

## Reading Sample

*Cost Element Accounting is the foundation of an SAP ERP Controlling implementation. In this sample chapter, learn how to configure this key submodule and how it enables important functionality, like real-time integration of Controlling with Financial Accounting.*



**"Cost Element Accounting"**



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### **Configuring Controlling in SAP ERP**

526 Pages, 2016. \$79.95/€79.95

ISBN 978-1-4932-1251-4



[www.sap-press.com/3887](http://www.sap-press.com/3887)

*Cost elements are used to classify costs. Consequently, they form the basis for the creation and reporting of postings in the SAP ERP Controlling module, making Cost Element Accounting the only place to begin our discussion of Controlling configuration.*

## **3 Cost Element Accounting**

Cost elements structure revenues and expenses, making them a critical piece of any organization's complete managerial accounting picture. In this chapter, you'll learn how to create cost elements and differentiate between the various cost element types to use them correctly. These cost elements are the foundation of Cost Element Accounting, the Controlling subcomponent that acts as the basis for all the others. Although Cost Element Accounting doesn't offer much functionality, it must be implemented for an organization to use all the other Controlling subcomponents and to display revenues and expenses in Controlling.

With the arrival of the New General Ledger came the possibility to activate the setting for a real-time integration of Controlling with Financial Accounting. The real-time integration helps minimize the reconciliation effort at month-end, so in this chapter, you learn how to activate the functionality. We'll also examine the usage of cost element attributes to support planning and reporting. We'll take a look at the main cost element reports and how SAP HANA impacts reporting.

### **3.1 Master Data**

We begin our conversation on Cost Element Accounting by learning how to create cost elements and discussing the difference between the cost element types and categories. We'll show you how to create cost

elements automatically and how to delete a cost element. We'll conclude this section by demonstrating how to create cost element groups, which structure cost elements for reporting.

3.1.1 Cost Elements for Expense Accounts

Cost elements are separated into primary cost elements and secondary cost elements.

*Primary cost elements* are created based on expense accounts. They always have the same number as the expense account. In other words, there is a 1:1 relationship between the expense account and primary cost elements. All postings in SAP ERP Financial Accounting on expense accounts will be posted in Controlling on primary cost elements if a cost element exists for this expense account. This means that if you want to display costs in Controlling, the expense account must first be created as a primary cost element so that it can reflect the postings in the Controlling module.

In general, you create a single cost element for each expense account. As mentioned previously, there is a 1:1 relationship between the expense account and primary cost elements, although some companies only create cost elements for costs until earnings before interests, tax depreciation, and amortization (EBITDA).

*Secondary cost elements* are created in Controlling and are used for all activities that are executed in Controlling and don't change any values in the Financial Accounting module. The balance of secondary cost elements is always zero. Secondary cost elements are, for example, used for cost allocations, order settlements, and so on. For secondary cost elements, no General Ledger account exists.

**Cost element category** The cost element is categorized by a *cost element category*. There are different cost element categories for primary (Table 3.1) and secondary (Table 3.2) cost elements.

Cost Element Category	Application
01: Primary costs/cost-reducing revenues	This cost element category is used for most of the postings on expense accounts, such as cost centers.
03: Accrual/deferral per surcharge	This cost element category is used with the percentage accrual method in Cost Center Accounting. This method is explained in Chapter 4.
04: Accrual/deferral per debit = actual	This cost element category is used with the target accrual method in Cost Center Accounting. This method is explained in Chapter 4.
11: Revenues	<p>This cost element category is assigned to all revenue accounts in the automatic account determination if you're using SAP ERP Sales and Distribution.</p> <p>When using Profitability Analysis, the system requires that you assign cost element category 11 to all revenues to be able to transfer billing documents directly to Profitability Analysis. Note that if you post revenues with cost element category 11 on cost centers, those postings will be statistical and can't be allocated to Profitability Analysis. You can post those revenues on internal orders; when you activate the flag for revenue postings, you can settle those revenues later from the internal order, for example, to cost centers, if required.</p>
12: Sales deduction	This cost element category is used for cost elements for sales deductions assigned to automatic account determination in Sales and Distribution. Cost element category 12 has the same functionalities as cost element category 11. Postings with cost element category 12 on cost centers will only be statistical and can't be allocated on another account assignment object.

Table 3.1 Primary Cost Elements

Cost Element Category	Application
22: External settlement	This cost element category is used for external settlements from Controlling to Financial Accounting. Cost elements with this cost element category can't be used for settlements within Controlling. This cost element category is used to settle costs, for example, to Asset Accounting. You'll learn how to use this cost element category in Chapter 5.
90: Cost elements for balance sheet accounts in Financial Accounting	This cost element category is used for balance sheets; however, in general, cost elements aren't created for balance sheet accounts. For some balance sheet accounts, you can use cost elements, for example, to display down payments on a cost center or internal order.

Table 3.1 Primary Cost Elements (Cont.)

Cost Element Category	Description
21: Internal settlement	In general, costs from internal orders get settled with a secondary cost element with cost element category 21.
31: Order/project results analysis	When working with the Product Costing subcomponent and wanting to calculate work in process (WIP), you need secondary cost elements with cost element category 31.
41: Overhead Rates	In Product Costing or in Cost Center Accounting, you can apply overhead rates. The secondary cost element to allocate those rates needs to be created with cost element category 41.
42: Assessment	In Controlling, you can create assessment cycles in which you can allocate costs to other account assignment objects according to different criteria. Therefore, you need a secondary cost element with cost element category 43.

Table 3.2 Secondary Cost Elements

Cost Element Category	Description
43: Internal activity allocation	Activities performed by a cost center are displayed with activity types. To allocate those costs to other account assignment objects, you need to create a secondary cost element with cost element category 43.
50: Project-related incoming orders: Sales revenue	When using Profitability Analysis and SAP ERP Project System, you can display sales revenues on project-related incoming orders by using cost element category 50. As a result, you can foresee the development of the project at an early date.
51: Project-related incoming orders: Other revenue	To display other revenues on project-related incoming orders, you use cost element category 51, which is similar to cost element category 50.
52: Project-related incoming orders: Costs	To display costs on project-related incoming orders with the objective to see a trend of expenses on the project. This has the same application as cost element categories 50 and 51.
61: Earned value	If you use Project System, you can do an earned value analysis at month-end to see the actual progress on the project compared to planned costs by using cost element category 61.

Table 3.2 Secondary Cost Elements (Cont.)

It's essential to assign the correct cost element category to the cost elements to guarantee an integrated value chain with correct results in Controlling.

You can't assign number ranges either to primary cost elements or to secondary cost elements. The primary cost elements automatically have the same number as the expense account. We recommend that you use a separate number range for the secondary cost elements, so that you can easily identify them. If, for example, your General Ledger accounts have six digits, you might start your secondary cost elements with 9 +

two digits for cost element category + three free digits to easily recognize the secondary cost elements and their use. There is no input control when creating a secondary cost element, so you must make sure to train those responsible for the master data.

**Create primary cost elements** You can create primary cost elements manually with Transaction KA01 or by following the menu path, ACCOUNTING • CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • INDIVIDUAL PROCESSING • KA01 – CREATE PRIMARY.

**Create secondary cost elements** To create secondary cost elements, call Transaction KA06 or follow the menu path, ACCOUNTING • CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • INDIVIDUAL PROCESSING • KA06 – CREATE SECONDARY.

The transactions mainly differentiate in the entry of the cost element category. When creating a primary cost element, the system checks whether a General Ledger expense account with the entered number exists. If not, the system issues an error messages and asks you to first create a General Ledger expense account with the respective number. On the other hand, when creating a secondary cost element, the system doesn't perform a number check.

Cost elements have validity dates, meaning that when you create a cost element, you have to choose in which time period it will be valid. In the example shown in Figure 3.1, we create a secondary cost element with the number 9 + 42 + 000. The number 42 reflects the cost element category; we create a secondary cost element for assessments. The validity in the screenshot reaches from January 1, 2015, to December 31, 9999. The VALID FROM date should reflect the date when you want to record the first postings on the cost element. By choosing EDIT • ANALYSIS PERIOD in the main menu, you can change the validity of certain fields in the cost element. This makes sense, for example, if you want to record quantities on the cost elements from a specific time period onward.

When creating a primary cost element, the short text of the General Ledger account gets copied. For secondary cost elements, you have to enter a description. Every cost element needs to be assigned to a cost element category, as defined at the beginning of this chapter.

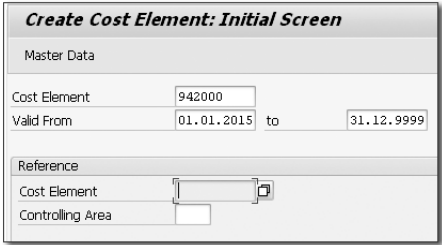


Figure 3.1 Creating a Secondary Cost Element

*Cost element attributes* are another way to categorize the cost element. One cost element can be assigned to a group of cost element attributes. You can use those attributes in reporting and planning. In addition, you can use the cost element attributes to implement accounting guidelines, where specific cost element groups are only allowed to be posted on a specific cost element category. During validation, the cost element and the cost center category are used to validate the posting. To use the cost element attribute in a validation, you need to implement a user exit. Unfortunately, the cost element attribute can't be selected out of the provided characteristics in the standard SAP transaction to create a validation.

In the BASIC DATA tab in Figure 3.2, you can assign a cost element to a *functional area*.

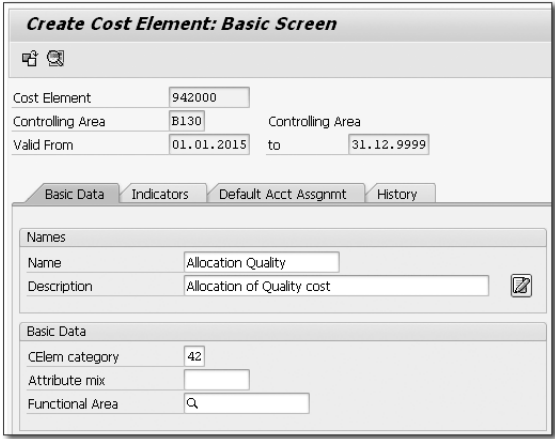


Figure 3.2 Basic Data in a Cost Element



Recall from Chapter 1 that the functional area is used to create a profit and loss (P&L) in cost of sales reporting. In practice, the functional area is never used in the cost element. If global guidelines and centralized master data management exist in a company, you instead assign the functional areas in the chart of accounts data of the General Ledger account.

Maintain the Indicators tab

In the INDICATORS tab in the master data of the cost element (see Figure 3.3), you can activate the RECORD QTY checkbox. If this checkbox is selected, you also need to maintain the UNIT OF MEASURE field for the cost element. The activation of this indicator leads to a message when posting on the General Ledger account that asks you to enter a quantity. It might be useful to record quantities on cost elements for costs for temporary labor, for example, if you want to analyze how many temporary employees you employ. Another useful example of recording quantities on cost elements is to record quantities on your cost elements for all your billing invoices when manually posting sales when you're not using Sales and Distribution. In Controlling, you can then analyze your sales turnover and use the entered quantities in reporting to create key figures.

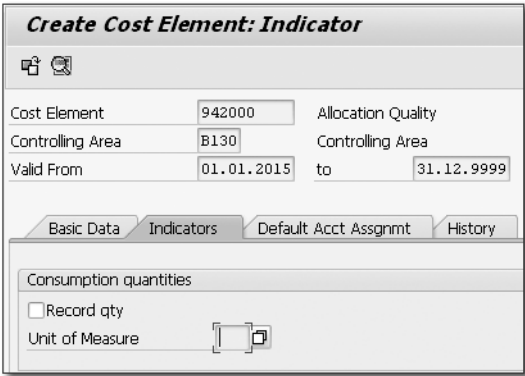


Figure 3.3 Indicators in Cost Element

Record quantities in Cost Element Accounting

To record quantities in Financial Accounting, you need to make sure that the corresponding General Ledger account allows entering quantities. Check the field status group of the General Ledger account by

following the IMG path, FINANCIAL ACCOUNTING (NEW) • FINANCIAL ACCOUNTING GLOBAL SETTINGS (NEW) • LEDGERS • FIELDS • DEFINE FIELD STATUS VARIANTS. Check that QUANTITY in the ADDITIONAL ACCOUNT ASSIGNMENTS group is at least set as an optional entry, and then activate quantities on the cost center. Use Transaction KS02 (Change Cost Center), and activate CONTROL RECORD QUANTITY. After you've made those changes, you create a posting in Financial Accounting. Now you'll see a warning message if you didn't enter any quantities in the posting.

Next, go to the DEFAULT ACCT ASSIGNMT tab in Figure 3.4. This is where you can set a cost center or an internal order, on which all postings will be assigned. You can overwrite this default account assignment when creating the posting. Because you've started to assign more than one company code to the controlling area, you should no longer use the default account assignment in the cost element. We'll explain another possibility for default account assignment by company code in Chapter 4.

Default account assignment

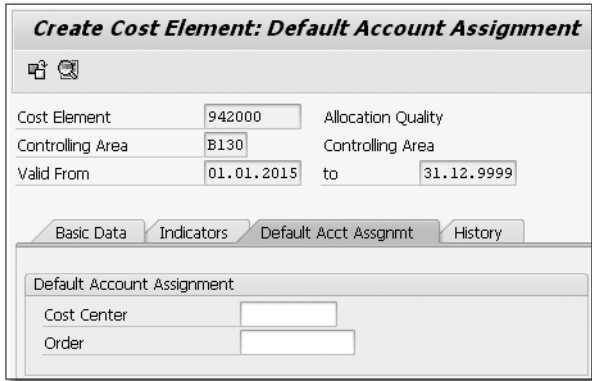



Figure 3.4 Default Account Assignment in the Cost Element

In the last tab, HISTORY, you see a protocol of who created the cost element and when it was created. If you click the DISPLAY CHANGE DOCUMENT icon  Change document, you'll see an overview of all changes made to the cost element since it was created, including who changed the cost element and when it was changed.

3.1.2 Cost Elements for Balance Sheet Accounts

You might be wondering what this section is for because you know that cost elements normally are only generated for expense accounts, and management reporting is only done for P&L. So why would you need cost elements for balance sheet accounts?

With cost element type 90, you can display inventory and assets on cost assignment objects, and you can display down payments for vendors or from customers on an account assignment object. Those postings are only statistical; it's not possible to settle or allocate these postings.

The display of inventory on sales orders, for example, is helpful if you work with valuated sales order stock and want to see your funds commitment on the sales order. The display of asset inventory on cost centers, for example, makes sense if you work with Investment Management and want to analyze depreciation in comparison to asset value. The display of down payments helps you see anticipated costs on the cost centers or internal orders and as a consequence makes the budget planning and/or control more accurate.

But you'll need to do some configuration to be able to display down payments on cost centers. First you need to create and assign default cost elements for down payments.

Down payments on cost elements

Go to Transaction OKEP or follow the IMG path, CONTROLLING • GENERAL CONTROLLING • PRODUCTION START-UP PREPARATION • FOLLOW-UP POSTING • POST FOLLOW-UP TO DOWN PAYMENTS • MAINTAIN DOWN PAYMENT UPDATES IN CONTROLLING. Choose the activity DEFAULT COST ELEMENTS FOR DOWN PAYMENT UPDATE. You'll see an overview of all controlling areas within the client.

To display down payments, you need to assign a cost element with cost element type 01 (primary costs/cost-reducing revenues) for the down payments of vendors and you need to assign a cost element with cost element type 11 (revenues) for down payments of customers. This means that you also need to create General Ledger expense accounts for the down payments. You can also take existing ones, but then you might have additional postings on those General Ledger expense accounts, and the analysis will be more challenging, which is why, in general, you create separate General Ledger accounts for the display of down payments

in Controlling. To have a better overview, you can create them in a separate account range, which helps you to easily separate them from the other "real" expense accounts and prevents users from posting on those accounts. You then assign those cost elements as shown in Figure 3.5.

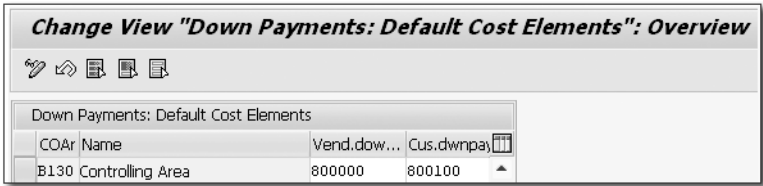


Figure 3.5 Assigning Default Cost Elements for Down Payments

The next step is to make sure that a number range for the down payments in Controlling is assigned.

Go to Transaction KANK or follow the IMG path, CONTROLLING • GENERAL CONTROLLING • ORGANIZATION • MAINTAIN NUMBER RANGES FOR CONTROLLING DOCUMENTS. Enter your controlling area, and click on the MAINTAIN GROUPS icon (a pencil) or press [F6]. Check whether element KAZO shown at the bottom of Figure 3.6 is assigned to a number range; this element is used for the creation of Controlling documents for down payments for customers and vendors.

Maintain number ranges

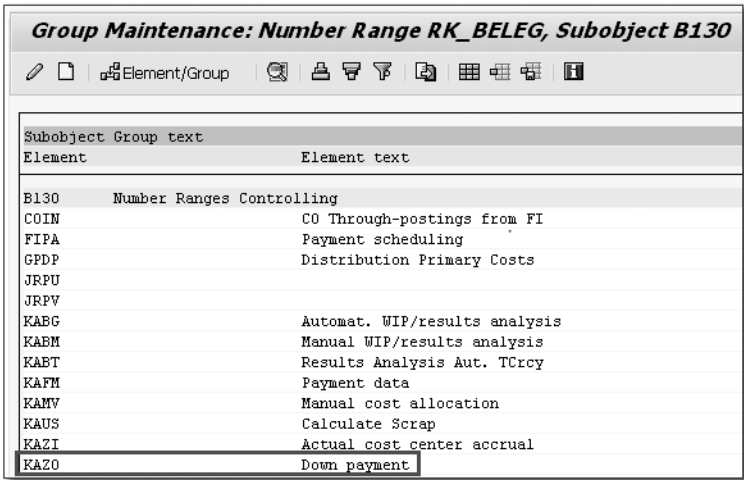


Figure 3.6 Assigning Element KAZO to a Number Range

With this step, you've completed the configuration to display down payments on Controlling objects. If you post a down payment for vendors or customers, it will show those in the Controlling reports. To display the down payment in a standard SAP report, use Transaction S\_ALR\_87012999 or follow the menu path, ACCOUNTING • CONTROLLING • INTERNAL ORDERS • INFORMATION SYSTEM • REPORTS FOR INTERNAL ORDERS • PLAN/ACTUAL COMPARISONS • ADDITIONAL KEY FIGURES • ORDERS: ACTUAL/PLAN/COMMITMENTS.

Of course, keep in mind that you need to advise the accountant to assign the down payment on an internal order or a cost center. Otherwise, the posting won't be transferred to the Controlling module.

3.1.3 Create Cost Elements Automatically

Depending on your process for the master data creation, you can decide whether you want to create cost elements manually or automatically. If cost elements will be created manually, you need to define a process in which the person who creates the expense account informs you about the new account before any posting is executed; otherwise, you won't be able to see this posting in Controlling.

If you want to create cost elements automatically, you need to do some configuration. First, in the chart of accounts, you need to indicate that cost elements get created automatically. To change the settings to create cost elements automatically, call Transaction OB13 or follow the IMG path, FINANCIAL ACCOUNTING (NEW) • GENERAL LEDGER ACCOUNTING (NEW) • MASTER DATA • G/L ACCOUNTS • PREPARATIONS • EDIT CHART OF ACCOUNTS LIST.

Choose the chart of accounts that is assigned to your controlling area (in Figure 3.7, this is chart of accounts B130). In the INTEGRATION area, choose AUTOMATIC CREATION OF COST ELEMENTS in the CONTROLLING INTEGRATION dropdown.

**Change View "List of All Charts of Accounts": Details**

New Entries

Chart of Accts: B130  
Description: Chart of Accounts

**General specifications**

Maint. language: English  
Length of G/L account number: 6

**Integration**

Controlling integration: Automatic creation of cost elements

**Consolidation**

Group Chart of Accts:

**Status**

☐ Blocked

Figure 3.7 Maintaining Controlling Integration in the Chart of Accounts

Next, go to the IMG path, CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENTS • AUTOMATIC CREATION OF PRIMARY AND SECONDARY COST ELEMENTS • MAKE DEFAULT SETTINGS. You'll make the default settings via the chart of accounts, which is assigned to your controlling area. In our example in Figure 3.8, this is chart of accounts B130. In this dialog box, you enter intervals of expense General Ledger accounts. For this example, we entered interval 600000 to 799999 and assigned the cost element category 1 (PRIMARY COSTS/COST-REDUCING REVENUES). You can assign single accounts or intervals to a specific cost element category.

Make default settings for automatic creation

**New Entries: Overview of Added Entries**

Chart of Accts: B130  
Description: Chart of Accounts

**Automatic Generation of Cost Elements: Default Setting**

Acct from	Account to	CElem cat.	Short Descript.
600000	799999	1	Primary costs/cost-reducing revenues
<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	

Figure 3.8 Maintaining Default Settings for the Automatic Creation of Cost Elements

Create cost elements automatically



From now on, the cost element will be created automatically with the assigned cost element category when a General Ledger account in the range of the interval is created. Unfortunately, there is no error message executed when a General Ledger account gets created whose interval isn't maintained in the default settings. Therefore, it's recommended to check the default settings on completeness.

From a process perspective, you'll still need information from the person that is responsible for the creation of expense General Ledger accounts so that you can update your cost element groups, your settlement profiles, and your allocations.

SAP also enables you to create cost elements with a batch job, which means you also have to maintain the default settings. You can enter intervals or single expense General Ledger accounts. You can also enter account numbers that don't exist as General Ledger accounts and create them as secondary cost elements. To do so, you need to assign a cost element category for secondary cost elements in the COST ELEMENT CATEGORY column. When creating the secondary cost elements, SAP copies the description of the secondary cost element category in the text of the cost element.

Create a batch input session

To create a batch input session, call Transaction OKB3 or go to IMG path, CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENTS • AUTOMATIC CREATION OF PRIMARY AND SECONDARY COST ELEMENTS • CREATE BATCH INPUT SESSION.

The cost element creation with batch input session can be done at the controlling area level. Again, in our example, the controlling area is B130. Maintain the validity dates for the cost elements, which in our example are from 01.01.2015 to 31.12.9999 in Figure 3.9. Give the session a name so that you'll recognize your batch input session in the batch input session overview. In our example, COSTELEMENTS is given as the name.

Next, execute the transaction by pressing **F8** or by clicking the EXECUTE icon (the clock and green check mark). You'll see an overview of all cost elements that will be created with the batch input session.

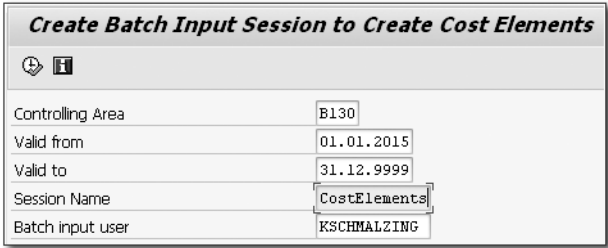


Figure 3.9 Create Batch Input Session Screen

In the next step, you execute the batch input session and finally create the cost elements. Call Transaction SM35 or follow the IMG path, CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENTS • AUTOMATIC CREATION OF PRIMARY AND SECONDARY COST ELEMENTS • EXECUTE BATCH INPUT SESSION. Select the batch input session by clicking on the beginning of the line, and then choose the PROCESS SESSION icon (the EXECUTE symbol) or press **F8**, as shown in Figure 3.10.

Execute a batch input session

Double-click on the processed batch input session to see the number of transactions processed and the error messages displayed in a protocol.

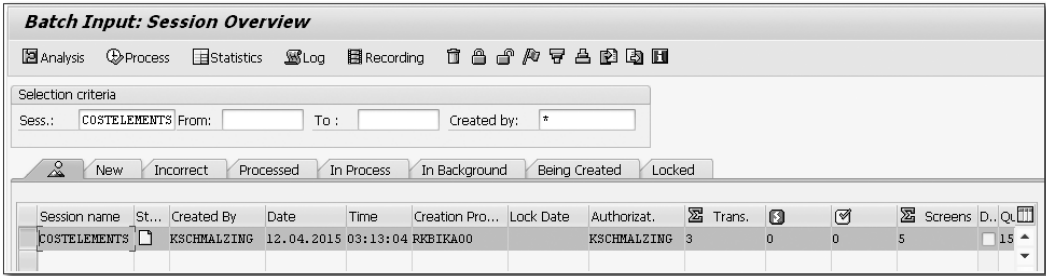


Figure 3.10 Processing Batch Input Session

3.1.4 Delete Cost Elements

SAP enables you to delete cost elements, which can be useful when a change in process occurs or you want to clean up your cost elements. You can delete cost elements individually or collectively. No transaction data in actual, plan, or commitments are allowed in the fiscal years for which you want to delete the cost elements. These cost elements are not

allowed to be assigned to any configuration objects. You can delete both primary and secondary cost elements.

Delete a cost element

To delete cost elements, call Transaction KA04 or follow the menu path, ACCOUNTING • CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENT • INDIVIDUAL PROCESSING • KA-04 • DELETE.

In the selection screen, you choose the cost element you want to delete and assign the validity dates. In the example shown in Figure 3.11, we want to delete the cost element 600000 from 01.01.2015 until 31.12.9999. If you execute the transaction using the TEST RUN checkbox first, you'll see whether the cost element can be deleted. The transaction shows you if transaction data still exists or if the cost element is used in assessment cycles or elsewhere in Customizing transactions. We recommend that you execute the transaction in the background if you're not sure whether transaction data exists. The BACKGROUND PROCESSING checkbox optimizes the use of computing resources and therefore enhances the performance. To delete multiple cost elements, call Transaction KA24.

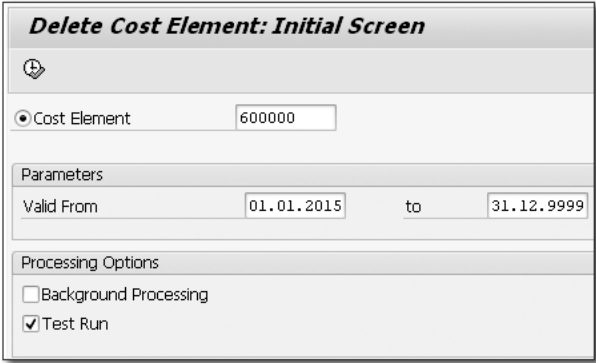


Figure 3.11 Delete Cost Element Screen

3.1.5 Cost Element Groups

You can place cost elements into cost element groups; these groups are often used in reporting, to define assessment cycles, settlement profiles, and much more. We recommend that you use cost element groups as much as possible in configuration because you can easily adjust the settings at this time, such as changing the cost element groups if, for

example, a new cost element gets created. This way, instead of going to a configuration transaction and adjusting your allocation structure, for example, you just adjust your cost element group.

You create cost element groups with Transaction KAH1 or by following the menu path, ACCOUNTING • CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENT GROUP • KAH1 – CREATE.

Create a cost element group

You can determine the group name according to your wishes, but note that the maximum length is 14 characters, and spaces and special characters aren't allowed. In Figure 3.12, we created a group with the name TOTAL. You should create a cost element group that contains all cost elements to easily check whether all cost elements are assigned to a group in Controlling; this way, you can manage your cost elements when you see that a new cost element needs to be assigned to existing groups. You can create as many cost element groups as you want, but remember that you have to manage them. You should create a file with an overview of all the cost element groups and their usage to know exactly which cost element groups to change when a new cost element gets created.

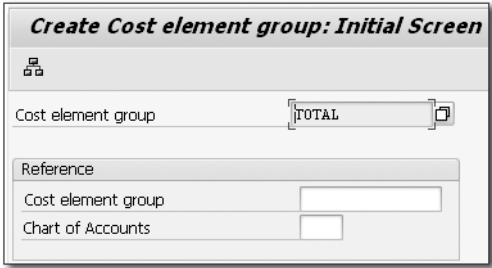


Figure 3.12 Create Cost Element Group Screen

In the transaction for creating a cost element group, you can create comprehensive structures, as shown in Figure 3.13. You can create groups on the same and the lower level. To each group, you can assign single cost elements or a cost element interval.

Even though creating the cost element groups creates more work, one way you can be more flexible to changes in the future is to assign single cost elements and no intervals. Later, you can remove or reassign single cost elements instead of rearranging the intervals.

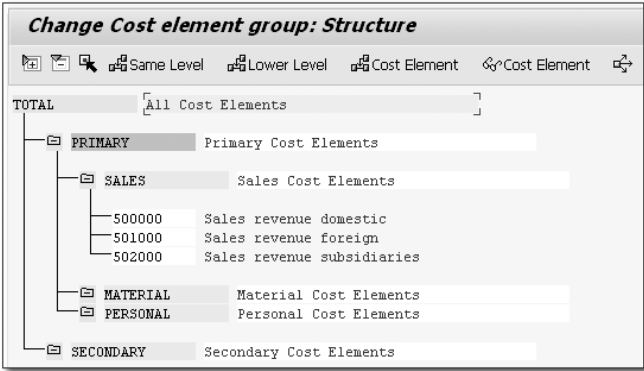


Figure 3.13 Building a Cost Element Group Structure

Check and help functions for groups

There are multiple CHECK AND HELP FUNCTIONS options in the EXTRAS menu. For example, you can check the completeness to see whether all cost elements are assigned to the group that contains all cost elements.

In addition, you have the following options:

- ▶ Compare two groups if you have two similar groups and want to see where there is a difference.
- ▶ Search for cost elements. The system shows you all cost element groups to which they are assigned.
- ▶ Perform an ambiguity check to avoid mistakes in settlements, for example.
- ▶ See where the cost element group is used. It shows you a list of reports and Customizing transactions where the cost element group is used.

In Figure 3.14, we execute a completeness check to see which cost elements within the controlling area still need to be assigned to the cost element group.

The CHECK FOR COMPLETION screen shows a list of all missing master records in the cost element group. When you click on CREATE GROUP WITH MISSING MASTER DATA (see Figure 3.15), a pop-up appears in which you can enter a group name.

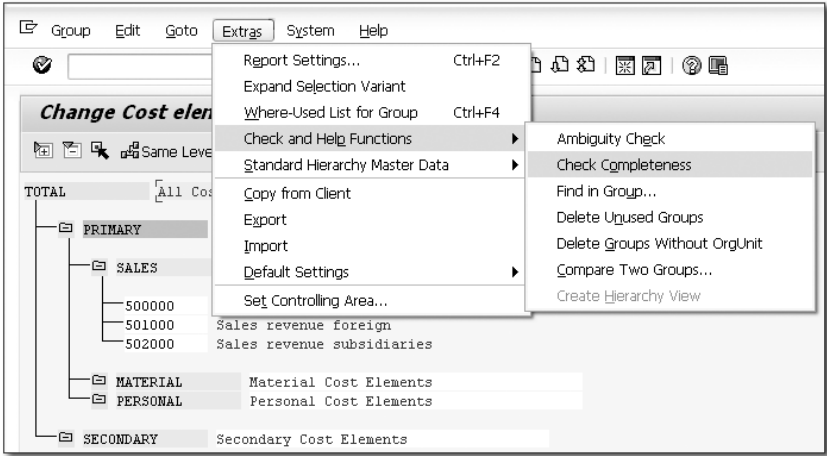


Figure 3.14 Checking the Completeness of Cost Element Structure

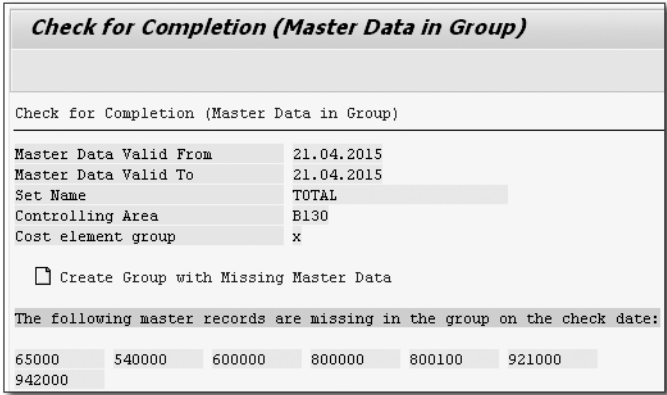


Figure 3.15 Overview of Missing Cost Elements in a Cost Element Structure

The system automatically assigns all listed cost elements to this cost element group. You can now comfortably assign this group to your cost element structure. If those listed cost elements don't belong to one group, you can export the list to Excel. In the menu bar, you can choose SYSTEM • LIST • SAVE • LOCAL FILE. From your Excel file, you can then copy or regroup the cost elements to simply assign them to the correct group in the structure by using copy and paste.

SAP also writes a change log for the cost element groups. This ensures a complete control of all changes to the cost element groups. The change log isn't situated as obviously as in the other Controlling master data elements. You'll find the change log in the menu bar by selecting GOTO • CHANGE DOCUMENTS, as shown in Figure 3.16. Any changes are documented on a very detailed level.

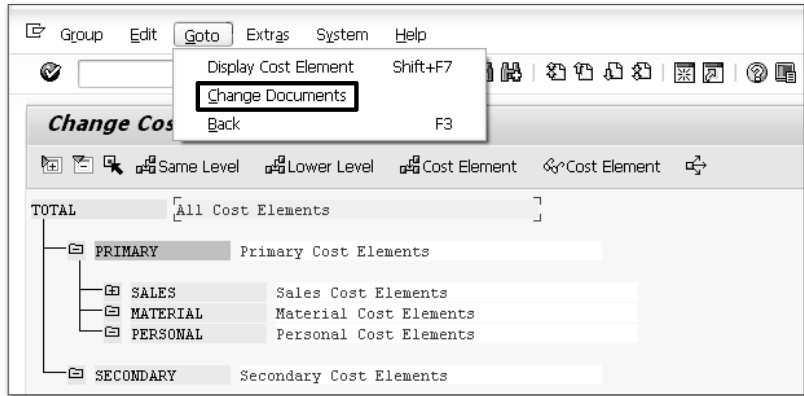


Figure 3.16 Displaying the Change Log

3.2 Cost Element Attributes

Cost element attributes can be used within reporting and planning to categorize cost elements beyond just functional areas and cost element categories.

Cost element attributes are created with Transaction OKA6 or by following the IMG path, CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENTS • DEFINE COST ELEMENT ATTRIBUTES.

You can create new entries by clicking on NEW ENTRIES or pressing **F5**. The cost element attributes consist of one letter or number. In Figure 3.17, you can see that we created the cost element attribute A (TAXES). With this attribute, we want to categorize all cost elements for taxes.

The ITEM column plays an important role for the next step—the creation of cost element attribute mixes—as shown in Figure 3.18. It determines in which sequence in the attribute mix the cost element attribute could

Create cost element attributes

be arranged. All cost element attributes with ITEM 1 can rank first, but only the cost element attributes with ITEM 2 can rank first also or only come second.

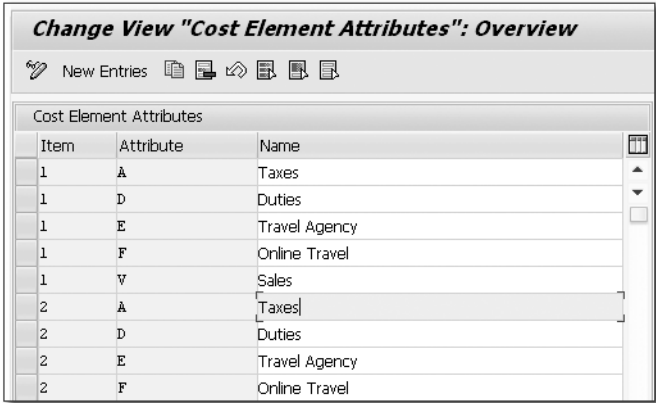


Figure 3.17 Creating Cost Element Attributes

All cost element attributes can be arranged in *attribute mixes*. The attribute mixes will be assigned to the cost element. An attribute can't be assigned to the cost element if it isn't maintained in an attribute mix.

Cost element attribute mixes are created with Transaction OKA4 or by following the IMG path, CONTROLLING • COST ELEMENT ACCOUNTING • MASTER DATA • COST ELEMENTS • DEFINE COST ELEMENT ATTRIBUTE MIX.

Define an attribute mix

You can create new entries by clicking on NEW ENTRIES or pressing **F5**. You can assign up to eight cost element attributes to an attribute mix.

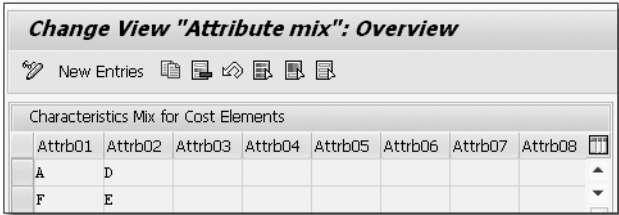


Figure 3.18 Creating an Attribute Mix

When creating an attribute mix, the system checks the sequence of the items for which the attributes have been created (refer to Figure 3.17).

After creating cost element attributes and assigning them to an attribute mix, you can assign an attribute mix to a cost element. The attribute mix can now be used in reporting or in planning, which allows you to differentiate the cost in planning.

Consider, for example, if you want to plan travel costs per cost center, and you have a travel agency that you use for bookings and an online portal. You don't differentiate your General Ledger accounts by source of the costs because the costs will be analyzed on a vendor level in Financial Accounting. If you want to differentiate those costs in planning, you can plan by cost element attribute. You can execute the cost element planning on the attribute level and maintain a value for attribute E (Travel Agency) and attribute F (Online Travel). This way, you can make plans as detailed as you need. In reporting, you can also display the cost element attributes for analysis.

3.3 Real-Time Integration of Controlling with Financial Accounting

The data storage of the Financial Accounting and the Controlling modules takes place in different buckets. Every module has its own data tables.

With the move of Profit Center Accounting into the New General Ledger and the ability to create balanced balance sheets and P&L per profit center, it became increasingly important to display movements on cost elements that affect the account assignment in both Controlling and Financial Accounting. For example, if you post costs on an internal order assigned to a profit center, and this internal order gets settled to a cost center with a different profit center, then these costs should also be displayed in Financial Accounting on the correct profit center.

Moreover it's important to reflect the correct account assignment in Financial Accounting when you have the scenario FIN\_CCA for the cost center update active in the leading ledger. With the New General Ledger

Real-time integration of Controlling with Financial Accounting

in Financial Accounting, you can activate a setting for real-time integration of Controlling with Financial Accounting. Every time the account assignment object is changed in Controlling, the adjustments will be mirrored in Financial Accounting. The setting of real-time integration of Controlling with Financial Accounting is activated when you use Profit Center Accounting in the New General Ledger or in segment reporting. With it, the reconciliation postings of the reconciliation ledger become obsolete.

You must activate the company code validation in the controlling area with Transaction OKKP or by following the IMG path, CONTROLLING • GENERAL CONTROLLING • ORGANIZATION • MAINTAIN CONTROLLING AREA. Choose the ACTIVATE COMPONENTS/CONTROL INDICATORS area on the left side of the screen. In the OTHER INDICATORS section, select the COMPANY CODE ACTIVATION checkbox.

After you meet the prerequisites, you can activate the setting of real-time integration of Controlling with Financial Accounting in configuration. First, go to IMG path, FINANCIAL ACCOUNTING (NEW) • FINANCIAL ACCOUNTING GLOBAL SETTINGS (NEW) • LEDGERS • REAL-TIME INTEGRATION OF CONTROLLING WITH FINANCIAL ACCOUNTING • DEFINE VARIANTS FOR REAL-TIME INTEGRATION.

To create a new variant, click on NEW ENTRIES or press **F5**. You activate the real-time integration by setting the R.-TIME INTEG:ACTIVE checkbox in the upper section of Figure 3.19. You can determine from when the real-time integration will be active, which makes sense when you activate the real-time integration retroactively. Therefore, you need to maintain a date in the KEY DATE:ACTIVE FROM field. If you want postings on secondary cost elements to be reflected in Financial Accounting, you need to maintain an account determination by selecting the ACCT DETER.: ACTIVE checkbox. Assigning an account to the account determination will be explained later in this section.

Activate real-time integration



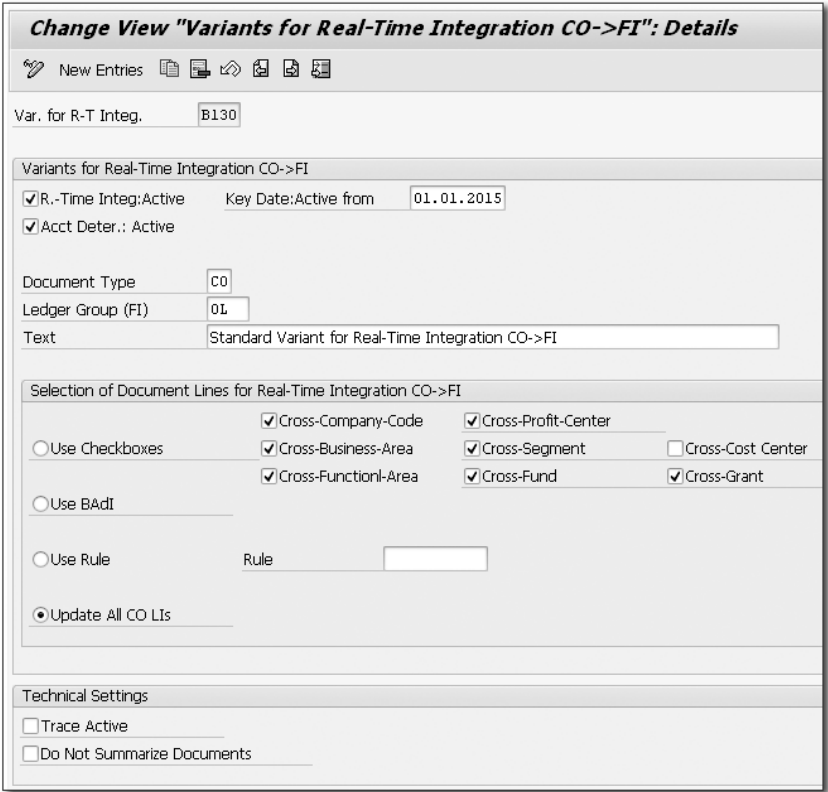


Figure 3.19 Create a Variant for Real-Time Integration

Maintain settings for real-time integration

In the SELECTION OF DOCUMENT LINES FOR REAL-TIME INTEGRATION CO->FI area, you choose which documents will be led over to Financial Accounting. You can choose from the following possibilities:

- ▶ **USE CHECKBOXES**  
Only the Controlling documents that meet the checked criteria will be led over to Financial Accounting.
- ▶ **USE BADI**  
The transition of documents results after specific rules determined in a custom-specific BAdI.
- ▶ **USE RULE**  
Validations or substitutions are used to lead documents over.

- ▶ **UPDATE ALL CO LIS**  
All table COEP line items (by period) will be led over. SAP recommends setting this characteristic only for testing; otherwise, too many documents will be led over to Financial Accounting, which could affect performance.

In the TECHNICAL SETTINGS area shown at the bottom of Figure 3.19, you can select two more characteristics. We recommend that you select them only for testing. If you activate TRACE ACTIVE, all Controlling documents that are transferred to Financial Accounting will be recorded. If you activate DO NOT SUMMARIZE DOCUMENTS, all subassignments will be transferred to Financial Accounting.

In the next step, you assign the variant that has just been created (in our example, variant B130) to the company codes in which you want to use real-time integration. Go to IMG path, FINANCIAL ACCOUNTING (NEW) • FINANCIAL ACCOUNTING GLOBAL SETTINGS (NEW) • LEDGERS • REAL-TIME INTEGRATION OF CONTROLLING WITH FINANCIAL ACCOUNTING • DEFINE VARIANTS FOR REAL-TIME INTEGRATION. You see an overview of all company codes in the client. Assign the variant for the real-time integration you've just created to the company codes (B130 and B131 in this example in Figure 3.20).

Define a variant for real-time integration

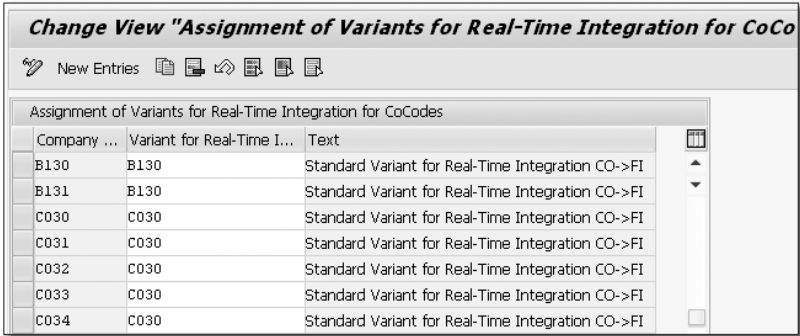


Figure 3.20 Assigning a Variant for Real-Time Integration to the Company Code

In the next step, you determine which characteristics will be transferred to Financial Accounting. Go to IMG path, FINANCIAL ACCOUNTING (NEW) • FINANCIAL ACCOUNTING GLOBAL SETTINGS (NEW) • LEDGERS • REAL-TIME INTEGRATION OF CONTROLLING WITH FINANCIAL ACCOUNTING • DEFINE

Define field transfer

FIELD TRANSFERS FOR REAL-TIME INTEGRATION. All characteristics that are already selected will be transferred to Financial Accounting. You can choose additional fields to be selected for the transfer. For example, in Figure 3.21 you can select the AUFNR ORDER field in the TRANSFER FIELD TO FI column to make sure that the internal orders are transferred to Financial Accounting as well.

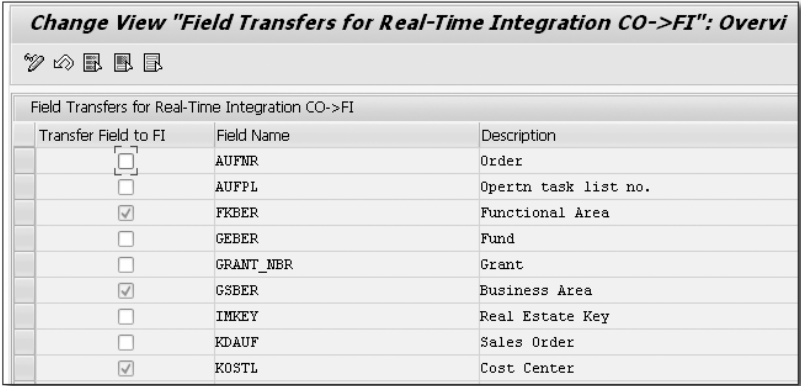


Figure 3.21 Determining Fields for Transfer to Financial Accounting

Define account determination

Because assessments and settlements generally happen with secondary cost elements *not* created as General Ledger accounts in Financial Accounting, you need to create General Ledger accounts for those transactions. Create the General Ledger account as an expense account, and then maintain the account determination with Transaction OK17 or by following the IMG path, FINANCIAL ACCOUNTING (NEW) • FINANCIAL ACCOUNTING GLOBAL SETTINGS (NEW) • LEDGERS • REAL-TIME INTEGRATION OF CONTROLLING WITH FINANCIAL ACCOUNTING • DEFINE ACCOUNT DETERMINATION FOR REAL-TIME INTEGRATION • DEFINE ACCOUNT DETERMINATION FOR REAL-TIME INTEGRATION.

Go to CHANGE ACCOUNT DETERMINATION, and define the level on which you want to determine the accounts. You can maintain different accounts for three kinds of items, as shown in Figure 3.22:

- ▶ Debit/credit
- ▶ Costing scope
- ▶ Controlling transaction

The COSTING SCOPE checkbox defines that the object class is a criteria for the account determination and is only required if you use the reconciliation ledger. If you're using the online direct posting of Controlling to Financial Accounting, then there is no point in setting this indicator because the characteristic object class can't be filled by the system at runtime. In our example, we selected the CO TRANSACTION checkbox.

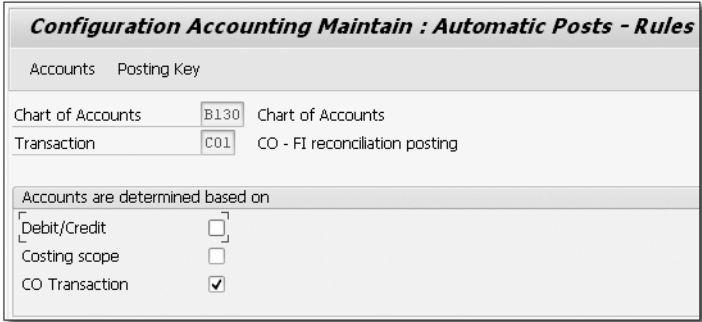


Figure 3.22 Maintaining Automatic Account Determination

Click on the ACCOUNTS button or press **F7** to maintain accounts. With **F4** Help, you can display the different Controlling transactions and choose the ones you use. Assign a General Ledger account to every Controlling transaction, as shown in Figure 3.23.

Maintain accounts

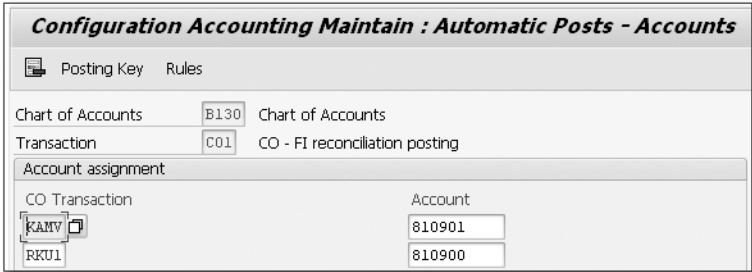


Figure 3.23 Assigning Accounts for Real-time Integration

Now, if you're doing a settlement or an assessment, you'll automatically create a real-time document (Financial Accounting document) with the accounts assigned in Figure 3.24.

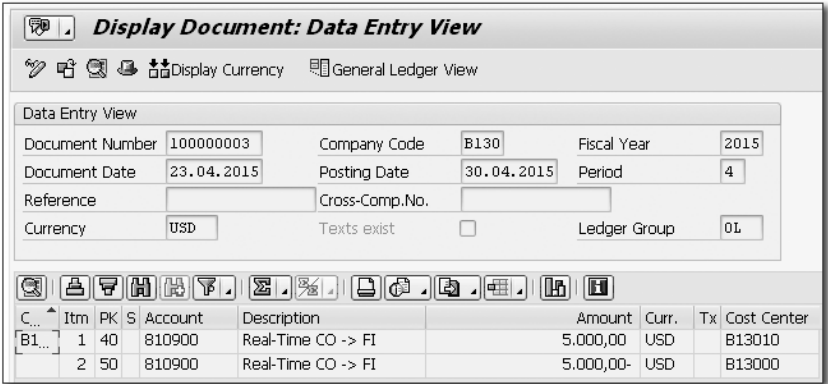


Figure 3.24 Real-Time Integration Document

If you activate the real-time integration and transfer all changes in Controlling in account assignment objects to Financial Accounting, you'll have a reconciled P&L on the account assignment level (for example, profit center). The P&L is correctly displayed on the level of the Controlling characteristics.

3.4 Reporting

Reporting options for Cost Element Accounting is quite limited within standard SAP because they are only required for reconciliation purposes. All other modules within Controlling have more reports, and you can create your own reports with standard SAP functionalities.

Report for reconciliation

One report that can be used for the reconciliation of Controlling and Financial Accounting is found via Transaction S\_SLO\_21000007 or the menu path, ACCOUNTING • CONTROLLING • COST ELEMENT ACCOUNTING • INFORMATION SYSTEM • REPORTS FOR COST AND REVENUE ELEMENT ACCOUNTING (NEW) • OVERVIEW • S\_SLO\_21000007 – COST ELEMENTS: BREAKDOWN BY COMPANY CODE.

In the selection criteria, you can select the controlling area, the period of time, the company codes, and the cost elements. In our example shown in Figure 3.25, we restricted the report only on the controlling area together with PERIOD 4 and year 2015. After execution of the report, you see an

overview of all the characteristics, such as company codes, cost elements, and cost centers. You can be flexible in the display of those characteristics. If there are postings on different account assignment objects, those will be listed in this report as well. Various functionalities also work with the report, such as sorting, grouping, searching for items, and exporting the report in Excel by choosing SYSTEM • LIST • SAVE • LOCAL FILE.

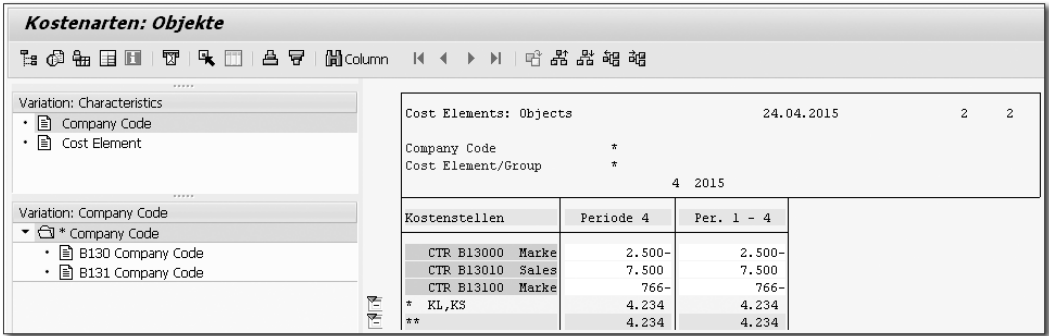


Figure 3.25 Cost Element Report

With this report, you can reconcile Financial Accounting and Controlling on the General Ledger account, account assignment object, and/or company code level.

To display single or multiple Controlling documents, use Transaction KSB5N or follow the menu path, ACCOUNTING • CONTROLLING • COST ELEMENT ACCOUNTING • INFORMATION SYSTEM • REPORTS FOR COST AND REVENUE ELEMENT ACCOUNTING (NEW) • DOCUMENT DISPLAY • KSB5N – CONTROLLING DOCUMENTS: ACTUAL COSTS: NEW.

Display a Controlling document

In the selection criteria, you can enter a specific Controlling document number, or you can enter multiple further selection criteria. In the report itself, shown in Figure 3.26, you can change the layout and create your own layouts.

Those two transactions are the only reports that are offered within standard SAP for the Cost Element Accounting module in Controlling. In the next chapter, you'll learn how to create reports with standard SAP functionalities. You can also use some of the upcoming functionalities to create your own reports in Cost Element Accounting.

Display Actual Cost Documents

DocumentMaster Record

LayoutCOarea currencyValuation View/Group1SAPUSD0Primary cost postingUSDLegal Valuation

DocumentNo	Doc. Date	Document Header Text	RT RefDocNo	User Name	Rev RvD	
PRw	OTy	Object	CO object name	Cost Elem.	Cost element name	Val/COArea Crcty
1000000000	05.04.2015		R 100000001	KSCHMALZI...		
1	CTR B13000	Marketing	600000	Travel Cost	5.000,00	S 18000
1000000001	23.04.2015			KSCHMALZI...		
1	CTR B13000	Marketing	65000	Travel Cost	2.500,00-	
2	CTR B13010	Sales	65000	Travel Cost	2.500,00	
1000000005	23.04.2015 B130	20150101Assessment Cycle		KSCHMALZI...		
1000000100	24.04.2015		R 100000000	KSCHMALZI...		

Figure 3.26 Displaying the Controlling Document

3.5 SAP HANA in Cost Element Accounting

SAP HANA has no direct impact on Cost Element Accounting and instead only impacts reporting by generating more detailed line item reports in a much shorter time. There is no specific accelerator for Cost Element Accounting.

3.6 Summary

In this chapter, you learned about the elementary master data for the Controlling module: cost elements and cost element groups. You now know the difference between primary and secondary cost elements and understand their usage.

Presented with coverage on real-time integration of Controlling with Financial Accounting, you learned a way to guarantee the reconciliation of Financial Accounting and Controlling. We showed you the standard SAP reports in Cost Element Accounting that help you analyze and reconcile the data.

In the next chapter, you'll learn about Cost Center Accounting.

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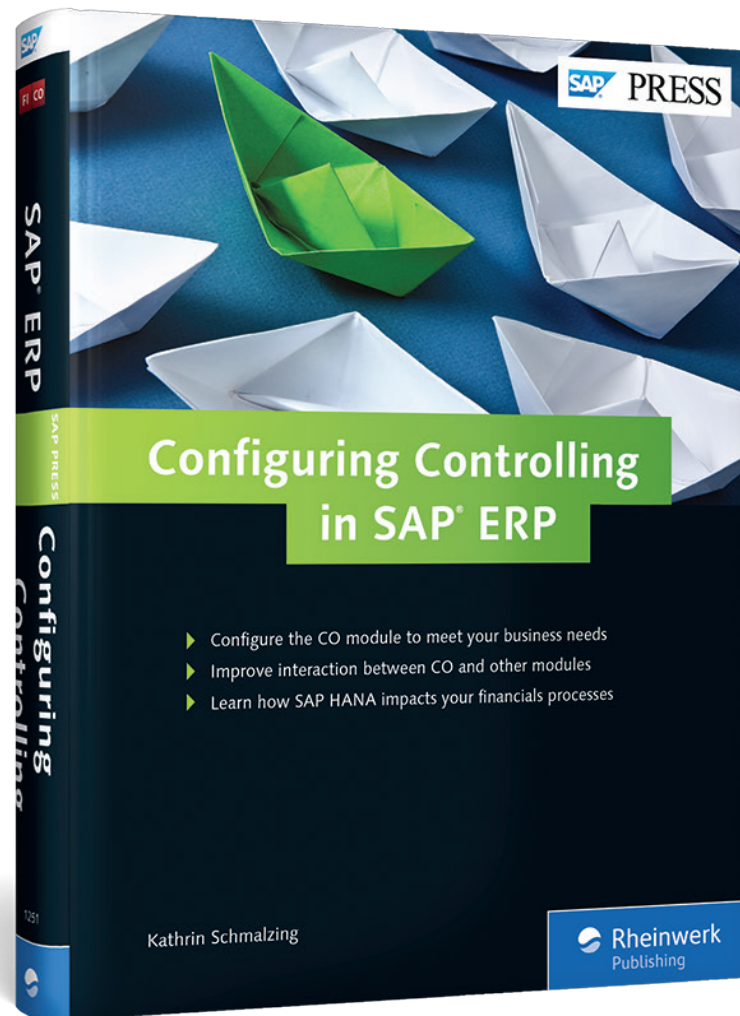
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Kathrin Schmalzing

## Configuring Controlling in SAP ERP

526 Pages, 2016. \$79.95/€79.95

ISBN 978-1-4932-1251-4



[www.sap-press.com/3887](http://www.sap-press.com/3887)



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