Streamlining Open Item Clearing With Automation

**BlackLine Clears Open Items in SAP to Reduce
Balance Sheet Risk & Speed SAP S/4HANA Migration**

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Clearing SAP Open Items: The Challenge

At face value, they seem innocuous: open items in SAP merely reflect unfinished business transactions—whether in Accounts Payable, Accounts Receivable, or any of the other numerous open item managed accounts. **But unaddressed, open items can quickly add up and become a big issue.**

In many finance departments, open items pile up in the system, slowing down operations with an overabundance of unmatched transactions. These open items need to be matched and cleared as quickly as possible, but for large organizations, that can be a time-consuming and inefficient task.

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SAP provides basic rules (which are configured by IT) to clear open items automatically, but often a significant volume of transactions remain open due to the sheer complexity. It's too challenging for SAP's built-in functionality to hunt down the related line items.

For example, many open items usually require more than just a simple one-to-one match, or need more than a basic field match (on a PO number, for example) to identify a related item. In most scenarios, many iterations of rules are necessary to eliminate 100% of the offsetting transactions.

Significant time is spent on a small number of transactions that are not as easily identifiable, due to small variances in amounts or dates and inconsistencies within the data. An auto-clearing rule cannot be used if there is any potential for a false match, which forces accountants to waste time processing transactions that are ultimately false exceptions.

This means that accountants still download data into spreadsheets, and spend a considerable amount of time identifying potential matches manually. After that, there's even more time spent in SAP t-codes to post clearing documents, essentially duplicating the process that was just completed in spreadsheets.

This is why, in any SAP environment, whether SAP R/3, SAP ECC, SAP Business Suite, or SAP S/4HANA, clearing open items is a highly time-consuming and error-prone process—and it requires the accounting team to keep up to avoid creating a growing backlog.

Open items accumulate quickly, running into the tens of thousands, hundreds of thousands, or millions. This can result in a number of downstream challenges.

Five Reasons You Need to Automate Open Item Clearing

Amassing large volumes of open items can create a wide-ranging set of issues across your SAP landscape. They can drag down ERP performance, reduce visibility into the balance sheet, create significant manual overhead, and add substantial additional effort to an already challenging SAP upgrade.

01 System Performance

Unnecessary data is a drag on performance, and an open item backlog in SAP can clutter nearly every process and impact every end user. By keeping open item managed accounts clean, end users can realize better system performance, from core SAP transactional processes to faster report runs, through to more performant screen loads for everyday tasks.

02 Revaluations

Revaluation processes in SAP apply current FX rates and always include all open items. The more open items, the slower the revaluation process—which often leads to frustration from business users. By clearing these transactions, there's less volume, which in turn ensures a faster revaluation process. This is critical during the small closing window where it occurs.

03 Analysis

It's easy for analysis to be distorted when too many open items are in play. For example, if an AR or AP aging has offsetting open items in different aging "buckets," both buckets are then skewed. It also becomes difficult to identify vendors, customers, etc. with issues that require follow up. By clearing open items regularly, it becomes easier to analyze an account and to understand what is truly outstanding. Doing so provides a clearer overall financial picture.

04 Substantiation

It's difficult to substantiate open item managed accounts when subledgers are unnecessarily large. With many open items, the value of individually small uncleared transaction amounts can quickly add up, creating significant balance sheet risk, and often causing unexpected write-offs. Wading through an increasing volume of open items creates a drag on the reconciliation process. Accounting teams can move to a more straightforward, reliable substantiation process by only reconciling the open items that should be open, or the exceptions that need to be reviewed.

05 ERP Upgrades

Migrating to a newer ERP, such as SAP S/4HANA, is more complicated and riskier when thousands of open items are in play. Because a new ERP typically means new attributes and changes to master data, it can be very difficult to bring significant amounts of open items into a new system, especially when those items have aged. Cleaning up open item managed accounts before ERP cutover minimizes data that needs to be validated, migrated, and mapped into the new environment. It also reduces the manual effort and risk of write-off after go-live.

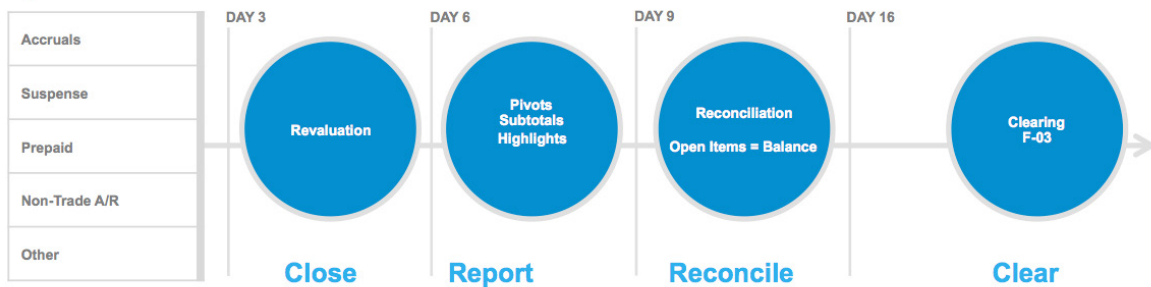**BLACKLINE**

The Flaw in Traditional Clearing Processes

For most SAP customers, open items often accumulate over the course of the month, across a range of accounts: accruals, suspense, prepaid, A/R, and others. During the close, the first impact is running a typically longer than necessary foreign currency revaluation process.

After revaluations, the general ledger is locked and reporting begins. In traditional processes, balance sheet accounts are generally not reconciled and substantiated until after the close window, when reporting is underway.

The process of clearing open items is usually left as the last priority. If there's any time at all, it's often not until weeks after the initial closing, and the level to which it is performed is often highly dependent on the rigor of the accounting process in place.

This typically means exporting SAP transactional line item data into spreadsheets and using pivot tables, subtotals, formulas, variances, and exceptions to manually work out what line items can be cleared against each other. After using spreadsheets to identify transactions that can be reconciled and cleared, accountants must then log back into SAP to update them.

Open Items From:

		DAY 3	DAY 6	DAY 9	DAY 16
Accruals					
Suspense		**Revaluation**	**Pivots Subtotals Highlights**	**Reconciliation** **Open Items = Balance**	**Clearing F-03**
Prepaid					
Non-Trade A/R					
Other		**Close**	**Report**	**Reconcile**	**Clear**

This process presents several risks:

01 **Time-intensive and resource drain**
With so many other competing tasks that accounting is responsible for, it's easy to skip the process entirely, or only partially perform it. With such high volumes of data and a clearing process that is often manual, it becomes difficult for accounting to find the time to get it done.

02 **Spreadsheet dependency**
Using spreadsheets to identify which open items can be matched isn't just time-consuming. It's error-prone, too. Issues range from not recognizing all the items that could be cleared due to formula issues, to incorrectly matching transactions based on false positives and creating subsequent balance sheet risk.

03 **Multiple steps**
Identifying open item matches in Excel is one thing. Logging back into SAP and manually clearing them is another. This dual-step process means there isn't always time to address the entire population of items.
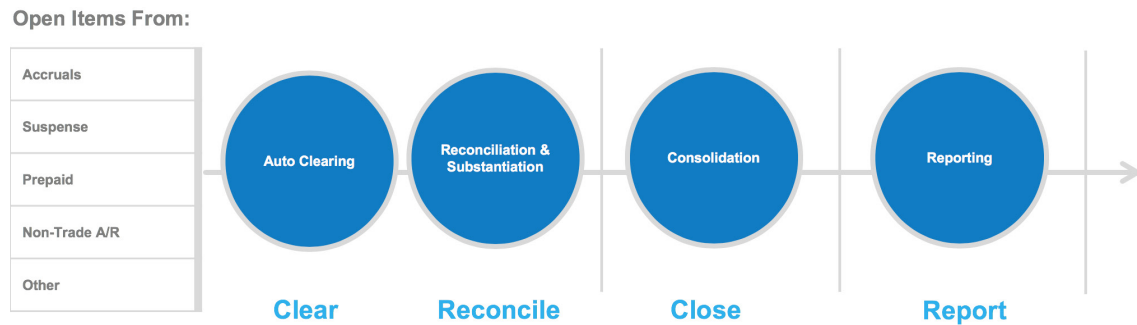
Worse, as open items age, they become increasingly difficult to clear because this requires chasing down transaction history that can be difficult to resurrect.

Open items often get de-prioritized because they are perceived to have small differences. Additionally, most thresholds and policies are set at the individual line item/transaction level, and many organizations fail to recognize the potential impact in the aggregate.

It's at this point that misstatements and surprise write-offs can become a larger accounting problem.

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BlackLine's Solution for Open Item Automation

BlackLine's automation capabilities leverage two components of the BlackLine Platform—the BlackLine SAP Connector and BlackLine Transaction Matching—to ensure that open items are cleared in SAP to their fullest extent at month end, without spreadsheet effort and redundancy.

Open Items From:

Accruals
Suspense
Prepaid
Non-Trade A/R
Other

Auto Clearing — **Clear**

Reconciliation & Substantiation — **Reconcile**

Consolidation — **Close**

Reporting — **Report**

Sophisticated, flexible rules match open items for clearing based on every possible field, suggested matches, thresholds, any type of relationships, and across any data sources, and post the clearing documents back to SAP. As a result, at the end of the period there are often substantially fewer open items that require manual review—enabling accounting to take control of the process and manage by exception.

Automating open item clearing allows the process to occur periodically through the period and prior to closing in SAP. Clearing open items and reconciling accounts prior to the close results in a more efficient revaluation process, more accurate consolidated numbers, and more effective usage of open item functionality in SAP.

And because the open items automation process works seamlessly with BlackLine's broader suite of products, including Account Reconciliations, Journal Entry, and Task Management, it's part of a more automated, orchestrated, and auditable close.

Direct SAP Connectivity

The BlackLine SAP Connector automatically accesses every SAP transaction—no manual exports or spreadsheets required. It works in tandem with BlackLine Transaction Matching to match open items based on easy-to-configure business rules that accounting can own and manage without requiring IT intervention.

It's fully embedded into the SAP user experience, and connects with data across the entire SAP landscape, whether SAP ERP, SAP R/3, or SAP S/4HANA. Pre-configured integration supports the full range of SAP data, from GL balances to subledgers, transactional data, and currency rates across accounts, profit centers, business areas, trading partners, and company codes.

It provides a trusted, certified, SAP-endorsed bi-directional connection to enable open items to be retrieved and updated on a scheduled or manual basis.

Sophisticated Transaction Matching
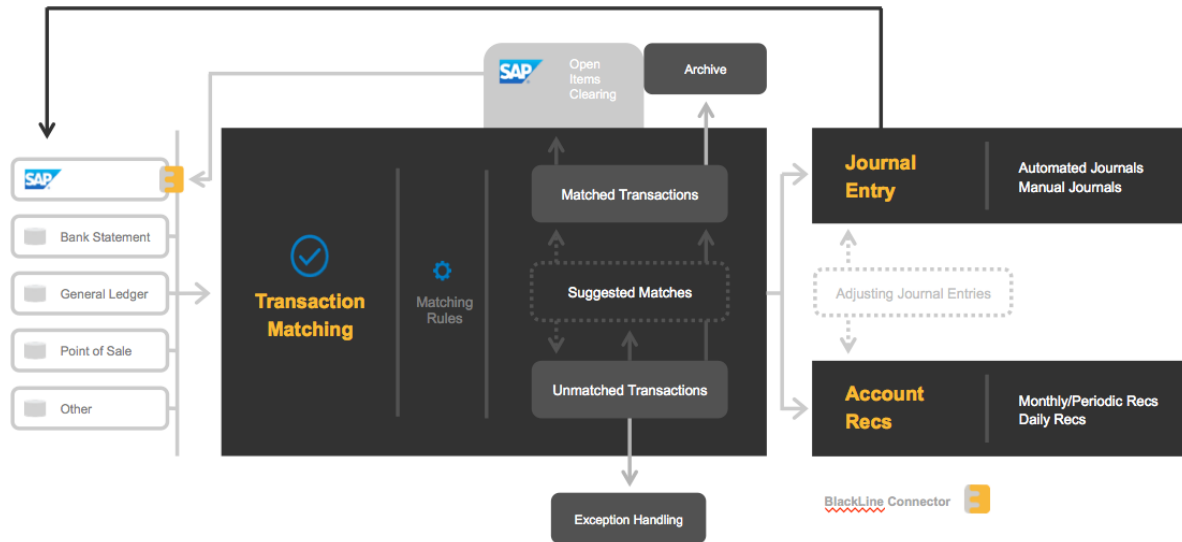
BlackLine Transaction Matching provides the fullest spectrum of business logic to match and clear items. Some examples include: a threshold or date range, degrees of variance, specific characters within a field, absolute and inverse values, and rounded values. These can be based on many-to-many, many-to-one, or one-to-many matches.

Multiple rules can be applied to a transaction to execute procedural multi-step matching logic. Rules can be fully automated or provide suggested matches that require user review and subsequent confirmation.

Clearing Documents Are Automatically Posted Back to SAP

Once transactions are identified as matching and selected to clear, they are sent back to SAP and read by the SAP Connector. Native SAP clearing functionality is leveraged to execute the clearing process. FX offsets are also posted to the relevant offset accounts automatically.

Unified With BlackLine Account Reconciliations, Journal Entry & Task Management

Open items automation works with BlackLine's broader financial close capabilities:

Account Reconciliations. Unmatched items can automatically flow into BlackLine Account Reconciliations, which provides rules that can analyze unmatched data to create subsequent journal entries.

Journal Entry Management. BlackLine Journal Entry creates journal entries with supporting evidence, multiple levels of sign-off, thresholds, and pre-posting validation before submitting to SAP.

Task Management. Automatically manage open items automation in the context of the broader close checklist, assigning role-based tasks, reviews, and approvals for complete orchestration.

Your Business Case for Open Item Automation

How do you make the case to move from your current, mostly manual process to automation? The best place to start is asking some simple questions about the health of your operation:

1. How much time do we spend manually clearing open items in SAP?

2. How many reconciliations do we complete prior to closing SAP?

3. Are our foreign currency revaluations too slow?

4. Do we have a current balance sheet substantiation exposure due to our open items?

5. How much will our open items backlog bottleneck our SAP S/4HANA migration?

If the answers to these questions aren't to your satisfaction, then you may find that shifting to open items automation is one of the few areas where a small change can deliver outsized results for your accounting, IT, and migration teams.

More Accounting Efficiency	• Reduce manual matching time • Cut manual clearing time • Slash reconciliation time • Decrease revaluation time
Reduced Balance Sheet Risk	• Systematic rules to ensure clearing accuracy • Minimal number of open items at any one time (no backlog) • No need for mass write-offs of old open items • Clear view into the current state of accounts for analysis
Faster, Less Disruptive Upgrades	• Less data to export, migrate, and remap into the new system • Simplifies accessing the previous system for reconciliation and audit • Robust ongoing clearing keeps the newly upgraded system running at its best

Streamlining Open Item Clearing With Automation

About BlackLine

BlackLine is a unified solution built entirely in the cloud specifically for Accounting and Finance. The BlackLine Continuous Accounting Platform complements SAP by automating account balance and transaction reconciliations and open items clearing, strengthening controls and streamlining core close tasks.

More than 2,400 companies around the world trust BlackLine, including over 600 running SAP. Elevate accounting productivity and reduce risk with the most integrated, complementary, and trusted financial close solution for SAP.

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