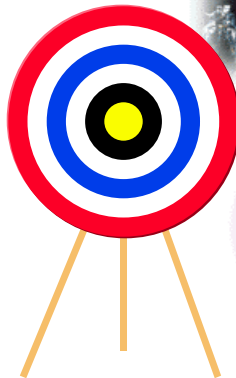


- **Introduction to Planning**
- **Planning Based on Different Costing Options**
- **Planning in Cost Center Accounting**



At the conclusion of this UNIT, you will be able to:

- **Identify the most important costing options used and the differences between them.**
- **Perform some basic planning functions.**



Planning of future business activities and consideration of changing business circumstances

Forecasting to set periodic controlling standards for:

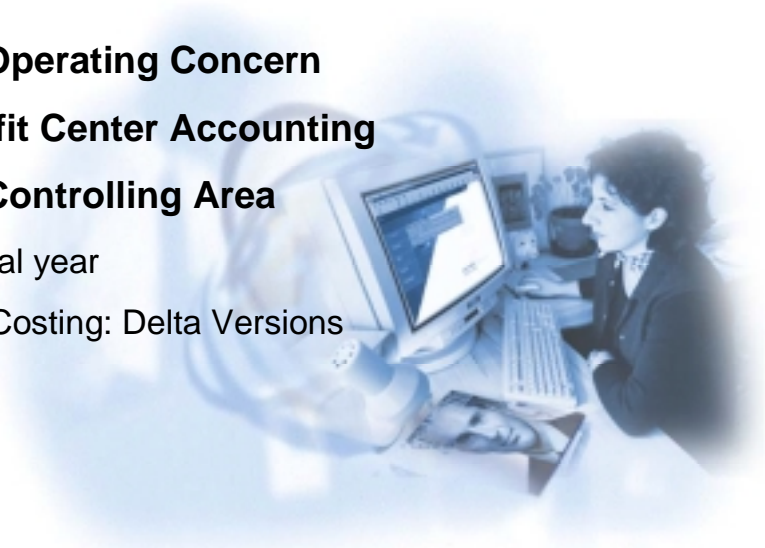
- **Valuation of internal activities**
- **Monitoring efficiency using $\frac{\text{plan}}{\text{actual}}$ & $\frac{\text{target}}{\text{actual}}$ variance analyses**

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- Planning is used to set organizational goals. The comparison of actual operating results with the plan can identify variances that serve as signals to take corrective measures in the business operations.
- There are several basic goals in planning:
 - Plan the structure of the company's future operations for particular periods
 - Create benchmarks for controlling the business transactions within an accounting period
 - Monitor efficiency after completion of the accounting period by means of plan/actual and target/actual comparisons
 - Give a basis for valuation of organizational activities, through estimating the unit cost of performing a given activity in a given period
- To achieve these goals, the R/3 System offers a wide variety of options from which to choose.

- **General version definition**

- **Settings in the Operating Concern**
- **Settings for Profit Center Accounting**
- **Settings in the Controlling Area**
 - Settings for fiscal year
 - Activity Based Costing: Delta Versions



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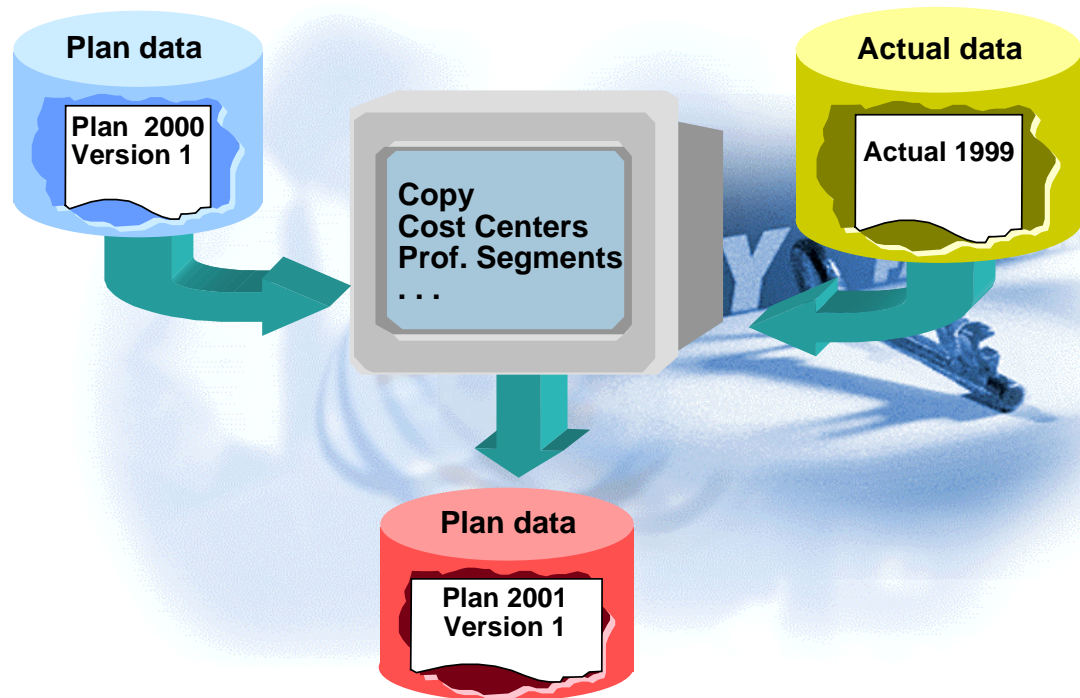
- A “version” can be thought of as a unique view of planned operating results, given a particular set of assumptions. In the planning process, many different versions can be created, with different planned values developed for each version. Each version is independent of all others.
- The SAP R/3 System automatically creates version 000 when you create a controlling area. All actual values created from entering primary costs and allocating costs internally are posted in this version. Consequently, version 000 must be used for plan/actual cost comparisons.
- Planning always takes place within a plan version. A version is cross-application by nature. This helps ensure that the integrated use of a particular version produces consistent results across applications (for example, planning integration between Cost Center Accounting and Profit Center Accounting).
- In the General version definition, each version is marked as being available for plan or actual postings, or both. A given version can also have certain settings that apply

individually to each controlling area, and to each fiscal year, such as whether copying the version is allowed, or if planned data for the version is locked (cannot be changed). In addition, other version settings impact aspects of planning for Cost Center Accounting, Internal Order and Project Cost Accounting, Profitability Analysis, and Activity-Based Costing.

- Actual postings are possible only in version 000. The only exception to this is that other actual versions can be defined as delta versions used for the parallel model of Activity-Based Costing. Additional actual versions are also created for alternative valuations when using transfer prices.

Copy Plan data and Actual data

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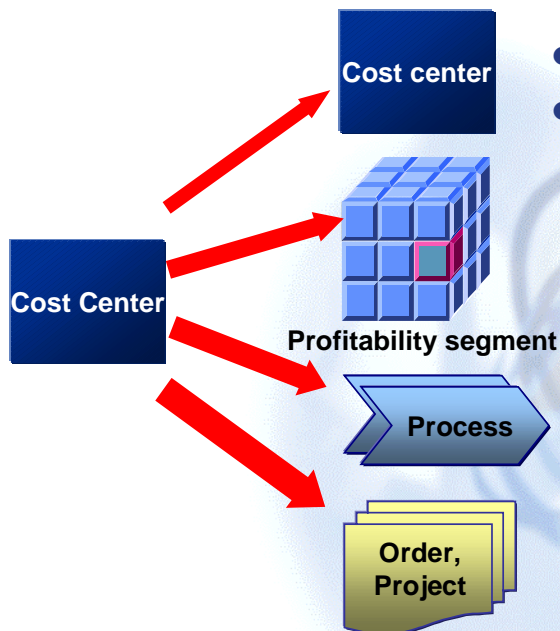


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- You can use the tool Copy Planning if you want to reuse large parts of your manual cost center planning from a previous year for your current planning, or to copy plan values within a fiscal year to a different period, or to generate alternate plan versions.
- Similarly, the tool Copy Actual to Plan allows you to utilize previous actual cost center data as the reference for creating new plan data.
- To use the Copy Planning function, select a reference version and a target version.
- You can copy plan data:
 - Within fiscal years, periods, versions, and cost centers
 - Between different cost centers, fiscal years, periods, and versions
- You may select any set of values. For example, you may limit the selection of data to a particular cost center, or you can select all cost centers. You can also choose to copy all plan data, or select only particular types of planning data.
- With the Revaluation planning tool you can increase or decrease planning results on

a percentage basis. Therefore you can combine the Copy Planning and Revaluation functions to create several plan versions. This may be useful after copying the plan data from the previous year or for producing best-case and worst-case scenarios within a year. Plan line items are recorded during revaluation execution.

- You may undertake as many revaluations of cost center and cost element planned values as required. The percentages within a revaluation can be changed as often as desired. Repeated executions with changed percentages cancel the old plan line items and always use the original initial value.

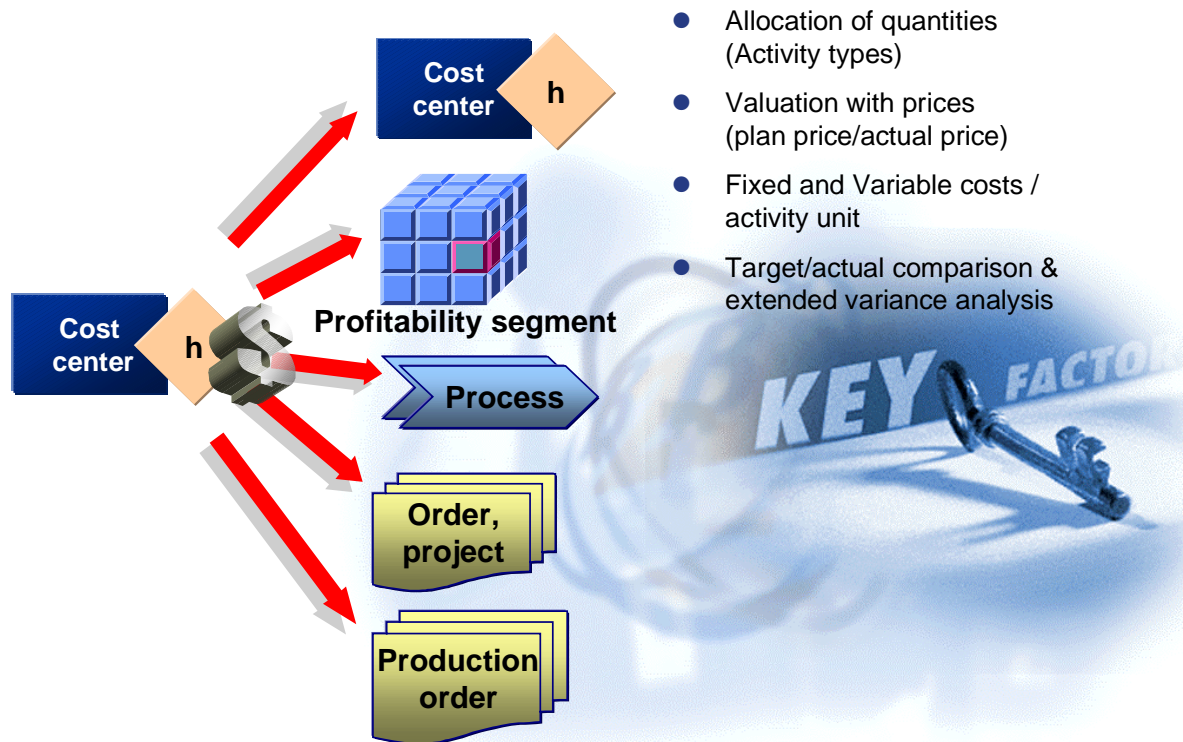


- Easiest way of planning
- Analyse: Planned/actual comparison or actual/actual comparison

- When using the Cost Allocations costing option, planning is not required. But if planning is done, only costs are planned. If costs are planned, then it will be possible to do analysis on actual costs compared with planned costs.
- Plan costs can be entered manually or transferred from feeder systems such as Human Resources (HR), Asset Management (AM), and the Logistics Information System (LIS).
- Several cost allocation tools can be utilized when planning costs. Distributions, assessments, and surcharges can be defined and calculated for plan costs. These essentially simulate the allocations of actual data that are anticipated for each period of the fiscal year being planned.

Activity Type Allocations

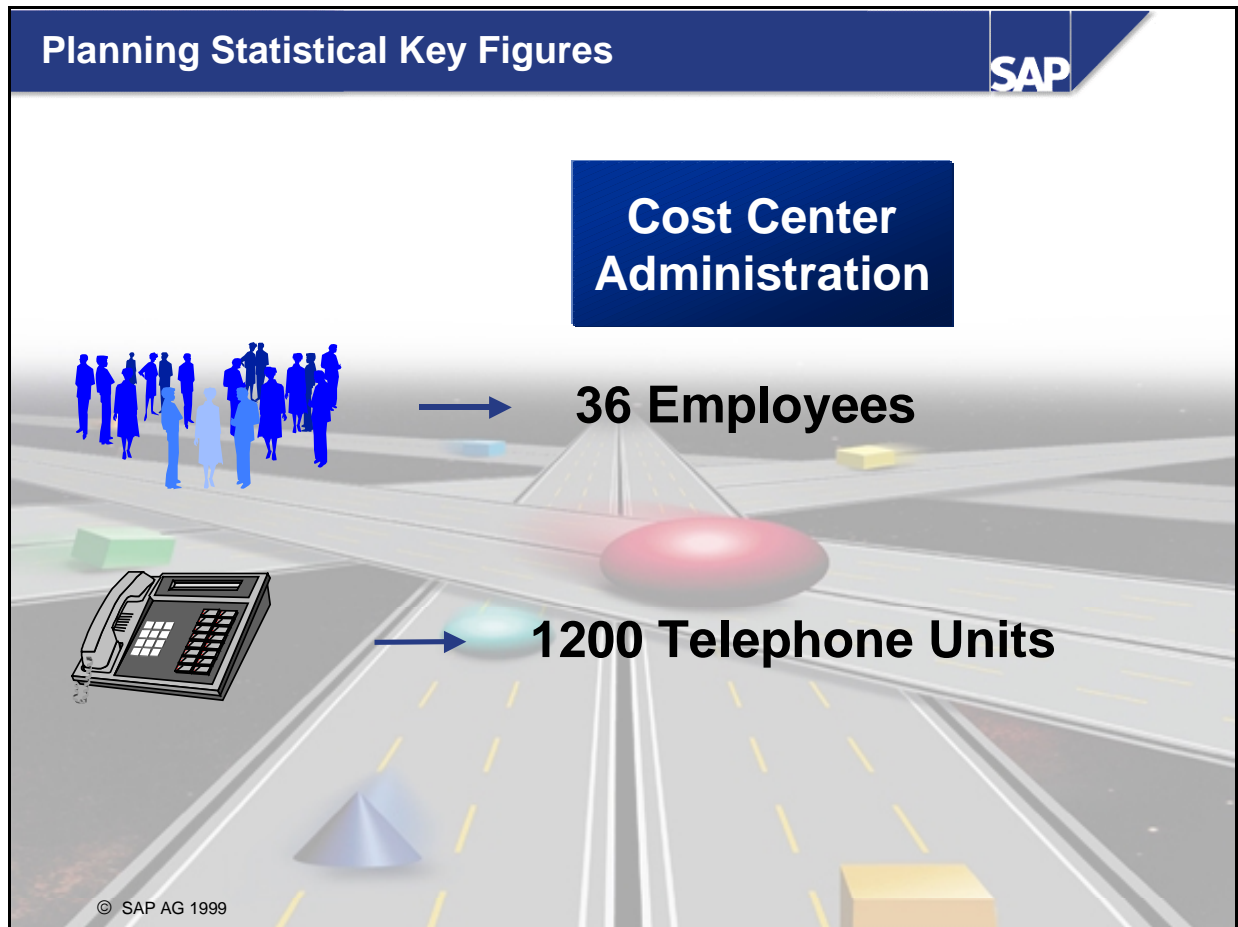
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- When using the Activity Type Allocations costing option, planning is essential. Costs are planned, as before, but activity type quantities are also planned. This refers to the number of units of each activity type that is expected to be performed by a cost center.
- Since both costs and quantities of activity types are planned, it is possible to calculate a unit cost for each activity type. This is referred to as the activity price. The system can calculate these activity prices automatically once the planning has been completed. It is also possible to set activity prices manually.
- Activity type allocations can now be planned. This is called activity input planning. It involves planning the specific number of units of an activity type produced by a given cost center that will be consumed by receiver cost centers (or internal orders). Activity input planning results in quantities of activities “scheduled” to be consumed. This permits the manager of a cost center that produces activity units to see what activity quantity will be required. Activity quantities planned to be consumed by other

er cost centers, by planning integrated internal orders, and by production (via Sales and Operations Planning) are visible through reporting. This visibility facilitates plan reconciliation between activity quantities scheduled to be consumed and those planned to be produced by a cost center.



- You can plan statistical key figures in order to:
 - Calculate ratios in cost centers, such as cost per employee
 - Create receiver tracing factors (allocation factors) for periodic allocations (e.g. assessment, distribution)
- There are two different types of statistical key figures:
 - Fixed value
 - Totals value
- If you plan a fixed value statistical key figure, such as Employees, you enter the quantity of employees assigned to a cost center. The system displays the average value for all planned periods in the overview screen. In the periodic screen you see the planned quantity for each period.
- If you plan a totals value statistical key figure, such as the number of long-distance calls, the entered quantity is distributed to the periods according to the assigned distribution key.

- Statistical key figures can be planned directly on a cost center, or dependent on activity types. SAP provides Standard-Layout 1-301 for activity-independent and Standard-Layout 1-302 for activity-dependent statistical key figure planning. You can access both with the Standard-Profile SAPALL.
- You can also transfer statistical key figures from the Logistics Information System (LIS). (See the slide “Transferring plan values to Cost Centers” in the Integrated Planning Cycle topic).

Cost Center: Production

Primary cost element	Fixed costs
420000 Direct Labor Costs	300,000.00
421000 Indirect Labor Costs	100,000.00
430000 Salaries-Base Wages	130,000.00
452000 Machinery & Equipment	400,000.00
471000 Machinery Rental	50,000.00
481000 Estimated Depreciation	100,000.00
490000

- Activity-independent primary costs, classified by cost elements, are planned on cost centers by plan version.
- If you plan activity-independent primary costs, you can only plan fixed costs. For cost centers using activity types, these planned fixed costs are assigned to the activity types of the cost center based on the equivalence numbers in the plan, or based on the plan splitting structure. In activity price calculation these fixed costs are taken into account to calculate the fixed portion of the activity price.
- You can use the Standard-Layout 1-101 included in the Profile SAPALL to plan activity-independent primary costs.