

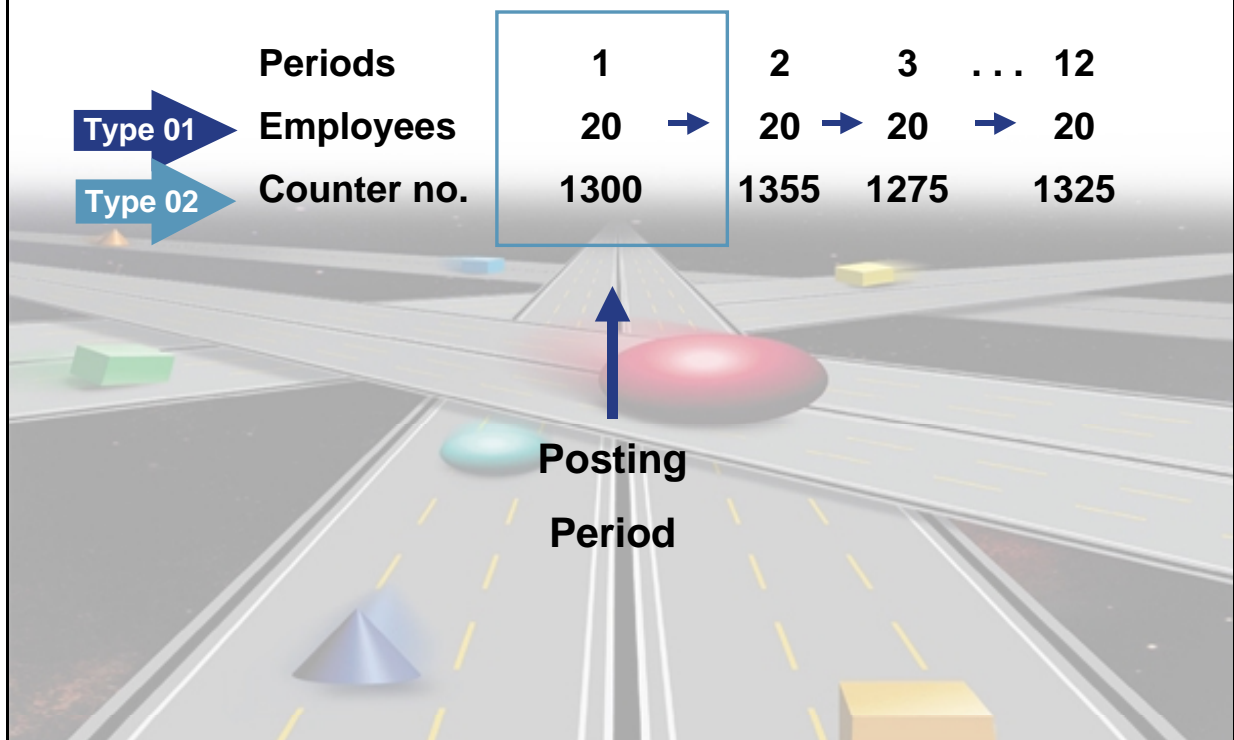
- **Overhead Cost Controlling**
- **Cost Object Controlling**
- **Profitability Management**

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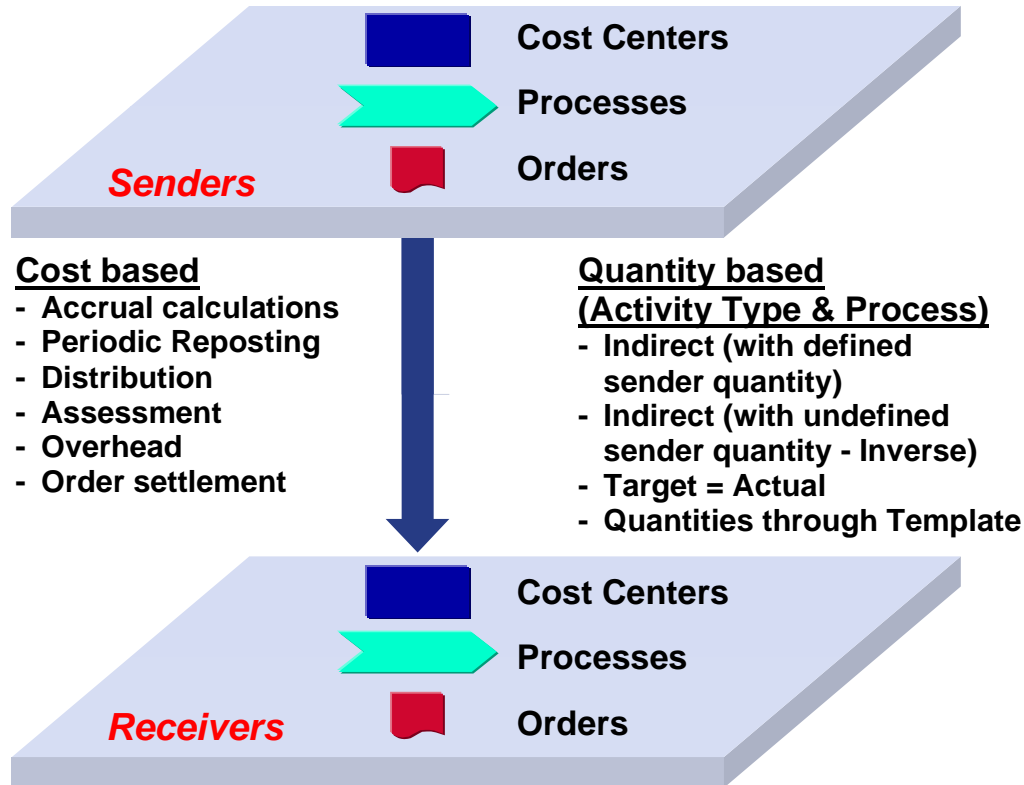


**At the conclusion of this UNIT,
you will be able to:**

- **Post Statistical Key Figures, perform an Assessment of costs, and settle an Overhead Order.**
- **Explain the Period[Ⓜ] and process.**

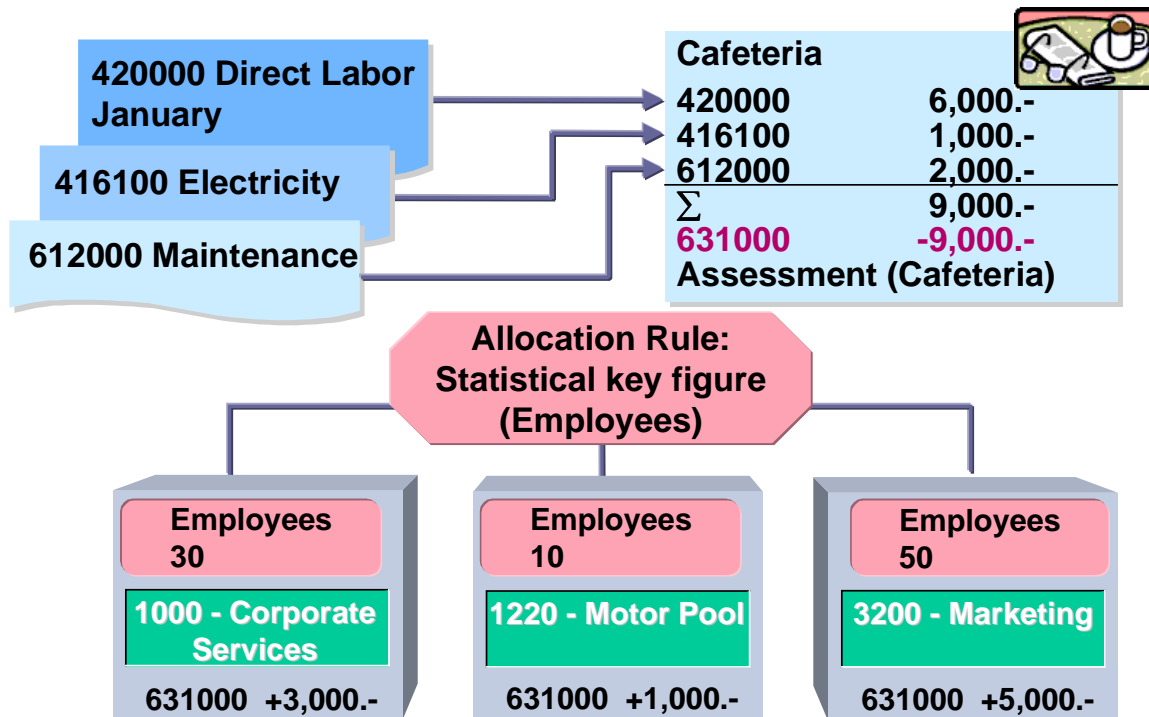


- You can enter statistical key figures for your cost center in order to provide a basis for periodic allocations, and also to create ratios in the information system. For example, the statistical key figure “Employees” might be used to report on personnel costs per employee, or used to apportion costs incurred by the Cafeteria cost center to all the cost centers which it supports.
- The critical factor for statistical key figures is how they were created as master data. Fixed values (category 1) are valid as of the period posted for all following periods in the fiscal year. You need not create a new statistical key figure posting until the value changes. Totals values (category 2) are valid exclusively for an individual period and, therefore, must be posted in each accounting period.
- You can also post statistical key figures to a cost center/activity type. This can be useful in cost splitting.



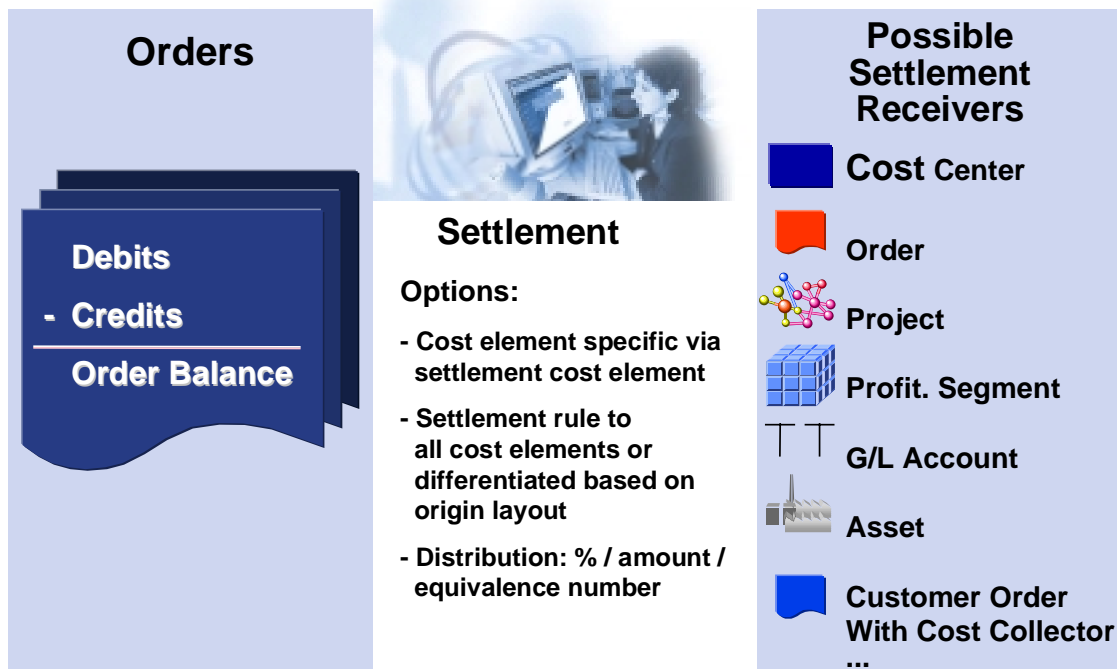
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- There are several methods available to carry out periodic allocations in Overhead Cost Controlling.
- Pure cost allocations are used to move costs from sender objects to receiver objects. This movement of costs is termed a value flow. It is possible to also include a quantity flow in the cost allocation. This is optional and dependent on whether you activated the “Record quantities” indicator in the master record of the cost element(s) used in the cost allocation. The type of cost element used in executing cost allocations (primary and/or secondary) depends on which form of allocation is being used. Note that “accrual calculations” and “periodic repostings” are not, strictly speaking, considered to be cost allocations.
- Activity allocations can also be performed in a periodic allocation, depending on the cost accounting method used. In activity allocation, a quantity flow always takes place. This refers to the quantity of activity type units being performed. An additional value flow takes place either immediately, or can be calculated at the end of the period. Activity allocation is always executed using an allocation cost element.
- If the Activity-Based Costing application component is active, periodic process allocations can be performed using process templates. These are also quantity based, with an associated value flow.



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- An Assessment is designed for the allocation of primary and secondary costs from a sender cost center to receiver controlling objects. Only cost centers or business processes may serve as senders in an assessment allocation.
- The receivers on an assessment can be other cost centers, WBS elements, internal orders, cost objects, or business processes. You can restrict the allowed receiver types in Customizing.
- Primary and secondary costs are allocated at period-end closing according to rules defined in the assessment cycle. In the example above, the allocation rule uses statistical key figures to determine the allocation amount for each receiver. Other rules are also available, depending on your requirements.
- Each segment of an assessment cycle is assigned an assessment cost element (secondary cost element category 42). All costs allocated in an assessment are classified on the receiver(s) with these assessment cost elements. Alternatively, you can use an allocation structure to define which cost elements are to be allocated under which assessment cost elements. You can assign individual cost elements, cost element groups or intervals to an assessment cost element. The allocation structure can be stored during segment maintenance.
- Line items are recorded for the sender and receiver sides in order to document the allocations in detail. The original cost elements are not displayed on the receivers; therefore, an assessment allocation is useful when the breakdown of costs is unimportant to the receiver.
- Similarly to a distribution, an assessment updates the partner in the totals record.
- An assessment can be reversed and repeated as often as desired.



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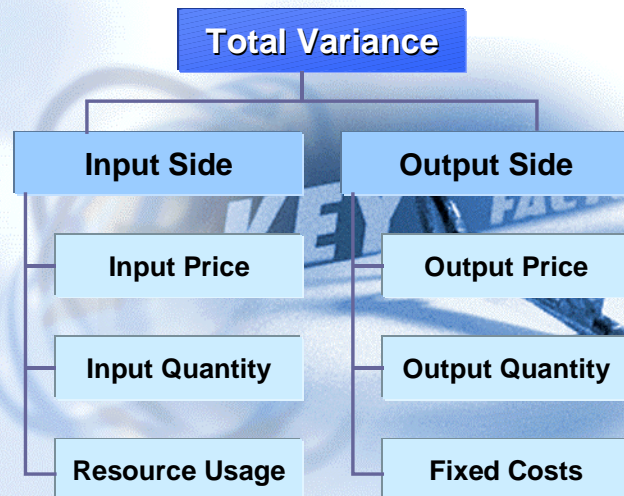
- Internal orders are normally used as an interim collector of costs and an aid to the planning, monitoring, and reporting processes. When the task is complete, the costs have to be passed on to their final destination (cost center, fixed asset, profitability segment, ... etc.). This process is called "settlement". It is another form of periodic cost allocation.
- Settlement may occur at the end of each period, or at the end of the order's life, depending on the type of order and its business purpose.
- An order settlement can be made to numerous different types of receivers, as long as the receivers are defined as valid in customizing and no system restrictions (such as locks) prevent settlement. Examples of possible settlement receivers include cost centers, other orders, projects, profitability segments, fixed assets, and G/L accounts.
- A settlement rule must be defined for each order. This rule is defined in the order master record. It may specify that all of the costs on the order are settled to a single receiver, or may be split to multiple receivers.
- Settlement can be structured quite flexibly with the use of the many available settlement options.

Area	
Target	Actual
16,000.-	20,000.-
-16,000.-	-15,000.-
0.-	5,000.-

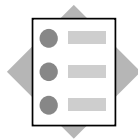
Where does the over/under-absorption come from?



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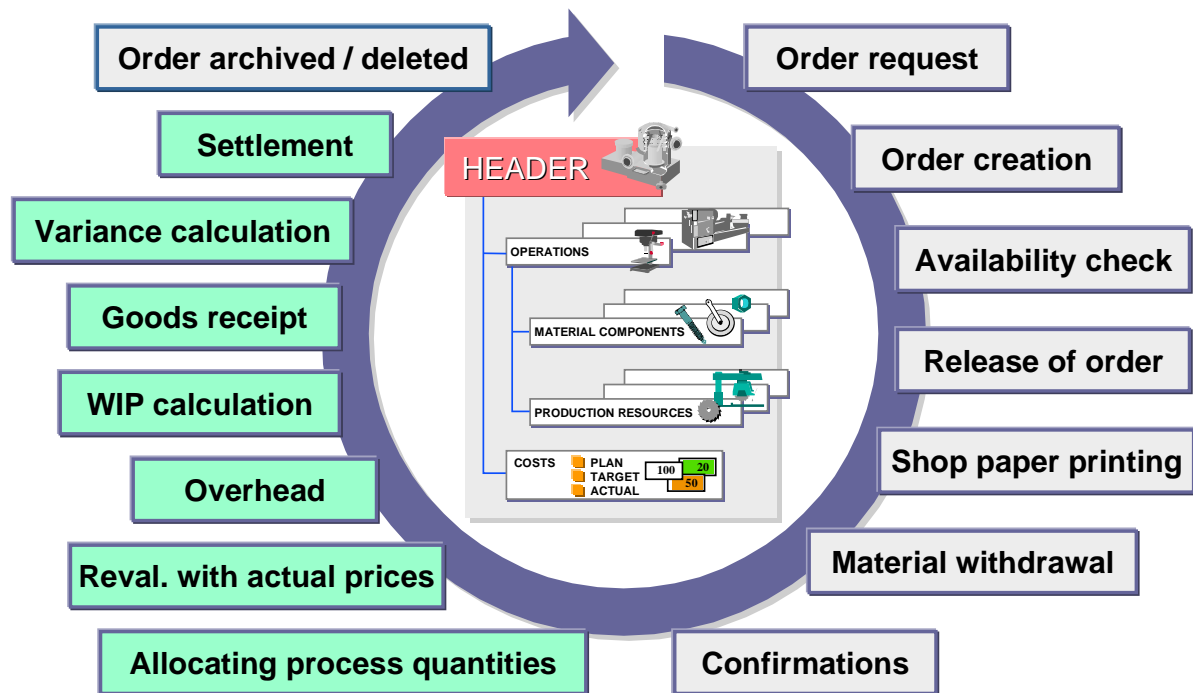


- Variances in the Controlling component (CO) at period-end closing can be due to several causes:
 - Planning was overshoot/undershot
 - The actual costs on the cost center or business process vary from the target costs
 - Over-/under-absorption occurs on the cost center or the business process
- Variance calculation allows you to analyze the causes for these and other situations.
- To calculate the variances the system performs these three steps:
 - calculates the target costs
 - allocates actual costs to the activity types
 - calculates variances for each cost center/activity type combination
- The calculated variances are not charged further within Cost Center Accounting. To relieve the cost centers completely, you need to perform the actual activity price calculation and/or assessment to the profitability segments.
- Variance calculation explains the differences between target and actual costs. A variety of variance categories are used, distinguishing between input side variances and output side variances. The input side deals with all cost center debits and credits, the output side with cost center activity allocations.
- Variance calculation is cumulative - the total of all variances equals the total variance.



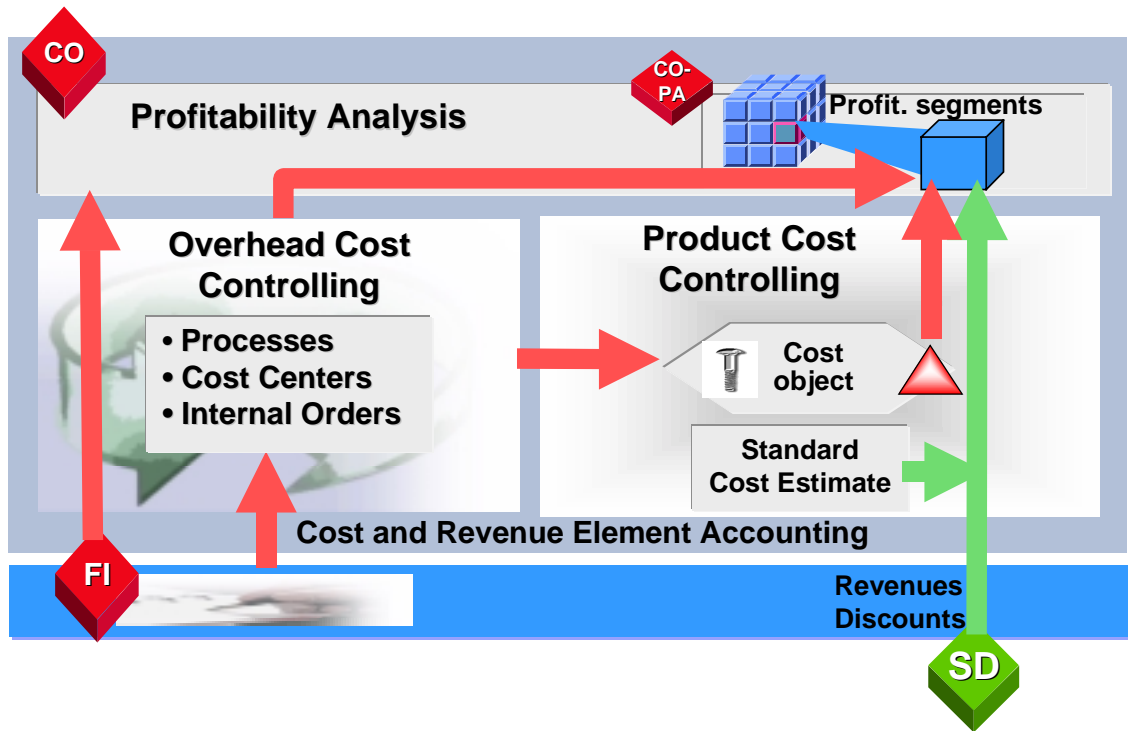
**At the conclusion of this TOPIC,
you will be able to:**

- **Allocate overhead to an order**
- **Allocate Process costs to an order**
- **Deliver material to stock**
- **Calculate WIP**
- **Calculate Variances**
- **Settle the order balance**



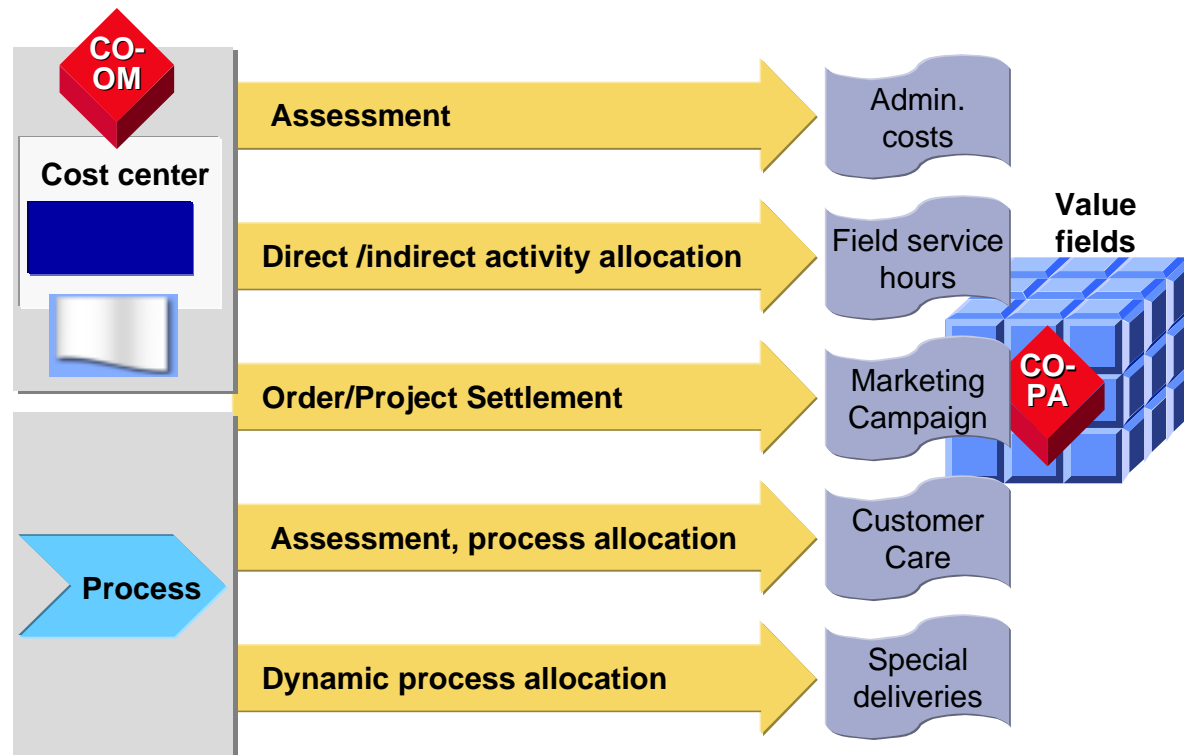
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- At the end of the period, it is necessary to calculate the overhead for all of the costs that have been debited to the production order. These debits may include both material and activity costs.
- If the production order has not been completed at the end of the period, it may be necessary to calculate and capitalize your Work In Process value. Within R/3, as component materials are issued to the production orders, their value is credited to the inventory accounts, and debited to a consumption expense account on the production order. The value does not move directly from raw material inventory to work in process inventory accounts. It is also necessary to calculate the additional value that has been added to the order through activity allocations, overhead, and process allocations. Although this value is reflected on the production order cost object, it is not visible in FI and Profit Center Accounting (PCA) without the use of the WIP calculation and the settlement transaction. The WIP calculation will consider the debits and credits (for any partially delivered quantities) for the production order and calculate a remaining WIP value. This value can then be passed to FI and PCA by means of the settlement transaction. Transferring this value to FI will result in a debit to the Work In Process inventory accounts, and a credit to a P&L account. If your order is “final delivered”, no WIP is calculated for that order, and any existing previous WIP balance is cancelled.
- Delivering the produced materials to stock credits the production order. The order balance after the final delivery is the value of scrap and variances. You can use the tool “variance calculation” to analyze the reasons for the variances in detail. These variance categories and scrap values can be passed to CO-PA. However, only the remaining order balance, or price variance, as one total value can be passed to FI.
- The last step of the period-end closing is to settle the order balance, the WIP and the variances to FI, Profitability Analysis, and Profit Center Accounting.



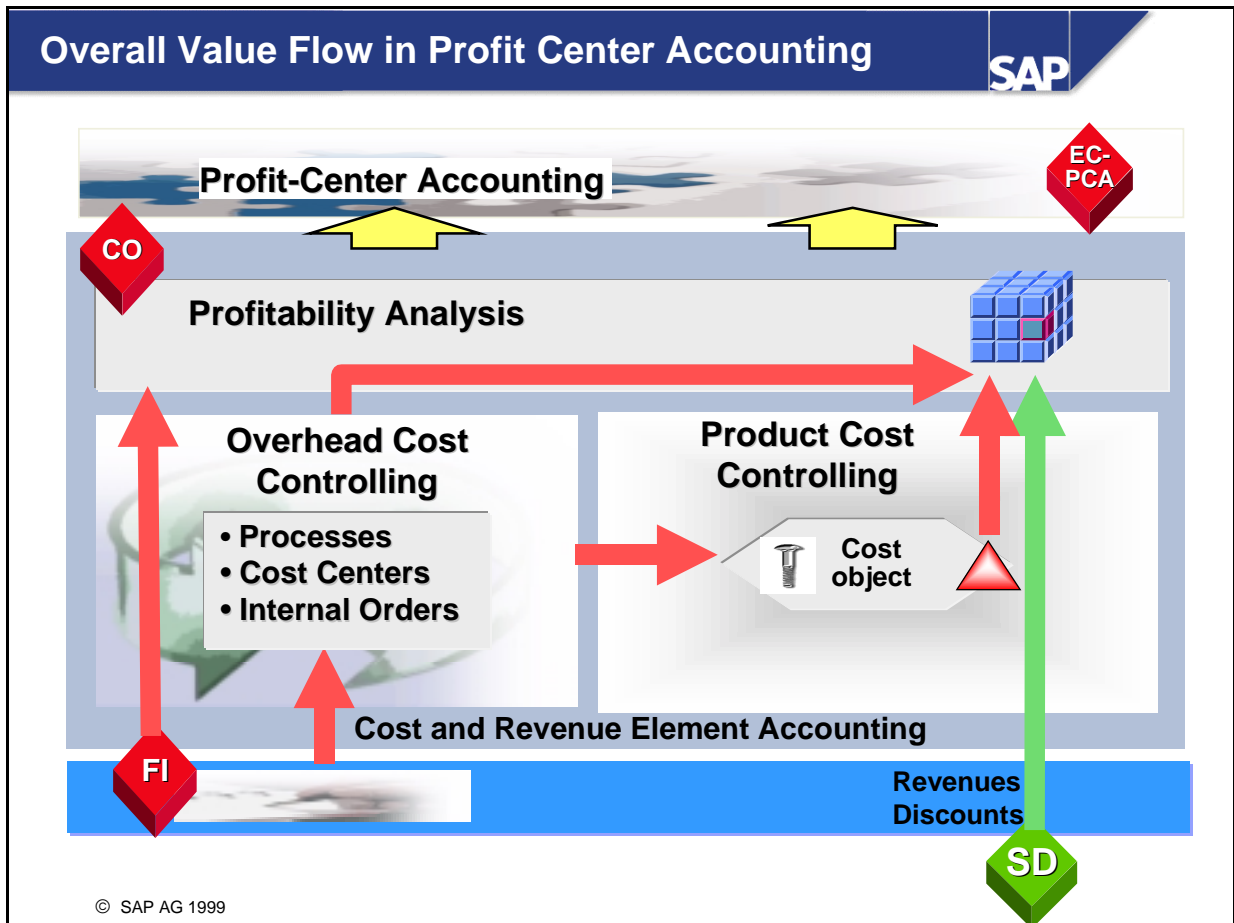
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- Data from Sales and Distribution (SD) is one of the most important sources of information for Profitability Analysis.
- In costing-based CO-PA, information can be taken from SD at two points in the sales order cycle: when an order is created or changed [optional], and when an invoice for an order is generated.
- In account-based CO-PA, data from SD is received at two points in the sales cycle: when a goods issue is performed, and when an invoice for an order is generated.
- Costs from other areas of CO can be transferred into CO-PA periodically, through activity and process allocations, settlements, and assessments.
- It also possible to create a direct posting to CO-PA from FI through a manual journal entry.



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- To show in Profitability Analysis all the costs incurred in Overhead Cost Controlling, you can transfer to CO-PA those particular overhead costs for cost centers and business processes that are not allocated to the materials inventory. This can be done using periodic assessment.
- You can also perform direct or indirect **allocation of internal activities** for cost center and business processes to CO-PA. Along with the sender (cost center or process) and the receiver (profitability segment), you enter the quantity of the activity performed. It is valued with the planned unit price of the activity type. The calculated value is credited to the sender and debited to the profitability segment receiving the activity quantity. This means, for example, that a transport activity can be directly posted to particular customers without first having to be posted to a cost center or an order.



- Before you can analyze your profits by profit center, the system has to summarize all the profit-related postings in profit centers.
- Which **data** is transferred to Profit Center Accounting?
 - All postings affecting revenue and cost elements
 - Postings directly coded to a profit center
 - P&L accounts maintained with automatic account assignment in PCA customizing
 - Balance Sheet accounts maintained with automatic account assignment in PCA customizing
 - P & L accounts related to transactions in Logistics
- Profit centers cannot receive direct postings in the R/3 System. Instead, the data is posted to other objects and passed on from there to a profit center in Profit Center Accounting. This makes it possible to display your company's results by profit center based on the original postings and with no additional work.
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