Actual Costing with the SAP® Material Ledger

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1 Introduction

To me, the Material Ledger is one of the most ingenious tools that exists in SAP ERP software. Since its conception, the Material Ledger has had continuous improvements in each release, which always create something new to learn and propose questions never thought of before that must be answered.

The Material Ledger is classified as a subledger of the General Ledger (GL) for materials, but it can also be a powerful cost-management tool. This book is intended to guide you from the basic idea of the Material Ledger in releases such as R/3 4.6C through complex scenarios available in the most recent release in SAP ERP 6.0 enhancement package 5 (which we will refer to as EHP5 in this book), and everything in between.

In this book, you will learn the concepts of the Material Ledger, relate these concepts to the accounting documents (Financials, Controlling, and Profitability Analysis), and understand how processes flow within the system. To help illustrate these processes, we will use the example of a chocolate factory to show how the different processes can create variances that affect the Material Ledger and the actual costing calculation.

This book shows not only the technical and mathematical explanation of how the Material Ledger calculates actual costs, but also the Material Ledger integration with Financial Accounting (FI). By the end of this book, you will have a complete understanding of the Material Ledger, from the original concept to the most complex functions available in the latest releases.

This book should serve as a guide to costing accountants, project leaders, and product cost consultants who are part of a SAP ERP implementation that includes product cost and inventory valuation processes.

Because the Material Ledger subject is integrated with most of the SAP ERP areas, we assume you are familiar with or have other sources of information in subjects such as product cost planning (CO-PC-PCP), cost object controlling (CO-PC-OBJ), Profitability Analysis (CO-PA), and SAP General Ledger.
1.1 **Structure of this Book**

The book is structured in three main parts. Each part and chapter is described in the following sections.

1.1.1 **Part I: Basic Information on the Material Ledger and Product Costing**

In Part I, we discuss the basic product cost and Material Ledger processes and configuration. We only present the basic product cost information that is relevant for the Material Ledger without going into detail about how product costs are configured and used in the SAP ERP system. By the end of Chapter 5, you will have all of the configuration and master data necessary to start running the Material Ledger scenario examples.

- **Chapter 2: Introduction to the Material Ledger**
  In this chapter, we discuss the basic concepts of the Material Ledger and its usage. We show you concepts such as price control, procurement alternatives, inventory valuation methods, price determination, categories, process categories, procurement and consumption alternatives, and controlling levels.

- **Chapter 3: Product Cost Planning**
  Here we review the standard product cost configuration that is used for product costing calculation and is also shared with the actual cost. Here you see the master data (cost centers, activity types, work centers, bill of materials, routings, and activity types) as well as the basic data (planning rates, materials standard prices, cost component split, and costing run results) that are used in the examples in this book.

- **Chapter 4: Material Ledger Basic Configuration and Startup**
  We go through the basic Material Ledger, actual costing, and actual cost component structure configurations. Then we initiate the Material Ledger startup and reconciliation programs.

- **Chapter 5: Other Material Ledger Related Configurations**
  We examine all of the Materials Management (MM) account determination that is necessary to run the Material Ledger. We also configure how to treat the exchange rate differences in our chocolate factory example.
11.2 Part II: Material Ledger Transaction Data

In Part II, we show how the Material Ledger transaction data is created when a material-related transaction is performed in the system. We also cover the period-end closing activities for actual costing/Material Ledger and the main Material Ledger reports and display transactions.

- Chapter 6: Purchasing Processes and Variances
  We show you examples of how the external procurement processes (from purchase to payment) can influence the Material Ledger and actual costing through the price and exchange rate differences.

- Chapter 7: Manufacturing and Overhead Variances
  In this chapter, we discuss how the manufacturing process can influence the Material Ledger and actual costing. We see examples of production order variances and settlement to the Material Ledger during period-end closing activities.

- Chapter 8: Periodic Actual Costing
  We execute the Material Ledger actual costing run to calculate the periodic actual cost. For each step, we discuss the execution parameters, expected results, and the Material Ledger values.

- Chapter 9: Actual Costing Revaluations
  We discuss two other functions in the Material Ledger to revaluate at actual cost: the cost of goods sold (and other single-level consumptions) and the work in process (WIP) materials.

- Chapter 10: Material Ledger Actual Costs and Value Flow Reports
  We see the actual cost reports and display transactions in the Material Ledger (actual cost component split, valuated quantity structure, actual bill of material, and value flow monitor).

11.3 Part III: Material Ledger Advanced Topics

Part III presents advanced Material Ledger functions. We discuss the integration of actual costing/Material Ledger with CO-PA, alternative valuation runs, distribution of usage variances, parallel valuation/transfer prices, IFRS Material Ledger solution, and actual costing cross-company code.

- Chapter 11: Material Ledger: More Functionalities
  We see more Material Ledger functionalities such as transferring actual cost to
CO-PA, debiting or crediting directly to materials, changing actual cost component split values, distributing usage differences, and alternative valuation runs.

- **Chapter 12: Transfer Prices and Multiple Valuation Approaches**
  The multiple valuation approaches or transfer prices refer to using the Material Ledger to carry the group and/or profit center valuations in inventory in addition to the legal valuation.

- **Chapter 13: IFRS and Multiple Valuation of Cost of Goods Manufactured**
  We analyze a business function in SAP ERP 6.0 EHP5 called *parallel determination of costs of goods manufactured*, which is used when you have more than one accounting principal to valuate inventory.

- **Chapter 14: Actual Costing Cross-Company Code**
  We discuss a business function in SAP ERP 6.0 EHP5 that allows you to valuate the in-transit stock at actual cost and to calculate cross-company code actual costs.

### 1.1.4 Appendices

Three appendices complement the Material Ledger overall functionality. **Appendix A** provides the accounting postings used in the examples through the T accounts. **Appendix B** describes the archiving objects for the Material Ledger data. **Appendix C** provides a bibliography used in writing this book, which may also be useful for further reading.

### 1.2 Looking Ahead

After reading this book, you will have a total and deep understanding of the Material Ledger concepts, configuration, calculations, reports, and advanced functionalities. You will understand the different scenarios of material valuation and be able to choose the best option to fit to your company’s requirements. You will know in detail how actual costs are calculated by the Material Ledger and how you can use the Material Ledger to value the inventory or accrue the differences for different accounts.

Using the examples shown in this book, you will be able to extrapolate the Material Ledger concepts presented here to your individual business cases. The book gives you a unique perspective on the Material Ledger functionality and will prepare you to be part of an actual costing/Material Ledger implementation.
6.3 Changing the Controlling Level

As we saw in Chapter 2, the controlling level determines the level of detail of the procurement alternatives created in Material Ledger and shown in the Material Price Analysis transaction.

For example, Figure 6.18 shows the Material Ledger default controlling level plant/material for the process category PO. In the Material Analysis Price screen under the PO process category, the system shows the goods receipt and invoices receipt documents. A procurement alternative may need to be shown in more detail if your business needs the actual costing information in a different level of detail than that of the default controlling level plant/material. (Refer to Chapter 2 for more information on procurement alternatives and controlling level concepts.)

In this section, you will learn how to create subgroups of Material Ledger documents within the PO process category. The next example shows how to change the controlling level shown in the Material Ledger.

6.3.1 Changing the Controlling Level for an Individual Material

Now we will show you how to change the default controlling level in the Material Ledger. For our example, we will change the controlling level for material BC10020 (milk) to group the Material Ledger purchase transactions under a subgroup of vendor/purchasing organization.

1. Call Transaction CKMLMV_CA, or follow the SAP menu path Accounting • Controlling • Product Cost Controlling • Actual Costing/Material Ledger • Environment • Edit Controlling Level for Material.

2. Enter the material and plant for which you want to change the controlling level, and then press [Enter]. Figure 6.28 shows the Edit Controlling Levels screen for material BC10020 in plant BC11.

Note

In Figure 6.28, the screen shows all process categories and the possible controlling levels for each process category. The lock in front of each process category shows whether or not you can change the controlling level for that specific process category. You cannot change the controlling level if there are procurement alternatives or procurement processes for that controlling level that are already being used. In this case, you will see a closed lock in front of the process category.
The green check mark shows which controlling level is currently assigned to each process category. As we mentioned before, you can now see in Figure 6.28 that the default controlling level for all process categories is plant/material.

3. To change the controlling level for the PO process category, position your cursor on the PURCHASE ORDER line, and click the CHANGE CONTROLLING LEVEL button. The screen shown in Figure 6.29 appears.
4. In the **New Controlling level field**, choose **Purchasing Organization/Vendor**, and click the **Continue** button.

5. The green check mark is now assigned to the new controlling level. After you change the controlling level, follow the steps in Section 6.1.1 to create two POs with two different vendors for material BC10020. Then follow the steps in Section 6.1.2 to receive the goods in inventory.

6. After receiving the goods from the two POs, call Transaction CKM3, and look under the process category **Purchase Order**. Figure 6.30 shows the Material Price Analysis screen for material BC10020 with the new controlling level.

   Note that in Figure 6.30 there are two groups of procurement alternatives under the **Purchase Order** process category. Each procurement alternative group is combining the goods receipt documents for the vendor/purchasing organization combination. This means that if we change the controlling level of the **Purchase Order** process category for the vendor/purchasing organization for a specific material, we will be able to see the Material Ledger documents and the actual price grouped by vendor for that material. Changing the controlling level to the vendor/purchasing organization makes it possible to compare the vendors’ actual price directly from the Material Price Analysis transaction. This controlling level may be suitable for expensive materials that do not have many suppliers.

![Material Price Analysis](image)

**Figure 6.30** Material Price Analysis BC10020 (Company Code Currency)
However, if we want to change the controlling level for several materials, Transaction CKMLMV_CA may not be the best option. Next, we will discuss the appropriate transaction to change the controlling level in a mass processing.

### 6.3.2 Change the Controlling Level: Mass Processing

To change the controlling level in a mass process, follow these steps:

1. Call Transaction CKMLMV_MCA_N, or follow the path Accounting • Controlling • Product Cost Controlling • Actual Costing/Material Ledger • Environment • Set Controlling Level—Mass Processing.

2. Enter the selection criteria for the materials for which you want to change the controlling level. Figure 6.31 shows that we selected plant BC11 and material type ROH (raw material). Click the Execute icon. The transaction shows all materials that are part of your selection in the right side of the screen in the No. of Selected Materials tab.

   ![Set up and Save Controlling Level](image)

   **Figure 6.31** Set Controlling Level—Mass Processing

3. Choose the controlling level you want to set in the left side of the screen (in Figure 6.31) by clicking on its line. Select the Purchasing Organization/Vendor controlling level, and then click the Change Controlling Level button at the top of the screen.
4. After changing the controlling level of the SELECTED CO LEVEL, NO. OF SELECTED MATERIALS tab will show all materials for which the controlling level was updated. You can then leave the controlling level mass processing transaction by clicking the green arrow icon.

You have now learned how to change the controlling level to create subgroups of Material Ledger documents in the Material Price Analysis transaction. Now let’s review what we discussed in this chapter.

### 6.4 Summary

In this chapter, you saw examples of the SAP ERP purchasing processes that generate price and exchange rates variances. First you saw an example that generates purchase price variances in the goods receipt and in the invoice receipt transactions. You then learned how the exchange rates can influence and generate variances in the purchasing process. Another example showed how the exchange rate difference was created because we had an invoice in a foreign currency, and the exchange rate in the moment of the invoice receipt was different from the exchange rate of the goods receipt.

Finally, you saw examples on how to change the controlling level to show different subgroups within the process category in the Material Ledger.

In the next chapter, we will explore production process variances and their effect on the Material Ledger.
rates, manufacturing variances, and cost center variances) were processed for each material and in cumulative groups.

### 10.1 Actual Cost Component Split

The cost components split provides a cost structure that arranges costs according to groups or components. In Chapter 3, you saw how to configure the cost component structure and how to look at the cost component split values within standard costing. In Chapter 4, you saw how to activate the actual cost component split in the Material Ledger. Now let’s discuss how to view the actual cost component split values in the Material Ledger reports.

**Note**

The actual cost component structure is available in the Material Ledger since release 4.6C.

To see the actual costing component split in the Material Ledger, call Transaction CKM3, or follow the SAP menu path **Accounting • Controlling • Product Cost Controlling • Actual Costing/Material Ledger • Information System • Detailed Reports • Material Price Analysis**.

After you’ve accessed the Material Price Analysis transaction, select material BC30020, plant BC11, and “Cost Components” in the **View** selection field. Figure 10.1 shows the cost component view in the Material Price Analysis transaction.

Note that in Figure 10.1, all components defined in our configuration in Chapter 3 are columns in this screen (Material, Production Labor, Production Machine, Packaging, and Other Costs). For each line, you can see the total value of your selection in the **Value** column, as well as the values that are assigned to each cost component.

Take a look at the **Receipts from Lower Levels** line. It shows that you can see the values receipt from lower levels, split by each component. For example, you can see that BC30020 (Best Chocolate Mass) received price differences and exchange rate differences (ERDs) from the lower level in the total of $146.02 ($140.60 belongs to differences in the material component, $1.05 belongs to differences in the labor component, and $4.37 belongs to differences in the machine component).
You can change the VALUE selection field to see, for example, only the price difference or only the exchange rate difference in each component. Figure 10.2 shows the cost component view after selecting the EXCHANGE RATE DIFFERENCES in the VALUE selection field.
You can select in Figure 10.1 that each column from the price determination view (preliminary valuation, price difference, exchange rate difference, single-level and multilevel differences, actual costs) will have their own value view in the cost component view. You can switch the information you want to see in the cost component view by changing the VALUE selection field.

As part of the value selection, you can also choose to display values from the current level combined with the lower level or separately. You also have the option to see the fixed and variable costing combined or separately. You just have to choose the values you want to see in the VALUE selection fields. This report gives you a great flexibility to analyze how the differences roll up by cost component.

Now let’s take a look at another feature of actual costing/Material Ledger.

### 10.2 Valuated Actual Quantity Structure

Another great report in actual costing/Material Ledger is the valuated quantity structure. This report displays the scaled receipt quantity of multilevel procurement alternatives (production, subcontracting, transfer posting) and the cost estimate items valuated with actual prices.

There are two ways to see the valuated quantity structure screen. The first way is to call the report from the Material Price Analysis transaction. In Transaction CKM3, choose material BC90010 and plant BC11, then click the SHOW VALUATED QUANTITY STRUCTURE icon ( icon). The system automatically opens the screen shown in Figure 10.3 where you will see the valuated quantity structure in the left side of the screen with BC90010 as the top material.

Figure 10.3 shows the production structure for the material across all of the production levels, from the top material to the raw materials and activity types. On the left side of the figure, the screen shows all levels of the preliminary valuation, the differences, and the actual valuation in the chosen currency. You can change the report currency by selecting a different currency in the CURR/VALUATION selection field, located in the right side of the screen.
11.1 Transferring Actual Costs to CO-PA

Profitability Analysis (CO-PA) is a subcomponent in Controlling (CO) that enables you to evaluate market segments, which can be classified according to products, customers, sales organizations, and so on, with respect to your company's profit or contribution margin. You can configure CO-PA to transfer both sales orders and billing documents from the Sales and Distribution (SD) application component in real time.

For example, if you are using CO-PA, when you create a billing document in SD the system automatically creates a document in CO-PA with the sales revenue and standard price of the product sold. If you are using the Material Ledger, you have the option of transferring the periodic actual cost calculated by the actual costing run to CO-PA in a monthly process. Having the periodic actual cost transferred to CO-PA enables you to create more realistic and accurate contribution margin reports in a multilevel and complex production environment compared with the classical option of using the standard cost associated with the manufacturing variances.

In this section, we'll show you the configuration and process steps to transfer the actual cost to CO-PA. We'll first cover the configuration necessary to make the transfer, and then we'll run the transaction to transfer the chocolate bars' actual cost to the value fields in CO-PA.

The intention of this section is to show the integration of the actual costs in the Material Ledger with CO-PA. Please refer to the specific SAP ERP documentation if you need more details on how to set up CO-PA.

11.1.1 Configuring CO-PA

To transfer actual cost to CO-PA, you have to configure a few transactions after creating the value fields that will receive the actual values. In the example shown in this chapter, we have created four value fields in CO-PA:

- COGS alternative: Receives the total periodic unit price (PUP).
- Actual Material Input: Receives the raw material and packing actual cost components.
- Actual Labor Costs: Receives the labor actual cost component.
- Actual Machine Costs: Receives the machine actual cost component.
Transferring Actual Costs to CO-PA

The value fields receive the actual costs after the periodic valuation process (you’ll see this in detail in Section 11.1.2). To use the periodic valuation, you need a valuation strategy, which is the first step in our configuration.

**Define and Assign Valuation Strategy**

The valuation strategy contains the methods used for valuating value fields. In this step, we’ll create a valuation strategy that will be used by the periodic valuation. To create the valuation strategy, follow these steps:

1. Call Transaction KE4U, or follow the IMG menu path **CONTROLLING • PROFITABILITY ANALYSIS • MASTER DATA • VALUATION • VALUATION STRATEGIES • DEFINE AND ASSIGN VALUATION STRATEGY**.

2. Select the operation concern BC00, which opens the screen shown in Figure 11.1.

3. Select strategy 002 (**PERIODIC VALUATION ACTUAL**), and click **DETAILS** in the left side of the screen. You’ll then see the screen shown in Figure 11.2.
4. You now need to create a strategy for the periodic valuation, as shown in Figure 11.2. Enter a **SEQUENCE** number (in our example, we use 10).

5. Select the **MAT CSTG** indicator, and enter the value field that has the sales quantity. In our example, we are using the standard SAP ERP field **ABSMG** to keep the sales quantity.

6. Click **Assignment of valuation strategy** in the left side of the screen. The screen shown in Figure 11.3 appears.

![New Entries: Overview of Added Entries](image)

**Figure 11.3** New Entries—Assign a Valuation Strategy to Point of Valuation

7. Assign the strategy valuation to the point of valuation and record type F (used to post the billing documents to CO-PA) by entering a new line for periodic valuation of actual data (02) and record type F, and assigning strategy 002 (updated in the previous step).

Next, we'll create a key that will later be assigned to the actual cost component split.

**Define Access to Actual Costing/Material Ledger**

Here we'll create the costing key that defines how the system accesses the Material Ledger to transfer the actual costs calculated by the actual costing run to CO-PA. Follow these steps to create the costing key:

1. **Follow the IMG menu path** **CONTROLLING • PROFITABILITY ANALYSIS • MASTER DATA • VALUATION • SET UP VALUATION USING MATERIAL COST ESTIMATE • DEFINE ACCESS TO ACTUAL COSTING/MATERIAL LEDGER.** Figure 11.4 shows the costing key **ACT** to access the actual costing.
2. In the VALUATION view field, choose “Legal Valuation.” If you are using multiple valuations/transfer prices, you can choose other views of actual cost you want to transfer to CO-PA.

**Note**

Multiple valuations and transfer prices are the subject of Chapter 12.

3. Choose the TYPE OF VALUATION in the selection field, which tells the system how to transfer the actual cost. Choose one of these options:
   - “Transfer cost component split or total cost”
   - “Transfer cost component split and total cost”
   - “Only transfer total cost”

In our chocolate factory example, we’ll choose the second option and transfer the actual cost from Material Ledger to the cost component split and the total cost (PUP) to CO-PA. In this way, we’ll have the PUP calculated in the actual costing run and its value breakdown in the cost components in CO-PA.

Choose the “Transfer cost component split and total costs” option in the TYPE OF VALUATION selection field.
4. In the **Specify time reference** section of the screen, select a fixed period/year from which the system will obtain the actual cost. Your other option is to configure the system to acquire the actual cost from the same period of the billing document as shown in Figure 11.4.

5. In the **Plant used for reading cost estimate** section of the screen, the indicators set which plant the system will search to obtain the actual cost. For our example, set the **Use line item plant as cost est plant** indicator, as shown in Figure 11.4, and the system will search for the actual cost in the same plant as the billing item document. The other option is to set a default plant for the actual cost using the **Specify plant for cost estimate** indicator and entering a plant in the field in front of the indicator.

6. Now we want to assign the value field to receive the PUP. Click the text **Val.Fld Allocatn for Periodic Moving Average Price** in the left side of the screen to see the screen shown in Figure 11.5.

![New Entries: Overview of Added Entries](image)

**Figure 11.5** New Entries: Overview of Added Entries (Value Field for PUP)

7. In our example, we are using the value field VV145 to receive the material total actual cost of the billing line item document.

8. Save your entries.

Now let’s continue with another CO-PA configuration in the next step.

**Assign Costing Keys to Material Types**

In this step, you assign the ACT costing key (created in the previous steps) to material types for each point of valuation and record type. This assignment determines when and which record type the actual cost is to be read for a specific material type. To assign the costing key, follow these steps:

1. Call Transaction KE4RJ, or follow the IMG menu path **Controlling • Profitability Analysis • Master Data • Valuation • Set Up Valuation Using Material**
Cost Estimate • Assign Costing Keys to Material Types. Figure 11.6 shows the resulting assignment screen.

![Figure 11.6](image)

For our example, we are setting CO-PA to search for the ACT costing key settings when it runs the periodic valuation (PV = 02) for billing line items (RecT. = F) of finished goods material (MatTyp = FERT). Enter a line as the second line in the screen shown in Figure 11.6, and save your entries.

The next step is to assign the actual cost components to value fields.

Assign Value Fields

To use the actual cost components in CO-PA, you have to assign the components to the value fields:

1. Call Transaction KE4R, or follow the IMG menu path Controlling • Profitability Analysis • Master Data • Valuation • Set Up Valuation Using Material Cost Estimate • Assign Value Fields.

2. In the next dialog box, enter Op. concern BC00 and Cost comp. stru BC to see the screen shown in Figure 11.7.
3. Assign each component of the cost component split to a value field and save your entries. In the example, we are using the Best Chocolate cost components and values fields shown in Table 11.1.

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<td>Packaging</td>
<td>VV151</td>
<td>Actual Material Input</td>
</tr>
</tbody>
</table>

Table 11.1 Assignment of Cost Components to Value Fields

This step ends the configuration necessary to transfer the actual cost from the Material Ledger to CO-PA. We can now proceed to the actual transfer.

11.1.2 Periodic Valuation in CO-PA

If CO-PA is active in your system, every time a sales order and/or billing document is created, the system automatically creates postings in CO-PA. At billing time, the system automatically transfers the information from sales and product cost planning (e.g., customer, product, sales office, sales quantity, revenue, standard cost, cost component split, etc.) to the CO-PA value fields.

After you have completed the Material Ledger closing and have the PUP calculated, you need to perform the periodic valuation to transfer the actual cost to CO-PA.

The periodic valuation is a transaction that allows you to select and valuate data that has already been posted to CO-PA by a sales transaction, for example. It uses a valuation strategy that is defined especially for the point of valuation 02 (periodic actual valuation). Periodic valuation is useful, for example, if you posted line items to CO-PA at the beginning of the period using the standard cost of goods manufactured (COGM) and want to value them again later using the actual costing from the Material Ledger.

In Chapter 9, Section 9.1, we created a sales order of chocolates bars that automatically created postings in CO-PA, including the standard price of the chocolate bar. We’ll now use the periodic valuation transaction to transfer the chocolate bar actual cost that we calculated using the actual costing run in Chapter 9 to CO-PA:
1. Execute the periodic valuation by calling Transaction KE27 or by following the SAP ERP menu path Accounting • Controlling • Profitability Analysis • Actual Postings • Period-End Closing • Periodic Adjustments • Periodic Valuation. Figure 11.8 shows the selection screen for the periodic valuation.

![Figure 11.8 Periodic Valuation: Initial Screen](image1)

2. Select RECORD TYPE F and the time range of the line items you want to execute the periodic valuation for.

3. You can perform periodic valuation in a test by selecting the Test Run indicator. We recommend that you perform a test run before you actually execute the valuation because the log contains information about any errors that occurred, plus the number of line items that were read and posted.

4. After entering the selection, click the Selection criteria button to see the screen shown in Figure 11.9.

![Figure 11.9 Periodic Valuation: Selection Criteria](image2)
5. Enter the CO-PA characteristics you want to select for the periodic valuation. In our example, we selected all of the documents from CO area BCH0 and company code BC10.

**Note**

In the Selection Criteria screen, an asterisk (*) in a characteristic field means that the system selects all of the values of that characteristic.

6. Click the **Value fields** button to select the value fields that will be part of the periodic valuation. The screen shown in Figure 11.10 appears.

![Periodic Valuation: Value Fields](image)

**Figure 11.10**  Periodic Valuation: Value Fields

7. Here, you can explicitly select the value fields you want to valuate. Select the value fields you have configured in Section 11.1.1.

8. Click the **Execute** icon, and you’ll see the log of execution as shown in Figure 11.11.

![Log Output for Periodic Valuation](image)

**Figure 11.11**  Log Output for Periodic Valuation
9. View the results in the CO-PA document by clicking the DISPLAY USING LINE ITEM SIMULATION button. A screen will appear showing the CO-PA documents as displayed in Figure 11.12.

![Figure 11.12 Display CO-PA Actual Line Items](image)

10. Note that Figure 11.12 has two line items: one for the controlling area currency, and the other for the operating concern currency. Double-click the first line item to see the CO-PA document detail, shown in Figure 11.13.

![Figure 11.13 Display Details for CO-PA Actual Line Items](image)
Shown here is the CO-PA document with the value fields and their values. Note the four value fields we configured to receive the actual cost:

- **COGS alternative**
  Total actual costs.

- **Actual Mat. Input**
  Actual costs from cost component 10 and 40.

- **Actual Labor Costs**
  Actual costs from cost component 20.

- **Actual Machine Costs**
  Actual costs from cost component 30.

You can also see the material standard cost in the Cost of goods sold value field.

For example, the COGS alternative value field was configured to receive the material actual cost ($85.88), while we configured the other value fields to receive actual cost components (Actual Labor Costs $0.69, Actual Machine Costs $2.61, and Actual Mat. Input $82.59).

By going through the process in this section, you now have all of the information necessary in CO-PA to create profitability reports based not only on material standard price but also on the periodic actual costing.

Next, let's discuss debiting and crediting in Material Ledger.

### 11.2 Debiting or Crediting Materials

Here, we'll discuss the debiting/crediting function of the Material Ledger. Let's say, for example, there was a mistake in an invoice entry, so the system has a wrong value in the price difference account. Let's also suppose that the invoice value was fixed in the account point of view without reversing and posting the invoice again. Or let's suppose the issue was found several periods after the wrong entry, and it is not possible to reverse the invoice entry further because the period has already been closed.

In this case, you can solve the issue in the Material Ledger and inventory value point of view by following these steps in the debiting/crediting transaction:
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