Management Accounting TFIN 20_1 Summary

Prepared By
Zeeshan Raza Haryani
ACA, ACCA Finalist
Certified FICOBW
Zeeshan.haryani@gmail.com

Contents

Unit 1 – Overview of Management Accounting

Lesson 1 – General Task of Management

- SAP Financial Supply Chain Management concentrates on functions such as cash management, treasury management (for instance, funds, foreign exchange, derivatives, and securities), loans, and market risk management.
- Financial Accounting mainly involves the general ledger, processing receivables and payables, and asset accounting.
- Investment Management supports planning, investment, and finance processes for capital investment measures.
- Management Accounting offers many tools that can be used to prepare operating data for business analysis and management decisions
- Management Accounting contains all the functions necessary for effective cost and revenue controlling. It covers all aspects of management controlling and includes many tools for compiling information for company management.
- Financial reports used for external reporting purposes to cater legal requirements such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standard (IFRS).
- Standardized accounting intended for external users is sometimes referred to as financial accounting. Management accounting generally refers to the non-standardized accounting approach that supports management decision making.
- Financial accounting reports that are typically required include the profit and loss statement and balance sheet. Managerial accounting reports can be structured individually, a common example being the plan/actual cost comparison for a specific department for the current period.
- The main purpose of Overhead Cost Controlling (CO-OM) is to take costs that cannot be assigned directly to the goods and services of a company and allocate them as far as is possible according to their cause. Account assignment objects for such costs include cost centers and internal orders, for example. At the end of the period, the overhead cost object balances are calculated and then allocated to Product Cost Controlling or profitability and sales accounting.
- Product Cost Controlling takes the costs for producing goods and services (and, in certain cases, also their sales revenues) and settles them to financial accounting or to profitability and sales accounting.
- Profitability and sales accounting is used for enterprise planning. Its main focus, however, is the determination of the actual business profit and loss. Two views are always used for this purpose: the external view in the market for analyzing profitability segments (Profitability Analysis) and the internal view of individual parts of the company responsible for profit (Profit Center Accounting).
- The main components of Management Accounting are used for different tasks and types of analysis:
    - Classify costs and reconcile data
        - Cost Element Accounting classifies the costs and revenues posted to Management Accounting. It also enables you to reconcile costs between Management Accounting and Financial Accounting.
        - The reconciliation ledger in Cost Element Accounting provides reporting functions for identifying the cost and revenue differences between Financial Accounting and Management Accounting. It can also be used for reconciliation postings to Financial Accounting, if necessary.
    - Control overhead costs and allocate costs
        - Overhead Cost Controlling examines the origin of costs in the functional areas of an enterprise. Overhead costs include costs that cannot be directly assigned to a product

or a service. It is often difficult to determine what causes overhead costs. Activity-Based Costing (ABC) provides you with more ways to allocate costs.

- Evaluate the cost of goods or services
  - Product Cost Controlling is used to cost and evaluate the cost of goods manufactured for a product and the costs associated with providing a service or when carrying out a project (plan and actual). This component provides tools for a comprehensive analysis of the value-adding processes in an enterprise.
- Analyze profit
  - Profitability Analysis deals mainly with analyzing the effects of enterprise activities on the external market. It enables you to determine how successful the enterprise is in different market segments (product divisions, for example) and how profitability has evolved over a period of time.
- Analyze success of individual profit centers
  - Profit Center Accounting analyzes the success of the profit centers in the enterprise. It can be used to represent the internal market in the enterprise, particularly if multiple valuation approaches and transfer prices are used

Lesson 2 – Integration within Management Accounting and with other SAP Application

- Because other SAP applications generate data that has a direct impact on Management Accounting, there must be a mechanism in place for passing this data to Management Accounting. This mechanism is Cost and Revenue Element Accounting.
- Within the Overhead Cost Controlling area, costs can be posted to cost centers, internal orders, and processes from other SAP R/3 applications (external costs). Cost centers can then allocate costs to other cost centers, to orders, and to processes in Activity-Based Costing. Activity-Based Costing, in turn, can pass costs to cost centers and orders. Internal orders can settle costs to cost centers and to processes in Activity-Based Costing (as well as to other orders).
- Profitability Accounting components also are tightly integrated with Overhead Management and Product Cost Controlling. Profit Center Accounting receives statistical cost postings from all other Management Accounting components.
- In addition to direct postings from Financial Accounting, Profitability Analysis can receive cost assessments from cost centers and Activity-Based Costing processes, settlements of cost from internal orders, and production variances settled from cost objects.
- Sales order management is a primary source for revenue postings from billing documents to Management Accounting.
- Manufacturing production orders are cost objects used to track and control production costs in Cost Object Controlling.
- The creation of purchase orders in materials management can generate commitment postings within Management Accounting.
- Planned personnel costs can be transferred and used for Management Accounting planning.

Unit 2 – Organizational Unit

Lesson 1 – Component of Management Accounting

- You use Cost Center Accounting for controlling purposes in your organization. It is an ideal means of monitoring overhead costs and assigning them to the organizational units that incurred the costs.
- Product Cost Controlling calculates the costs incurred when a service is provided or a product is manufactured. It enables you to calculate the minimum price at which a product can be profitably marketed.
- Profitability Analysis analyzes the profit or loss of an organization according to individual market segments. In Profitability Analysis, costs are assigned to the revenues of each market sector. This gives you a basis for calculating prices, targeting customers, determining conditions, and choosing sales channels, for example.
- Overhead costs are costs that cannot be directly assigned to the manufacture of a product, or the provision of a particular service. You assign all overhead costs to the locations at which they were incurred, or to the activities from which they arose.
- Cost centers are separate areas within a controlling area at which costs are incurred. You can create cost centers according to various criteria including functional considerations, allocation criteria, activities provided, or according to their physical location and/or management area.
- An activity type defines the type of activity that can be provided by a cost center. Activity outputs supplied by one cost center (the sending cost center) to other cost centers, orders, or processes, represent the utilization of resources for this sending cost center. You valuate activities using a price calculated on the basis of certain business or management information.
- Business processes combine activity flows within an organization across individual cost centers. Business processes can be used to control organizational processes in line with particular functions.
- Internal orders are used to plan, collect, and analyze the costs arising from internal activities.
- There are different methods for allocating values and quantities, depending on the type of Management Accounting object. In an enterprise scenario in which only costs are allocated, at period end you can use plan/actual comparisons to analyze costs. When allocating quantities, you can use extended analysis tools at period end, which take operating rate into account.
- The operating concern is the highest reporting level for profitability and sales and marketing controlling, and the central organizational unit in Profitability Analysis (CO-PA) used to segment and structure the market.
- Controlling areas structure the internal accounting operations of an organization within Management Accounting. They represent closed units that are used to calculate costs. All internal allocations relate solely to objects that belong to the same controlling area.
- Company codes are independent accounting units within Financial Accounting. They represent the smallest organizational units for which an account group can be set up for the purposes of external reporting (such as balance sheets and profit and loss statements).
- The business area is an organizational unit within Financial Accounting that represents a particular level of operations and managerial area within a company. In Financial Accounting you can generate internal balance sheets and profit and loss statements on the basis of business areas.
- The plant is an organizational unit within Logistics. It is used to break an organization down according to production, procurement, plant maintenance, and material planning considerations. Plants are used in Materials Management, Logistics, and Production Planning and Control. In a plant either materials or goods are manufactured, or services are provided.

- You cannot allocate costs outside of controlling areas.
- A controlling area may contain more than one company code and these company codes can include more than one currency. However, the company codes assigned to a controlling area must all use the same operational chart of accounts.
- You can assign more than one controlling area to a given operating concern, enabling you to analyze these controlling areas together within the operating concern.
- You can link company codes and controlling areas to each other in different ways in accordance with the way your enterprise is structured.
  - If Financial Accounting and Controlling perspectives are identical, you can assign one company code to one controlling area.
  - If you assign more than one company code to a given controlling area, you are then able to carry out controlling on a cross-company code basis.
- You assign a plant to a company code and therefore also to a controlling area, based on the valuation level. You can assign one plant, multiple plants, or no plant at all to a company code.
- Changes to assignments are not a problem provided you have not created any master data or transaction data.
- You can use the following three currencies in Management Accounting to perform evaluations in the information system:
  - Controlling area currency
    If you are using a 1:1 assignment, (that is, if your controlling area and company codes are identical), the controlling area currency must be the same as the company code currency. The controlling area is then managed in the controlling area currency.
  - Object Currency
    An object currency is defined for each account assignment object in Management Accounting. When using a 1:1 assignment, an object currency that is different to the controlling area or company code currency can be defined for the account assignment object.
  - Transaction currency
    The currency in which a document is posted to Management Accounting is the transaction currency.

- You have to use the same chart of accounts in Management Accounting and in the assigned company code.
- While the fiscal year variants of the company code and controlling area can contain different numbers of special periods, they must have the same number of posting periods. Furthermore, the period limits of the fiscal year variants must be identical.
- If four special periods have been set up in Financial Accounting but only one in Management Accounting, the postings of the second, third and fourth special period in Financial Accounting are posted in the first period in Management Accounting. If no special periods exist in Management Accounting, Financial Accounting postings for the special period are posted in the last Management Accounting posting period.
- By assigning multiple company codes to a controlling area, you can perform cross-company code cost accounting. You can allocate costs in Management Accounting to more than one company code. If this is the case, you may need to carry out reconciliation postings, which you can do using the reconciliation ledger
- There are three currencies available for your evaluations:
  - Controlling area currency
    In cross-company-code cost accounting, the controlling area and company codes may possess different currencies. You can define a controlling area currency that is identical to one of the

company code currencies. You can also use an additional currency in Management Accounting.
    - Company code currency
      In cross-company code cost accounting, you are only free to choose an object currency if all the assigned company codes have the same currency and this is the same currency as the controlling area currency. If this is not the case, the object currency in the account assignment object will automatically be the company code currency.
    - Transaction currency
      The currency in which a document is posted to Management Accounting is the transaction currency.
- The operational chart of accounts is used in both Financial Accounting and cost and revenue accounting. As well as an operational chart of accounts, each company code can have a country-specific chart of accounts with alternative account numbers. This country-specific chart of accounts is structured according to the legal requirements of the country it refers to.
- The fiscal year variants of a controlling area and company code can have different numbers of special periods. The number of posting periods must be the same.
- When is a 1:n assignment advisable/necessary?
    - If you require cross-company code reporting
    - If you require cross-company code postings such as activity allocations or assessments, for example
    - Where logistical considerations make it necessary (production in an associate plant)
    - Where a calculated value is to be spread over more than one company code
    - If profit centers cover more than individual company codes
    - Where group costing is required.
    - Where multi-level production cost management is required.
    - Profit Center Accounting and transfer prices stop at controlling area level.
- In addition to the restrictions mentioned for the chart of accounts, currency, and the fiscal year variant, you also need to note that you can only perform the closing in Management Accounting after the final closing has been performed in Financial Accounting.

Unit 3 – Master Data

Lesson 1 – Cost Center

- Cost centers are the most important master data. They represent the location of the cost occurrence. This is a classification structure to which all cost centers within a controlling area will be assigned. An organization should create this structure in line with their controlling and managerial areas.
- In Overhead Cost Controlling, there is a distinction made between master data and transaction data.
  - Master data contains information that remains the same over a long period of time.
  - Transaction data is short-lived and is assigned to master data.
- Cost elements describe the origin of costs. Cost elements are defined as primary or secondary. Primary cost elements are elements used in production that are procured from outside the company. Secondary cost elements are elements used in production that are produced within the company itself.
- Cost centers define areas of responsibility that incur and influence costs.
- Activity types are production activities and services provided to the organization by a cost center. They are used for allocating costs of internal activities to the areas that incurred the costs.
- Statistical key figures, which are values that describe a cost center, are used as a basis for allocations (for example, distribution, assessment) and for performing key figure analysis.
- Before you can create cost centers, you must first define a standard hierarchy. The standard hierarchy is a structure to which all cost centers within the controlling area must be assigned.
- SAP recommend you define the structure so that it reflects the internal areas of responsibility and the controlling and decision-making structures within your organization. These are usually the same as the internal functional areas depicted in your company’s organization chart.
- The cost center is the location where the costs are incurred. Cost centers can be set up based on functional requirements, allocation criteria, activities or services provided, geographic location and/or areas of responsibility.
- Each level or node of the standard hierarchy is a cost center group. Where you can assign cost centers and nodes to one hierarchy level.
- You can create or change cost centers either using the relevant menu entry or directly in the standard hierarchy maintenance function. They have the status Inactive, that is, they are not handled as account assignment objects in Management Accounting. The assignments can only be checked and the cost center released once the cost center is active.
- If you want to assign a cost center to another hierarchical level, you can do this in the standard hierarchy maintenance by a simple reassignment of the cost center
- You can change the assignments of the organizational units, company code, business area, or profit center during the course of a fiscal year only if the following conditions hold:
  - The currency of the new company code is the same as the currency of the old company code.
  - You have only posted planning data in the fiscal year.
  - The cost center is not assigned to a fixed asset, work center, or HR master record.
- Cost center categories enable you to assign the same characteristics to similar cost centers. This is useful to prevent production activities from being posted to administrative cost centers by mistake.
- The cost center category is an indicator in the cost center master data, which specifies the category for the cost center.

Lesson 2 – Cost Elements

- To record postings and allocations in Controlling, you need to create primary and secondary cost elements.
- From the cost controlling viewpoint, a circular system exists because the expense and revenue accounts in Financial Accounting correspond to primary cost and revenue elements in Management Accounting, and because postings in Financial Accounting are passed on in real-time to Cost and Revenue Element Accounting.
- In addition, it is only in Management Accounting that you can create secondary cost elements. These are used to record internal value flows like activity allocations, assessments and settlements.
- You must create the primary cost elements in Financial Accounting as G/L accounts before you can create them in Management Accounting.
- To be able to post to a primary cost element, you require an object in Management Accounting (such as a cost center) to identify the origin of the costs.
- Secondary costs elements are used exclusively in Management Accounting to identify internal cost flows such as assessments or settlements. They do not have corresponding general ledger accounts in Financial Accounting and are defined in Management Accounting only.
- When you analyze revenues in cost controlling, the mySAP ERP system records them as revenue elements. Revenue elements are primary cost elements.
- When you create a cost element, you must assign a cost element category. This assignment determines the transactions for which you can use the cost element. For example, category 01 (general primary cost elements) is used for the standard primary postings from Financial Accounting or Materials Management.

Lesson 3 – Activity Type

- Activity types represent production or service activity provided by cost centers. They are used in direct and indirect activity allocation to trace costs to their cost originators.
- The activity type classifies the activities that are to be performed within a company by one or several cost centers.
- If a cost center provides activities for other cost centers, orders, processes, and so on, then this means that the resources of this cost center are being used. The costs of these resources need to be allocated to the receivers of the activity. Activity types serve as tracing factors for this cost allocation.
- In an internal activity allocation, the quantity of the activity, such as the number of consulting hours, is entered into the system (manually or automatically). The system calculates the associated cost based on the activity price and generates a debit to the receiver and a credit to the sender for both the quantity and costs. The internal activity allocation is carried out using secondary cost elements, which are stored as default types in the activity type master data.
- You can restrict the use of the activity type to certain types of cost centers by entering the allowed cost center categories in the activity type master record. You can enter up to eight allowed cost center categories, or leave the assignments "unrestricted" by entering an asterisk (*).
- The activity type category is used to determine whether and how an activity type is recorded and allocated. For example, you can allow some activities to be allocated directly, but specify for others that they are either not allocated, or allocated indirectly only.

- To enable internal activity allocation, you need to specify which cost centers provide which activity types at what price. You do this by planning the activity output/prices for a cost center.
- For direct activity allocation, you enter the quantity of the activity to be allocated manually. The System has to valuate the allocated activity amount using the sender's price for this activity type. For a direct activity allocation, the plan price for the combination "cost center/activity type" is used for this calculation.
- You can enter the planned price either manually, or have it calculated by the system automatically within planning. To manually set the price, the plan price indicator (PPI) must be (manually) set to 3.

Lesson 4 – Statistical Key Figure

- Statistical Key Figures are used as tracing factors in allocations. In the master data you define the category.
- Statistical key figures are figures relating to cost centers, profit centers, and overhead cost orders Statistical key figures may also be a value representing the services provided by one particular cost center, for example, the number of employees in the Transportation cost center who carry out repairs. These types of key figures are known as activity-dependent statistical key figures.
- You can post both planned and actual statistical key figures.
- You can use statistical key figures both as a basis for periodic transactions, such as assessment or distribution, and for key figure analysis.
- Statistical key figures are defined either as a fixed value or a totals value.
  - The fixed value (for example, employees) is carried over from the period in which it is entered to all subsequent periods of the same fiscal year. You only need to enter a new posting if this fixed value changes. The fiscal year total is an average of the period totals.
  - The totals value is only posted in the period in which it is entered (for example, for long-distance calls). The fiscal year total is the sum of all the period values.

Lesson 5 – Global Function of Master Data

- You can store master data fields for cost centers, cost elements, and activity types as time-based. If you change one of these fields for a particular timeframe, the system creates a new master record containing the new master record for this period
- You specify whether individual fields are time-based in Customizing. Certain fields, such as the assignment of a cost center to a company code, a business area, or to a profit center, are defined by SAP as time-dependent and this time cannot be reduced if you have made actual postings to this cost center in the current fiscal year.
- The Cost center assignment to the standard hierarchy area is a non-time-dependent field. This means that, if the assignment is changed, historical as well as current cost center information will be reported based on the current assignment.
- The SAP system provides you with collective processing functions for cost center master data.
- You can also use collective processing to change or delete statistical key figures.
- Cost elements and activity types can only be displayed or deleted under collective processing.
- You can create your own list variants for collective processing. The list variant determines the master data fields that can be processed. You can change the list variant during processing.
- You use master data groups to summarize the various types of master data in Cost Center Accounting for analysis, planning and allocation purposes.

- The master data group function enables you to create a hierarchical structure. Master data is then assigned to the groups at the lowest level, and then summarized in groups belonging to the higher levels. You can create as many hierarchical groups as your business requires.
- The cost center standard hierarchy is a special type of cost center group. All cost centers in a controlling area must be assigned to the standard hierarchy. Alongside the standard hierarchy, you can use the functions in group maintenance to create any number of alternative cost center hierarchies.
- A selection variant is used for master data selection. You only need to enter the selection criteria for the object once and then save them in a selection variant. The system uses the criteria stored in the selection variant during runtime to determine the corresponding objects.
- Master data groups are not time-based. Therefore, if you change the group structure, then the system prepares current and historic information in the new structure. If you want to save an historical hierarchy, you should therefore save a copy of the hierarchy before each update.
- The standard hierarchy must not contain a suffix.

Unit 4 – Event Based Postings

Lesson 1 – Entering Primary Postings

- Error postings can be corrected by repostings within Management Accounting. The costs are reposted using the original primary cost element. The main difference between a reposting and an allocation is that for repostings, the original debit amount is always reduced on the sender, whereas for allocations, the original debit amount is not changed; rather, a separate credit amount is written to the sender.
- A direct activity allocation involves entering the activity quantities that a cost center provides for another account assignment object. These activity quantities are multiplied by the price per activity unit stored in the system. The resulting total is credited on the sender (and debited on the receiver) using a secondary cost element.
- Management Accounting processes both actual postings and commitments. A commitment is a payment obligation which, although not entered in Financial Accounting, will result in actual costs through to the business transactions that follow.
- The various activities that change an object (such as a cost center or order) appear in the SAP system as business transactions. You need to define number intervals for all business transactions that generate Management Accounting documents. It is possible to copy document number intervals from one controlling area to another.
- There are two steps to issuing number intervals for documents:
  - You group more than one transaction together. If you want to assign a different number interval to each transaction, you can create a group for each transaction.
  - You assign the group to an internal or external number interval. This enables you to use one group of number intervals for similar transactions.
- You define document number intervals for Management Accounting documents independently of the fiscal year. The document numbers can be assigned in ascending order.
- SAP recommends that you create different number interval groups for actual and plan transactions. This ensures that reorganization programs that run separately for actual and planning data also reset the number intervals separately.
- You can enter primary costs either directly in Financial Accounting (as for an invoice in Accounts Payable) or generate them from other applications (as for a goods movement in Materials Management) and transfer them to Financial Accounting.
- Financial Accounting documents contain at least two items and must balance to zero (balance = 0).
- The Management Accounting posting is a one-sided entry, since only the profit and loss statement respective postings is passed to Management Accounting.
- The line items record the business transactions and are managed in a line item file. In addition, the SAP system summarizes all line items to form totals records, which in turn are stored in a totals record file.
- Cost and revenue postings in Management Accounting can result in subsequent real and statistical postings:
  - Real postings can be processed. They can be allocated or settled with other controlling objects. One (and only one) real posting takes place in Management Accounting. The posting contains the information that is transferred to Financial Accounting for reconciliation.
  - Statistical postings are only used for information purposes. You can make as many statistical postings as you wish.

- The account assignment object determines whether a posting is real or statistical, in other words, the account assignment is either a real or statistical object.
- Only real postings are made for a real order, and likewise, only statistical postings are made for a statistical order. The cost center is the exception to this rule.
- You can make real and statistical postings for a cost center.
- You always make statistical postings to the profit center.
- During posting, only a real account assignment object can be transferred. The only exception to this rule is the account assignment to a cost center, and an additional, real account assignment object. In this case, the system always updates the cost center statistically.
- You can only assign one object type to each posting row. This means that you cannot post the same transaction row to more than one cost center or order, and so on.
- Revenues can only be posted as real postings to a profitability segment, sales order, sales project, or to a real order that can have revenues. Revenue postings to the profit center are statistical, the same as for cost postings. Revenues can also be recorded as statistical values on cost centers

Lesson 2 – Reports in the Cost Center Accounting

- You can use the report tree to select reports from the information system. The report tree gathers all reports within an application and structures them in a hierarchy.
- Overhead cost controlling consists of the following tasks:
  - Planning
  - Allocation
  - Control
  - Monitoring of overhead costs

- The SAP system makes a distinction between line items and totals records. These are recorded in separate database tables.
- A line item is entered for each business transaction. You can access these line items using the line item report.
- For reporting, all the line items entered for business transactions are automatically saved in totals records. The amounts are totaled in the SAP system based on the cost center/cost element or cost center/cost element/activity type and enables data to be evaluated more quickly. You can analyze the totals records using a Report Painter/Report Writer report.
- The totals records in the Report Painter report are normally analyzed, but sometimes the line items from the summary report are also selected and examined. You can also move from the line items to the corresponding source documents. The source document can be an FI document, or for example, an accounting document from a reposting.
- You can enter the following default values:
  - Basic data (controlling area, cost center or cost center group, cost element, and so on)
  - Settings for extract management
  - Planning timeframe
  - Reporting timeframe
  - Report currency
  - Other specifications, such as the version
- The variation function enables you to select a separate report for each element of a group that was generated during a selection run. This function is especially useful when creating a report in the

background from a cost center group, if you want to be able to switch between cost center reports at the same time.

- The variation function can only be used if you have activated it in the report definition.
- In the dialog box for the variation, you specify which nodes and/or cost centers are to be output. You can choose one of three options for this indicator:
  - Breakdown provides you with reports for all cost centers and all nodes of the selected group.
  - Do not breakdown provides you with only one report for the highest node of the selected group.
  - Individual values produces reports exclusively for the individual cost centers in the selected group.
- The SAP system provides you with standardized layouts. You can define additional variants for global or user-specific use.
- You can select as many fields as required from the group of available fields (including customer-specific fields) for a layout that is enterprise or user-specific.

Lesson 3 – Account Assignment Tool

- You can define automatic account assignments or default account assignments for postings of the primary cost element type. The SAP system then automatically includes the specified (additional) account assignment for the primary postings you make.
- Whether automatic or default, the account assignments are default values that can be overwritten in the application.
- Automatic or default account assignments are required for primary cost elements used in automatically-generated postings such as price differences, exchange rate differences and discounts.
- You enter the default account assignment in the cost element master record. Here, you enter the account assignment at controlling area level and at account level.
- You enter automatic account assignments in Customizing in the activity “Maintain Automatic Account Assignment”. In this activity, you can also define more detailed account assignments to business areas or profit centers.
- The assignment objects defined for automatic account assignments therefore take priority over the additional account assignments for the default account assignment.
- You can increase the accuracy of the Management Accounting data by using validation and substitution. In validation and substitution, the SAP system checks whether the data entered meets one or more of the conditions that you defined. These checks take place during data entry, thereby ensuring that only valid data is posted.
- You create validations and substitutions for the controlling area and for a particular event. An event is a particular point in transaction processing.
- The following events have been defined for the Management Accounting component:
  - The “document row” (0001) call up point uses data from the document header (COBK) and coding block (COBL) structures. It controls posting in external accounting as well as in Management Accounting.
  - The “document header” (0100) call up point uses data from COBK and affects only manual postings, such as transfer postings or activity allocations.
  - The event “CO Internal Posting: Sender/Receiver” (0002) is used only for internal postings, and is used for checking sender-receiver relationships in periodic allocations.

- You can also carry out validation checks when making substitutions. However, if your condition is met for a substitution, the SAP system substitutes the values with others defined by you without informing the user of this change.
- An additional event - the Order Event (0010) is defined for substitutions. This is used only for collective processing of order master data.
- If you have defined a substitution that contradicts a validation condition, the system informs you of this by displaying a message. We can therefore say that validation has priority, or is "stronger" than substitution.

Lesson 4 – Adjustment Postings

- You can manually repost primary costs and revenues using event-based re-postings. You use this function mainly to adjust (correct) posting errors.
- When you make an internal reposting, the primary costs are reposted (under the original cost element) to a receiving order. If the initial transaction is posted using an incorrect cost or revenue element, the transaction must be corrected in the original application component in order to ensure reconciliation between external and internal accounting.
- Note that no sender check is made, in other words the system does not check whether the costs you repost actually exist on the sending cost center. This means that negative costs may appear on the sending cost center.
- The function for reposting line items enables you to repost specific line items from CO documents. To do this, the CO document must contain a reference to the original FI document.
- Reposing line items is the equivalent of a reversal on the sender object.
- If you repost a line item in Management Accounting, the original account assignment object remains noted in the FI document

Lesson 5 – Direct Activity Allocation

- Direct activity allocate on deals with the measurement, posting and allocation of an organizational activity.
- You need to create the corresponding (measurable) tracing factors in the SAP system. These are known as activity types in Cost Center Accounting. To directly allocate activity, create an activity type (activity type category 1 = manual entry, manual allocation).
- If you want to enter a direct activity allocation, enter the cost center that provides the activity (sender cost center), the object that receives the activity (receiver), the type (activity type), and the quantity of the activity provided.
- Bear in mind that only one cost center can be the sender of an internal activity allocation. However the receiver can be any real CO object such as a cost center, an order, a project, and so on.
- During direct activity allocation, the sender cost center is credited, and the receiving cost objects are debited. The debits and credits are made using a secondary cost element (category "43"). Debiting and crediting are calculated based on the activity performed multiplied by the activity price.
- As of Enhancement Package 4, you have the option of maintaining a different valuation date than the posting date for the determination of the price to be used. If you want to use the Valuation Date field, you have to activate it in Customizing.
- The cost element used for direct allocation of internal activity is derived directly from the master data for the activity type. The cost element cannot be changed in the allocation transaction.

- Reposting internal activity allocation is used to adjust posting fields.
- The total quantity of the allocated activity must remain the same, however, you can allocate the quantities to different receivers.
- You can make adjustments in periods, but not in the same period from which the document to be adjusted originates. However, the fiscal year must remain the same.
- You can repost the following documents for direct activity allocation:
    - Documents entered manually into Cost Center Accounting
    - Management Accounting documents for confirmations (from Production Planning and Controlling)
    - Management Accounting documents for time recording (from time sheet)
- Reposting creates a reference in the reposting document to the Management Accounting source document.

Unit 5 – Period End Closing

Lesson 1 – Accrual Calculation

- The accrual calculation using the Overhead percentage method. You can use the percentage method, if the accrued costs can be calculated as a surcharge on a cost element basis.
- To calculate accrued costs in dependency of an operating rate you can use the target=actual calculation. This method requires activity-dependent planning in fixed and variable portions.
- If your accrued costs are a fixed amount, you can use the target=actual method and plan activity independent fixed costs only. The calculation transfers these planned fixed costs to actual. For that reason you can call it plan=actual method of accrual calculation.
- The non-operating expense is not recorded in Management Accounting as costs.
- Accrued costs do not have a corresponding expense in Financial Accounting. They are only accrued for cost-accounting purposes. There are two different types of accrual costs:
    - Valuation differences, which have corresponding expenses of a difference amount (for example, cost-accounting depreciation, imputed interest and so on)
    - Additional costs, which do not have a corresponding expense (for example, management salary, imputed rents and so on)
- To enable you to enter accrued costs, the mySAP ERP system provides various methods:
    - Percentage Method
    - Plan=actual procedure
    - Target=actual procedure
- In my SAP ERP Enterprise, you can generate periodic postings automatically using the Accrual Engine. You no longer need recurring entry documents with fixed values. Alternatively, you carry out an accrual in Management Accounting only. Calculating accrual results in accrued costs since they have corresponding expenses based on the amount.

Percentage Method

- To calculate accrued costs, use the percentage method. The calculation is based on a percentage overhead, which is related to a cost element or a cost element group.
- Unlike accrual calculation with a recurring entry in Financial Accounting, this method has the advantage that the accrued costs are calculated using the actual costs.
- The percentage method, for example, is useful for accrual calculations for labor costs relevant to salaries, such as bonuses.
- When an accrual is calculated, the system debits the cost centers with the accrual cost amounts. At the same time, a user-defined accrual object (cost center, or internal order) is credited. The actual costs that arose are also posted to the accrual object, so that all of the balances that exist between expenses in Financial Accounting and accrued costs in Management Accounting are calculated, analyzed, and settled in the profitability analysis.
- You create a primary accrual cost element (cost element category = 3) to process the accrual calculation.
- You create an overhead structure to define the accrual calculation. You need to store the following keys for the accrual calculation:
    - Basis Components
      On the basis of which cost element(s) do you want overhead surcharges to be levied?
    - Overhead
      How high should the overhead percentage be?

    - Credit
      Under which cost element do you want the overhead to be posted? Which cost center or internal order (accrual object) do you want to credit?
- If you assign dependencies to the overhead key, you can specify conditions under which the overhead is calculated for a cost center.
- In Customizing, you can assign an overhead structure within a client to any controlling area. This assignment is made based on validity time periods, although you can change the assignment at any point in time.
- You can have an overhead structure for actual accrual calculations and for each version for planned accrual calculation in your controlling area for any period of time required.

Target=Actual Method of Accrual Calculation

- You use the Target=Actual method to calculate accrual costs that are activity-dependent and activity-independent, but for which the percentage method cannot be used, for example, because you cannot find a cost element to define the overhead rates.
- Plan your primary costs on the cost center, for the time period in which you want to calculate accrual. The system enters the planning values in the fields for actual values during the accrual calculation.
- You use cost element category 4 to plan under a primary cost element (= accrued cost element/target=actual).
- If you planned activity-dependent accrual costs, then the system includes the operating rate of the cost center when the planning values are transferred to the actual data.
- For accrued costs that are planned independent of activity, the operating rate of the cost center is not included or is set at 100%. This means that the planning values are transferred unchanged to the actual data. The accrual of planned primary costs that are independent of activity can thus also be regarded as a plan=actual method of accrual calculation.

Lesson 2 – Entering Statistical Key Figure

- You can enter statistical key figures as a tracing factor for periodic allocations, or for creating key figures in reporting.
- A decisive factor for statistical key figures is the way in which you create them as master records.
    - Fixed values (category 01) are updated from the corresponding posting period onwards, in all of the following posting periods of the fiscal year. This takes place assuming that fixed values do not change over a longer period of time.
    - Totals values (category 02) are only entered for each current period. They change from period to period, and therefore need to be re-entered in each posting period.
- You can also enter statistical key figures especially for an activity type on a cost center (statistical key figures that are activity-dependent).

Lesson 3 – Periodic Reposting

- Periodic reposting is a posting aid in that it helps to restrict the number of FI postings that need to be made. In using the periodic reposting the costs are allocated to the corresponding Controlling objects using the original primary cost element and the specified tracing factor.

- Although it is possible to create one cycle for the entire controlling area, it is not recommended that you do that. It is better to create several cycles and run them sequentially.
- Parallel processing is an option in executing cycle groups wherein different cycle groups are executed in different sessions.
- You can only repost primary costs. During this process, the original cost element remains the same.
- Line items are posted for the sender as well as for the receiver, enabling the allocation to be recorded in detail. The SAP system does not save the information from the clearing cost center in totals records during a periodic reposting. This enables the SAP system to save memory when storing the data records.
- Periodic repostings can be reversed and repeated as often as required.
- The cycle-segment method described below is used for defining periodic reposting and also for defining distribution and assessment.
- To display the allocation relationships between the senders and receivers in the system, you need to make the following entries:
    - From which object(s) are the costs allocated?
    - To which object(s) are the costs allocated?
    - Which costs are to be allocated?
    - On what basis are the costs split among the receivers?
- A segment takes sender cost centers, in which allocation values are determined based on identical rules, and combines them with receiver objects, in which tracing factors are determined based on identical rules. When the rules for an allocation differ, a separate segment must be created.
- Several segments are grouped together in one cycle. You create separate cycles for plan and actual allocations.
- Sender values can be posted values, fixed amounts, as well as fixed prices. If you use posted amounts, you can work with plan and actual values. You may specify a percentage rate that is less than 100%, resulting in a corresponding residual amount remaining with the sender cost center.
- On the receiver side, you can store fixed amounts, fixed percentages, fixed portions, and variable portions as rules.
- The tracing factor of the variable portion identifies a posted value on the cost center as an allocation base. You also specify whether the variable portion is to consist of costs, consumption, statistical key figures, or activities. You can use plan or actual values as an allocation base.
- A dependent cycle uses the results from the previous cycle. You need to execute dependent cycles in the correct order to enable the values to be processed correctly. On the execution screen, you can enter more than one cycle and the order in which they are to be processed.
- Independent cycles can be processed in parallel if they have the same allocation type.
- In addition, the cycles must be assigned to different cycle run groups. This assignment takes place in the header data of the cycle. You cannot process cycles in the same cycle flow group in parallel. You can only start cycles simultaneously in different sessions if they belong to different cycle flow groups or if you use background processing.
- Once processing is complete, you can check for errors using the processing log.

Lesson 4 – Cost Allocations

- Cost centers function as senders in indirect activity allocation. The receivers of an indirect activity allocation can be cost centers, WBS elements, internal orders, cost objects or business processes.
- Depending on the activity type category, you can use one of two allocation methods:

  - When you can determine the total activity for the sender, use indirect activity allocation to distribute the posted activity quantities from the sender to the receiver based on specific keys.
  - For activities that are to be planned on a sender object, use activity type category three (manual entry, indirect allocation). The corresponding segment must use the sender rule "Posted quantities". All receiver rules are valid here except "fixed quantities".
- The distribution was designed to transfer primary costs from a Sender Cost Center to receiving Management Accounting objects. Only cost centers or business processes can be used as a sender for the distribution.
- A distribution receiver can be a cost center, WBS element, internal order, cost object or a business process. You can restrict the number of receiver categories in Customizing. You can only repost / distribute primary costs. During this process, the original cost element remains the same.
- You can reverse distributions as often as required. You use the Cycle-Segment method to define sender-receiver relationships.
- Differences between periodic reposting and distribution are due to information content and performance.
- For periodic reposting, no separate credit record is written to the sender for the cost element in the summary report. Instead, the totals record for the cost element is reduced on the debit side, which means that the original debit amount can no longer be checked there (unclean credit). However, during distribution, the system writes a totals record for the credit (clean credit). The information on the receiver is the same for periodic reposting and distribution (clean debit).
- Compared with periodic reposting, during distribution, the system also updates the partner in the totals record for the sender. This means that the partner can be displayed in the information system on the totals record level.
- Assessment was created to transfer primary and secondary costs from a sender cost center to receiving Management Accounting objects. During assessment, cost centers or business processes can be used as senders.
- An assessment receiver can be a cost center, WBS element, internal order, cost object or a business process. You can restrict the number of receiver categories in Customizing. Primary and secondary postings are allocated at the end of the period by means of the user-defined key.
- During assessment, the original cost elements are grouped together into assessment cost elements (secondary cost element category = 42).
- As the system writes fewer totals records, the assessment has a better performance than periodic reposting and distribution.
- Line items are posted for the sender as well as for the receiver, enabling the allocation to be recorded in detail. The system does not display the original cost elements on the receivers. Therefore, assessment is useful if the cost drilldown for the receiver is not important
- You can only use periodic reposting and distribution for primary cost elements. The costs are transferred to the receivers using the original cost element, so they are transferred to the primary cost elements of the receiver. Secondary cost elements remain on the sender.
- The assessment allocates primary as well as secondary costs. The information on the original primary cost elements for the sender is lost because the costs are allocated using an assessment cost element (category 42). You can use more than one assessment cost element for differentiation purposes.
- The segment relationships within a cycle can be defined in such a way that reposting and allocations of cost centers with different segments take place (a cost center is also a cost receiver). Cost centers that have already been credited can be re-credited during the cycle processing . To guarantee a final cost center credit the SAP system processes all sender and receiver relationships that were defined in

a cycle iteratively. The segments are processed until all senders are credited according to their sender value.

- If you deactivate the iteration indicator in the header of the cycle, the system processes the segments according to their sequence. This processing is faster than in the iterative approach.
- Cycles cannot be iterated with each other, even if they are of the same clearing type. Therefore, when you create a cycle, ensure that cost centers with the same allocation relationships are processed in the same cycle.
- The formal check function enables you to test an individual cycle prior to an update run. You can use the error log to correct faulty segments and iterative relationships
- The system uses the object search to display the cycle using the field values you selected (cost center, activity type and so on) and to display the segment in which the values searched for arise. If you wish, you can call up the corresponding segment using the field value.
- You use the segment overview function to display all the segments used in a cycle.
- You can sort and add segments in a cycle in line with your requirements
- You can display the change documents for cycle maintenance. The system logs various cycle and segment information or settings including the end date of the cycle, the date the cycle was last changed, the name of the last person to make a change, the segment name, the sender rule, the receiver rule, the sender percentage rate, the assessment cost element, and so on
- A cycle overview provides an overview of all cycles from one category, including all relevant segments.
- In the allocation structure you can define which cost elements are to be allocated under which assessment cost elements. Therefore, you do not need to create more than one segment to obtain information on the source of the costs to be assigned.
- If the tracing factors or the sender amounts to be allocated are subject to strong fluctuations, and you are using period-based processing, you cannot assign the allocated costs according to their source. Cumulative processing of the tracing factors or sender values lets you smooth out these fluctuations. It does this by spreading the allocations across periods.
- You specify whether the cycle is to be carried out cumulatively on the header screen of cycle processing.
- Cumulative processing is possible only for distributions, assessments, and periodic repostings.
- Cumulative processing is only advisable if the sender-receiver relationships are stable within the fiscal year. The SAP system checks whether this is the case when you execute cumulative processing.
- Cumulative processing always accumulates values starting from period 1.
- The segment reversal deletes the allocation postings for the selected segment by reposting the results with reversed +/- signs. The data for the current period-end closing transaction is not changed.
- Segment reversal and rebooking deletes the allocation but retains the component data. If required, you can correct data from the previous period for a particular segment or segments.
- Segment adjustment is possible for assessment, distribution, and for periodic repostings. Note that individual segments are reversed and rebooked, but not whole cycles. Iterative relationships between cycles are not included. This could cause inconsistencies and errors if you do not reverse and rebook iterative segments at the same time
- Although the period that is to be reversed is normally closed, this does not have to be the case. However, allocations belonging to the previous period must have used the cycle and the segments, and the current period must not be closed. You do not need to repeat period-end closing for the previous periods; reporting remains consistent for all the periods in question.

- Manual cost allocation lets you post primary and secondary costs manually. Unlike the reposting of costs, which reduces the original debit line on the cost center, a separate credit record is written to the sender.
- You can use manual cost allocation for all cost element categories. An exception to this is category 43 (allocation of activities/processes) which may only be used for activity allocation. Senders and receivers include cost centers, internal orders, WBS elements, business processes, networks, activities, customer orders, cost objects, and real estate objects.
- Note that you can use manual cost allocation for actual data only.
- Costs that are debited to a cost center by manual cost allocation cannot be further debited using periodic reposting. Periodic repostings are used only to correct postings, and should be carried out before the allocations (manual or automatic) take place.
- Indirect activity allocation automatically assigns activities in the actual data. Unlike the direct, manual allocation of activity, you need to define keys for the automatic periodic allocation of actual activities. In the same way as all other periodic allocation methods, indirect activity allocation uses segments and cycles, to define sender and receiver relationships.
- The costs are allocated using a secondary cost element from category 43. The cost element assignment is taken from the master data for cost elements for the cost center/activity type plan, and can be changed.
- Cost centers function as senders in indirect activity allocation. The receivers of an indirect activity allocation can be cost centers, WBS elements, internal orders, cost objects, or business processes.
- For activity types whose actual activity quantities cannot be calculated or can only be calculated in a time-consuming manner, the SAP System determines the activities using the following methods:
  - The sender activity quantity is derived from the receiver tracing factors (with global or a weighted factor that is defined per sender)
  - The sender activity is derived from the corresponding entries in the segment definition (as a fixed sender or receiver quantity)
- This second form of indirect activity allocation uses activity type category 2 (indirect entry, indirect allocation). The corresponding segment must either use the sender rule “Inversely Calculated Quantity” along with any receiver rule, or the identical sender and receiver rules “Fixed Quantities”. If you use sender rules for “inversely calculating the quantity’, the sender-specific weighting factors mentioned above are calculated with the sender values function (default value = 1).

Lesson 5 – Period Lock

- The period lock function allows you to lock plan and actual business transactions. You can select individual business transactions for a specific period, you can select individual business transactions for an entire year, or you can select entire periods for locking.

Unit 6 – Internal Order Period End Closing

Lesson 1 – Using Overhead Orders

- Orders can be used as internal cost objects.
- If a job is for a single product, you could settle the costs to the responsible cost center. The next step would then be to allocate the costs from the cost center to CO-PA.
- If the job is a general one that concerns the whole company, it would be difficult to find the appropriate cost center to debit. In this situation, it would be convenient to settle directly to CO-PA

Lesson 2 – Real & Statistical Orders

- When you create an overhead order master record, you choose whether to create it as a real order or a statistical order.
- You use the real order to collect costs and allocate them later to different recipients.
- When you create a real order, you must assign the order to a company code. If you have selected business area balance sheets in Financial Accounting, you must also assign the order to a business area.
- You use the statistical order to evaluate costs which cannot be itemized in detail in cost element or cost center accounting.
- The cost center to be posted can be stored in the order master data. The system then finds the cost center automatically. Otherwise, you must specify the cost center as well as the order to complete the posting document.
- You also have the option on a statistical order whether to record a company code and a business area on the order master record. If you make these assignments, you can only post transactions to controlling objects, such as cost centers, which belong to the same company code and business area. For cross-company code or cross-business area controlling, do not assign a company code or business area on the statistical order.
- You can neither settle statistical orders nor apply overhead to them.

Lesson 3 – Different Scenarios of Internal Orders

- Internal orders may be used for a variety of purposes:
    - To monitor internal actions settled to cost centers (overhead cost orders)
    - To monitor internal actions settled to fixed assets (investment orders)
    - To offset postings of accrued costs calculated in Management Accounting (accrual orders)
    - To display cost accounting sections of sales orders in Sales Order Management and include revenues that are not part of the company’s core business (orders with revenues)
- The Investment Management (IM) component provides functions supporting the planning, investment and financing processes involved in capital investment measures within your enterprise. You can control measures that your company undertakes for the purpose of producing long term assets for its own use, and which have to be entered in the balance sheet as assets under construction. A prerequisite for this is an investment profile that is stored in the order master record.

- Measures are represented in the system by either internal orders or WBS (work breakdown structure) elements. You can create an internal order that automatically includes an asset under construction. A prerequisite for this is the investment profile in the order master data.
- Internal orders can be used as collectors of monthly credits resulting from the accrual calculation.
- You can use the percentage method or the target=actual method to calculate accrued costs.
- If you are not using the application Sales & Distribution, you can use internal orders with revenues to display the cost accounting sections for sales orders in Sales Order Management. You can also use them to monitor costs and revenues for activities that are not part of your company's core business.
- Using the identifier "Revenue postings allowed" in the order type, you can control whether or not revenues can be posted to an order.
- Orders with revenues can be settled at the end of the period in the following ways:
  - Costs can be settled to any receiver
  - Revenues can be settled primarily to the following objects:
    - Profitability segments
    - Other orders with revenues
    - G/L Accounts
    - Not to cost centers

Unit 7 – Master Data of Internal Order

Lesson 1 – Master Data Maintenance

- You must assign each order to an order type, which then transfers certain parameters to the order. Order types define the purpose of the order and the way it is processed in the system. The order type may also be used to group together orders with similar characteristics.
- Among other things, the order type controls:
  - Whether commitment management is active
  - Whether revenue postings are allowed
  - Order status management
  - Characteristics (required, optional, and so on) of master record fields
  - Whether the order number is internally or externally assigned, and the number range
  - General parameters for settlement, planning, and budgeting
  - The presentation of the master data

- The master data defines the attributes of an order, including organizational assignments.
- To transfer values posted on orders to a profit center, you enter the profit center in the order master data.
- Plan values also may be transferred to profit center planning if required.
- If you assign an order to a work breakdown structure element (WBS element), you can monitor the value of the order in the Project System (PS). In addition, you may process the settlement of all orders assigned to the project automatically during project settlement.
- You can design your own screen layouts for the order master data. You then assign the appropriate layout to the order type. If you do not assign a layout for an order type, all fields are displayed in the standard layout.
- The master data is displayed in up to five tab pages in a tab index. The master data fields are distributed over nine predefined group boxes. You can

Lesson 2 – Status Management of Overhead Cost

- An order has its own life cycle, which begins when you create it and ends after you close it. During this time, costs are planned, posted and settled to the order. Status management informs you that a particular phase in the order life cycle has been reached, and it controls which business transactions are valid for an order at any given time.
- The standard SAP System includes four system status settings: Created, Released, Technically Complete, and Closed.
- You define user statuses and associated rules in a status profile and assign the profile to your order type.
- The status profile allows you to:
  - Define the user statuses
  - Assign a follow-up to your statuses
  - Define an initial status, which is automatically set when an order is created
  - Determine that a user status is automatically set during the execution of a business transaction

- Permit or forbid specific transactions

- The status number assigns the sequence for the user statuses in a status profile. You can have only one user status with a status number active at a time. If you assign a status number to a user status, you will also specify a lowest and highest status number. This controls the subsequent user statuses

Lesson 3 – Grouping and collective Processing

- As in Cost Center Accounting, you can combine overhead orders in hierarchically-arranged groups. You can set up a structure using as many levels as you wish. Order groups help in planning and settling costs, calculating overhead, and creating reports for any given combination of orders as defined by you.
- Unlike Cost Center Accounting, however, order groups are client-dependent. This means that you can use an order group name only once; you cannot use the same group name to create different group structures in different controlling areas. However, you can assign orders from any controlling area to an order group.
- You can assign an order to multiple groups, but you cannot define a standard hierarchy.
- You use selection variants to gather orders in a single listing for collective processing (for example, master data maintenance or order settlement). Along with order fields, you can also make selections on the basis of the following:
    - Boolean formulas
    - Order classification data
    - Order settlement receivers
- Automatic collective processing offers convenient options for changing multiple orders in one step. You can update the status of the orders or substitute values in the order master record using this function.

Unit 8 – Transaction Based Posting Order

Lesson 1 – Event based Postings within and outside Management Accounting

- Orders are updated by event-based postings from different SAP application components, like in Cost Center Accounting.
    - In Financial Accounting, you can assign postings of primary costs to an overhead order.
    - In Materials Management, goods receipts and goods issues may result in primary cost postings to an overhead order.
    - Controlling
        - To map commitments manually in Management Accounting, you need to enter funds commitments.
        - Reposting functions allow you to post primary costs to an order. You can post secondary costs from a cost center to an order with direct activity allocations.
        - You can record statistical key figures for use as the basis for allocations to your orders and for analyzing your orders.
- You can also specify a cost center when you post actual costs to a real order. In this case, the cost center receives a statistical posting of the actual costs. The costs are still managed at order level, but the cost information is also available for analysis at cost center level.
- When you are posting actual costs to a statistical order, you must enter a real cost assignment object, such as a cost center, real order, or profitability segment. You can then manage the costs at controlling-object level, but you can analyze them in more detail at order level.
- To facilitate data entry, you can assign a real cost center to a statistical order in the order master record. The following two options are available:
    - The system always uses the assigned cost center. In this case, if you enter a different cost center manually, the system replaces it with the cost center assigned in the order master record.
    - The system uses the assigned cost center only if no other cost center has been entered manually (deviating posting logic)
- Event-based allocations are entered directly on screen and result in the immediate movement of actual costs between the sender and receiver objects. The following are event-based allocations for overhead orders:
    - Reposting costs and revenues
    - Reposting line items
    - Direct Activity Allocation
    - Reposting direct activity allocations
- Besides posting primary and secondary costs, you can post statistical key figures to your orders.

Lesson 2– Commitment Management

- A commitment identifies costs which will be incurred in the future for materials and services requested or ordered. By recording commitments as well as actual costs, you can compare the funds you have allocated to your planned or budgeted costs to determine funds availability.

- You must activate commitment management both in the controlling area and in the order type to create commitment information on an order. The order status must also allow the relevant business transaction.
- You record commitments on your overhead orders using certain MM and Management Accounting transactions:
    - A commitment is recorded automatically when you assign an overhead order to a purchase requisition or purchase order line item.
    - You can generate a commitment manually by entering a funds commitment in Management Accounting. A funds commitment in the system represents costs that are pending but that have either not yet been entered in Purchasing or that have not been entered yet because the component MM is not in use.
- The information system uses different value types to identify commitments according to their origin (purchase requisition, purchase order, or funds commitment)
- You can carry forward open commitment values into the first period of the next fiscal year as part of the year-end closing process.

Unit 9 – Period End Closing of Internal Order

Lesson 1 – Periodic Debit Postings

- Overhead costing is the means by which you allocate overhead costs to the appropriate objects by applying a percentage or quantity-based fixed amount to a specified cost base. The basis for overhead application are those primary cost elements which were posted directly to the order. In the manufacturing industry, for example, these are usually the labor and material costs.
- You can apply overhead to both planned and actual costs or on the basis of commitment data.
- For testing and forecasting purposes you can also simulate the calculation. In this case, the data is not updated in the database. The results of the calculation are displayed as statistics and any errors are recorded in an error log. You can print out both the statistics and the error log.
- The rules for applying overhead are gathered in the overhead costing sheet.
- The overhead costing sheet combines three central elements which determine how overhead is calculated.
    - The calculation base specifies the cost element base to which overhead is applied, such as the materials cost elements.
    - The overhead amount allows you to define the amount of overhead to be applied as follows:
        - In the percentage overhead approach, you identify base cost elements. A percentage is applied to the costs posted to these cost elements. The calculated cost is added as overhead.
        - In the quantity-based overhead approach, you specify the amount of overhead cost to be applied per quantity unit posted to the calculation base cost elements. In this case, units of measure must be recorded in Management Accounting.
    - The dependency allows you to differentiate overhead rates or amounts by plant, company code, profit center, responsible cost center, order type, or other criteria.
    - The overhead type determines whether the overhead calculation is for actual, plan, or commitment data
    - The credit key defines which object (cost center or internal order) is credited to offset the debit to your overhead order. You also specify which cost element should be used to post the overheads.
- Using Activity Based Costing (CO-OM-ABC), you can allocate costs from business processes to overhead orders.

Lesson 2 – Periodic Credit Postings

- An order can be credited during a periodic reposting.
- The cycle-segment method, which can also be used to define distributions, assessments and indirect activity allocation.
- Overhead orders are usually used as an interim collector of costs and an aid to the planning, monitoring, and reporting processes. When the task is complete, the costs are passed on to their final destination. This process is called settlement.
- The costs gathered on an order can be settled on a variety of account assignment objects, such as Settlement to an asset or General Ledger account is an external settlement, because Financial Accounting is updated by the settlement.

- Settlement to one of the remaining objects like Cost Center, Order, WBS elements, network, profitability segments and sales order, is an internal settlement within Management Accounting.
- You can settle statistically to a cost center, statistical order, or statistical WBS element in addition to the actual receivers.
- Order settlement is not mandatory.
- Before you can settle an order, you must specify where you want the costs to be posted. There are two procedures for defining your settlement: basic settlement and extended settlement.
    - Basic settlement allows you to settle 100% of the costs to one cost center or to one G/L account under one cost element. You enter the data in Period End Closing on the order master record.
    - Extended settlement allows you to create your own settlement rules in the order master record. These settlement rules can be used to:
        - Settle costs to one or more receivers and allow a wide range of receivers (WBS element, sales order, profitability segment, and so on)
        - Specify how the costs are to be split (distribution rules)
- In extended settlement, the settlement process is controlled using assignments in the settlement parameters on the order master record. These parameters include the settlement profile, settlement structure, PA transfer structure, and so on.
- The settlement profile, which specifies the default values for the other parameters, is derived from the order type. The defaulted settlement parameters can be changed on the order master record.
- A settlement profile must be specified in the master record even if you are using basic settlement. You must specify which receiver object types are to be permitted
- The settlement profile performs the following:
    - Determines whether settlement is required
    - Specifies valid settlement receivers and proposes these in the order master record for the receiver
    - Sets settlement indicators, including the valid methods for apportioning costs
    - Defines document management parameters
    - Identifies the default values for the other settlement parameters on the order master record: the settlement structure, Profitability Analysis transfer structure, and the source structure
- The allocation structure controls how original cost elements are assigned to settlement cost elements. You also have the option of settling using the original cost element also exists.
- The profitability analysis (PA) transfer structure controls how cost elements are assigned to value fields in costing-based profitability analysis. It is used only if you settle internal orders directly to Profitability Analysis.
- The source structure controls settlement to different receivers depending on the original cost elements that were posted to the order.
- You can enter the distribution rules in the Settlement Rule Overview screen. Costs can be allocated to the receivers based on the following:
    - Percentage
    - Equivalence number
    - Fixed amounts
- The SAP System ensures that you cannot create a rule containing an amount as well as an equivalence number or a percentage.
- The following settlement types are defined in the system for overhead orders:
    - Settlement type PER settles only the costs for the period you specify.
    - Settlement type FUL settles all costs on a sender object that have been incurred right up until the settlement period.

- You can settle costs to receivers using the same cost elements you originally used to post your order. This allows you to identify precisely the types of costs which were allocated to your receivers, such as material, supplies, and personnel costs.
- Alternatively, you can use a settlement cost element to allocate costs. With this approach, you can easily determine what costs have been allocated to the receivers in the order settlement process.
- There are two categories of settlement cost elements:
  - An internal settlement cost element (cost element type 21) is used when you settle to a Management Accounting object such as a cost center, order, WBS element, and so on.
  - An external settlement cost element (cost element type 22) is used when you settle to an asset or a General Ledger account.
- After settlement, the costs incurred on the order are still visible, regardless of which approach you select. This allows you to analyze and report on your order costs at any time.
- Each time an object is settled, a settlement document is created. You define the number range for settlement documents during system configuration. To manage data volumes, you can define (in the settlement profile) the retention period after which the settlement document can be archived.
- In addition to the settlement document, the system also creates:
  - A document in Financial Accounting containing all accounting-related data (external settlement only)
  - A document in Management Accounting containing purely cost accounting-related data
- The allocation structure allows you to define which cost elements should be settled using a settlement cost element or the original cost element. The setting you choose depends on the settlement receiver object.
- To use the allocation structure, you need to create cost element groups that contain the primary and secondary cost elements used for debit postings to your orders.
  In Customizing, you link the cost element group to the settlement structure with a settlement assignment.
  For each settlement assignment, you stipulate by receiver type whether the settlement will use the original posted cost elements or a designated settlement cost element.
  You might use settlement cost elements:
  - To reduce data volumes by combining several debit cost elements under one settlement cost element
  - To differentiate costs allocated from orders to the receiver and to describe their purpose, such as repairs or maintenance
- The source structure enables you to settle cost element (groups) to receivers using different settlement rules, that is, the total debit for the order can be split up and settled within the relevant groups.
- The debits in the internal order are structured in the source structure according to cost element. To use the source structure, insert it into the settlement profile or activate it in the master data for internal orders.
- In the source structure, you can combine the primary and secondary cost elements used for debit postings to your order into source assignments. You can then use the source assignments to allocate different types of costs to different receivers.
- The concept of the PA transfer structure is similar to the concept of the allocation structure.
- The input side again consists of cost element intervals. All cost elements should be included in any interval to make settlement to a profitability segment possible.
- The settlement side connects the cost element (intervals) with value fields in CO-PA. This is particularly important if you have orders with revenues and want to settle them to CO-PA using costing-based Profitability Analysis.

Unit 10 – Planning, Budgeting and Availability Control

Lesson 1 – Budgeting and Availability Control

- The system recognizes the following budget types:
  - The original budget is the budget that was originally allocated.
  - Budget updates for orders include supplements and returns and are used when unforeseen events and additional requirements force a correction to the original budget
  - The current budget includes the original budget and all budget update
- You can freeze the original budget using status management. To do this, you must create a user status that prohibits the Budgeting business transaction but that allows budget supplements and returns.
- When you create or update your budget, the system documents the transaction in a line item.
- In order to create a budget for an order, you must define a budget profile and assign it to the order type. The budget profile defines the parameters for budgeting.
- When you save the budget, the system checks that the sum of the annual values matches the overall value for the order.
- In the profile, you can specify whether the availability control cannot be activated, is activated manually via a function in the component menu, or is activated automatically during budgeting. You can check funds availability using either the annual or overall budgeted value.
- Actual costs and commitments are funds allotted to an order and they can be checked against the budget using the availability control.
- You use the tolerances to define how the system should respond to a given degree of budget overrun.
- If you select the action Warning and Mail, you must specify a budget manager in Customizing. If no budget manager is entered, the system generates an error message.
- You can transfer unused funds to the next fiscal year using the budget carry forward function. The SAP system will carry forward the difference between the budget and the actual amounts for the year specified.
- You cannot carry forward budgets for orders that have system status Complete or that are flagged for deletion, nor can you carry forward negative budget amounts.
- You can execute the carry forward run more than once for a fiscal year. Each execution of the program carries forward budget not previously processed. You can also return funds to the “old” fiscal year, up to the amount of budget actually carried forward.
- Commitments are not considered in the calculation of the unused funds. You should, therefore, carry forward your commitments before carrying forward the budget
- If you choose budgeting in the controlling area currency, all budget items are entered in the controlling area currency.
- If you choose budgeting in the object currency, you can enter the budget in this currency for each object. The object currency is stored in the master record of the object.
- If you choose budgeting in a freely-definable currency, you can choose for each budgeting transaction, in which currency it should be entered.
- You should specify in the budget profile of the order type or the project profile, in which currency the budget items for the order or the project can be entered

Lesson 2 – Introduction to Planning

- Planning provides a baseline measurement against which actual operating results can be matched. This makes it easier to analyze and control business operations to achieve desired results.
- The basic goals in planning are as follows:
  - Plan the structure of the company's future operations for particular periods.
  - Create benchmarks for monitoring the business transactions within a fiscal year.
  - Monitor efficiency at the end of the posting periods using plan/actual and target/actual comparisons.
- A version is a unique view of planned costs and revenues, given a particular set of assumptions. In the planning process, many different versions can be created and different planned values can be created for each version. Each version is independent of all others.
- The SAP system automatically creates version 0 when you create a controlling area. The actual values created when entering primary costs and allocating costs internally are posted in this version. This version must be used for plan/actual cost comparisons. Version 0 is the version used for analyzing actual data. A version is used across all applications.
- A given version can 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).
- Copy function can also be used to copy actual data from cost center accounting and use this data as a basis for future planning data. Revaluation allows you to increase or decrease the planning results on a percentage basis
- Planning layouts are used to define the planning screen. Standard planning layouts are available for almost every type of planning area. You can copy these standard planning layouts and adapt them as required, or create new layouts. Layout 1-101, which is used for activity-independent and activity-dependent cost element planning, is an example of a standard layout.
- Cost Center Accounting has three planning areas:
  - Cost elements/activity input
  - Activity types/prices
  - Statistical key figures
- You can control the planning process using planner profiles. In a planner profile, you can assign as many planning layouts as required to each planning area. A planning area can, therefore, contain more than one planning layout.

Cost Allocations

- Used to plan cost values only
- Enable plan/actual comparisons to be made

Internal Activity Allocations

- A cost center's activity types must be defined
- Activity type quantities are planned, scheduled, and reconciled
- System can calculate price or you can enter the price manually

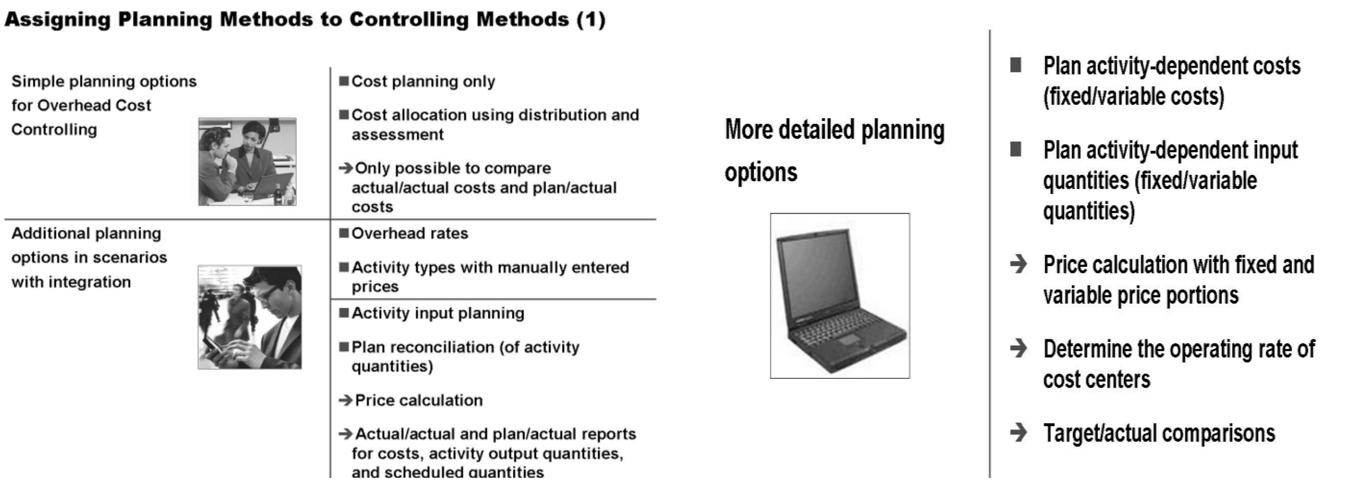
Fixed and Variable Costs

- Based on activity-dependent and activity-independent cost planning
- Allow fixed and variable components in the activity type price
- Enable target/actual comparisons to be made
- Allow marginal costing (cost for each additional unit)

Lesson 3 – Planning Option in Overhead Management Accounting

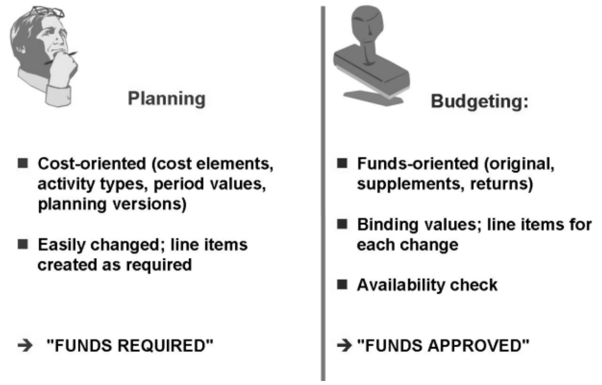
- Planning statistical key figures enables you to:
    - Calculate the ratios in Cost Center Accounting (such as costs per employee)
    - Create receiver bases (allocation factors) for allocations such as assessment or distribution
- SAP provides layouts for statistical key figures, which you can access via the SAPALL standard profile:
    - Standard layout 1-301 for activity-independent planning of statistical key figures
    - Standard layout 1-302 for activity-dependent planning of statistical key figures
- You can also transfer statistical key figures from the Logistics Information System (LIS).
- You plan activity-independent primary costs structured by cost element on the cost centers where you later assign actual data. Most cost elements (material costs, costs for raw materials and operating materials, for example) are normally planned this way.
- In distributions and assessments, costs that were planned on a cost center with user-defined keys (such as percentages, amounts or statistical key figures) are allocated. The advantage of these methods is that they are easy to use. You need to define the keys and the sender/receiver relationships only once.
- Cost accounting methods that are based on pure cost allocations do not necessarily require planning. However, there are many types of cost allocation (for example, distribution or assessment), which are possible only within Overhead Cost Controlling.
- Activity types can be used to measure cost center performance. They describe the activity output (output quantity) of a cost center and are used to calculate the operating rate and the target costs. Activity types are allocated using a secondary cost element, which is stored in the activity type master record.
- You can enter the price for each cost center and activity type manually or calculate the price using automatic price calculation.
    - You can set manual activity prices for your cost center/activity type combination if the activity price is fixed within your company and unaffected by any internal exchange of activities.
    - In the automatic calculation of prices, all primary and secondary costs are contained in the price. These costs are planned as either activity-dependent costs or activity-independent costs for each cost center.
    - If several activity types are planned for a cost center, the activity-independent plan costs are assigned to these activity types for activity price calculation. You can accomplish this by entering equivalence numbers with each planned activity type, or with plan cost splitting.
    - The unit price for an activity type is calculated by dividing planned costs for an activity by the planned quantity of activity type units. Alternatively, the capacity of a cost center to produce a given activity type can be used when calculating the fixed portion of the activity price.
- Because the activity quantity is valuated with this price, a combined quantity and value flow is the result of an activity allocation.
- When you plan primary costs that are activity-dependent, you plan primary costs that depend on certain activity types provided by the cost center. You thus specify that if the activity type is no longer provided, these costs also no longer apply.
- After activity type planning is complete, you can plan the costs, taking into account these activities (divided into fixed and variable costs if required). Variable costs occur relative to the planned activity quantity and can be planned in addition to costs that are activity-independent. This means that the price can contain two types of fixed cost:
    - Planned activity-independent costs for the cost center
    - Fixed portion of activity-dependent costs planned for the activity type

- In addition to the primary costs, a cost center often incurs secondary costs because it has to use services (activity input) from other cost centers. You can plan this kind of activity input as either activity-independent or activity-dependent.
  - You plan activity input as activity-independent if you use services such as plant maintenance hours, regardless of the activity of the receiver cost center. In this case, the consumption of planned activity input is regarded as fixed.
  - Activity input is planned as activity-dependent if the consumption of this activity depends on the output of an activity on the receiver cost center. The consumption can be fixed or variable for the activity output quantity
- A cost center that plans the receipt of secondary costs from internal activity allocations must always specify a sender cost center and the quantity of the received activity for this business transaction.
- Cost accounting methods that allocate activity-based costs do not necessarily need planning, but the activity type that is provided must be assigned to the cost center and a price must be stored.
- If, however, you allocate costs using activity types, the planning function is recommended. In addition to planning costs, you can also plan the output quantities of the activity types. This means that you can also, in this case, calculate the costs per unit of the activity type provided using price calculation. The cost per unit can be stored as the price in cost center planning.
- Activity input planning values shows the requirement to the activity sender as a scheduled activity quantity. The cost center manager can then adapt the activity output of the cost center to the requirement. This can help avoid idle capacity.
- The calculated prices are used immediately for all participant senders and receivers to display the new plan debits or plan credits. The result of the price calculation should be prices that bring the cost center balance to zero in the planning figures. This is referred to as fair allocation price for the activity type.
- There is no prescribed sequence in which the steps involved in cost center planning must be performed. However, SAP recommends that you follow a few general rules to ensure a logical sequence that meets your requirements. You may find that you need to adjust this sequence for your particular situation.
  - The first step involves planning statistical key figures.
  - Activity type planning is usually the next step in cost center planning because it is important to know which activities can be performed by which cost centers.
  - Using activity input planning, the cost center managers plan how much activity they want to use. This can be seen on the sending cost centers as the scheduled activity quantity.
  - The cost center managers then plan the activity quantities they want to provide. These quantities should be based on the scheduled activity quantities
  - The next logical step involves planning the primary costs and the additional secondary costs. These costs can be planned manually as either activity-independent costs or activity-dependent costs
  - Activity price calculation is the final stage of the planning process. The SAP system calculates the prices for all combinations of cost centers and activity types iteratively. The activity prices are then used to valuate the planned activity exchange



- In simple scenarios, planning is optional and no activity types are necessary. Only costs are planned. Plan cost allocations can be accomplished with distributions and assessments.
- If you want to also use Cost Object Controlling, you must be able to allocate the overhead costs to production orders and other cost objects.
- The advantage of activity type allocation is that it combines both quantity flows and value flows. Required activity quantities are specified in routings and used for product cost planning and for allocation to cost objects.
- After cost and activity planning is complete, the system can calculate activity prices by dividing the plan costs by the planned activity output quantities.
- The operating rate represents the actual activity quantity of an activity type in a period divided by the planned activity quantity of an activity type.
- Target costs = planned fixed costs + planned variable costs x operating rate.
- The target costs are costs that are expected for a certain operating rate. They form the basis of the target/actual cost comparison, in addition to the plan/actual cost comparison. Plan cost values are statistical values that do not take into account the changes in operating rates. Target costs, however, are dynamic values that continuously change according to the activity types.
- Easy Cost Planning makes it easier to enter data in the system. With Execution Services, the system automatically proposes the data to be posted. The proposed data is based on the data that you entered with the Easy Cost Planning tool.
- Easy Cost Planning and Execution Services work in the following sequence:
    - Costing models are defined as predefined quantity structures that depend on allocation bases (cost drivers).
    - Easy Cost Planning uses these costing models.
    - Actual costs are recorded using Execution Services on the basis of the planned data.
- In the template of the costing model, you can control quantities, prices, and the activation of the entry with formulas or conditions. You can use characteristics that are assigned to the costing model as variables for these formulas/conditions. When you plan costs later, you need to enter only the values of these characteristics to plan the corresponding quantities of all resources.

Lesson 3 – Advance Planning Technique in Internal Order



- Internal order planning provides three different levels of cost planning:
  - Overall planning is the simplest way of planning costs for orders. You can estimate overall and annual values for an order separately from the cost element.
  - When more detailed information is available for an internal order, you can use primary and secondary cost and revenue planning. This type covers the planning of primary costs, activity inputs, and revenues in manual planning. In automatic planning, you can charge the order with overheads, distribution costs, periodic reposting costs, assessment costs, indirect activity allocation costs, process costs, and settlement costs. If the order is integrated into planning, you can carry out a plan credit using periodic repostings or settlement.
  - If you have access to more detailed information on sources of supply, quantities, and prices, you can perform unit costing. With unit costing you can plan one level below the cost element level.
- You can plan statistical key figures as a basis for allocations and as a means to calculate the management key figures for your orders.
- For overall planning, you need to create a planning profile (not a planner profile) and assign it to the order type.
- Within the profile you can specify the time horizon and whether you want to plan on a yearly or overall basis
- Please note that only those cost centers, cost elements, activity types and statistical key figures that are organized into groups and stored in the planning profile can be taken into account during planning.
- For unit costing, you need to define and assign a costing variant (CO-PC). The costing variant will be the interface to the bill of materials, material master data and routing (the so-called quantity structure) that you need for planning on this level.
- Overall planning is the most basic form of order planning. Here, you create a plan by estimating the likely costs that will be incurred for an order.
- You can call up the primary cost planning, unit costing, revenue planning, and activity input planning functions straight from the overall planning screen.
- You can plan your internal orders in multiple versions.
- There are two indicators used for integrated planning in the version:
  - Integrated Planning
    This indicator governs whether planning data is passed on to Profit Center Accounting and the Special Purpose Ledger. It also ensures that each planning change is documented with a plan line item.
  - Integrated planning with cost centers/business processes
    To ensure that internal order planning is included in Cost Center Accounting and Activity-Based Accounting, this indicator must be active in the plan version.

- To use integrated planning for individual orders, you also need to set the relevant indicator in the order master. You can create a default setting for this in the order type.
- Note that unit costing cannot be executed for plan-integrated orders. So the decision plan-integrated orders or not plan-integrated orders often depends on the planning function you want to use.
- Within integrated planning for internal orders, you can integrate cost element and activity input planning for an internal order into cost center or business process planning. All the planned business allocations on the internal order are then automatically updated on the sender/receiver cost center or on the sender/receiver business process.
- You can only use integrated planning for internal orders if the internal order already exists when the cost centers are planned. In the case of long term orders, you can use integrated planning.
    - If you are planning activity inputs for an integrated planning order, the planned activity is updated to the cost center providing the activity.
    - During planned settlement of the order, the order costs are debited from the receiver.
    - Overhead calculations on plan-integrated orders debit the internal order and credit a cost center.
    - If you are using assessment and distribution, the planned costs of a sender cost center are allocated based on pre-defined assessment and distribution keys.
    - Periodic repostings of plan-integrated orders to cost centers are supported
- You can copy both actual values and planned values from internal orders into a plan version.
- The actual business transactions are assigned to the corresponding, manually planned business transactions

Lesson 4 – Planning Aids

- To speed up planning data entry, you can obtain the plan values by copying plan or actual data.
- If you want to reuse large parts of your manual planning from the previous year for your current fiscal year, or to transfer plan values within a fiscal year to a different period, or to generate alternate versions, you can use the tool Copy planning.
- You can copy:
    - Within fiscal years, versions, and cost centers
    - Between different fiscal years, periods, and versions

- Using the plan revaluation function, you can increase or decrease planning data on a percentage basis. This means you can combine the Copy Planning and Revaluation functions to create several different plan versions
- You can revaluate costs and consumption. You can revaluate all cost elements used in the primary cost element and revenue planning. You cannot revaluate assessment cost elements, imputed cost elements, and cost elements used in indirect activity allocation.
- Plan line items are entered when you execute revaluation.
- The percentages used during revaluation can be changed as often as you want. If you repeat a revaluation using modified percentages, the old plan line items are deleted. The revaluation always uses the original initial value.
- Integrated planning enables you to transfer data from one of the pre-stored systems in Cost Center Accounting to cost center planning.
- If the planning process in cost center accounting has been completed, the planning should be locked to protect it from changes.

- Use the block indicator in that version to lock the entire planning for a plan year
- Within the posting lock, you can block transactions that were not used for planning (such as revenue plan on cost centers). You can lock planning transactions for a combination of controlling area, fiscal year and version.
- You can also lock individual operation for all periods of the fiscal year or all operation for a certain period.

****