This sample chapter describes settlement configuration and period-end processing, from settlement profiles and the allocation structure to parameters and processing types. It also examines the new settlement-related transactions available with SAP HANA.

“Settlement”

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The Authors

John Jordan

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Chapter 17

The settlement function transfers work in process and variances to SAP ERP Financials (FI), Profit Center Accounting (PCA), and Profitability Analysis (CO-PA).

17  Settlement

Settlement transfers work in process (WIP) and variances to FI, PCA, and CO-PA. You can also transfer variance categories to value fields in CO-PA.

In this chapter, we’ll discuss settlement configuration including the settlement profile, allocation structure, source structure, and PA transfer structure. We’ll then discuss settlement period-end processing, including parameters and processing options.

17.1  Settlement Configuration

Settlement configuration for product cost by period and product cost by order are similar. We’ll look at settlement configuration for product cost by period and highlight the differences along the way.

17.1.1  Settlement Profile

A settlement profile contains settlement control parameters on how orders settle. You can enter the settlement profile in the order type definition with Transaction KOT2 or by following the IMG menu path CONTROLLING • PRODUCT COST CONTROLLING • COST OBJECT CONTROLLING • PRODUCT COST BY ORDER • MANUFACTURING ORDERS • CHECK ORDER TYPES. When you create an order, the settlement profile contained in the order type defaults into the order settlement rule. To display the settlement profile in a production order, follow these steps:

1. Display a production order with Transaction CO02.
2. Select HEADER • SETTLEMENT RULE from the menu bar.
3. You’ll see a list of distribution rules that define where the costs are to settle. Select Goto • SETTLEMENT PARAMETERS from the menu bar to display the screen shown in Figure 17.1.

![Figure 17.1 Settlement Rule Parameters](image)

The SETTLEMENT PROFILE field in the PARAMETERS section defaults from the order type that you configure with Transaction KOT2. The ALLOCATION STRUCTURE, PA TRANSFER STR., and SOURCE STRUCTURE fields default from the settlement profile, which we’ll examine in detail in this chapter.

**Note**
Even though the settlement rule parameters default from the order type and settlement profile, you can manually change the default values.

You can maintain settlement profile details in this screen. We’ll examine the fields and checkboxes of each section of the screen.

![Figure 17.2 Settlement Profile Overview Screen](image)

The overview screen displays a list of available settlement profiles. Double-click an entry in the SETTLEMENT PROFILE column to display the details screen shown in Figure 17.3.

![Figure 17.3 Settlement Profile Details Screen](image)

You can maintain settlement profile details in this screen. We’ll examine the fields and checkboxes of each section of the screen.
Actual Costs/Cost of Sales
The Actual Costs/Cost of Sales section controls how actual costs or COS are to be settled.

- **To Be Settled in Full**
  This is the default setting. If you try to close an order or set the deletion flag, the system displays an error message if the balance of the object isn’t zero.

- **Can Be Settled**
  You can settle actual costs and COS, but you don’t have to. When you try to close the object or set the deletion flag, the system displays a warning message if the balance in the object isn’t zero. You can set the deletion flag on an order with a balance.

- **Not for Settlement**
  Actual costs, COS, and variances aren’t settled, but WIP can be. When you close the object or set the deletion flag, the system doesn’t display a message if the balance in the object isn’t zero.

**Tip**
If you need to set the deletion flag on an order with a remaining balance, you’ll receive an error message until you do one of the following:
- Settle the balance if possible, which can be difficult if the order has problems or if the order has not been settled for many periods.
- Change the To Be Settled in Full setting to Can Be Settled in the settlement profile, set the deletion flag on the order, and then reselect To Be Settled in Full in the settlement profile.

Let’s look at the next section of the settlement profile.

Default Values
The Default Values section contains default values for control structures that we’ll discuss in more detail in the following sections.

Indicators
The Indicators section shown in Figure 17.3 contains checkboxes that control the amount you’ll settle:

- **100%-validation**
  This checkbox controls whether the system checks percentages in the settlement rule. A settlement rule determines which portions of a sender’s costs you allocate to each receiver. A settlement rule is contained in a manufacturing order or product cost collector header data.
  If you have defined percentage distribution rules for a particular settlement rule, the system checks the total percentage either when you save the settlement rule or if you use the percentage check function.
  - If the checkbox is set, the system issues a warning if the total is less or more than 100%.
  - If the checkbox isn’t set, the system issues a warning if the total is more than 100%.
  In both cases, you can ignore the warning and save the settlement rule. However, to run the settlement, you must first correct the settlement rule. The settlement run prevents you from settling more than 100%.

- **%-settlement**
  If you set this checkbox, you can use the settlement rule to determine the distribution rules governing the percentage costs to be settled.

- **Equivalence numbers**
  If you set this checkbox, you can define distribution rules in the settlement rule, according to which costs you settle proportionally.

- **Amount settlement**
  If you set this checkbox, you can define distribution rules in the settlement rule, which allow you to settle costs by amount. For example, you can settle a specific amount, such as $5,000, of the costs incurred on an order to cost center 4711.

- **Variances to Costing-Based PA**
  If you set this checkbox, variances are sent to costing-based CO-PA during order settlement.

**Tip**
If you need to set the deletion flag on an order with unsettled variances, you’ll receive an error message until you do one of the following:
- Settle the variances to CO-PA if possible, which can be difficult if the order has problems or if the order has not been settled for many periods.
Deselect the Variances to Costing-Based PA checkbox in the settlement profile, set the Deletion checkbox on the order, and then reset the Variances to Costing-Based PA checkbox in the settlement profile.

Now we’ll look at the Valid Receivers section of the selection profile.

Valid Receivers
In this section of the settlement profile, you choose whether settlement to certain types of receivers is optional, required, or not allowed.

Example
In Figure 17.3, we’ve allowed production orders to settle to general ledger (G/L) account, an order, or a work breakdown structure (WBS) element (Project System). We don’t want settlement to occur to any other object type, so they are set to Settlement Not Allowed.

Now let’s examine the Other Parameters section of the settlement profile.

Other Parameters
In this section, you maintain the following fields:

- **Document Type**
  You can assign individual document types for each settlement rule to assist in identifying settlement documents separately. You create and maintain document types with customizing Transaction OBA7.

- **Max.No.Dist.Rls (maximum number of distribution rules)**
  This field determines the maximum number of distribution rules possible for each settlement rule.

- **Residence Time**
  This field determines the minimum amount of time necessary between setting the order deletion flag (revocable) and deletion indicator (not revocable).

Now that we’ve examined settlement profiles, let’s look at the next settlement configuration transaction, the allocation structure.

### 17.1.2 Allocation Structure

An allocation structure allocates the costs incurred on a sender by cost element or cost element group. You use the allocation structure for settlement and for assessment. Each allocation structure contains a number of assignments of cost elements (or cost element groups) to settlement or assessment cost elements.

Each allocation structure must fulfill the following criteria:

- **Completeness**
  You assign an allocation structure to each order you settle. You must represent all cost elements that incur costs (source cost elements) in the allocation structure.

- **Uniqueness**
  Each cost element that incurs costs can only appear once in an allocation structure. You can assign only one settlement cost element to a source within a particular allocation structure.

You create an allocation structure with Transaction OKO6 or by following the IMG menu path CONTROLLING • PRODUCT COST CONTROLLING • COST OBJECT CONTROLLING • PRODUCT COST BY PERIOD • PERIOD-END CLOSING • SETTLEMENT • CREATE ALLOCATION STRUCTURE. The screen shown in Figure 17.4 is displayed.

![Figure 17.4 Allocation Structures Overview Screen](image)

You’ll see available allocation structures listed on the right side of this overview screen. You can use any allocation structure or copy one and create your own. Let’s choose allocation structure A1 as shown in Figure 17.4 and examine its components.
Select allocation structure A1 and double-click Assignments to display the screen shown in Figure 17.5.

![Figure 17.5 Allocation Structure Assignments Overview Screen](image)

You’ll see available allocation structure assignments listed on the right side of the overview screen. Select an assignment and double-click Source to show the screen displayed in Figure 17.6.

![Figure 17.6 Source Cost Element Details](image)

Three methods are available to assign source cost elements:
- A single cost element
- A range of cost elements
- A cost element group

Double-click OAS_MAT under the Cost Elem. Group (cost element group) field shown in Figure 17.6 to display the details as shown in Figure 17.7.

![Figure 17.7 Display Cost Element Group](image)

You’ll see the cost elements included in the cost element group.

**Tip**

If you introduce a new source cost element, for example, to identify a new external processing cost, you must ensure that the source cost element is included in the allocation structure, or an error message will occur when you run the settlement transaction.

The easiest way to include new source cost elements in an allocation structure is to assign a cost element group, even if the group includes only one cost element. A cost element group is master data that you can maintain with Transaction KAH2 or by following the menu path Accounting • Controlling • Cost Center Accounting • Master Data • Cost Element Group • Change.

If you don’t assign a cost element group, you may need to add the new cost element as a configuration change in the allocation structure, which generally takes more documentation, procedures, and time than to carry out a simple master data change to a cost element group.

Double-click Assessment Cost Element in Figure 17.6 to display the screen shown in Figure 17.8.

![Figure 17.8 Assessment Cost Element Overview](image)
You can use allocation structures for both assessments and settlements as described here:

- Assessments allocate costs between cost centers.
- Settlements allocate costs from orders to other objects.

You generally set up allocation structures for either assessments or settlements. In this case, because we are configuring a settlement, there is no need to enter assessment cost elements.

Double-click **Settlement cost elements** in Figure 17.8 to display the screen shown in Figure 17.9.

### Account Assignment Category

When assigning settlement cost elements, the first field you maintain is **Receiver cat.** (account assignment category), which specifies the object types allowable for the settlement receiver. Click a category and press (F4) to display the screen shown in Figure 17.10.

This screen lists all possible entries for the account assignment category. By entering the account assignment category in the settlement rule, you specify how you interpret the entry in the **Settlement Receiver** field shown in Figure 17.11.

Example

If you enter "CTR" as the account assignment category and "1000" as the receiver, the system will settle to cost center 1000. If, however, you enter "ORD" and "1000," the order with number 1000 is the settlement receiver.

The account assignment category influences the (F4) help in the general receiver field. If, for example, you enter "CTR" as the account assignment category, the system will offer you (F4) help for the selection of cost centers.

Example

Display a production order with Transaction CO02 and select **Header • Settlement Rule** from the menu bar. Enter "CTR" in the first available account assignment rule field. Then click the **Settlement Receiver** field and press the (F4) key to display the screen shown in Figure 17.11.
The list of possible entries is restricted to cost center because the category CAT (category) entered is “CTR” (cost center).

**By Cost Element**

If you select the By Cost Element checkbox in Figure 17.9, the settlement cost element will be the same as the source or debit cost element. You would only select this checkbox if you need the original debit cost element to appear on the settlement object such as a cost center, which isn’t normally necessary.

You typically group source cost elements to settle with one settlement cost element. If you require more details of the source costs when viewing the object settled to, you simply double-click the settlement cost element to take you directly to the sender details.

If you select the By Cost Element checkbox, you cannot enter a settlement cost element in the next field because you have already defined the settlement cost element as the source cost element.

**Settlement Cost Element**

The settlement cost element credits the sender and debits the receiver during settlement. Settlement cost elements are secondary cost elements of category 22. If you press the F4 key in the Settlement cost elem field, you’ll see a list of secondary cost elements of category 22.

**Name**

The text in the Name field is the name of the settlement cost element that the system automatically transfers from the cost element.

Now that we’ve examined allocation structures, let’s look at the next settlement configuration transaction: the source structure.

### 17.1.3 Source Structure

You define source structures when settling and costing joint products. Joint production involves the simultaneous production of many materials in a single production process. A source structure contains several source assignments, each of which contains the individual cost elements or cost element intervals you settle using the same distribution rules.

In the settlement rule for the sender, you can define one distribution rule, in which you specify the distribution and the receivers for the costs for each source assignment.

**Note**

Check whether you need to use source structures in your settlement procedures. If you are settling to cost elements, you don’t need a source structure. Otherwise, create a source structure with the following procedure.

Create a source structure with Transaction OKEU or by following the IMG menu path Controlling • Product Cost Controlling • Cost Object Controlling • Product Cost by Period • Period-End Closing • Settlement • Create Source Structure. The screen shown in Figure 17.12 is displayed.

You’ll see available source structures listed on the right side of this overview screen. You can use any available source structure or copy one and create your own. We’ll choose source structure FA, shown in Figure 17.12, and examine its components.
Select source structure FA and double-click Assignments to display the screen shown in Figure 17.13.

You'll see available source structure assignments listed on the right side of the overview screen. Select an assignment and double-click Source to show the screen displayed in Figure 17.14.

You enter the source structure source in this screen. We'll examine the rows in detail.

**Accounting Indicator**

The Acctg Indicator (accounting indicator) row serves as another criterion in addition to cost element, discussed in the next section. You can identify incurred costs and earned profits by sales volume, warranty, or good will, for example.

**Cost Element**

You can enter an individual cost element, range, or group in the Cost Element row. You can maintain cost element groups with Transaction KAH2.

**Example**

An order has incurred both direct and overhead costs. The direct costs are to be divided 50% each between a fixed asset and a cost center, whereas you'll settle the overhead in full to an administration cost center. To do this, you create a source structure with two source assignments:

- Direct cost elements
- Overhead cost elements

Now that we've examined settlement profiles, allocation structures, and source structures, let's look at the final settlement configuration transaction: the PA transfer structure.

**17.1.4 PA Transfer Structure**

Settlement lets you transfer costs, revenues, sales deductions, and production variances to costing-based CO-PA. The PA transfer structure defines which quantities or values of a sender you transfer to which value fields in CO-PA. You use value fields to report on CO-PA values.

**Example**

For a marketing order, you can assign the cost element group Personnel Costs to value field VTRGK (sales overhead).
CO-PA enables you to evaluate market segments, which you can classify according to products, customers, orders, or any combination of these, or strategic business units, such as sales organizations or business areas, with respect to your company’s profit or contribution margin.

You create a PA transfer structure with Transaction KEI1 or by following IMG menu path CONTROLLING • PRODUCT COST CONTROLLING • COST OBJECT CONTROLLING • PRODUCT COST BY PERIOD • PERIOD-END CLOSING • SETTLEMENT • CREATE PA TRANSFER STRUCTURE. The screen shown in Figure 17.15 is displayed.

You’ll see available PA transfer structures listed on the right side of this overview screen. You can use any PA transfer structure or copy one and create your own. Let’s choose PA transfer structure E1, shown in Figure 17.15, and examine its components.

Select PA transfer structure E1 and double-click ASSIGNMENT LINES to display the screen shown in Figure 17.16.

The PA transfer structure allows you to define the level of detail of production variances you require to transfer to CO-PA. You can transfer all production variance categories to separate value fields or to just one value field, depending on the level of detail you require in variance reporting in CO-PA.

Select an assignment and double-click SOURCE to show the screen displayed in Figure 17.17.

We’ll examine the fields of this source details screen.
Cost Element

In the Cost Element fields, you can enter an individual source cost element, range, or group. Click the glasses icon to display cost elements in a cost element group if required.

Note

Maintaining a cost element group is easier than maintaining the individual cost elements or ranges entered in this screen because a cost element group is master data, which is relatively easy to maintain. Maintaining values directly in Figure 17.17 requires a configuration change, which generally takes more documentation and testing than master data changes.

Source

In this section, you define the source information transferred to CO-PA depending on your selection of the following:

- Costs/revenue
  Costs posted to the cost elements listed in the Cost Element section will transfer to a value field.

- Variances on production orders
  You transfer production variances by variance category to individual value fields.

Note

You can differentiate between material and labor input quantity variance by assigning material and labor cost elements to different value fields. This is one of the only ways you can differentiate between material and labor input quantity variance in standard reporting.

- Acct. indic. on service orders
  Costs posted to the accounting indicator defined in service orders post to a value field.

To maintain the value fields to which you post the source costs, double-click Value fields in Figure 17.17 to display the screen shown in Figure 17.18.

Figure 17.18 Assignment Lines Value Fields

This screen allows you to maintain details of the CO-PA fields to which you transfer the source information.

Quantity/Value

Click this field to see the two possible entries as shown in Figure 17.18. You have the following choices:

- Value field
  You transfer monetary amounts to this field.

- Quantity field
  You transfer quantity amounts to this field.

Now let’s look at the next value field column.

Fixed/Variable

This field (F) allows you to enter the following three options depending on the level of detail you require to transfer to individual value field in CO-PA:

- 1
  Fixed amounts

- 2
  Variable amounts

- 3
  Sum of fixed and variable amounts

Now we’ll look at the next value field column.
Value Field
In the Value Field field, you enter the value field that is to receive the amount or quantity from the source. You can display a list of available value fields, as shown in Figure 17.19, by clicking the field and pressing the F4 key.

![Figure 17.19 Value Field Possible Entries](image)

Standard value fields are available, or you can freely define your own. Value fields you manually create typically have a VVxxx format. You can maintain value fields with Transaction KEA6 or by following the IMG menu path Controlling • Profitability Analysis • Structures • Define Operating Concern • Maintain Value Fields.

Now that we’ve finished examining settlement configuration settings, let’s look at the period-end process.

17.2 Settlement Period-End Process
You can run period-end settlement with Transaction KK87 (individual) and Transaction CO88 (collective) or by following the menu path Accounting • Controlling • Product Cost Controlling • Cost Object Controlling • Product Cost by Period • Period-End Closing • Single Functions: Product Cost Collector • Settlement. A selection screen displays, as shown in Figure 17.20.

![Figure 17.20 Actual Settlement Selection Screen](image)

In this example, we’ll carry out settlement only for product cost collectors by selecting the With Product Cost Collectors checkbox. You can include other objects in the settlement, without running another transaction, by selecting the relevant checkbox.

17.2.1 Parameters
Let’s discuss the fields in the Parameters section of the Settlement screen.

Settlement Period
The Settlement Period field determines for which period you calculate the settlement.
Posting Period

Product cost by period requires you to settle each period sequentially, which can lead to difficulties if a prior period needs to be reversed. By using the Posting Period field shown to the right in Figure 17.20, you can make reversals, corrections, and resettlements in prior periods by posting to the present or previous period.

Fiscal Year

The fiscal year can be the same as the current calendar year but doesn’t have to be.

Processing Type

Click in the Processing Type field in Figure 17.20 and press (F4) to display the list of possible entries shown in Figure 17.21.

Figure 17.21 Processing Type Possible Entries

The default Processing Type field selection is 1: Automatic. Following is a description of each processing type:

- **1: Automatic**
  - Sets order costs per the settlement type of each order.

- **2: By Period**
  - Selects orders with settlement type PER.

- **7: Automatic After Settlement to Order Item**
  - Choose this processing type if you first carry out settlement with Transaction CO8A as part of the distribution co-product orders function.

- **8: Full Settlement**
  - An error message is generated if costs for previous periods occur on a PER order.

Click the Processing Type field and press (F4) to access standard detailed documentation on your options.

Note


17.2.2 Processing Options

Let’s discuss the fields in the Processing Options section of the Settlement screen.

Background Processing

You can use background processing to avoid overloading the system at busy times by selecting the BACKGROUND PROCESSING checkbox.

Test Run

Selecting the TEST RUN checkbox has the following outcomes:

- The program executes normally.
- The system performs all checks in the program.
- Results are output in various forms, for example, as a:
  - Single message
  - Collection of messages
  - Log
- Existing data isn’t changed.

Detail List

If you select the DETAIL LIST checkbox, a detail list becomes available for analysis following settlement (as shown later in Figure 17.23). If you don’t select the checkbox, only the basic list is available following settlement, as shown later in Figure 17.22. You can also analyze settlement postings by viewing and sorting the settlement G/L account line item report in FI with Transaction FBL3N.
Check Transaction Data

If you select the Check trans. data checkbox, the system checks whether you posted any transaction data to the product cost collector or to the manufacturing order since the last settlement. If you didn’t post any transaction data, sender processing stops, which improves processing time. The system won’t issue the error messages that it could have issued during settlement, which improves message analysis by reducing the number of redundant messages.

Complete the selection screen using the settings shown in Figure 17.20 as an example and click the Execute icon to display the screen shown in Figure 17.22.

Figure 17.22 Actual Settlement Basic Screen

This screen provides you with basic information on the parameters you entered in the previous selection screen, such as Period and Fiscal Year. Click the Detail Lists (grid) icon to proceed to a detailed list of settlement values, as shown in Figure 17.23.

Figure 17.23 Actual Settlement Detail List

In Figure 17.23, the Value ObjCurr (value in object currency) column sorts in descending order, which provides visibility of the product cost collectors with the largest settlement amounts. You can reconcile the sum of values settled at the bottom of Figure 17.23 with the sum of the collective variance calculation discussed in Chapter 16. You can also reconcile Figure 17.23 with postings to settlement financial accounts by sorting the settlement account line item report in FI (Transaction FBL3N).

Settlement is the last step in period-end closing for product cost collectors and manufacturing orders.

17.3 SAP HANA and Settlement

Order settlement in SAP HANA starts by selecting all open orders and you need to settle.

- Transaction CO88H provides an alternative to Transaction CO88 for the settlement of production orders, process orders, product cost collectors and SAP ERP Quality Management (QM) orders in a plant.
- Transaction VA88H provides an alternative to Transaction VA88 for the settlement of sales order line items in make-to-order production.
- Transaction KO8GH provides an alternative to Transaction KO8G for the settlement of internal orders based on the entries in a selection variant.
- Transaction CJ8GH provides an alternative to Transaction CJ8G for the settlement of projects, WBS elements, and networks based on the entries in a selection variant.
Transaction CJB1H provides an alternative to Transaction CJB1 for the mass generation of settlement rules.

Selection variants are simpler than in the original transaction, so compare carefully and test for performance before deciding which one to use.

### 17.4 Summary

In this chapter, we examined settlement configuration transactions, including the settlement profile, which defaults from the order type and includes parameters, such as a requirement for the order to settle in full before you can delete it, and the default values for other settlement transactions. The settlement profile also defines valid receivers such as G/L accounts and cost centers.

We also examined the allocation structure, which allocates the costs incurred on a sender by cost element or cost element group. An assignment assigns a cost element or cost element group to a settlement cost element.

We examined the source structure, which you define when settling and costing joint products. A source structure contains several source assignments, each of which contains the individual cost elements or cost element intervals to settle using the same distribution rules.

We also looked at the PA transfer structure, which assigns source costs to value fields in CO-PA.

Finally, we looked at the settlement period-end processing step. In Chapter 18, we'll look at special processes.
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John Jordan is the founder of and principal consultant at ERP Corp. He regularly speaks at conferences and publishes articles, provides training sessions for clients, and is the author of Production Variance Analysis in SAP (2nd Ed, 2011) and 100 Things You Should Know About Controlling with SAP (2nd Ed, 2015), both SAP-PRESS bestsellers. John is considered one of the leading experts in SAP ERP Controlling component by clients and peers.

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