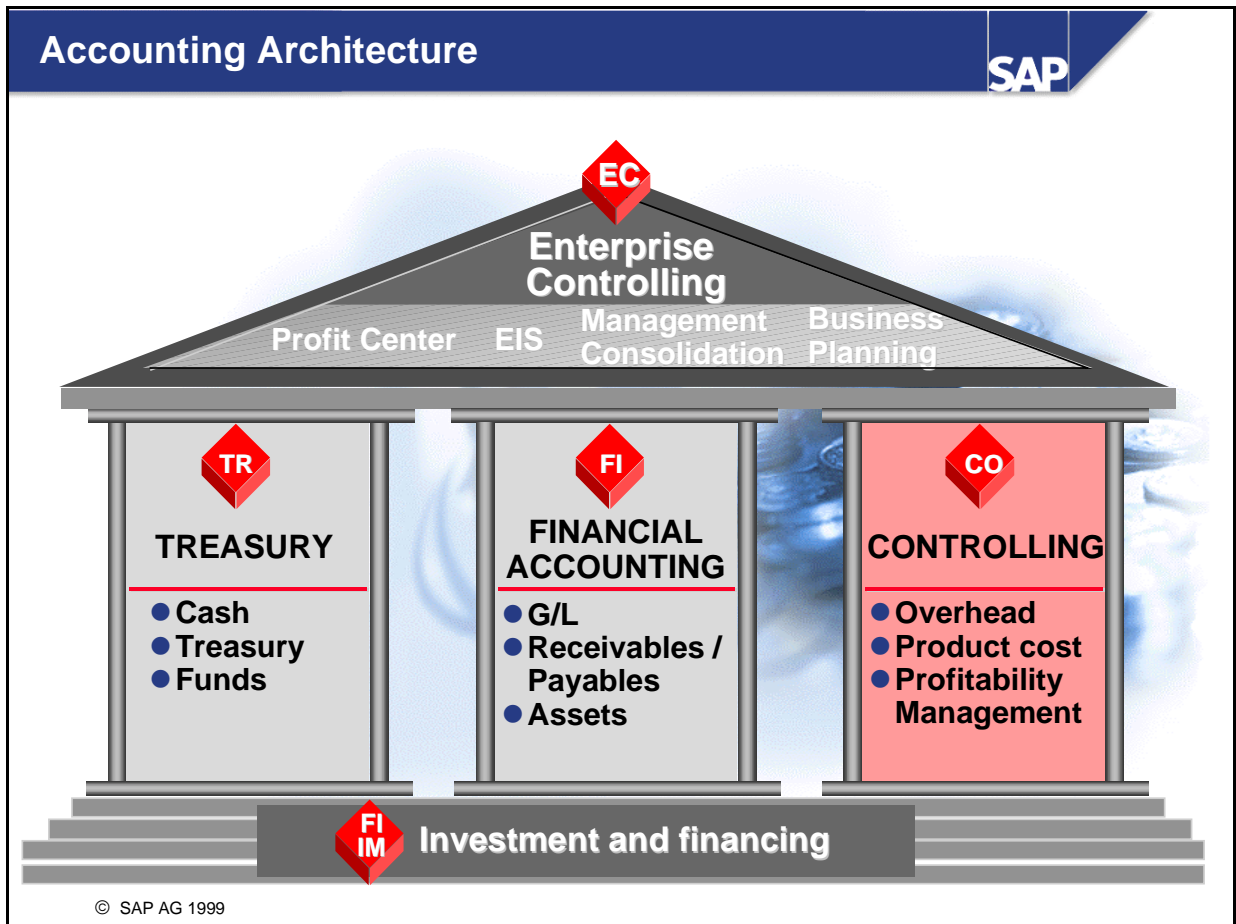


- **General Tasks of Controlling**
- **The Components of CO**
- **Integration**
- **Transfer Prices**



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

- **Explain the differences between Internal and External Accounting.**
- **Explain how CO helps manage a business, and use some standard CO reports .**
- **List the components of CO and explain their purpose.**
- **Explain the basic integration points between the components of CO.**
- **Explain the basic integration points between CO and other R/3 modules.**
- **Explain the Transfer Price Concept in R/3.**

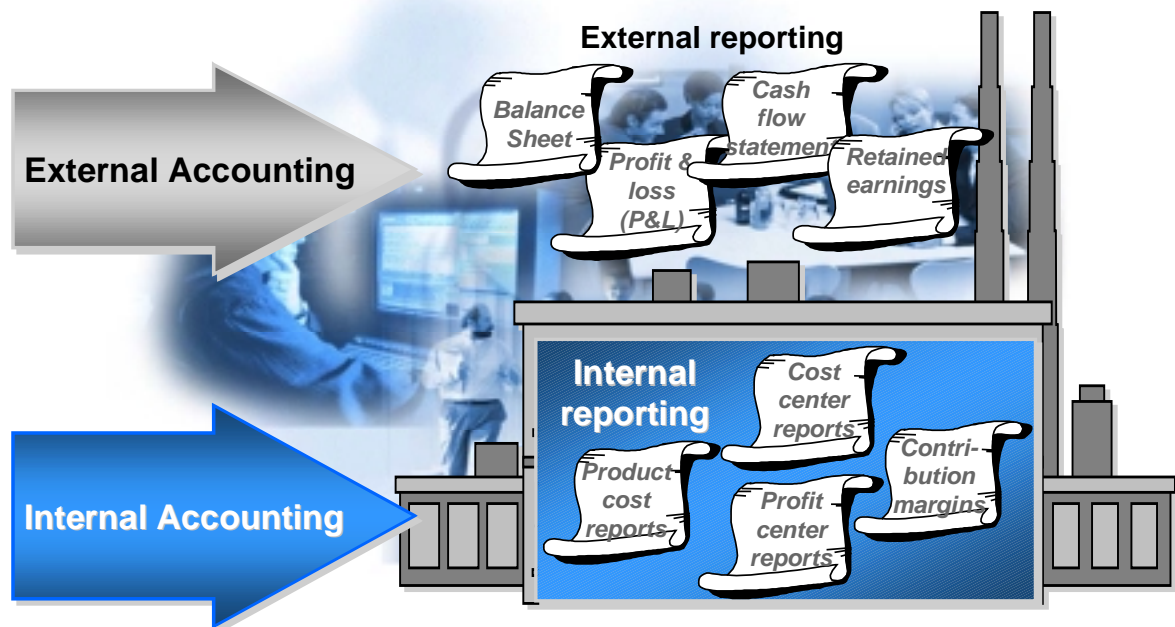


- The general term “Accounting” can be used to describe numerous different functions and business processes. The R/3 system provides an architecture of specialized accounting components to address these varied functions.
- The Treasury component (TR) focuses on functions such as cash management, treasury management (including money market funds, foreign exchange, derivatives and securities), loans, and market risk management.
- The Financial Accounting component (FI) focuses on General Ledger accounting (G/L), Accounts Receivable and Accounts Payable processing, and Fixed Asset accounting.
- The Investment Management component (IM) provides functions to support the planning, investment, and financing processes for capital investment measures.
- The Enterprise Controlling component (EC) includes Profit Center Accounting, the Executive Information System (EIS), Business Planning (for group-wide business plans at a high level), and EC Consolidation.

- The Controlling component (CO) provides a variety of tools that can be used to provide operational information to the management of a company to support business analysis and decision-making. The Controlling component is the focus of this course. The major CO components (Overhead Cost Controlling, Product Cost Controlling, and Profitability Management) will be examined in some detail in this course.



- The R/3 System application component Controlling (CO) contains all accounting functions necessary for effective controlling. If an organization divides accounting into internal and external viewpoints, CO represents the internal accounting perspective, because it provides information for managers -those who are inside an organization and are charged with directing and controlling its operations. CO includes cost and revenue accounting. Together with the Enterprise Controlling (EC) application components Profit Center Accounting (EC-PCA) and Executive Information System (EC-EIS), CO covers all aspects of managerial accounting. It offers a broad selection of functional tools that can be used to provide managerial accounting information without being limited to legal requirements.
- Financial statements required for external reporting purposes (e.g. balance sheet and P&L statement) are created in FI. These external reporting requirements are typically established by general accounting standards like GAAP or IAS, as well as various legal requirements mandated by regulatory authorities.



- While there are often different accounting information requirements for internal and external users, much of the underlying data may be relevant for both purposes. But that same data can be presented in very different ways to satisfy the different requirements.
- Standardized accounting intended for external users is sometimes termed “financial accounting”. The term “management accounting” generally refers to the non-standardized accounting approach that supports the management decision-making process.
- Financial accounting reports typically required include the income statement (or profit & loss statement), and balance sheet. Management accounting reports can be completely unique, although a common example could be departmental actual vs. plan costs for the current accounting period.