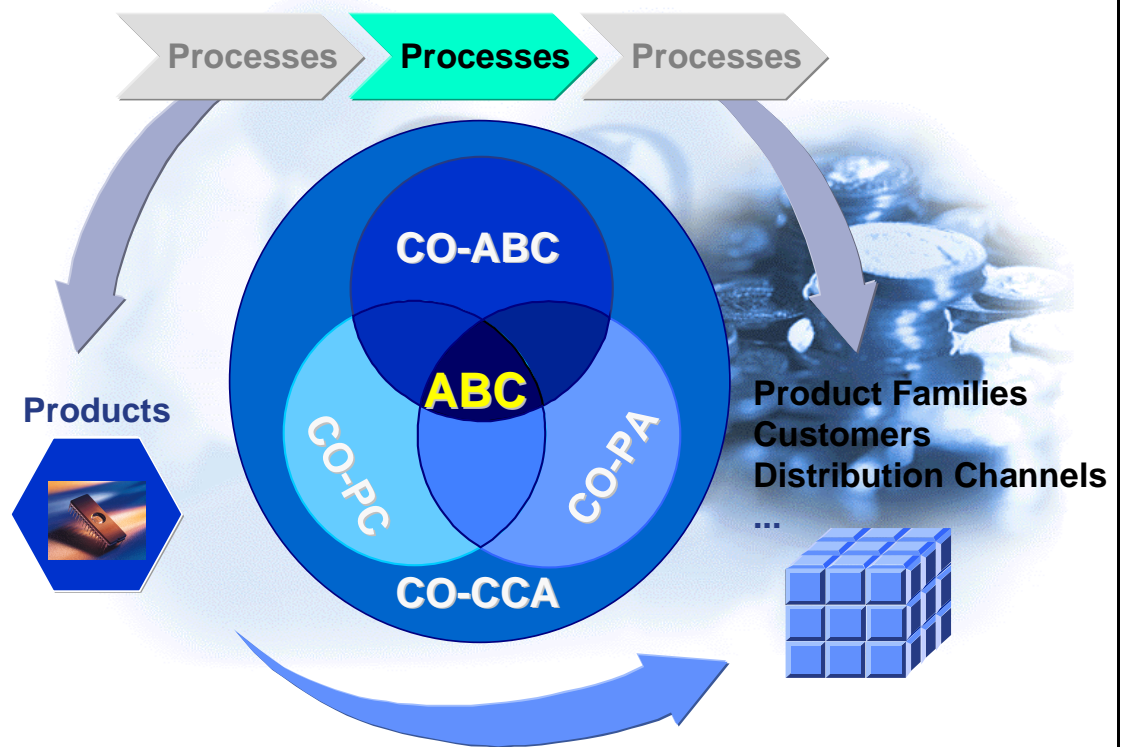


- An Internal Order is an extremely flexible CO tool that can be used for a wide variety of purposes to track costs and, in some cases revenues, within a controlling area. Internal orders provide capabilities for planning, monitoring, and allocation of costs.
- Internal orders may be used for a variety of purposes, and can be grouped into four general categories:
  - Overhead orders: Used to monitor overhead costs incurred for a particular purpose, such as conducting a trade fair, or tracking costs for maintenance and repair work.
  - Investment orders: Used to monitor costs incurred in the creation of a fixed asset, such as building a storage facility.
  - Accrual orders: Used to offset postings of accrued costs (costs calculated in CO) to cost centers.
  - Orders with revenue: Used to replace the cost accounting parts of SD customer orders if SD is not being used, so that both costs and revenues can be tracked; or to monitor revenues not affecting the organization's core business (such as miscellaneous

eous revenues).

## Model of Activity-Based Costing

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- Traditionally, overhead costs are allocated from cost centers to cost objects through various methods, such as surcharges and activity allocations.
- By contrast, Activity-Based Costing assigns costs to business processes, without regard for which organizational units may be involved in generating those costs. A process is a cross-functional object, which can pull resources from any cost center in a controlling area.
- ABC has been implemented in R/3 as an enhancement to the cost management functionality. All overhead costs are still assigned to cost centers. The cost centers that utilize resources in carrying out a process allocate the cost of those resources to the process. (Example: a Purchasing cost center would allocate costs it incurred in preparing and distributing a Request for Quotations to a Procurement business process.) The processes are then consumed by cost objects (such as production orders) and the related costs are allocated to those cost objects. Process costs not related to cost objects are passed along to CO-PA in order to provide a more accurate and complete account.

unting of overhead costs.

Cost Center Accounting answers the question of where costs occur, whereas Activity-Based