



1. *Describe the major differences between Managerial Accounting and Financial Accounting.*

Managerial Accounting	Financial Accounting
Generally no constraints.	Constrained by GAAP and/or IAS
Future orientation	Past orientation
Data is used by managers at various levels within the company.	Data is used by outside parties like banks, investors and other stakeholders.

2. *Define the term cost object.*

A cost object is a responsibility center, project, product or other item for which a separate measurement of cost is desired. Cost objects are defined by management. Cost objects can include cost centers, projects and activities.

3. *Describe overhead costs and provide an example.*

Overhead costs are indirect costs that cannot be directly assigned to a cost center. Utilities, rent and telephone expenses could be examples of overhead costs.

4. *What are the two major components of the controlling module (CO)?*

Configuration and application. The purpose of configuration is to customize CO to meet the specific needs of the client. The application component supplies the tools necessary for internal reporting and analysis.

5. *Please list the five CO sub modules.*

- Cost Center Accounting (CCA)
- Overhead Orders and Projects (CO-OPA)
- Activity Based Costing (CO-ABC)
- Product Cost Accounting (CO-PC)
- Profitability Analysis (CO-PA)

6. *True or False? Activity based costing is primarily used to capture the costs of internal events, such as travel costs and trade fairs.*

False. ABC provides a business process view of overhead costs. Internal Orders are used primarily for internal company events.

7. *List 3 major functions of the PC module.*



Product cost planning enables:

- Calculation of standard internal cost for manufactured goods
- Calculation of WIP during month end closing
- Calculation of period end variances
- Settlement of Product Costs

8. *True or False? PCA is generally used for margin reporting and cost of sales accounting.*

False. PA is used for margin reporting and cost of sales accounting. PCA is used for period based accounting and complete financial statements.

9. *What is the primary integration point between the CO and FI modules?*

G/L expense accounts are the primary cost elements in CO.



1. *True or False? A controlling area has a one to one relationship with company codes.*

False. A controlling area has a one to one relationship with the chart of account and, a one to many relationship with company codes.

2. *After the controlling area has been configured, the assignment of company codes cannot be changed.*

[True] or False.

3. *When a number of company codes are assigned to a controlling area, cross company code accounting is possible. However, each company code must share what three attributes:*

- The same chart of accounts
- The same fiscal year variant and year end date (the same fiscal year variant must be assigned to the controlling area and to all attached company codes)
- The same standard hierarchy of cost centers

4. *Name three types of cost objects used in the CO.*

- Cost centers
- Internal orders
- Profitability segment

5. *If the controlling area currency is the same as the company code currency, the object currency is freely definable.*

[True] or False.

6. *Define the document currency.*

The document currency is the currency of the transaction. The document currency is defined at the time the document is entered.



7. *Define account assignment objects in CO and name three of them.*

Account assignment objects in CO represent units to which costs are assigned. They are used to collect costs ('cost bucket') and can be planned and budgeted on. Three examples: cost center, internal order, business process.

8. *CO number ranges are defined on company code level.*

[True] or [False]. CO number ranges are defined for each controlling area.



1. *List the five types of master data in cost center accounting (CCA).*
 - Cost centers
 - Cost elements
 - Activity types
 - Statistical key figures
 - Resources
2. *What characteristics do the master data types in CCA share?*
 - Time dependency (except for SKF)
 - Can not be deleted once transaction data has been posted (except for SKF and resources)
 - Can be arranged in groups (except for SKF)
3. *Name the two types of cost elements and explain them.*

Primary cost elements: They originate from outside the CO module (i.e. posted through FI). They have counter-parts in FI and are used as a method for moving costs into the CO module.

Secondary cost elements: Originate from within CO and have no FI counter-part. Secondary cost elements are used as a tool for moving costs for internal reporting within CO. They exist exclusively in CO.
4. *True or False? Once a cost center has been created, the open or validity period of such center cannot be changed.*

True. CCA master data is time dependent and once created cannot be changed. However, creating a new item and attaching its date range to the original date range may extend the effective date.
5. *Define a cost center group.*

A cost center group is a hierarchical structure consisting of nodes and attached cost centers. Cost center groups can facilitate the analysis of costs by allowing costs to be reported on the cost center level or at the group level.
6. *Define the Standard Hierarchy and explain its use.*

The standard hierarchy must, by definition, contain all cost centers from all company codes attached to the controlling area. This ensures that all costs posted in FI and assigned to a cost center are captured in CO.
7. *True or False? All cost centers must be attached to either the standard hierarchy or an alternate hierarchy (cost center group).*

False. All cost centers must be attached to the standard hierarchy in order to ensure that all costs posted in FI are captured in CO. They may furthermore be attached to as many alternate hierarchies (cost center groups) as desired.



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8. *True or False? Cost centers can be attached at any node level within the hierarchical structure.*
False. Cost centers can only be attached to the lowest node levels within the hierarchical structure.
9. *True or False? A cost center cannot be attached to more than one alternate hierarchy.*
False.
10. *Define activity types.*
Activity types are units of measurement for the internal allocation of costs from within CO. Activity types define the main cost drivers or services performed by a cost center. Examples include direct labor hours, machine hours and maintenance hours.
11. *Define activity price.*
Activity types are used to derive the activity price. The total costs are divided by the total planned or actual activity quantity to derive the activity price (cost / activity type unit).
12. *Provide two examples of statistical key figures.*
Statistical key figures are derived from non-financial statistical data, such as the number of telephones or the square footage of a building. Statistical key figures are used for the allocation or planning of costs.
13. *What are Resources?*
Resources are goods and services, which are supplied internally and externally to an organization in order to produce business activities. They Resources are used to carry out detailed, quantity-based primary cost planning below the cost element level for cost centers, orders and WBS elements.
14. *Name the two types of internal orders and explain the major distinctions.*
An **Individual Order** collects costs of a one-time business activity. This order is typically settled in full at the time of completion and is closed after settlement.
A **Standing Order** collects costs for smaller, recurring jobs. These costs are settled on a periodic basis (typically at month-end). After settlement the order remains open for postings. The benefit of a Standing Order is, not having to create a new order for the same costs each month.
15. *Define statistical orders.*
A Statistical Internal Order can be defined to collect costs for informational purposes only and therefore need a real cost assignment (e.g. to a cost center) at the same time. The costs posted to a statistical internal order are not settled.



1. *True or False? In SAP Integrated Planning Cycle the planning process begins with a Profit Plan.*
False, in SAP Integrated Planning Cycle the planning process begins with a Sales Plan
2. *True or False? Sales volumes calculated in sales planning or order volumes stored in the Sales Information System (SIS) can be fed into Production Process.*
True, sales volumes calculated in sales planning or order volumes stored in the Sales Information System (SIS) can be fed into Production Process.
3. *True or False? A version is a comprehensive set of planning data.*
True. A version is a comprehensive set of planning data.
4. *True or False? There can be multiple plan versions for “what if analysis”.*
True.
5. *Each plan version has information set by _____.*
Each plan version has information set by fiscal year.
6. *Describe plan revaluation and its use in CO planning.*
Revaluation is the process of increasing or decreasing a plan based on a percentage. Different percentages may be specified by cost center or by cost element.
Example: Management states that all planned costs will be at 95% of last year's planned costs. To implement this directive, copy last year's planned data into another version. Then revalue the new version by -5%.
Revaluation percentages may be changed at any time. A repeated revaluation with a different percentage reverses all previous revaluations. Revaluations are always based on the original plan values. To prevent resetting the results of a revaluation (during a repeated revaluation), a new revaluation with a different percentage can be defined.
 - Value Column: Planning amounts or quantities for the associated lead column(s).
 - Lead Column: Contains information describing the nature of the amount in the associated value column, such as cost center, cost element or activity type.
7. *Describe what a planning layout is.*
A planning layout determines the column and row structure for entering plan data. A layout must be defined for each type of planning to be performed.



8. *Describe what a planning profile is.*

Planning profiles are used to group planning layouts together. Planning profiles also determine the effective dates or time frame for planning. Multiple planning profiles may be created. Planning profiles can be assigned to user groups.

9. *True or False? The planning profiles must be set in the application side for planning to take place.*

True, the planning profile to be used must be set into the system from the application side before planning can occur, this tells the system which profile you will be using and defaults in the correct layouts.

10. *Describe the steps involved in setting up a plan.*

- Define Planner Profile: Assign the layouts previously created to the profile, up to 3 layouts (one for each type of planning), may be assigned.
- Set Planner Profile: Defaults in the appropriate layouts in each area based on the profile.
- Planning Transactions: Enter planning data as required.

11. *Define Statistical Key Figure planning.*

Statistical Key Figure Planning - Statistical key figures are used in the calculation of plan activity and as allocation bases for distributions and assessments.

12. *Define Activity Type Planning.*

Activity Type Planning - Planned activity output for a cost center will determine the planned volume of costs. Activity for a sending cost center must be planned before secondary cost planning can take place.

13. *Define primary and secondary Cost Planning.*

Primary/Secondary Cost Planning - This type of planning is performed last, since activity quantities are required to plan costs.

14. *Define Activity Dependent Cost, Activity Independent Cost and Mixed Cost.*

- Activity Dependent Costs are variable costs and they are costs that fluctuate based on activity. The greater the activity, the greater the cost. Example: Direct Labor costs that increase as production increases.
- Activity Independent Costs are Fixed Costs. Activity independent costs DO NOT fluctuate based on activity. Example: Insurance expense - regardless of output, insurance premiums will not change.
- Mixed Costs are a combination of both fixed and variable costs, therefore displaying the characteristics of both. Example: Utilities expense - the basic cost of heating a building (fixed portion) would increase as production increases (variable portion).



15. _____ are used by the system to spread planned amounts across periods.

Distribution Keys are used by the system to spread planned amounts across periods. It allows for the entry of planned annual figures, which are then automatically spread across months.

16. The two automated methods for planning primary costs are _____.

There are two automated methods for the planning of primary costs, imputed cost calculation and distribution. Cost which has no direct equivalent in FI, such as imputed rents. Cost which has a different equivalent in FI, primarily as it relates to the timing of cost. Imputed cost calculations are used to smooth the effect on cost centers for large, one-time charges, such as insurance premiums or employee bonuses. By smoothing one-time expenses in CO, price fluctuations from period to period can be avoided.

Distribution is the allocation of primary costs from a clearing cost center to the cost center responsible for incurring them. The identity of the primary cost is retained at the receiving cost center. Distribution may be used for allocating planned or actual primary costs only. Distribution simplifies the process of planning primary costs that are attributable to more than one cost center. Instead of manually planning individual amounts to many different cost centers, the total planned expense is planned to a clearing cost center, and the allocation to the receiving cost centers is performed automatically through a distribution cycle. Clearing cost centers (also called pooled cost centers) act as temporary holding areas for costs, they are not responsible for the costs but only exist to facilitate distributions and other allocation methods.

17. Define an Assessment and an Assessment Rule.

Assessment is the allocation of cost from one cost center to one or more other cost centers.

The original cost center or the nature of the costs themselves are not retained, but are reclassified as a secondary cost element. Assessment is designed to group together and reclassify costs while simultaneously allocating them. Assessment may be used to allocate both planned and actual primary and secondary costs.

An assessment rule, using fixed amounts, statistical key figures or percentages, is defined to break down the assessment among the receiving cost centers.

18. Define a Cycle and a Segment

Cycles and Segments are utilized by the SAP system to perform automated allocations, such as distributions, assessments and repostings (covered in Ch.5) of both planned and actual costs.

A cycle may be defined as a holding place for the various rules that will define an automated allocation. Cycles are comprised of segments, each segment represents one set of data needed to complete the automated allocation.

A segment consists of the following:

- Allocation Characteristics - Identification of sending and receiving cost centers.
- Sender Values - What types of costs will be allocated, whether they are planned or actual amounts, and what percentage of total sender costs will be allocated.



- Receiver Values (Tracing Factors) - The basis for allocation - percentage, fixed amount or statistical key figure.

19. Describe plan reconciliation.

The plan reconciliation is used to check and reconcile the internal activity exchange. With the plan reconciliation, you can adjust the entire plan activity quantities automatically on the basis of scheduled activity on the cost centers.

20. What is done in the final step of the planning process?

The planning process is completed by performing an Activity Price Calculation within the system. This process calculates an activity price based on planned activities and costs and uses the calculated price to value planned secondary costs at receiver cost centers.

Alternatively, a political activity price may be used in place of a calculated activity price, but the procedure must still be performed.

21. What is budgeting?

Budgeting may be implemented to augment the planning process. The CCA module supports budgeting at the cost center level. From an SAP standpoint, budgeting represents a *top down* approach to controlling costs, whereas planning represents a *bottom up* approach to cost control.



1. **[True]** or False? *Posting actual cost in Controlling involves the transferring of primary costs from other modules to Controlling, as well as moving costs within Controlling.*

2. *List the two main types of actual posting to CO.*

There are two types of actual postings to CO, Transaction Based Postings and Periodic Allocations.

Transaction Based Postings (also known as Transaction based allocations) are posted on a real-time basis from other modules or within CO. This enables up-to-the-minute reporting of costs incurred on the cost centers at any time during the period. There are four transaction-based postings to CO:

From other modules:

- Direct postings to cost centers from other modules, such as FI, AM, and MM.

Within CO:

- Reposting
- Activity Allocation
- Posting of Statistical Key Figures.

Periodic Allocations exist entirely within CO. They occur at the end of the period after all primary postings have been completed. Periodic allocations require cycles and segments to be executed. There are five main types of periodic allocations:

- Periodic repostings (periodic transfers)
- Distribution
- Assessment,
- Imputed Cost Calculation
- Indirect Activity Allocation.

3. **[True]** or False *Transaction based posting within CO may be accomplished through the use of any of the following: Reposting, Activity Allocation and posting of Statistical key figures.*

4. *How many documents are created when primary costs are posted to CO from another module?*

Two documents are created when primary costs are posted to CO from another module:

- The original document in FI, AM or MM
 - A parallel document in CO which displays the data from a cost accounting viewpoint.
- The CO document is summarized according to cost element and cost object.



5. *True or False? Repostings are used to reallocate costs that were incorrectly posted to a cost center.*

True. Repostings are used to reallocate costs that were incorrectly posted to a cost center.

There are two types of internal repostings, Full-Transaction Reposting (i.e. Reposting of the entire transaction) and Line Item Reposting (i.e. Reposting of a portion of the original transaction).

In a Transaction Based Reposting, the entire original cost center posting is reversed and reposted to a different, corrected, cost center. The FI document number does not need to be referenced for the reposting. A new CO document number is created for the reposting. The original FI document remains unchanged (references old cost center).

A Line Item Reposting is used when only certain line items in the original posting are incorrect. The FI document number must be referenced for the reposting. A new CO document number is created and the old cost center is referenced on the FI document.

6. *List and define the two types of internal Reposting.*

See answer to question 5 above.

7. *Describe Manual Cost Allocation.*

Manual Cost Allocation can be used to post primary cost as well as secondary costs to avoid the creation of a cycle for simple allocations, to transfer external data or to correct false secondary postings. Manual cost allocation applies to actual data only. You cannot copy this data into planning.

8. *Define Direct Internal Activity Allocation.*

Direct Internal Activity Allocation is the process of recording activities performed by a cost center and simultaneously allocating those activities to receiving cost centers based on consumption. In the case of direct activity allocation, the sender (output), and the receiver (consumption) activity volumes are known.

9. **[True]** or False? *In direct activity allocation, the sender (output), and the receiver (consumption) activity volumes are known.*

See answer to question 7 above.

10. *True or False? Periodic allocations of cost exist in both FI and CO.*



False, Periodic Allocations exist entirely within CO. They generally occur at the end of the period after all primary postings have been completed and they require cycles and segments to be executed. There are five main types of periodic allocations: Periodic repostings (periodic transfers), Distribution, Assessment, Imputed Cost Calculation and Indirect Activity Allocation.

11. **[True]** or False? *Periodic allocations require cycles and segments to be executed.*

See answer to question 9 above.

12. *List three types of periodic allocations.*

See Question 9

13. _____ *enables the correction of multiple posting made to cost centers during the period, therefore producing the same results as several transaction-based repostings.*

Periodic reposting enables the correction of multiple postings made to cost centers during the period, therefore producing the same results as several transaction-based repostings. This reposting functionality can also be utilized at the end of a period to transfer costs from a clearing cost center to appropriate receiving cost centers. When used in this fashion, periodic reposting is very similar to distribution.

The main difference between periodic repostings and distribution is the purpose for usage envisioned by SAP when the methods were created. Periodic reposting functionality, similar to transaction-based repostings, was designed for error correction, whereas distribution was designed as a primary cost allocation method. However, other than their intended purposes, the two methods are practically identical and either method may be used whenever desired.

14. *Explain both the iterative and cumulative form of cycle processing.*

Iterative processing: iterative sender/receiver relationships (sender is also amongst the receivers) are considered when this cycle is processed. The iteration is repeated until each sender is fully relieved of costs provided. Cycles may be set to iterative processing for both plan and actual data.

Cumulative processing: all posted sender amounts since the first period are accumulated and allocated based on the tracing factors accumulated since this period. The difference between the accumulated amount and the posted amounts in previous periods is posted in the current period. The postings in previous periods remain unchanged. Cycles may be set to cumulative processing for actual data only.

15. *Describe imputed cost calculation in CO.*

Imputed cost calculations are used to smooth the effect on cost centers for large, one-time charges, such as insurance premiums or employee bonuses. By smoothing one-time



expenses in CO, price fluctuations from period to period can be avoided. There are two methods for calculating imputed costs in the R/3 system Cost Element Percent Method and Target = Actuals Method.

16. List and define the two main types of indirect activity allocations.

Indirect activity allocation is the process of allocating activities from a sender to a receiver cost object. The activities allocated to the receiver are multiplied by the planned activity price to determine the total amount.

There are two types of indirect activity allocations:

- **Sender activities known**
The activity type is allocated from the sender to the receiver based on receiver tracing factors (i.e. actual receiver statistical key figures, planned receiver activity types, etc.) This type of indirect activity allocation must be set up with an activity type of Category 3. This category is defined for manual entry (of known sender values), using indirect allocation (tracing factors).
- **Sender activities unknown**
Activities are inversely allocated from the sender cost center using receiver tracing factors or fixed amounts/percentages. This type of indirect activity allocation must be set up with an activity type of category 2. This category is defined for inverse determination (of sender values based on receiver consumption) using automatic allocation (to receivers).

17. Describe the use of the reconciliation ledger.

The reconciliation ledger keeps track of transactions between company codes within one controlling area, since such cross company allocations result in an imbalance between CO totals and FI totals. Because legal reporting is based in FI, all transactions that cross company codes in CO must be reflected in FI.



1. *What is the purpose of variance analysis?*
Variance analysis is used to calculate and interpret differences between planned costs and actual cost within a cost center or cost center group. It also provides vital information that can be used to modify and improve planning in subsequent periods.
2. *All variances in SAP can be classified as what two types of variances?*
 - Input Side Variance
 - Output Side Variance
3. *True or False? In SAP, Variance analysis can only be done in plan version 0.*
True. Variance analysis can only be done in plan version 0; because, plan version 0 is the only planning version that can have actuals posted to it.
4. *What are four input side variances SAP can identify?*
 - Price Variance
 - Quantity Variance
 - Resource Usage Variance
 - Input Variance
5. *Give an example and a root cause for a Price Variance.*
Example: Wage increase from 12.00 to 12.50 an hour. Cause: Cost of living adjustment not accounted for in planning wages.
6. *Give a mathematical formula for Price Variance*
(Planned Price -- Actual Price) X Quantity Planned
7. *Give an example and a root cause for a Quantity Variance.*
Example: Reduction in the hours it takes to produce a widget. Cause: Productivity increase not planned due to PwC reengineering efforts that exceeding company's expectations.
8. *Give a mathematical formula for Quantity Variance*
Planned Price X (Planned Quantity- Actual Quantity)
9. *Give an example and a root cause for a Resource Usage Variance*
Example: Cost Element posted to wrong Cost Center. Cause: Error in planning or actual posting.



10. *Give an example and a root cause for a Input Variance*

Example: Cost element were planned and posted in actual, but no consumption quantities were recorded. Cause: Consumption quantity unknown during variance analysis.

11. *What are the types of output side variances SAP can identify?*

- Output Price Variance
- Volume Variance
- Output Quantity Variance
- Remaining Variance

12. *What is the difference between an “Output Price Variance” and a “Price Variance” as defined in SAP?*

- Output Price Variance is an output side variance
- Price Variance is an input side variance

13. *Give an example and a root cause for a Volume Variance.*

Example: 1000 man hours are planned for maintenance at 10 dollars. In actual 1100 hours of maintenance is produced by the maintenance cost center. Cause: Unforeseen requirement for additional maintenance.

14. *What is the two step Process for calculating a Variance*

Configuration

- Create Variance Variant
- Maintain Target Version

Execution

- Enter Parameters
- Execute Variance Calculation
- Print Variance Report

15. *How many variances can be activated by the user in the variance variants?*

4 input and 3 output

16. *What is the purpose of the Variance Variant?*

It indicates to the system which variance the system should attempt to calculate and identify during execution of the variance calculations



17. *How can additional information be obtained on the cause of a variance, After running a Variance Report?*

The drill-down function may be used for each line item

18. *What are some of the options available to fully relieve all remaining cost, after variances have been calculated and reported?*

- Sweep the remaining balance into another module (Such as PA) for further analysis
- Perform additional allocations within CCA to move all variance amounts to one or more other cost centers
- Perform an Actual Activity Price Calculation.