Joint Venture Accounting (JVA)

Purpose
Companies typically form joint venture partnerships to minimize risks involved in capital intensive operations that demand a long payback period. A joint venture partnership consists of an operating partner (operator) and one or more non-operating partners who combine monetary or personnel resources to share a project’s expenses and revenues. The operator manages the venture, arranges venture activities, and maintains accounting records. The operator remits venture expenses, collects revenues, and distributes these to the partners, according to their ownership shares. SAP JVA is a complete accounting system for joint ventures.
1. Introduction to Joint Venture Accounting (JVA)

Definition
SAP designed JVA for joint venture operations. SAP JVA captures all expenditures and other joint venture transactions by using functions from Financial Accounting (SAP FI), Controlling (SAP CO), Asset Management (SAP AM), Materials Management (SAP MM), Plant Maintenance (SAP PM), and Project System (SAP PS). By working closely with customers and implementation partners, SAP ensures that JVA facilitates smooth management of joint ventures, with great flexibility for growth.

1.1 Joint Venture Accounting (JVA) Objects

Definition
The primary SAP JVA objects are described in the following table.

<table>
<thead>
<tr>
<th>Object name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Operating Agreement (JOA)</td>
<td>A JOA is a formal agreement that specifies the conditions for a joint operation. This covers the interests of the partners and their properties, as well as overheads and penalties.</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>This is an association of two or more partners, formed to share a venture’s risks, costs, and revenues. Each partner’s share is proportional to their undivided interest in the venture.</td>
</tr>
<tr>
<td>Equity Type</td>
<td>The JOA has different development stages, such as engineering and design, construction, and production. Different partners participate at each stage. JVA manages the different stages by using equity types. An equity type explains a particular association of partners. This definition may be related to time, phase or purpose and is linked with a specific equity group.</td>
</tr>
<tr>
<td>Equity Group</td>
<td>An equity group represents an association of venture partners and their interests. An equity group may consist of all or some of the venture partners.</td>
</tr>
<tr>
<td>Joint Venture Partner</td>
<td>This is a partner mentioned in the JOA with an undivided interest in a venture. One partner, called the operator, manages the operation. The remaining non-operating partners share expenses and revenues.</td>
</tr>
<tr>
<td>Recovery and Billing Indicators</td>
<td>You assign a recovery indicator to a cost object to indicate whether or not expenses, posted using the cost object, are billable to JVA partners. You assign billable costs to the appropriate partners. Non-billable expenses are assigned to the operator. Billing indicators are assigned to billable postings and identify the type of posting involved, including cash call, normal expenditure, and audit adjustment.</td>
</tr>
</tbody>
</table>

Use
The JOA specifies the relationship between partners, joint ventures, and rules for cost calculations. Joint ventures, equity types, and equity groups are assigned to a JOA. Joint venture partners are assigned to equity groups. A joint venture can belong to only one JOA. However, multiple ventures can belong to the same JOA. You can assign multiple equity groups to one JOA, and you can assign the same equity group to multiple joint ventures.

Structure
The following diagram shows the relationship between SAP JVA objects.

**SAP JVA Business Object Structure**

Common SAP JVA activities include setting up and maintaining JVA objects.

### 1.2 JVA Integration Activities

**Use**  
SAP JVA data is linked to data in other SAP components. The Joint Venture Integration Manager (JVIM) is the interface between documents created in a standard SAP component and SAP JVA. The JVIM processes documents booked in a standard SAP component that have JVA related data, and then produces an SAP JVA document. Conversely, the JVIM transfers documents booked in SAP JVA to the relevant standard component and then a document is created in the standard component. SAP JVA receives the following documents:
• MM documents – SAP JVA receives only those documents that also update FI.
• SD documents – SAP JVA receives only documents that will also update FI (especially invoices). Statistical and parked documents are excluded.
• CO documents – Statistical lines are excluded.
• FI-SL documents – SAP JVA will only use actual documents that have a RI or billing indicator.

Integration
SAP JVA receives the original documents and creates additional JVA documents. The SAP JVA documents contain additional venture information, including the joint venture, equity group, and recovery (RI) indicator. Some lines of the SAP JVA document can be split, such as the vendor, customer, and tax information lines.

JVIM Line Item Splitting
The JVIM splits relevant document lines (tax lines, discount lines, vendor lines) based on the venture and cost object information of the split basis lines. Each relevant document line is split into as many lines as there is different venture and cost object information in the split basis.

For example, the following FI document has document lines 2, 3, 4 as split basis, while document lines 1 and 5 are subject to splitting.

<table>
<thead>
<tr>
<th>Line</th>
<th>Account</th>
<th>Cost Object</th>
<th>Venture</th>
<th>EqGr</th>
<th>RI</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vendor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,900-</td>
</tr>
<tr>
<td>2</td>
<td>Material</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>2,000</td>
</tr>
<tr>
<td>3</td>
<td>Material</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>3,000</td>
</tr>
<tr>
<td>4</td>
<td>Material</td>
<td>CC2</td>
<td>V2</td>
<td>E2</td>
<td>BI</td>
<td>4,000</td>
</tr>
<tr>
<td>5</td>
<td>Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>900</td>
</tr>
</tbody>
</table>

The three split basis lines contain two different combinations of venture and cost object information, such that document lines 1 and 5 are split in the SAP JVA document as follows:

<table>
<thead>
<tr>
<th>Line</th>
<th>Account</th>
<th>Cost Object</th>
<th>Venture</th>
<th>EqGr</th>
<th>Reclnd</th>
<th>Amount</th>
<th>FI Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vendor</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>5,500-</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Vendor</td>
<td>CC2</td>
<td>V2</td>
<td>E2</td>
<td>BI</td>
<td>4,400-</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Material</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>2,000</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Material</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>3,000</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Material</td>
<td>CC2</td>
<td>V2</td>
<td>E2</td>
<td>BI</td>
<td>4,000</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Tax</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>500</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Tax</td>
<td>CC2</td>
<td>V2</td>
<td>E2</td>
<td>BI</td>
<td>400</td>
<td>5</td>
</tr>
</tbody>
</table>

You can split lines into as many lines as dictated by the split basis. In addition, the SAP JVA document stores information on which split basis line relates to a specific line that was split.

To allow this, there are two fields in the SAP JVA document table JVS01:

- XSBL is marked if the document line is part of the split basis.
- SBRELFLN contains a running number that links the split basis lines to the split lines.
If you split lines as dictated by the split basis the SAP JVA document would look like the following table:

<table>
<thead>
<tr>
<th>Line</th>
<th>Account</th>
<th>Cost Object</th>
<th>Venture</th>
<th>EqGr</th>
<th>RI</th>
<th>Amount</th>
<th>FI Line</th>
<th>Split#</th>
<th>Split basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vendor</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>2,200-</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Vendor</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>3,300-</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Vendor</td>
<td>CC2</td>
<td>V2</td>
<td>E1</td>
<td>BI</td>
<td>4,400-</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Material</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>2,000-</td>
<td>2</td>
<td>1</td>
<td>X</td>
</tr>
<tr>
<td>5</td>
<td>Material</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>3,000-</td>
<td>3</td>
<td>2</td>
<td>X</td>
</tr>
<tr>
<td>6</td>
<td>Material</td>
<td>CC2</td>
<td>V2</td>
<td>E2</td>
<td>BI</td>
<td>4,000-</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Tax</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>200</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Tax</td>
<td>CC1</td>
<td>V1</td>
<td>E1</td>
<td>BI</td>
<td>300</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Tax</td>
<td>CC2</td>
<td>V2</td>
<td>E2</td>
<td>BI</td>
<td>400</td>
<td>5</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

**Effects on Customizing**

You can use the JVIM line splitting functions on company code level within the implementation guide (IMG) for SAP JVA. To do this, use the following menu path in the IMG:

Joint venture accounting -> Environment -> JVA Company Configuration -> Detailed Data and select the flag 'Split by line item'.

All SAP JVA documents have the following identifying information:

- **Reference document number** - links the SAP JVA document to the original document
- **Reference document line** - links the SAP JVA line to the original document line
- **Reference activity** - contains the original activity (for example, RFBU for most FI documents)
- **JVA document number** - identifies the document with a unique joint venture number
- **JVA activity** - contains the executable joint venture activity

**JVA activity**

The JVA activity is derived from the original activity. It can have the following values:

- **Joint Venture Cutback (JVCB)**
  JVCB is an activity that is set for all GB01 postings created during cutback. It is not used for the FI postings created by Cutback.

- **Joint Venture CO (JVCO)**
  JVCO is set for all joint venture documents created from CO documents. Some CO processes create both a CO and an FI document. In this case, this activity is only used for the joint venture document created from the CO document.

- **Joint Venture Equity Change (JVEC)**
  JVEC is used for all GB01 postings created in the pre-cutback equity change phase.

- **Joint Venture FI (JVFI)**
  JVFI is used for all joint venture documents created from FI or SD documents.

- **Joint Venture MM (JVMM)**
  JVMM is used for all joint venture documents created from MM documents.

- **Joint Venture Production Month (JVPM)**
JVPM is used for production month processing. This allows you to update an additional FI-SL ledger for documents that originate in FI and MM. JVPM documents are created if the production month field PRODPER in JVSO1 is complete. All document lines with an entry in the PRODPER field will result in the following:

- A line is created in the first new document with posting date, production month, and activity JVPM. This document posts the values under the production month period.
- A new line is created in the second document with the normal posting date, activity JVPM, and reversed amounts and quantities. This document reverses the FI view for this ledger.

Report writer, allows you to report on Ledger 4A or on an FI-SL ledger with the usual joint venture activities, to get the financial view. You can also report on a ledger with the financial view and on a ledger with activity JVPM to get the view for the production month. To complete the field in JVSO1, you must use the joint venture substitution. Possible entry fields include the document date (header) or field ABPER (line level).

**Joint Venture Suspense (JVS1)**
JVS1 is set for all postings initiated from the suspense process.

**Joint Venture Unsuspense (JVS2)**
JVS2 is set for all postings initiated from the unsuspense process.

**Balanced Books by Venture (JVJV)**
JVJV can appear in all types of joint venture documents. It is set for the balanced books by venture lines, which are additional lines in the joint venture document with reference document line zero.

Even though the activities listed below begin with the letters J or JV, they are derived from the originating application and are only used as a reference activity:

- JVIU – Joint Venture Actual Assessment
- JVIV – Joint Venture Actual Distribution
- JRIU – Segment Reverse Actual Assessment
- JRIV – Segment Reverse Actual Distribution
- JRPU – Segment Reverse Plan Assessment
- JRPV – Segment Reverse Plan Distribution
- JVPL – Joint Venture Plan Data from CO
- JVU1 – Joint Venture Actual Primary Cost Transfer

**Prerequisites**
To create a link between SAP components, several configuration prerequisites are required before you set up and activate a company in SAP JVA. Your system administrator or implementation team must complete these steps prior to setting up SAP JVA master data or performing transactions. A list of these prerequisites is presented in the beginning of each chapter. You should refer to the IMG for detailed information regarding configuration. To ensure document values correspond between applications, you must set all fields in the SAP JVA tables to unchangeable in FI configuration. To set the fields to unchangeable, you clear the *Field is modifiable* indicator on the Document Change Rules: Details screen.

The activity, RFRK "Reconciliation posting CO > FI", is not used in SAP JVA because SAP JVA uses the CO transactions directly.
1.3 Joint Venture Accounting (JVA) Processes

Definition

The following is a list of primary SAP JVA processes:

- Material and asset transfers between ventures
- Allocations and settlement with ventures
- Equity group change management
- Equity group suspense
- Partner carried interest
- Cash calls
- Partner netting (expense with revenue)
- Parallel currencies
- Partner billing including EDI inbound & outbound
- Cutback to venture partners including intercompany
- Joint venture audit reporting
2. Master Data

Definition
SAP Joint Venture Accounting (JVA) master data covers the following areas:
- Creating and Changing Joint Operating Agreements
- Setting Up Equity Groups
- Setting Up and Changing a Joint Venture
- Assigning Equity Groups and Equity Types
- Setting up Joint Venture Accounting Cost Objects: Overview
- Creating and Changing Cost Centers
- Creating and Changing Internal Orders
- Creating and Changing Projects and Work Breakdown Structures
- Maintaining and Changing Business Partners
- Suspending and Removing Projects, Partners, and Equity Groups from Suspense
- Intercompany Mapping
- Maintaining Prepaid Inventory Materials

2.1 Joint Operating Agreements (JOAs)

Definition
A JOA is a contract specifying the conditions of a joint venture operation. JOAs range in complexity. A JOA can include provisions for legal, tax, financial, engineering, and other considerations negotiated by the venture partners. Within SAP, the JOA relates active joint ventures and equity groups to ensure proportional distribution of costs to the partners during cutback. The JOA also allows for overhead calculations and non-consent and non-signatory penalties that can be included in the costs distributed during cutback. In the SAP Joint Venture Accounting (JVA) component, the key data objects of a JOA are:
- Joint ventures
- Equity groups - an equity group contains a group of JVA partners
- Cost calculations rules, percentages, and sets of excluded accounts for the joint ventures in the JOA
- Penalty categories for carried interest (CI) and net profit interest (NPI) processes

2.1.1 Creating a Joint Operating Agreement (JOA)

Prerequisites
Your system administrator or implementation team should set up the following prerequisites in Financial Accounting (FI) and Joint Venture Accounting (JVA) before you create a JOA:
- Joint venture company
- JOA number range
- JOA class
- FI customer (A/P) and vendor (A/R) accounts for the joint venture partners to be assigned to equity groups within the JOA

Menu Path
2. On the Joint Operating Agreement: Initial screen, choose Create

The Joint Operating Agreement: Create screen appears.

Procedure
1. Leave the Joint Oper. Agr field blank on the Joint Operating Agreement: Create screen if your system is configured to assign the code automatically. Enter a code for the new JOA in the Joint Oper. Agr field if your system is configured to assign the code externally.

   The range of possible JOA codes has been set up in the configuration of your system. JOA codes are either automatically assigned by the system (Internal Code) or assigned by the user (External Code).

2. Enter the Company code.

3. Enter the JOA class.

4. If you are using an existing JOA as a model for the new JOA, enter the code for the model JOA in the Reference Joint Oper. Agr field.

5. Choose ENTER. The Create Joint Operating Agreement Basic Screen will be displayed.

6. Enter a JOA description in the Description field.

7. Choose SAVE. The system returns to the initial screen. A system message confirms that the JOA has been created.

2.1.2 Changing a Joint Operating Agreement (JOA)

Prerequisites

Menu Path
2. On the Joint Operating Agreement: Initial screen, choose Change

The Joint Operating Agreement: Change screen appears.

Procedure

1. Enter the JOA code in the Joint Oper. Agr field on the Joint Operating Agreement: Change screen.

2. Choose from the following functions:
   - Basic screen
   - Equity groups
   - Cost calculations
   - Penalty cat.rec.%

3. Enter your changes.

4. SAVE. A system message confirms that the JOA has been changed.

Delete JOA Report Modification

To delete a JOA in the use the following path in the implementation guide (IMG):
On the Display structure menu, choose Joint venture accounting → Tools → Productive start → Delete a JOA.

The report that is generated with the JOA Delete program has been modified to show why the JOA cannot be deleted. The ventures associated with the JOA are listed.

For example, when the program is run in test mode, the following two items could appear on a report:

- Venture V00001 has been assigned to WBS element 00000025
- Venture V09876 will be deleted
2.1.3 Displaying a Joint Operating Agreement (JOA)

Prerequisites
Menu Path
2. On the Joint Operating Agreement: Initial screen, choose Display.

The Joint Operating Agreement: Display screen appears.

Procedure
1. Enter the JOA code in the Joint Oper.Agr field on the Joint Operating Agreement: Display screen.
2. Choose from the following functions:
   - Basic screen
   - Equity groups
   - Cost calculations
   - Penalty cat.rec.%

2.2 Equity Groups

Definition
An equity group represents a specific association of partners and their working interests within a venture. One of the partners is the operator, who manages the venture and is typically associated with the SAP company code, while the other partners are called non-operators. The operator collects all costs and bills the non-operators, based on their interests defined in the active equity group. Active equity groups are associated with an equity type which gives meaning to the current equity group. The same equity group can participate in several distinct ventures, but it can be used only once in a venture.

An equity type describes the reason for a particular association of partners. This definition may be related to time, phase or purpose, and is linked to a specific equity group.

An Association of Partners

![Equity Group Diagram]
Use
The way you assign the ownership percentage when you set up an equity group determines the type of ownership that the equity group represents. The particular pattern of ownership of an equity group determines the type of joint venture to which it can be assigned. There are four types of equity groups and four corresponding venture types. The venture type is automatically assigned to the equity group after you specify the ownership percentages and the partner’s share.

Types of Equity Groups
Operated (with and without tax)
The company using SAP JVA operates this venture. To assign ownership percentages to an Operated equity group on the Joint Operating Agreement: Equity Groups screen, you should indicate the operating ownership of the company using SAP JVA in the OperShare field. The NonOpShare field remains blank.

To specify the non-operating partners’ percentages of ownership, you access the Joint Operating Agreement: Partner Shares screen and enter the percentages for each non-operating partner. In the case of an Operated equity group, the sum of the percentage entered in the OperShare field on the Joint Operating Agreement: Equity Groups screen and the percentages entered for all non-operating partners on the Joint Operating Agreement: Partner Shares screen should equal 100% ownership.

Non-Operated
In a non-operated venture, the company running SAP JVA holds a non-operated share of the venture, and is billed by the operator for its share of venture expenses. To assign ownership percentages to a Non-operated equity group, you should indicate the non-operating ownership of the company using SAP JVA in the NonOpShare field on the Joint Operating Agreement: Equity Groups screen. The OperShare field remains blank.

You do not need to access the Joint Operating Agreement: Partner Shares screen to enter partner percentages since the company running SAP JVA is the non-operating partner in this type of ownership arrangement.

Non-Operated On-Billing
In a non-operated on-billing venture, the company running SAP JVA sells part of its non-operated share of the venture to third parties. The company running SAP JVA distributes portions of the billings it receives from the venture operator to the partners in its non-operating share, in effect acting as an operator to these third party partners.

To assign ownership percentages to a Non-operated On-billing equity group on the Joint Operating Agreement: Equity Groups screen, you should indicate the total percentage ownership of the properties held by the company running SAP JVA in the NonOpShare field. You should also indicate the portion of that ownership in the properties that the company running SAP JVA will retain in the OperShare field.

You should then indicate the portion of the non-operating ownership in the properties that the company running SAP JVA sells off to on-billing partners on the Joint Operating Agreement: Partner Shares screen.

In the case of a Non-operated On-billing equity group, the sum of the percentage entered in the OperShare field on the Joint Operating Agreement: Equity Groups screen and the percentages entered for all non-operating partners on the Joint Operating Agreement: Partner Shares screen should equal 100% of the total non-operating ownership held in the properties by the company running SAP JVA.
Corporate
In a corporate venture, the company running SAP JVA holds 100% interest. Only one primary corporate venture and equity group should exist, as designated on the Company Global Parameters screen in SAP JVA configuration. Expenses booked in the SAP JVA company without SAP JVA information (such as venture and equity group) will be assigned to the corporate venture and equity group. These postings are not shared by partners.

A corporate equity group can be assigned to a regular operated or non-operated venture as well as to a corporate venture. A corporate equity group (100% operator share) can be assigned as owner of operated ventures that are wholly owned by the company.

This might occur when a new venture is set up before prospective partners sign the agreement. In this case, a corporate equity group could be assigned to ownership of the venture until the partners sign. When the partners sign the agreement, a new equity group, reflecting the new group of owners, would be assigned to ownership of the venture.

If you are setting up equity groups in the International Region, refer to Creating a Joint Venture, and read the International Region section for details on how to specify the funding currency and the substitute cost center at the equity group level.

2.2.1 Creating Equity Groups

Prerequisites
You must create a joint operating agreement (JOA) and joint venture accounting (JVA) partners before you create equity groups.

See also:
Creating a Joint Operating Agreement (JOA)
Business Partners

To access the screen on which you can create equity groups for the JOA from any other JOA screen, choose the function Equity groups. The Joint Operating Agreement: Equity Groups screen will be displayed. On this screen, you can define either the operator share in the OperShare field or the non-operating share in the NonOpShare field.

Menu Path
1. On the SAP Easy Access menu, choose → Master data → Joint operating agmt → Maintenance.
The Joint Operating Agreement: Change screen appears.

Procedure
1. Enter a code for the JOA in the Joint Oper.Agr field on the Joint Operating Agreement: Change screen.
2. Enter the Company code.
3. Choose the function Equity groups to access the Change Joint Operating Agreement: Equity Groups screen.
4. Enter an equity group code in the EG field.
5. Enter a percent ownership in the applicable fields (OperShare field or NonOpShare field) or leave the field blank.
Refer to the definitions and table in the Equity Groups section for additional information.

6. Enter a Description.
7. Choose ENTER. A venture type is assigned.
8. If the venture type assigned is non-operated, choose SAVE to complete setting up an equity group.
9. Proceed to step eleven, if the following venture type assigned is: operated on-billing

10. Use the menu path Details → Partner shares to access the Change Joint Operating Agreement: Partner Shares screen.
11. Enter a partner code in the Partner field.

If you have created an equity group by copying from another equity group, and you want to remove the unsuspense flag from the Partner data, clear the U, Per and Year fields associated with the unsuspense status.

Choose ENTER. Flag the S (suspense) field. Choose ENTER. You can now override or remove the defaulted period and year in the Per and Year fields that are associated with the suspense status.

12. Enter the percent ownership of the joint venture in the EqShare field. The sum of the operating share added to all non-operating shares must equal 100%.

Flag the StopPay field X when revenue for a partner should not be included in the accounts receivable netting process. To remove a partner from the StopPay status, leave the field blank.

13. Choose ENTER.
14. Use the menu path Goto → Back to return to the Change Joint Operating Agreement: Equity Groups screen.
15. Choose SAVE. A system message confirms that the equity group has been set up.

2.2.2 Changing an Equity Group

Prerequisites
Menu Path

1. On the SAP Easy Access menu, choose → Master data → Joint operating agmt → Maintenance.

The Joint Operating Agreement: Change screen is displayed

Procedure
1. Enter the joint operating agreement (JOA) code in the Joint Oper.Agr field on the Joint Operating Agreement: Change screen.
2. Choose the Equity groups function.
3. Enter your changes.
4. Choose SAVE. A system message confirms your changes to the JOA.

2.2.3 Displaying an Equity Group

Prerequisites
Menu Path
1. On the SAP Easy Access menu, choose → Master data → Joint operating agmt → Maintenance.

Procedure

1. Enter the joint operating agreement (JOA) code in the Joint Oper.Agr field on the Joint Operating Agreement: Display screen.
2. Choose the function Equity groups.

### 2.3 Joint Ventures

#### Definition

A joint venture is an arrangement, based on the provisions of a joint operating agreement (JOA), in which two or more parties agree to work together for a common purpose. Joint ventures are common when development or operational activities are capital intensive, involve high risk, and possibly long payback periods. The joint venture allows participants to spread the risk by sharing in operational costs. The joint venture partners share revenues in proportion to their investments. The partners also ensure operational efficiency, by contributing their expertise.

#### Use

The SAP joint venture business object is used to identify the type of venture, such as corporate, operated, or nonoperated, as well as the partners and their working interests within the JOA. An equity group defines the joint venture partners and their interests. An equity type gives reason to the equity group.

#### Structure

Most expense data for joint ventures is captured in other SAP components and processed in SAP Joint Venture Accounting (JVA). When expenses are captured, they are assigned to a cost object associated with a venture. SAP JVA re-assigns, these joint venture expenses to the joint venture operating partner and the non-operating partners, according to their equity shares in the venture.

The following diagram illustrates how costs flow through SAP JVA.
There are five types of joint ventures or Venture types. Each type is used to identify a different form of ownership. The venture types are described in the following table:

**Operated (no tax)**
- Operated by the company managing SAP JVA
- Allows carried interest (CI) or net profit interest (NPI), partner, and suspense processing
- You can not add a tax to this type of venture

**Operated (with tax)**
- Operated by the company running SAP JVA
- Neither CI/NPI partner nor suspense processing is allowed for this type of venture
- You can assign a tax code
- Cutback calculates tax charges to venture partners, based on the tax setting for the company in the SAP JVA configuration

**Non-operated venture**
- Company managing SAP JVA holds a non-operated venture share
- This is billed by the operator for its share of venture expenses

**Non-operated on-billing**
- Company running SAP JVA sells part of its non-operated share of the venture to third parties.
- Company running SAP JVA distributes portions of the billings it receives from the venture operator to the partners in its non-operating share, in effect acting as an operator toward these third party partners

**Corporate venture**
- Company running SAP JVA holds a 100% interest
- Only one default corporate venture and equity group exists in a JVA company
• Expenses booked in the SAP JVA company without SAP JVA information, such as venture and equity group, are assigned to the corporate venture and equity group by default
• Your system administrator sets this up in configuration

2.3.1 Creating a Joint Venture

Prerequisites
Before you can create a joint venture, you must set up the following prerequisites:

• Joint operating agreement (JOA)
• Joint venture number range
• Venture class
• Equity groups
• Posting method

Your system administrator sets up the joint venture number range, venture class, and posting method during configuration.

See also:
Creating a Joint Operating Agreement (JOA)
Creating Equity Groups

Menu Path
The Joint Venture Master Create screen appears.

Procedure
1. Enter a code for the new venture in the Joint Venture field on the Joint Venture Master: Create screen.
   The range of possible joint venture codes has been set up in the configuration of your system. Joint venture codes are either automatically assigned by the system (Internal Code) or assigned by you (External Code).
2. Enter the Company code.
3. Enter a code in the Venture class field. A joint venture number range is assigned to a Venture class. This assignment determines whether the joint venture code is generated internally or externally.
4. Enter a code for the JOA to which the venture will be assigned in the Joint Oper. Agr field.
5. Choose the Venture type that fits the ownership of the JV you are setting up. For further information, refer to the Venture type table in the Joint Ventures
   Only if you are using another joint venture as a model, enter the reference JV code in the Reference Joint Venture field.
6. Choose ENTER. The Create Joint Venture Master: Basic Screen is displayed.
7. Enter a brief description of the joint venture.
8. Enter a code in the Posting method field. The Posting method field determines whether the venture will be subject to cash calls.
9. Choose SAVE now or continue to complete the optional fields that are appropriate for your company and then save. A systems message confirms that a joint venture has been created.
Optional fields on the Create Joint Venture Master: Basic screen: vary according to the region.

All Regions
The Venture active field is set by default. If the field is set, the venture expenses are included in cutback and billing.

International Region
In the Tax code field, you enter the code for the tax category containing the tax rate and cost calculation rules to be applied to venture expenses.

The Billing Format field code determines the layout of invoices and billing statements for the venture. If you perform billing at the venture level, as determined by the company global parameters, you must define the billing format for each venture.

In the Billfreq field, you enter the code for the frequency at which billing is executed.

In the Ck. F. Cur. field, you enter an indicator if a check is to be performed, to ensure that all concurrently active equity groups in the venture have the same funding currency.

2.3.2 Changing a Joint Venture

Prerequisites

The Joint Venture Master Change screen appears.

Procedure
1. Enter codes in both the Joint Venture and Company code fields on the Joint Venture Master: Change screen.
2. Choose from the following functions:
   - Basic screen
   - Equity groups
   - Equity Types
3. Enter your changes.
4. SAVE. A system message confirms that the joint venture has been changed.

On the Create Joint Venture Master: Equity Group screen, you can access the following optional fields by choosing the Fund Cur. by E. Grp. and the Sub. Cost Obj. function keys:

Funding Currency
In the Funding Currency field, you enter the code for the funding currency for each equity group.

Substitute Cost Object
In the Substitute cost object fields, RI, Cost center, Project/WBS, and Order number, you enter the code for the cost object to which the results of venture bank account (VBA) switching will be posted.
Parent Company Overhead (PCO)
In the **Parent company overhead** fields, **RI, Cost center, Project/WBS, and Order number**, you enter the code of the parent company overhead for which each equity group should be booked. If this field is blank, overheads are booked to the cost objects to which the original expenditures were booked. This only applies to the international region.

**See also:**
[Default Billing Currency](#)

### 2.3.3 Displaying a Joint Venture

**Prerequisites**
1. On the **SAP Easy Access** menu, choose **Joint venture accounting → Master data → Joint venture → Maintenance**.
2. On the **Joint Venture Master: Initial screen**, choose **Display**.

The **Joint Venture Master: Display** screen appears.

**Procedure**
1. Enter codes in both the joint venture and Company code fields on the Joint Venture Master: Display screen.
2. Choose from the following functions:
   - Basic screen
   - Equity groups
   - Equity Types

### 2.4. Equity Group and Equity Type Assignment

**Definition**
The following topics describe how to assign equity groups and equity types:
- Equity Groups
- Equity Types
- Assigning Equity Groups to Joint Ventures

#### 2.4.1. Equity Group Assignment

**Use**
After you set up a joint venture within a joint operating agreement (JOA), you must specify the owners of the venture. You establish ownership by assigning an equity group within the JOA to the venture. This allows you to apportion all expenses booked to the venture to the partners in this equity group, based on their equity share.

#### 2.4.2. Equity Type Assignment

**Use**
Equity types explain the reason for a particular group of partners, represented by an equity group, within the venture during any billing period. While the joint operating agreement (JOA) defines all possible partners and their working interests, all partners do not need to participate in all ventures at all times. Therefore, the equity type is used to identify the active association of partners and their interests within a venture. The reasons for this active status may result from elements of time, phase, or purpose according to operational requirements. You define equity types initially at the company code level and they are available for all JOAs and their ventures. Equity types adopt a specific identity when they are associated with an equity group within a venture.
2.4.3. Assigning Equity Groups to Joint Ventures

Prerequisites
Certain types of equity groups correspond to specific venture types. When you access the Change Joint Venture Master: Equity Types Assignm. screen, all the equity groups set up for the joint operating agreement (JOA), that correspond to the venture type, are displayed. Correspondence between equity groups and venture types depends on the entries made in the OperShare and the NonOperShare fields. These entries are made when you set up the equity group.

See also:
Equity Groups
Before you can assign an equity group to a joint venture, you must ensure that an equity type has been set up.

Menu Path
The Joint Venture Master: Change screen appears.

Procedure
1. Enter the joint venture code in the Joint Venture field on the Joint Venture Master: Change screen.
2. Enter the Company code.
3. Choose the function Equity types to access the Change Joint Venture Master:Equity Types screen. All the equity types for the company are listed on this screen.
4. Choose Equity Type field to select the type that you want to assign to an equity group. This will display the Change Joint Venture Master: Equity Group Assignm. screen where you can assign an equity group to the venture.
Valid from and EGAct Fields
You can post expense entries only to ventures with active equity groups. An indicator must appear in the EGAct field for an equity group. When you make an equity group active, you must also indicate a date in the Valid from field. SAP JVA posts expense entries to the venture by using the latest active equity group based on the system date (the date when the posting was entered). If there is no active equity group, a system error message informs you that no active equity group exists for the venture.

You may specify a Valid from date for an equity group without making it active. If the active equity group for the venture has a Valid from date that precedes the Valid from date of another equity group for the venture that is inactive, the system will post the entry to the venture, by using the active equity group. A system message warns you that it used the latest active equity group, although another inactive equity group for the venture with a later date exists.

5. Enter the validity date for the equity group within the venture in the **Valid from and EGAct fields** to connect an equity group to an equity type in the venture.
6. Choose ENTER. An x appears by default in the EGAct field indicator box to indicate that the equity group is active as of the date specified in the previous step.
7. Use the menu path **Go → Back**.
8. Choose SAVE. A system message confirms the changes to the specified joint venture.