the capital expenditure, a full year depreciation is calculated. The procedure for the calculation of depreciation is as follows:

Depreciation amount = (APC + Capital Expenditure)/total number of years of useful life

If the company makes a capital expenditure for an asset with 10% residual value being depreciated according to the regulations explained above, the capital expenditure is added up to the book value and depreciated over the remaining additional depreciation period allowed by the CTL.



An asset reached the residual value of 1,000,000 KRW. The residual value is depreciated over 4 years. In the second year of depreciation of the residual value a capital expenditure of 150,000 KRW is made. The remaining balance of 900,000 KRW (750,000 KRW + 150,000 KRW) is depreciated by 300,000 Won for each of the remaining three years.

Period Control for Half Year/Full Year Convention

Contrary to SAP terminology, the expression half year/full year convention has an additional meaning in Korea. If an asset belongs to a company less than a half a year, then 6 months of depreciation is posted. If the asset belongs to a company more than 6 months, then 12 months of depreciation is posted.



Acquisition date	Retirement date	Depreciation months
Feb. 10	Aug. 10	6
Feb. 10	Aug. 15	6
Feb. 10	Sept. 1	12
Feb. 1	Aug. 1	6
Feb 1	Aug. 2	6
Feb 1	Sept. 1	12
Nov. 15	Jan. 5	Acquisition and retirement within different fiscal years; therefore, rule does not apply.

The period control '15' was created for Korea. Assign this period control to the depreciation keys.

Treatment of Residual Value

Treatment of Residual Value

[Residual Value of 10% \[Page 99\]](#)

[Residual Value of 5% \[Page 101\]](#)

Residual Value of 10%

Until December 31, 1994, Korean companies were required to determine 10% of the acquisition value of an asset as its residual value.

As of January 1, 1995, the residual value of fixed assets is determined as zero. The residual value of assets acquired before January 1, 1995 can be depreciated to zero over 3, 4 or 5 years.

In SAP R/3 old assets subject to the 10% residual value regulations are depreciated using a depreciation method with an assigned 10% scrap value key. When the net book value of the asset hits the residual value, the system stops to calculate the depreciation. In a second step the system checks whether the ratio of net book value and the acquisition cost of the asset is lower than the percentage rate entered in the configuration of the depreciation calculation key used for the asset. If this is true, the system starts to calculate the depreciation of the residual value from the following year on. The calculation of the depreciation of the residual value is done according to the change over key entered in the configuration of the depreciation calculation key used for the asset.

This calculation key is configured in a way, that for each year after the change over a fixed percentage rate is calculated. The scrap value is not considered anymore.

Following depreciation keys (ordinary calculation keys) are pre-configured:

Key	Usage	Change over key
KRD3	declining balance, 10% residual value, 3 yr depreciation of resid. val.	KR30
KRD4	declining balance, 10% residual value, 4 yr depreciation of resid. val.	KR40
KRD5	declining balance, 10% residual value, 5 yr depreciation of resid. val.	KR50
KRDA	declining balance, 10% residual value, 3 yr depreciation of resid. val from the 2nd year on	KR31
KRDB	declining balance, 10% residual value, 3 yr depreciation of resid. val from the 3rd year on	KR32
KRDC	declining balance, 10% residual value, 4 yr depreciation of resid. val from the 2nd year on	KR41
KRL3	straight line, 10% residual value, 3 yr depreciation of resid. val.	KR30
KRL4	straight line, 10% residual value, 4 yr depreciation of resid. val.	KR40
KRL5	straight line, 10% residual value, 5 yr depreciation of resid. val.	KR50
KRLA	straight line, 10% residual value, 3 yr depreciation of resid. val from the 2nd year on	KR31
KRLB	straight line, 10% residual value, 3 yr depreciation of resid. val from the 3rd year on	KR32
KRLC	straight line, 10% residual value, 4 yr depreciation of resid. val from the 2nd year on	KR41

Residual Value of 10%

Residual Value of 5%

If a declining-balance depreciation method is used to depreciate an asset, 5% of the acquisition value of that asset must be considered as scrap value in order to calculate the annual depreciation percentage rate. The asset can be written off in the year in which the net book value of this asset hits the 5% residual value.

In the R/3 System, assets subject to the 5% residual value regulations are depreciated using a depreciation method with an assigned 5% cut-off value key.

If an asset reaches the 5% residual value the system changes over to a depreciation calculation key that is entered in the customizing of the depreciation key. The change over key is a calculation key that depreciates 100% of the net book value.

The assets that are subject to a change over to the depreciation of the 5% residual value are found by the ratio between net book value and acquisition costs.

If an asset is depreciated over 5 years, the percentage of the net book value is as follows

Year	NBV/APC
1	54,90 %
2	30,14%
3	16,55%
4	9,08%
5	5 %

For a useful life of 5 years a depreciation key must be used, that changes over to a depreciation calculation key for 100% of the net book value in the moment a ratio between net book value and acquisition costs of 9,1 % is reached. If this percentage rate is reached, the system shifts to the change over key from the following year on.

In the pre-configuration of the Korean company code, several depreciation keys are prepared:



Key	Usage
KD02	declining balance, 5% residual value, 2 years useful life
KD03	declining balance, 5% residual value, 3 years useful life
KD04	declining balance, 5% residual value, 4 years useful life
...
KD15	declining balance, 5% residual value, 15 years useful life
KD20	declining balance, 5% residual value, 20 years useful life
KD25	declining balance, 5% residual value, 25 years useful life
KD30	declining balance, 5% residual value, 30 years useful life

Create new depreciation keys for your assets copying the calculation keys and the depreciation key listed above. Enter the number of years of the useful life as the 3rd and 4th digit of the keys. Change the percentage rate for the change over according to the following table.

Residual Value of 5%

Useful life in years	Percentage rate to be entered as remaining value rate	Useful life in years	Percentage rate to be entered as remaining value rate
2	22.4 %	31	5.5 %
3	13.5 %	32	5.6 %
4	10.6 %	33	5.4 %
5	9.1 %	34	5.5 %
6	8.2 %	35	5.5 %
7	7.7 %	36	5.4 %
8	7.3 %	37	5.4 %
9	7.0 %	38	5.4 %
10	6.7 %	39	5.4 %
11	6.6 %	40	5.4 %
12	6.4 %	41	5.5 %
13	6.3 %	42	5.3 %
14	6.2 %	43	5.4 %
15	6.1 %	44	5.3 %
16	6.0 %	45	5.5 %
17	5.9 %	46	5.3 %
18	5.9 %	47	5.3 %
19	5.8 %	48	5.2 %
20	5.8 %	49	5.4 %
21	5.8 %	50	5.4 %
22	5.8 %	51	5.3 %
23	5.7 %	52	5.3 %
24	5.7 %	53	5.3 %
25	5.6 %	54	5.3 %
26	5.6 %	55	5.3 %
27	5.6 %	56	5.3 %
28	5.6 %	57	5.3 %
39	5.6 %	58	5.4 %
30	5.5 %	59	5.1 %
		60	5.2 %

Residual Value of 5%

A depreciation key for a useful life of 40 years, should be configured in a way, that the percentage rate for the change over is 5.4, because the NBV/APC ratio in the year before the change over is 5.425. The year before that year the ratio is 5.846. The net book value of the asset would become smaller then this comparison value just one year before the net book value must be depreciated completely. The system would then change over to the new deprecation calculation key. In the following year the net book value of the asset would depreciated according to the new depreciation calculation key, that means the net book value would be depreciated completely.

Change in Depreciation Method

Change in Depreciation Method

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Change from Straight-Line to Declining-Balance

Change from Straight-Line to Declining-Balance

Asset no.	Acq. date	APC	Usef. life	Acc. dep GAAP	Acc. tax limit Tax Law
1	93.1.1	100,000,000	5 years	55,000,000	54,000,000
2	95.1.1	100,000,000	5 years	20,000,000	20,000,000

The changeover takes place in 1996

Depreciation rates based on Japanese declining-balance method:

Useful life in years	Depreciation rates:	
	10% scrap value - old assets	5% scrap value - new assets
2	0,684	0,777
3	0,536	0,632
4	0,438	0,528
5	0,369	0,451

The depreciation amount according to Korean GAAP is calculated as follows:

Asset 1:

deprec.amnt = (APC - accum. deprec.)*perc rate (2 years, 10% scrap value)

deprec.amnt = (100.000.000 - 55.000.000) * 0.684

Asset 2:

deprec.amnt = (APC - accum. deprec.)* perc rate (4 years, 5% scrap value)

deprec.amnt = (100.000.000 - 20.000.000) * 0.528

The depreciation amount according to Korean CLT is calculated as follows:

Asset 1:

deprec.amnt = (APC - accum. deprec.)*perc rate (5 years, 10% scrap value)

deprec.amnt = (100.000.000 - 54.000.000) * 0.369

Asset 2:

deprec.amnt = (APC - accum. deprec.)* perc rate (5 years, 5% scrap value)

deprec.amnt = (100.000.000 - 20.000.000) * 0.451

Implementation:

Korean GAAP:

Since the annual depreciation rate must be calculated on the base of the *remaining useful life*, you have to update the useful life in the asset master record. Set the depreciation start date to the first day of the current fiscal year and enter the number of years of the remaining useful life as useful life. A depreciation key using the depreciation method 'J' must be assigned to these assets.

Change from Straight-Line to Declining-Balance

The depreciation key to choose should be KRD3 to KRDC for old assets and KDyy (where yy is the number of years of the *remaining useful life*) for new assets. The 'change-over year' field of the asset master must be empty.

Korean CTL:

A depreciation key to calculate the correct depreciation based on the correct remaining useful life is already offered by the standard. A depreciation key using the depreciation method 'J' must be assigned to these assets. Since the annual depreciation rate must be calculated on the base of the *original useful life*, the original useful life must be kept on.

The depreciation key to choose should be KRD3 to KRDC for old assets and KDyy (where yy is the number of years of the *original useful life*) for new assets. The 'change-over year' field of the asset master must be empty.

Sample depreciation key :

For the assets acquired before Jan.1,1995 → KRD3,KRD4,KRD5,KRDA,KRDB,KRDC

For the assets acquired after Dec.31,1994 → KD02,KD03,KD04,.....,KDyy

Change from Declining-Balance to Straight-Line

Change from Declining-Balance to Straight-Line

Asset no.	Acq. date	APC	Usef. life	Acc. dep GAAP	Acc. tax limit Tax Law
1	93.1.1	100.000.000	10 years	50.000.000	49.000.000
2	95.1.1	100.000.000	10 years	25.800.000	25.800.000

The changeover takes place in 1996.

The depreciation amount according to Korean GAAP is calculated as follows:

Asset 1:

deprec.amnt = (APC - accum. deprec. - residual value) / remaining useful life

deprec.amnt = (100.000.000 - 50.000.000 - 10.000.000) / 7 years

Asset 2:

deprec.amnt = (APC - accum. deprec.) / remaining useful life

deprec.amnt = (100.000.000 - 25.800.000) / 9 years

The depreciation amount according to Korean tax law (CTL) is calculated as follows:

1st alternative

Asset 1:

deprec.amnt = (APC - accum.tax limit - residual value) / remaining useful life

deprec.amnt = (100.000.000 - 49.000.000 - 10.000.000) / 10 years

Asset 2:

deprec.amnt = (APC - accum. tax limit) / remaining useful life

deprec.amnt = (100.000.000 - 25.800.000) / 10 years

2nd alternative

Asset 1:

deprec.amnt = (APC - accum.tax limit - residual value) / rem. usef. life calculated by an official table

deprec.amnt = (100.000.000 - 49.000.000 - 10.000.000) / 7 years

Asset 2:

deprec.amnt = (APC - accum. tax limit.) / remaining useful life

deprec.amnt = (100.000.000 - 25.800.000) / 10 years

Since asset 1 was activated before 1995, the 10% residual value must be subtracted. In the 2nd alternative for the calculation of the depreciation amount according to the tax law, the remaining useful life is found in an official tax table. In this tax table, the remaining useful life is found depending on original useful life and the portion of the APC that has already been depreciated.

Implementation:

Korean GAAP:

Change from Declining-Balance to Straight-Line

A depreciation key that uses the depreciation method 'D' and calculates the annual depreciation percentage rate according to the remaining useful life can be used after the change of the depreciation method takes place. The base value key is the NBV. This depreciation method is offered by the SAP standard.

The depreciation keys KDX3 to KDXC (old assets) and KDXN (new assets) have been configured correspondingly.

Korean CTL 1st Alternative:

A depreciation key that uses the depreciation method 'D' and calculates the annual depreciation percentage rate according to the remaining useful life must be assigned to the depreciation area after the changeover. The base value key is the net book value. The year the change of the depreciation method takes place must be entered in the depreciation area of the asset master record.

The depreciation keys KDX3 to KDXC (old assets) and KDXN (new assets) have been configured correspondingly.

CTL 2nd Alternative:

The depreciation keys KRX3 to KRXC (old assets) and KRXN (new assets) have been configured correspondingly. The remaining useful life, for the assets acquired before January 1, 1995, is found in an official tax table.

The official tax table displays the total useful life on the x-axis and the expired useful life on the y-axis. The value for each combination of total useful life and expired useful life can be calculated by:

$(1-y)^x$ y = Annual % rate accdg to total useful life, x = Expired Useful Life



Total Useful Life = 5 years

Expired Useful Life	Value accdg to formula	Value accdg to tax table
1	$(1-0.369)^1 = 0.631$	0.631
2	$(1-0.369)^2 = 0.398$	0.398
3	$(1-0.369)^3 = 0.251$	0.251
4	$(1-0.369)^4 = 0.158$	0.158
5	$(1-0.369)^5 = 0.100$	0.100

The above formula exactly represents the (NBV/APC) ratio of an asset that is depreciated according to the declining-balance method.



Useful life = 5 years, APC = 100.000

Exp. useful life	Deprec amount	NBV	NBV/APC	Value acc. to tax table
1	36,900	63,100	0.631	0,631
2	23,283	39,817	0.398	0,398

Change from Declining-Balance to Straight-Line

3	14,692	25,125	0.251	0,251
4	9,271	15,853	0.158	0,158
5	5,853	10,000	0.100	0,100

NBV: net book value

APC: acquisition and production costs

The net book value in the depreciation area for the calculation of the tax limit is made up of the net book value of the bookkeeping area plus excess depreciation (by customizing of the depreciation area).

Therefore, the expired useful life found in the tax table as combination of the total useful life and the ratio of NBV divided by the APC is always the same as the actual expired life of the asset. The only case in which there can be a difference between the actual expired useful life and the expired useful life found in the tax table is that unplanned depreciation has been posted for the asset (e.g. the machine burnt out partly or the machine is severely damaged).

For old assets, a report has been created to check the accumulated depreciation of the selected assets against the tax table. According to the results of this check, the useful life of the asset master record is updated.

The assets to be updated are selected by the depreciation key. This depreciation key must be entered in the selection screen of the report.

The name of the report is RAIDKRC04. See the report documentation for further details.

For new assets, enter depreciation key KRXN. An update of the useful life is not necessary.

Change in Useful Life

Change in Useful Life

If an asset is moved from one department to another, often the useful life of that asset must be changed.



A PC is transferred from the R&D department to the accounting department. The useful life of that asset in the R&D department was 3 years and in the accounting department the useful life is 5 years. The PC was purchased for 3,000,000 KRW in 1995 and the transfer from the R&D department to the accounting department takes place in May 1996.

Depreciation calculation:

a) The PC is depreciated using a straight-line method:

year	1995	1996	1997
depreciation amount	1,000,000 KRW	766,666 KRW	600,000 KRW
NBV	2,000,000 KRW	1,233,333 KRW

The depreciation for 1996 is calculated as follows:

Jan-May: $(3,000,000 \text{ KRW} / 36 \text{ months}) * 5 \text{ months} = 416,666 \text{ KRW}$

Jun-July: $(3,000,000 \text{ KRW} / 60 \text{ months}) * 7 \text{ months} = 350,000 \text{ KRW}$

= 766,666 KRW

The depreciation for 1997 is calculated as follows:

$3,000,000 \text{ KRW} / 5 \text{ years} = 600,000 \text{ KRW}$

This type of transaction can be achieved by an asset transfer posting,

b) The PC is depreciated using a declining-balance method

Year	1995	1996	1997
depreciation amount	1,896,000 KRW	504,206 KRW	269,907 KRW
NBV	1,104,000 KRW	599,794 KRW

The depreciation for 1996 is calculated as follows:

Jan-May: $(3,000,000 \text{ KRW} * 0.632) / 12 * 5 \text{ months} = 290,720 \text{ KRW}$

New base value: $1,104,000 - 290,720 = 813,280 \text{ KRW}$

June-July: $(813,280 \text{ KRW} / * 0.450) / 12 * 7 \text{ months} = 213,486 \text{ KRW}$

= 504,206 KRW

The depreciation for 1997 is calculated as follows:

$599,794 \text{ KRW} / * 0.450 = 269,907 \text{ KRW}$

The depreciation method assigned to the receiving asset master record must use the base value key '27'. This base value key provides the net book value at the time of the transfer as basis for the calculation of the depreciation (in the example 813,280 KRW).

Change in Useful Life

The depreciation key '24' would give a wrong result, since it would calculate the net book value at the start of the fiscal year as base value for the depreciation (in the example 1,104,000 KRW).

Asset Reporting

Asset Reporting

Several reports on asset data must be provided for tax and GAAP reasons.

The asset depreciation reconciliation reports are printed in the mandatory format. The user can also download them for further editing with a spread sheet program.

As of 3.1H, all Korean asset reports displaying depreciation amounts for the current fiscal year offer the possibility to select the planned depreciation amount or the depreciation amount actually posted to the general ledger accounts. Use the check box *Posted amount* in the selection screen of the Korean asset reports to select the type of desired depreciation.

In order to list the assets correctly in the produced reports, the evaluation group fields in the asset master records are used to group the assets and the tax jurisdiction code of the business places, to whom the assets belong. These fields must be entered in the asset master record.

Evaluation Groups

Evaluation group 1 can be used for the legal reports to be presented to the tax authorities to sort assets according to the criteria required by the newly revised corporate tax law. It is not necessary to use evaluation group 1, you can choose between the 4 evaluation groups (4-byte). The evaluation groups first have to be configured and then allocated correctly to the asset master records.

According to the revision of the corporate tax law, assets are required to be classified into four categories:

- Structures
- Assets by industry type
- R&D assets
- Intangible assets

For each category (classification), the assets are grouped into sub-classifications and once again classified by the legally allocated number of years of useful life.



Code	Description	Useful Life in Years
1100	Common	4
1200	Buildings	20
1300	Structures	40
2101	Farming, forestry	4
2102	Mining	4
2103	Manufacturing	4
2201	Manufacturing	6
2202	Lodging	6
2203	Traffic	6

Asset Reporting

2301	Fishery	8
2302	Mining	8
2303	Manufacturing	8
2401	Manufacturing	10
2402	Traffic	10
2501	Electricity, gas	16
3100	R&D assets	5
3200	R&D assets	3
4100	Intangible assets	5
4200	Intangible assets	10
4300	Intangible assets	20
4400	Intangible assets	50

Asset Reporting

Another evaluation group is reserved for the use of the [business place \[Page 15\]](#). Customize the evaluation group according to the business places so that they match each other 1:1 i.e. one evaluation field to one business place. The evaluation groups first have to be allocated correctly to the asset master records.

The reports carry a selection field in which the evaluation group must be entered to get the data for the asset classification of the business place.

Asset Reports

Tangible and Intangible Asset Depreciation Reconciliation Detail → Straight-line Depreciation: Acquisition before December 31, 1994 (RAIDKRA01)

The report, Tangible & Intangible Asset Depreciation Reconciliation Detail (straight-line method), is required by the tax authorities according to Korean corporate tax law. The report only includes assets acquired prior to December 31, 1994 and subject to straight-line depreciation method. It is produced individually by depreciation area. Area 01 is defaulted, but area 02 can be selected to display the tax depreciation amount. Two output formats are available for this report. One is directly printed out with complete lines and columns from R/3 and the other is to be downloaded for further editing.

Tangible Asset Depreciation Reconciliation Detail → Declining-balance: Acquisition before December 31, 1994 (RAIDKRA02)

The report, Tangible Asset Depreciation Reconciliation Detail (declining-balance method), is required according to Korean corporate tax law by the tax authorities. The report only includes assets acquired prior to December 31, 1994 and are subject to declining-balance depreciation method. It can be individually produced by depreciation area. Area 01 is defaulted, but area 02 can be selected to display the tax depreciation amount. Two output formats are available for this report. One can be directly printed out from R/3 with complete lines and columns and the other is to be downloaded for further editing.

Tangible and Intangible Asset Depreciation Reconciliation Detail → Straight-line: after Jan. 1, 1995 (RAIDKRA03)

The report, Tangible and Intangible Asset Depreciation Reconciliation Detail (straight-line method) is required according to Korean corporate tax law by tax authorities. This report only includes assets acquired after January 1, 1995 and subject to straight-line depreciation method. It can be individually produced by depreciation area. Area 01 is defaulted, but area 02 can be selected to display the tax depreciation amount. The report uses the field value of the evaluation group 1 entered in the asset master record for grouping. Two output formats are available for this report. One can be directly printed out from R/3 with complete lines and columns and the other is to be downloaded for further editing.

Tangible Asset Depreciation Reconciliation Detail → Declining-balance: after Jan. 1, 1995 (RAIDKRA04)

The report, Tangible Asset Depreciation Reconciliation Detail (declining-balance method) is required according to Korean corporate tax law by tax authorities. This report only includes assets acquired after January 1, 1995 and subject to declining-balance depreciation method. It can be individually produced by depreciation area. Area 01 is defaulted, but area 02 can be selected to display the tax depreciation amount. The report uses the field value of the evaluation group 1 entered in the asset master record for grouping. Two output formats are available for this report. One can be directly printed out from R/3 with complete lines and columns and the other is to be downloaded for further editing.

Asset Reports

Tangible Asset Depreciation Detail (RAIDKRB01)

The report is used to provide basic information required by Korean GAAP on the acquisition value and the accumulated depreciation of the tangible assets. The report contains the business place identification, beginning and ending balances and increase and decrease amounts of the current year for individual accounts. The assets are assigned to the individual business places by entering the business place code into the evaluation group field of the asset master record.

Intangible Asset Detail (RAIDKRB02)

This report is used to provide basic information required by Korean GAAP regarding intangible assets. The report contains acquisition value, beginning and ending balances and increase and decrease amounts of the current year for individual accounts. The assets are assigned to the individual business places by entering the business place code into the evaluation group field of the asset master record.

Depreciated Assets and Depreciation Value Range Calculation Statement (RAIDKRA05)

Under the Corporate Tax Law, this report should be submitted once a year after the closing of the fiscal year for the assets acquired after January 1, 1995. The report is created on a summarized basis according to useful life, classification (useful life expired, useful life not expired, asset of deemed depreciation) and acquisition period (first half or second half of the year). The name of the asset is filled by the representative asset, and the amount field by summarized value. The report printed out is directly presentable to the tax office without any adjustment due to its strict compliance with the legal requirements in terms of both the format and the data. The corporate name of the company and the VAT registration number of the HQ business place must be registered in customizing. See [organizational units \[Page 14\]](#) for the correct customizing.

Residual Value Depreciation Adjustment Statement (RAIDKRA06)

This report is a statement on the assets acquired before December 31, 1994 for which the depreciation of the residual values has started. The Corporate Tax Law requires the report once a year after the closing of the fiscal year. The report is prepared according to the legal format. In order to execute the report, the corporate name of the company and the VAT registration number of the HQ business place must be registered. See [organizational units \[Page 14\]](#) for the correct customizing. The asset master must contain a depreciation key that contains a change-over key from that the reports reads the the number of years for the uniform depreciation of the residual value (3,4.5 years). In the selection screen, *Tax area* is maintained with depreciation area to manage depreciation limits and *Depreciation key* is maintained with depreciation key assigned to uniform depreciation. For further details, please refer to the online documentation of the reports.