In this chapter, we’ll discuss the basic reports that every organization needs to run its core business, including coverage of general Controlling, Product Cost Controlling, and Profitability Analysis reports.
Chapter 2
Reporting

In this chapter, we’ll discuss the basic reports that every organization needs to run its core business, including coverage of general Controlling, Product Cost Controlling, and Profitability Analysis reports.

Almost all SAP documentation and training materials cover reporting at the end, as something of an afterthought, once the main topics surrounding the business processes and underlying master data have been explained. However, if you’re a controller, the need to analyze business performance each month is at the heart of your job, the very reason for doing controlling in the first place, so it makes sense to start by looking at some of the standard reports that controllers use every day. This way, you’ll get a sense of what information is available in each area of the Controlling component of SAP ERP Financials (CO) and what you can expect from the chapters to follow.

The other reason to start with reporting is that it means we’ll have covered the basic functions, such as changing the column structure or downloading the report contents to a spreadsheet, when we walk through how to post expenses to a cost center or production order later.

In this chapter, we’ll focus on the line item that records expense postings, allocations, and so on, looking at reports that allow you to search for the relevant line items in each application area. Controllers also like to bring these line items into context to understand whether cost center spending is going according to plan, whether project spending is about to exceed a budget limit, or whether production lines are executing to target. While we’re looking at the line items for each area, we’ll try to bring these line items into their Controlling context.

This chapter will look at your reporting options in SAP ERP. If your organization is already using a data warehouse for reporting, you’ll find a discussion on when to use SAP Business Warehouse (BW) in Chapter 8. However, even controllers whose organizations have implemented SAP BW still tend to use the line item reports in SAP ERP.
for detailed cost tracking and analysis. In Chapter 13, we’ll look at the newer options available with SAP HANA. Because these newer options build directly on the line items, it’s more important than ever to understand what information is being captured at the source.

Note
Wherever possible in this book, we’ll use the new-look user interfaces that are available from EHPs 5 and 6 for SAP ERP 6.0. For readers not yet using this version of the software, we’ll also provide the menu path and transaction so that you can follow the instructions no matter which version of SAP ERP you’re running. You’ll find information about how to install the SAP NetWeaver Business Client in SAP Note 1029940 and information about how to implement the user interfaces in Appendix A, which you can download at www.sap-press.com/4691. If you’re concerned about the continued availability of the SAP NetWeaver Business Client, check the details of the maintenance strategy in SAP Note 2302074.

2.1 Cost Center Line Items
Let’s start our journey in Cost Center Accounting. The cost center line item report that helps you monitor expense postings to a cost center and allocations from the cost center is one of the most widely used transactions in SAP ERP Financials. If you know how to use it properly, you’ll already be well on the way to being an expert in CO with SAP ERP Financials.

2.1.1 Classic Cost Center Line Item Report
In the SAP Easy Access menu, all transactions and reports are grouped into folders for the main application areas, such as Cost Center Accounting, Internal Orders, Product Cost Controlling, Profitability Analysis, and so on. These application areas are delivered as roles in EHP 5 for SAP ERP 6.0. When you log on, you’ll see all the roles assigned to your user. We’ll start each section of this chapter by looking at the relevant role structure. Figure 2.1 shows the entries in the Cost Center Accounting role. You’ll find all the reports available for this role under Information System.
Before we explore the reports on offer, let’s look at the Home page shown in Figure 2.2. This page is delivered as part of the Cost Center Accounting role (SAP_EP_RW_CO_KSN6) if you’re on EHP 6 for SAP ERP 6.0. As a controller, it can be good to start the day with a quick overview of the plan/actual costs on your cost centers before you delve into the details. To make sure that this report can run without you entering any selection parameters, you need to set certain defaults for your user. To do this, select System • User Profile • Own Data, choose the Parameters tab, and enter the parameter CAC for the controlling area. You’ll notice an area called My Default Settings in the lower left of the screen. As you enter a cost center and/or cost center group, you’ll be updating your user parameters with the parameter KOS for the cost center and your chosen cost center.

The Information System link shown in Figure 2.1 will take you to a screen that shows the reports available for Cost Center Accounting. This is the equivalent of choosing the menu path Financials • Controlling • Cost Center Accounting • Information System • Reports for Cost Center Accounting in earlier versions of the software. If you compare the links in Figure 2.3 with the entries in the classic menu, you’ll find that more reports are shown here. This is because we’ve included newer reports in the list that were delivered in EHPs 3 and 5 for SAP ERP 6.0. All reports with the word List in the title can be run directly in your SAP ERP environment.

Activating New Reports via the Enhancement Packages

To find out how to make the new reports work in your organization, refer to Appendix B, which you can download at www.sap-press.com/4691.

In the Line Items folder, select the Cost Centers: Actual Line Items link. The actual line items document every posting taking place to CO in real time (such as the expense posting we looked at in Chapter 1) and at period close (such as the allocations we’ll look at in Chapter 7).

The selection screen for the cost center line item report now appears (see Figure 2.4). Experienced controllers will recognize this as Transaction KSB1. From this point onward, all functions will be the same as in the classic transaction. The new user interface simply changes the way the transaction is accessed, replacing a menu or transaction call with a role-based approach.
To select the relevant line items for analysis, enter cost center 1230 (Power), cost element 466000 (Insurance Expenses), and posting dates between 01.01.2013 and 31.12.2013 in the selection screen, then click on the **Execute** button. The result is a list of all postings for insurance expenses to the cost center in 2013, as shown in Figure 2.5. This is the CO view of the expense posting we used as our example in Chapter 1. Of course, if you know the document number, you can access the line items of the relevant documents directly using Transaction KSB5 (Display Actual Cost Documents), but it’s generally more efficient to search via the cost center or cost center group. We’ll see how to access the CO document when we look at the integrated process flows for buying, making, and selling goods in Chapter 6.

**Figure 2.5 Result List**

This type of list report is available throughout CO and in other areas of SAP ERP, so it’s worth taking time to get familiar with the standard report functions. You’ll recognize reports built with this technology throughout the book by the standard toolbar. The technical term for this kind of report is **SAP List Viewer**. To explore this type of result list, some controllers immediately reach for the **Export to Excel** button to start exploring their data in a spreadsheet.

You should know, however, that SAP List Viewer has its own spreadsheet-like functions. You can sort columns, include totals and subtotals, and so on in any list. To remove unnecessary columns, position the cursor on the column, right-click, and select **Hide**.

In general, you are more likely to add fields to such reports than remove them because the line item includes far more fields than can reasonably be displayed on a single screen. The group of fields displayed in SAP List Viewer at any point is called the layout. SAP delivers several layouts for use with cost centers. You can change these with the **Change Layout** dialog, which you can reach by clicking on the **Choose Layout** button; the **Choose Layout** screen is shown in Figure 2.6.

**Figure 2.6 Change Layout in SAP List Viewer**

The cost center line item includes layouts for the following:

- **Primary Cost Posting**
  - Use this layout to analyze expense postings from the General Ledger.

- **Secondary Costs: Activity Allocation**
  - Use this layout to analyze direct activity allocations charged from another cost center (see Chapter 6).

- **Secondary Costs: Value Settlement**
  - Use this layout to analyze order values that have been settled to the cost center (see Chapter 7).
■ Purchase Order
Use this layout to analyze purchase orders for which the account assignment is the
cost center (see Chapter 6).

■ Material Movement
Use this layout to analyze goods movements charged to the cost center (see Chap-
ter 6).

These layouts will get you started, but you’ll almost certainly want to create more lay-
outs to organize the data in the list the way you want to see it (you’ll notice that addi-
tional layouts have also been created in this demo system). To change a layout or to
create a new one, click on the Change Layout button, which takes you to the Change
Layout dialog shown in Figure 2.7.

To add fields, move them to the left by marking the relevant field in the right-hand
column (Column Set) and selecting the left-facing arrow button in the center. To hide
columns, move them to the right by marking the relevant fields in the left-hand col-
umn (Displayed Columns) and selecting the right-facing arrow button in the center. If
the result is a layout that you want to use regularly, it’s worth saving the layout under
a meaningful name by clicking on the Save button. The new layout is assigned to
your user, so nobody else will see your layout. To help you explore the potential of
this list, let’s consider the data available in the line item report.

Primary Cost Postings
The layout shown in Figure 2.6 and Figure 2.7 is for primary cost postings. It explains
expense postings that originated in the General Ledger and shows the cost element
in CO that mirrors the profit and loss account in the General Ledger and the offset-
ting reconciliation account for the vendor in Accounts Payable. We’ll look at cost ele-
ments and accounts in more detail in Chapter 3 and Chapter 4. The layout also
includes details of the offsetting account type—the insurance company whose ser-
vices have been purchased—so the layout includes account type K for vendors and
the offset account for the vendor invoice in our example.

If you want to reconcile your cost center documents against the data in the General
Ledger, you can extend this layout to include the following fields, all of which are
defaulted from the cost center master record:

■ Company Code
If you’re looking at cross-company postings, you may want to know in which com-
pany code each posting was made.

■ Business Area
This is the main way of segmenting your business activities in the General Ledger.

■ Functional Area
This is used to segment activities for cost-of-goods-sold (COGS) reporting and in
Public Sector Accounting.

■ Segment
This is used for segment reporting according to International Financial Reporting
Standards (IFRS). The segment is derived from the profit center in the cost center.

One field you won’t find in the layout is the controlling area. Every posting in CO
takes place in a controlling area. Depending on your configuration, the controlling
area may cover one or more company codes. In recent years, there has been a trend in global organizations toward a global controlling area. Whatever your settings, the golden rule is that all postings in CO and all reporting activities take place in a single controlling area. The only way to show data in multiple controlling areas is to report in SAP BW.

Secondary Postings or Allocations
If we assume that the cost center allocates the insurance expenses to several other cost centers, you might want to explain these postings by creating a new layout to show the partners participating in the allocation. This layout still includes the cost element and the cost center as the sender of the allocation, but you can extend it to include the following fields for the sender:

- **Object Type**
The type of object against which the posting was made. In our example, the cost center is CTR. For the order line item that we’ll look at later, the object type is ORD, for example.

- **Object**
The object against which the posting was made. In our example, this is cost center number 1230.

- **Debit/Credit Indicator**
Whether the posting was a debit (D) or a credit (C).

To explain the other side of the partner relationship, include the following fields:

- **Partner Type**
The type of object to which you made the allocation. This might be CTR if you are using assessment cycles or distribution cycles or ORD (order) if you are charging a department’s costs to an order using time recording.

- **Partner Object**
The key of the other cost center or the order that received the allocation.

- **Partner Object Name**
The name of the other cost center or the order that received the allocation.

- **Business Transaction**
This enables you to distinguish between different types of postings and allocations for auditing purposes. We’ll see examples of the different codes for the business transactions when we look at sample expense postings in Chapter 6 and the various forms of allocations that take place at period close in Chapter 7. It’s worth familiarizing yourself with the business transactions used in your organization as the locking mechanisms at period close will lock, for example, the assessment postings (RKIU) or the settlement postings (KOAO).

Multiple Currencies
If you work with several currencies, it’s also a good idea to create a separate version of your chosen layouts for each of the relevant currencies and another layout that shows relevant combinations:

- **CO Area Currency**
This is usually the group reporting currency and is set for the controlling area. In general, this is the same as the group currency in the General Ledger.

- **Object Currency**
This is the currency of the object (in our case, the cost center) and is set in the cost center master record. For example, a cost center based in the United States would have US dollars as the object currency. In general, this is the same as the company code currency in the General Ledger.

- **Transaction Currency**
This is the local currency in which the transaction was performed. For example, if the US cost center purchases goods in Canada, the Canadian supplier would invoice in Canadian dollars (transaction currency).

- **Report Currency**
This is set centrally for reporting purposes.

The other fields in the line item report are of two types. Some are specific to the business process (such as supplier, material, or employee) and make sense in that context but will not be filled by other transactions. Others are fairly technical and tend to be used for troubleshooting or when extracting data to another system, such as SAP BW.

2.1.2 Simplified Cost Center Line Item Report
In EHP 3 for SAP ERP 6.0, SAP modernized the user interface for the cost center line item report so that the whole user interface is on the web. From EHP 5 for SAP ERP 6.0, you’ll find the new reports in the list we showed in Figure 2.3. In earlier enhancement packages, you’ll find them in a separate list that you’ll have to copy into your existing roles. All reports labeled List behave the same way as the cost center line item report. There are also reports labeled Analysis and SAP Crystal Reports. We’ll come back to
these reports when we look at alternative reporting options using SAP BW (for the analysis reports) and SAP BusinessObjects (for SAP Crystal Reports) in Chapter 8.

Clicking on **Cost Centers: Actual Line Item (List)** takes you to the new report. Enter the same search criteria as before. Figure 2.8 shows the resulting layout. Without getting too technical, notice that the screen rendering of an application built specifically for the web looks “cleaner” than a transaction that was built in preweb days and has simply been called via the role. However, the costs displayed are identical, because both reports read the same underlying data from SAP ERP. You might also consider making this report available to cost center managers and keeping the classic line item report for use in Controlling.

This report looks slightly different, in that the selection screen can be toggled on and off with the **Search Criteria** button rather than being left behind once the report is executed. The basic principles for list reporting that we just discussed are the same. To create layouts and change the fields displayed, click on the **Settings** button. Be aware, however, that this time the hidden columns are on the left and the displayed columns on the right (see Figure 2.8).

**2.1 Cost Center Line Items**

Although the first enhancements for simplified reporting were introduced in EHP 3 for SAP ERP 6.0, activating the business function FIN_REP_SIMPL_1 does not activate new transaction codes or bring these reports into your SAP Easy Access menu. The way to work with the list reports delivered for simplified reporting is to make them part of a report launchpad that is included in the user’s role. To find out how to configure a report launchpad like the one shown in Figure 2.3, refer to Appendix B (found at www.sap-press.com/4691).

**2.1.3 Totals Records for Cost Centers**

The line item is by far the most commonly used data record for reporting. Similar data records exist to document what happened during the planning process (Transaction KSBP) and how commitments are created and used (Transaction KSB2). However, to put the entries in the line items into context, most controllers will want to look at how the costs compare with their plan. The plan data is generally at a higher level of aggregation than the line item (it’s rare to plan by supplier, employee, and so on). Every line item has its sister **totals record** that stores a subset of the data available in the line item in each accounting period. Most of the period-close reports that we will look at in Chapter 7 read the totals records rather than the line items because performance is better if you select from a handful of fields organized in period blocks rather than from all 80 fields in the line item table. You’ll find that most of the other reports in **Cost Center Accounting**, including the plan/actual comparison, target/actual comparison, and so on (see Figure 2.3), also work with totals records. In essence, the reports are bringing the detailed line item data up to the level at which you planned (cost center/account/period) so that you can make a line-by-line comparison. We’ll look at planning in more detail in Chapter 5.

In general, you can display the line items from these reports by selecting the line you’re interested in and double-clicking. The selection parameters (cost center, cost element, time frame, etc.) are passed to the line item report through the **report-to-report interface**. As an example, select **Plan/Actual Comparison Report** (shown in Figure 2.3) and enter the cost center 1230 and the periods January to December 2013 in the selection list. The result is a formatted report (see Figure 2.9) designed to show the cost center manager the state of spending on his cost center in that time frame (the total **Debit line**), together with how these costs have been charged to other cost...
centers (the total Credit line). To display the line item, double-click on the line for insurance expenses, then select Cost Center: Actual Line Items from the pop-up. This passes the parameters from your selection, and you then see the line item report we used as our initial example.

Let’s continue our journey by looking at internal orders. Orders have many uses in SAP ERP, either detailing the activities on a cost center or representing activities going on completely separate from the cost center, such as capital investments. Others are purely statistical and are entered as an additional account assignment alongside the real cost center or order. There are also many orders that don’t originate in CO but are created in Logistics (production orders, process orders, maintenance orders, QM orders, networks, and so on).

The costs for these orders can be analyzed using the same report, which probably explains why the order line item report is one of the most widely used transactions in SAP ERP Financials.

Order line item reports follow the same basic principles as cost center line item reports. In Figure 2.10, we’ve selected the Internal Orders role (SAP_EP_RW_CO_KAMN). You’ll find all the reports available for this role under Information System. This corresponds to the menu path Financials • Controlling • Internal Orders • Information System • Reports for Internal Orders in earlier versions of the software.

Figures 2.9 and 2.10 show how to display and analyze the order line item report in the Home page. Again, let’s look at the Home page (see Figure 2.11) before looking at the reports in detail. This time, consider setting defaults for the order type AAT and the order number ANR to ensure that the report can start with a default setting.
Figure 2.11 shows the list of reports for the internal orders. Again, this includes classic reports in all releases of SAP ERP and further reports that can be activated through the simplified reporting business functions.

Now, select the Line Items folder and then Orders: Actual Line Items. Experienced controllers will recognize this as Transaction KOBI. To select the relevant line items for analysis, enter order 400199, leave the cost element group blank, and enter posting dates between 01.01.2013 and 31.12.2013 in the selection screen. Then click on the Execute button. The result is a list of all postings for order 400199 in 2013, as shown in Figure 2.13.
The same layouts are available as for the cost center line item report except that this time the account assignment is the internal order. Additional line item report documents what happened during order planning (Transaction KABP) and how commitments are created and used (Transaction KAB2).

**User-Specific Layouts**

Once order managers understand how to create their own layouts, you are likely to find that layouts for this transaction proliferate. These same managers will tend to set their own layouts as default for all users. Encourage users to set the User-specific flag when they save their layouts, especially if they are creating a default. If you need to clean up your layouts at any point, choose Settings • Layout • Manage. You can then toggle between your personal layouts and those belonging to your organization, checking them and if necessary deleting ones that are no longer needed.

When it comes to putting order-spending in context, you can of course compare planned costs against actual costs just as we did for the cost center, but it’s also possible to set a budget for internal orders—in other words, a ceiling on spending for that order. You won’t use this for all order types, but it’s common to set budgets for investment orders and some maintenance orders. As an example, select List: Budget/Actual/Commitments (shown in Figure 2.12) and enter the controlling area and a range of internal orders (we’ve used a range of marketing orders) in the selection list. The result is a formatted report (see Figure 2.14) designed to show the order manager the state of spending by comparison with the budget. We’ll come back to planning and budgeting in Chapter 5 and will explain how this ceiling is used to block spending on the order and how the Commitment column gets filled in Chapter 6.

Although cost centers and internal orders are the simplest account assignments, if you work for a manufacturing company you’ll also want to understand how to report on product costs, which we cover in the next section.

### 2.3 Product Costs: Itemization

The concept of cost center line items and order line items is easy for most accountants to grasp because of the affinity between a line item and a document in the General Ledger. When we come to product costing, the data structures change as the document takes something of a back seat and the focus moves to multilevel production structures, a familiar view for engineers but a new world for some accountants.

The standard costs for each manufactured product are calculated using a product cost estimate. The first step in costing is to read the bill of material (BOM) in Logistics to determine the materials to be used. The BOM is a multilevel structure that describes which raw materials are used to make a quantity of semifinished product and which semifinished products are used to make a quantity of finished product. The costs of converting the raw materials into semifinished products and then into finished products is described in routings. This focus on the production master data is also apparent in the reports, with the multilevel costed BOM being by far the most commonly used report, followed by the itemization that displays a line for each input to the production process (i.e., for each material and each internal activity from the routing).

If the product can be manufactured on different production lines or manufactured in-house and purchased, then you’ll find each approach represented in the reports as a procurement alternative. If such alternatives have been defined for a product, the system creates a cost estimate for each alternative and then mixes them according to a percentage (such as 60% make, 40% buy). Depending on the implementation, you may also see items for purchasing info records, subcontracting, external activities, coproducts, planned scrap, and so on in the product cost reports.

Every costing item is automatically assigned to a cost element that represents the account under which actual goods movements are posted. The cost elements are then assigned to cost components that represent the major cost blocks in production. There are several ways of looking at product costs:

- **Cost of goods manufactured**
  This method sees the product costs as material costs, internal activities, external
activities, overhead, and so on. There can be up to 40 cost components, and the assignment is based on the cost elements under which the actual postings are captured in the system.

- **Primary cost component split**
  This split looks at what is behind the internal activity. In other words, to provide an internal activity, a cost center uses energy, wages, depreciation, operating supplies, and so on.

- **Partner cost component split**
  This split looks at the value added by each plant, company code, or business area involved in the manufacturing process.

### 2.4 Classic Reports for Product Cost Reporting

We’ll start as we did for the cost centers and internal orders, with the role for Product Cost Planning (SAP_EP_RW_CO_CK00).

To access the relevant reports, select **Information System**, shown in Figure 2.15. Figure 2.16 shows a list of reports for product cost planning. In earlier versions of the software, follow the menu path **Controlling • Product Cost Controlling • Product Cost Planning • Information System • Reports for Product Cost Planning**. You may find that these reports are used not just by controllers but also by the engineers responsible for designing new products and the supply chain people responsible for cost assignment on the production line.

#### Let’s start with the **Detail Reports** folder and select **Costed Multilevel BOM** (see Figure 2.16). Enter the following and execute the report:

- **Material number and plant**
  This identifies the product you’re interested in. The plant is always part of the key in these reports.

- **Costing variant**
  This provides the link to the configuration settings, telling you the purpose of the cost estimate (setting standard costs, determining the accuracy of current standard costs, balance sheet valuation for annual close, etc.), how the bill of material and routing should be selected, and what prices will be used in this calculation.

- **Costing version**
  Normally, this is 1, unless you’re using mixed costing (for which multiple cost estimates are weighted) or group costing (for which the same BOM and routing are costed first using the local prices and again using the group costs).

- **Costing lot size**
  The reference quantity for the cost estimate against which all variable costs will be adjusted.

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**Figure 2.15** Product Cost Planning within SAP NetWeaver Business Client

**Figure 2.16** Reports for Product Cost Planning
Figure 2.17 shows the BOM together with the cost per item. You’ll see the same report integrated in the cost estimate itself when we calculate the standard costs in Chapter 5.

Notice that some of the icons in this report are familiar from the cost center line item report. This is because this report also uses SAP List Viewer, but it uses a tree structure to represent the quantity structure in production, with each level in the tree representing an assembly with its own bill of material.
2.5 Product Costs: Cost Objects

Product Cost Planning almost never exists in isolation but exists as a preparation for Cost Object Controlling, in which the costs of executing the individual work orders are monitored. The reporting for Product Cost Planning introduced many new concepts, but the reporting for Cost Object Controlling is similar to the reports for the internal order. The data structures for the line items and totals records are identical. The main difference between an internal order and a production order is that the production order includes a planned lot size (the planned output measure for the order; see Chapter 1). Therefore, although an internal order for a research project simply collects the costs associated with the research, a production order collects costs for the manufacture of a given quantity of the finished product. This is important because all planned costs for this quantity will be adjusted later to calculate the target costs for the actual quantity of goods produced. This in turn provides the basis for variance analysis—a line-by-line comparison of the target costs against the actual costs in which the differences are explained as quantity variances, price variances, resource-usage variances, and so on. We'll look at the calculation of target costs and variances in more detail in Chapter 7.

### 2.5.1 Product Cost by Order

The product cost by order approach is used when the individual production order or process order is the focus for cost management and the production costs for each individual lot are regularly monitored. The idea of the work order as the key element is an approach that has been around since the 1930s. The business goal is to monitor how each order gradually accumulates costs as goods are issued to the shop floor, operations confirmed, scrap reported, and so on. This approach makes sense when setup costs are significant and full cost traceability for each order is a business requirement and is widely used. It’s also common when batch traceability is required in certain industries. However, practitioners of lean accounting argue that focusing on the work order in isolation encourages a “push” approach that potentially results in excessive inventory for which there is not necessarily a demand. Cost collection by order is also necessary for joint production—in other words, cases in which multiple products are produced in the same manufacturing process and the order costs have to be split to the coproducts. The Product Cost by Order menu offers several reports for tracking the costs of production campaigns, in which a series of production orders are manufactured in sequence because of the high costs of initial setup and cleanup on completion. This is particularly common in the chemical and pharmaceutical industries. More recently, developments for cost collection in outsourced manufacturing have brought the CO production order back into favor. We’ll explore this in Chapter 6.

In Controlling terms, this approach is characterized by the delivery of the finished product to stock, the calculation of variances on completion of the order, and the calculation of work in process if the production or process order happens to be open at the time of the period close. We’ll look at this process in detail in Chapter 7.

Figure 2.19 shows the role for Order-Related Controlling (SAP EP RW CO_KKSM). To see the reports, select the Information System link. This is the equivalent of following the menu path Financials • Controlling • Product Cost Controlling • Cost Object Controlling • Product Cost by Order • Information System • Reports for Product Cost by Order.
Figure 2.19 Order-Related Controlling in SAP NetWeaver Business Client

Figure 2.20 shows all reports for product cost by order. Because of the number of production orders being processed at any given time, the detailed reports we looked at for the internal orders are supplemented by various mass reports that select, for example, all materials in a given plant or for a given product group.

Figure 2.20 Reports for Production Order Reporting

Figure 2.21 shows the various production orders we created for the manufacture of material ACT-DCD in plant 6000 in February 2014 (you’ll see how we created these postings in Chapter 6). To view this report, choose Reports for Product Cost by Order •
We'll look at the reports to aggregate production orders en masse when we look at mass reporting in Chapter 8. It's also common to move such orders to a data warehouse for reporting due to the huge data volumes involved. Some organizations choose the **Product Cost by Period** option simply because they believe this is the only way they'll be able to handle the data volumes in question.

### 2.5.2 Product Cost by Period

At some sites, the volume of production orders is so high that it's nearly impossible for CO to monitor the costs successfully. This can be the case in the food industry, in which the production orders can be very short-lived (less than a day). It can also be the case with continuous, repetitive production with minimal setup that there is simply no requirement for individual lot-oriented controlling and that storing each production order as a separate order in CO represents an unnecessary burden for reporting and at period close. In this case, costs can be assigned to product cost collectors that represent each production alternative, and you might report on each production version, where the production version represents a production line or a set of manufacturing cells, rather than the individual work orders. We'll create a product cost collector for cost collection in Chapter 3. These provide lean controlling by period, in which the goods movements and confirmations in Logistics are made by production or process order, but the costs are automatically routed to the product cost collector. The output measure is then not the lot size on the individual order but the sum of all delivered quantities in the period. Variance calculation and work-in-process calculation take place for each product cost collector at the end of the period. This approach is mostly used in a make-to-stock environment but is occasionally found in simple make-to-order scenarios. A typical example might be a manufacturer of car tires, for which there is little variability in the specification for each product.

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**Lean Accounting**

Lean accounting encourages organizations to move away from the collection of costs by work order and toward a value-stream-based view of the organization. The product cost collector fits nicely into this concept, capturing the costs for each production version by period. If the value stream involves multiple products, then such costs can be rolled up to the value-stream level in reporting, where the value stream is typically represented by a product group or material group.
The main difference between the product cost by period approach and product cost by order is that the status of the production order plays no role in the period close. At the end of every period, the confirmations to the product cost collector are analyzed to determine which operation quantities are work in process (i.e., have been started but not completed), which operation quantities are complete and can be analyzed for variances, and for which operations scrap has been confirmed. Although most of the reports are similar to those for product cost by order, you’ll also notice line items for a cost object. The cost object hierarchy is used to create a cost object for which the cost of internal activities can be captured when there is no routing or the routing does not capture all manufacturing activities. These costs can then be distributed to the assigned product cost collectors or production orders at period close. Alternatively, the costs on the production orders or product cost collectors can be summarized to the cost objects and then settled. We’ll look at how to create cost object hierarchies in Chapter 3.

2.5.3 Product Costs by Sales Order

The product cost by order and product cost by period approaches are mainly used in a make-to-stock environment. In this case, sales controlling takes place in Profitability Analysis, where the sales orders and associated invoices are captured. Product cost by sales order is used when the manufacturing process is linked to the sales order, generally because a customer-specific configuration has taken place in the order, as might happen in the automotive, steel, or high-tech industries. This approach is gaining favor in other industries as organizations move to adopt a lot size of one with a highly tailored product offering. It can also be used in service scenarios in which a customer service order is associated with the sales order rather than a production order. In this case, there can be no standard costs for the product because the product is unique to that sales order. In general, a cost estimate is created for each such item in the sales order, and this cost estimate may be used to price the sales order. To ensure that the finished product cannot be taken from stock and shipped to a different customer, delivery from the production line is made to sales order stock, and the delivery to the customer can only be made from this stock. Because there are no standard costs, the sales order cost estimate is also used to value goods movements to and from sales order stock.

Lean Accounting

Lean accounting encourages the use of make-to-order, where the sales order initiates, or “pulls,” the manufacturing process in its wake. This is the opposite of the classic work order approach, where work orders “push” their goods into inventory in the hope that sales will then be able to sell the product in stock.

Figure 2.25 shows the role for Sales Order Controlling (SAP_EP_RW_CO_KKAM). To view the reports, select Information System. Figure 2.26 shows the standard reports delivered for sales order reporting. You can find this by following the menu path Financials • Controlling • Product Cost Controlling • Cost Object Controlling • Product Cost by Sales Order • Information System • Reports for Product Cost by Sales Order.
The line items and total records are similar to those you would see for any order, but you also have reports for sales order costing that are more like those we discussed for Product Cost Planning in that the quantity structure (BOM and routing) is very prominent. It’s also important to be able to select sales orders the way we selected production orders, as shown in Figure 2.27. Be aware here that these aren’t all the sales order items in your organization, but only those that are make-to-order items.

Figure 2.27  Sales Order Results List

If you don’t have a requirement to revalue material inventory at actual costs, you can skip the next section and go straight to Profitability Analysis. If you work in a country with a legal requirement to report according to actual costs or an industry in which actual costing prevails (such as chemicals), then the next section will introduce the Material Ledger as a tool for collecting actual costs.

2.6 Material Ledger/Actual Costing

Not all sites use the Material Ledger for actual costing. Your organization may use it if you have a legal requirement to value inventory at actual costs (common in Asia and South America), if you have highly volatile raw material prices or unstable

production structures that make standard costing with detailed variance analysis impractical, or if you use it to provide a second inventory valuation approach for legal reporting.

From a reporting point of view, the Material Ledger differs from cost center and order reporting in that the reports display the inputs and outputs in each procurement, production, and sales process. The Material Ledger has its own documents for every goods movement, every business transaction that affects material prices (invoices, order settlement, etc.), and its own calculations at period close. Call up a report for a raw material, and you’ll see the goods receipt and invoice from the supplier in the Receipts line and the goods issue to production in the Consumption line along with details of any stock currently in inventory. Call up the same report for a finished material, and you’ll see the goods receipt from raw material inventory in the Receipts line and the goods issue to sales and the invoice to the final customer in the Consumption line. Chapter 6 will walk you through a complete manufacturing process from procurement to sales, showing you the Material Ledger postings for each goods movement that will provide the basis for Actual Costing at period close.

Figure 2.28 shows the role for Actual Costing/Material Ledger (SAP_EP_RW_CO_CKML). To access the list shown in Figure 2.29, select Information System. You can find this by following the menu path Financials • Controlling • Product Cost Controlling • Material Ledger/Actual Costing • Information System. Two reports are used frequently: Material Price Analysis (Transaction CKM3N) and the Valuated Material Quantity Structure (Transaction CKMLQS). Note that the standard reports focus on the reporting of a single material. SAP recently introduced new drill-down reports for reporting on multiple materials. We’ll show how to work with these in Chapter 13, because they were originally introduced in the context of SAP HANA.

Figure 2.28  Material Ledger in SAP NetWeaver Business Client
2.6 Material Ledger/Actual Costing

Figure 2.31 shows the quantity structure for a finished product (PCG-FERT-01) that has required three semifinished products (PCG Barrel Head, PCG Construction Kit, and PCG Motor Housing) in its manufacture. Manufacturing activities were performed to convert the three semifinished products into PCG-FERT-01. This report first became available in Release 4.7 of SAP R/3 (see Appendix C at www.sap-press.com/4691).

**Valuated Quantity Structure (Multilevel)**

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<th>Unit</th>
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<th>Price</th>
<th>Currency</th>
<th>Resource</th>
<th>Unit of Measure</th>
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<td></td>
</tr>
</tbody>
</table>

Figure 2.31 Valuated Quantity Structure

In addition to these two detailed reports for the material and the quantity structure, much reporting in the Material Ledger is performed in the context of the period close (see Chapter 7), in which each step in the periodic costing run (used to calculate the weighted average costs per material at the end of each period) and each step in the alternative valuation run (used to provide actual costs in a wider time frame or according to a second accounting approach) has its own supporting report that allows you to check the values calculated in that step.

The Material Ledger collects all costs from the first purchase of the raw material through all conversion steps to the final delivery of the finished product to the customer. We’ll walk through all the steps in this process when we look at actual postings in Chapter 6. However, as the name implies, the Material Ledger gathers costs by material. It keeps track of the cost of goods sold for these materials, but it does not capture revenue, and it provides no information about the customer who bought the finished product, the sales organization that performed the sale, and so on. For such information, we must move to Profitability Analysis (or CO-PA).

Figure 2.29 Reports for Material Ledger Reporting

Figure 2.30 shows the Material Ledger postings for a raw material that has been purchased from an external supplier and then issued to an internal production process for conversion into a finished product. Technically, this is a list viewer tree report like the one we saw for the multilevel costed BOM in Product Cost Planning.

**Material Ledger**

1. **Reporting**
2. **Material Ledger/Actual Costing**

Figure 2.30 Material Ledger Analysis for Raw Material

In addition to these two detailed reports for the material and the quantity structure, much reporting in the Material Ledger is performed in the context of the period close (see Chapter 7), in which each step in the periodic costing run (used to calculate the weighted average costs per material at the end of each period) and each step in the alternative valuation run (used to provide actual costs in a wider time frame or according to a second accounting approach) has its own supporting report that allows you to check the values calculated in that step.

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2.7 Profitability Analysis Reports

The Profitability Analysis reports differ from the other reports we’ve looked at so far in that there are virtually no standard reports because the structure of the operating concern is determined during implementation. Figure 2.32 shows the Profitability Analysis role (SAP_EP_RW_CO_KEMN). Choose Information System to access the reports.

Figure 2.32 Profitability Analysis within SAP NetWeaver Business Client

The only commonality in Profitability Analysis reports is that certain standard events write data into the Profitability Analysis application. In costing-based Profitability Analysis, these are distinguished by the record type. The following transactions transfer data to Profitability Analysis:

- **Incoming sales orders** (record type A)
- **Direct postings from Financial Accounting** (record type B)
- **Order and project settlement** (record type C)
- **Cost center allocations** (record type D)
- **Single-transaction costing** (record type E); industry specific, so you might not use it
- **Billing documents from Sales and Distribution** (record type F)
- **Customer agreements** (record type G); used in some industries
- **Statistical key figures** (record type H)
- **Transfer of sales orders from projects** (record type I); used for commercial projects that are linked with sales orders for billing

If this list sounds fairly technical, consider instead the different levels of detail captured for the main record types in Profitability Analysis:

- **Let’s start with an incoming sales order** (record type A). We’ll see in Chapter 6 that an incoming sales order includes the name of the customer, the product or products purchased, the sales organization making the sale, the distribution channel, the division, the sales office, the sales group, and so on. This is the lowest level of granularity available in Profitability Analysis.

- **Usually, the same characteristics are captured when the customer is billed for his purchase** (record type F). Again, this is extremely detailed information.

- **A direct posting** from Financial Accounting (record type B) may be made at this level of detail if the person making the posting has all the listed information. However, as you’ll see in Chapter 6, it may be possible to know only the affected material at the time of the posting and not the customer who will ultimately purchase the finished product. In this case, the record includes the product as a characteristic but not the customer.

- **Production variances** (carried in the settlement document, record type C) always apply to the product produced, but only apply to the customer if it’s a make-to-order scenario and the production process is triggered by the sales order.

- **Cost center allocations** (record type D) offer the most options. In Chapter 7, you’ll learn how to set up assessment cycles that can be very granular, breaking all expenses down to individual customers or products. You’ll also see that it’s possible to do an allocation to a much higher-level characteristic, such as a region or a country. This might be key for marketing expenses (e.g., if it’s clear that a trade fair took place in the northwestern region of the United States but unclear which customers participated).

We’ll look at some of these different record types by selecting the line item report (Transaction KE24). Figure 2.33 shows the selection screen for the CO-PA line items. We’ve selected all documents created by this user in company code currency.

Figure 2.34 shows all line items that we posted while creating the examples in Chapter 6. You’ll see that we created invoices (record type F), sales orders (record type A), direct postings to FI (record type B), and production variances (record type C). You’ll also notice that although the lines for the invoices and sales orders contain most of the dimensions, there are blank entries for the direct postings from FI and production variances, because these could only be assigned to the material-related dimensions and not to the customer-related dimensions.
The structure of the operating concern and with it of the CO-PA tables is the business of the implementation team. Figure 2.35 illustrates one approach to designing the relationships among the entities for Profitability Reporting.

Note

The implementation team determines all other fields when they configure your system. Because the focus is on sales reporting, most organizations have the product, customer, and sales region dimensions and other dimensions that can be derived from these entities (product group, customer group, division, sales office, etc.). You’ll find details of the recommended size of the operating concern (generally the maximum number of characteristics is 50 and the maximum number of value fields is 120, but this can be extended) in SAP Note 1029391.

The combination of dimensions is known as the **profitability segment**. You can display the profitability segment for any of the line items in Figure 2.34 by selecting a line and clicking on the **Profitability Segment** button; you’ll see the report shown in Figure 2.36. We’ve picked a line item that refers to a sales order, so most of the dimensions (material-based and customer-based) are filled. You’ll notice additional dimensions, such as those for WBS elements, that are not filled. We would see entries here if the costs for a WBS element had been settled.
This assignment of costs at the appropriate level of detail is essential to an understanding of CO-PA. We can fill customer-based and material-based dimensions when we capture the sales order or the invoice, we can fill material-based dimensions in purchasing and production; for overhead, we have to make our own decisions about whether to fully load the products and customers or to assign the costs at a higher level. We’ll return to this process when we look at how to create assessment cycles in Chapter 7.

If you are new to Controlling, use the line item report to draw up your own list of the characteristics used in your organization and to understand which are derived from the product, which are derived from the customer, and which are derived from the sales organization. Then look in turn at the different record types to understand which characteristics are filled from the invoice, which are filled during settlement, and which are filled as the result of an allocation.

Because the assignments within this schema are fairly dynamic, with the assignments to sales organizations, distribution channels, divisions, and so on changing on a regular basis, CO-PA reports allow you to report either on the dimensions as posted (see Figure 2.33) or according to the current structure (i.e., following a realignment).

There are two types of fact tables, depending on whether you use account-based CO-PA or costing-based CO-PA or both. You’ll find a full description of the difference between the two approaches in SAP Note 69384, but some key points are summarized here:

- Costing-based CO-PA assigns all postings to value fields that capture the individual elements of a contribution margin (sales, cost of goods sold, general overhead, etc.). This approach provides the ability to break down account-level information into further detail, such as fixed and variable costs for the same cost element, and separate the components of the standard cost into different value fields.

- In costing-based CO-PA, the value fields are determined during implementation, so some teams break out the price conditions for the sales deductions into many separate value fields, whereas others lump them into one field. Most implementations distinguish between fixed and variable costs for their product cost estimate, but some implementations keep a lot of detail from their cost components, and others lump the cost components together. The same variability applies to allocations, order settlement, and the settlement of production variances and to the transfer of cost components from the Material Ledger.

- Account-based CO-PA records data to a cost element that represents the account used to post the data originally. This makes it much easier to reconcile the cost elements and the accounts by company code, business area, and so on. But you should be aware that low-level characteristics such as customers and products are generally summarized and therefore not captured in the General Ledger, so they won’t be available for reconciliation.

In account-based CO-PA all allocations and settlements are posted under the secondary cost elements created to document the value flows in CO. We’ll look at secondary cost elements in detail in Chapter 3.

The characteristics apply to both costing-based and account-based CO-PA. However, different fact tables are used. The transaction or fact tables for costing-based CO-PA are delivered with a placeholder for the operating concern (CEIXXXX) and are generated on-site. The transaction tables for account-based CO-PA are the same as those used for cost centers, orders, projects, and so on. If you use both approaches in the same operating concern, be careful to check which approach you select when calling reports or running transactions, because the results can look dramatically different. Figure 2.37 shows a line item report for account-based CO-PA. Again, we’ve selected the profitability segment, but you can see that the columns are completely different. This is because instead of assigning costs to value fields we’re looking at them by account/cost element.

If you are using only costing-based CO-PA and not account-based CO-PA, you may still discover records that appear to be posting to account-based CO-PA. These postings are made under a cost element but are assigned to what is known as a reconciliation object (object type REO) rather than genuine CO-PA characteristics. As the name
implies, they are used for reconciliation purposes rather than for genuine profitability analysis and simply ensure that when a cost center allocates its costs to multiple lines in costing-based CO-PA, the credits and debits balance in CO.

Figure 2.37 Line Item Report for Account-Based CO-PA

The only reports that are standard in CO-PA are the actual line items (Transaction KE24) and the plan line items (Transaction KE25). If the underlying tables are different at every site, so are the drill-down reports. Creating reports is part of the implementation effort for Profitability Analysis, because Transaction KE30 (Execute Report) only shows data if you’ve properly configured your operating concern and built the appropriate reports first. The drill-down potential of CO-PA is almost unlimited, with organizations slicing and dicing their data by customer, by product, by distribution channel, and so on to try to understand where and with whom they are making or losing money. Many also move the entire operating concern to SAP BW for analysis.

We’ll return to this in Chapter 8. Others are starting to use SAP HANA (see Chapter 13) to explore their CO-PA data. If your organization is making a move to SAP S/4HANA (see Chapter 14), you’ll need to understand what it means to move to account-based CO-PA even as costing-based CO-PA continues to run.

2.8 Summary

In this chapter, you learned about the line item reports for Cost Center Accounting, Internal Orders, Cost Object Controlling, and Profitability Analysis and looked at how to compare the actual costs captured in these line items with planned costs, budgets, and target costs as appropriate. We also looked at some tree reports for Product Cost Planning and Material Ledger/Actual Costing and saw how an operating concern is defined for Profitability Analysis.

As we work through the chapters that follow, we’ll refer to any reports that support the process, so you’ll find the master data reports in Chapter 3 and the line items for planning in Chapter 5. All reports shown in Chapter 1 through Chapter 7 are based on reporting capabilities inherent in the SAP ERP system and don’t require an additional data warehouse.

We’ll return to the subject of reporting in Chapter 8 to look at SAP BW and the case for moving data to a dedicated data warehouse. There, we’ll also discuss some of the newer options made possible using the SAP BusinessObjects tools and specifically how to use a generic function in SAP List Viewer to call SAP Crystal Reports. We’ll make another visit in Chapter 13 when we look at how to work with reports in SAP HANA. But first, we’ll look at the master data that needs to be in place before you can run any of these reports.
Contents

Preface ..................................................................................................................................................... 17

1  Introduction ..................................................................................................................................... 27
  1.1  Basic Controlling Functions ........................................................................................................ 31
    1.1.1  Goals of Controlling .............................................................................................................. 32
    1.1.2  Cost Accounting in the United States ..................................................................................... 34
    1.1.3  Standard Costs and Actual Costs .......................................................................................... 35
    1.1.4  Investment and Project Controlling ....................................................................................... 35
    1.1.5  Lean Accounting .................................................................................................................... 36
  1.2  Essential Record-Keeping Functions ............................................................................................ 37
    1.2.1  Record Keeping by Cost Center .............................................................................................. 39
    1.2.2  Record-Keeping by Order ....................................................................................................... 41
    1.2.3  Record-Keeping by Project ..................................................................................................... 43
  1.3  Managing Close and Valuation Processes ....................................................................................... 43
    1.3.1  Valuation of Goods Movements ............................................................................................ 44
    1.3.2  Work in Process ..................................................................................................................... 44
    1.3.3  Scrap ....................................................................................................................................... 45
    1.3.4  Work in Process for Projects ................................................................................................. 45
  1.4  Preparing Budgets and Planning ................................................................................................... 46
    1.4.1  Driver-Based Cost Planning .................................................................................................. 46
    1.4.2  Driver-Based Cost Planning among Cost Centers ................................................................. 48
    1.4.3  Budgeting ............................................................................................................................... 49
  1.5  Process Analysis and Internal Controls ......................................................................................... 50
    1.5.1  Master Data Controls ............................................................................................................ 51
    1.5.2  Workflow .............................................................................................................................. 51
    1.5.3  Process Controls ................................................................................................................... 51
  1.6  Summary ...................................................................................................................................... 52
2 Reporting

2.1 Cost Center Line Items
   2.1.1 Classic Cost Center Line Item Report ........................................................ 54
   2.1.2 Simplified Cost Center Line Item Report ...................................................... 63
   2.1.3 Totals Records for Cost Centers ................................................................. 65
2.2 Order Line Items ............................................................... 67
2.3 Product Costs: Itemization ......................................................... 71
2.4 Classic Reports for Product Cost Reporting ........................................... 72
2.5 Product Costs: Cost Objects ............................................................ 76
   2.5.1 Product Cost by Order ............................................................................... 77
   2.5.2 Product Cost by Period ............................................................................. 80
   2.5.3 Product Costs by Sales Order ................................................................. 82
2.6 Material Ledger/Actual Costing ...................................................... 84
2.7 Profitability Analysis Reports ......................................................... 88
2.8 Summary ................................................................. 95

3 Master Data Owned by Controlling ................................................ 97

3.1 How to Set Up Cost Centers .......................................................... 98
   3.1.1 Responsibility for a Cost Center .............................................................. 100
   3.1.2 Embedding the Cost Center Design in SAP ERP ..................................... 105
   3.1.3 Ensuring that Cost Center Expenses Are Handled Correctly .................... 106
   3.1.4 Cost Center Hierarchies ........................................................................... 109
   3.1.5 Reporting of Cost Center Master Data ................................................... 115
3.2 Internal Orders ............................................................................... 118
   3.2.1 Internal Orders and Cost Centers ............................................................. 122
   3.2.2 Settlement Rules for Internal Orders ....................................................... 122
   3.2.3 Statistical Internal Orders ........................................................................ 124
   3.2.4 Order Groups ................................................................. 125
   3.2.5 Reporting Order Master Data ................................................................. 126
3.3 Statistical Key Figures ....................................................................... 128

3.4 Activity Types ............................................................................... 131
   3.4.1 Direct and Indirect Activity Allocations .................................................... 134
   3.4.2 Settings for Activity Price Calculation ...................................................... 136
   3.4.3 Activity Type Groups ............................................................................. 137
   3.4.4 Reporting Activity Type Master Data ....................................................... 137
3.5 Secondary Cost Elements .............................................................. 138
   3.5.1 Cost Element Groups ............................................................................. 141
   3.5.2 Reporting on Cost Element Master Data ............................................... 143
3.6 Product Cost Collectors ................................................................. 144
3.7 Cost Object Hierarchies ................................................................. 146
3.8 Maintenance Issues ......................................................................... 148
   3.8.1 Time-Dependent Fields .......................................................................... 149
   3.8.2 Creating Hierarchies for a Specific Time Frame ...................................... 150
   3.8.3 Status Management .............................................................................. 153
3.9 Change Requests for a SOX-Compliant Master Data Process ................ 153
3.10 Summary ....................................................................................... 156

4 Master Data for Which Controlling Is a Stakeholder ......................... 159

4.1 Material Masters ........................................................................... 161
   4.1.1 Basic View ......................................................................................... 162
   4.1.2 Accounting View ............................................................................... 164
   4.1.3 Costing Views .................................................................................... 167
   4.1.4 MRP Views ....................................................................................... 170
   4.1.5 Sales View ......................................................................................... 170
   4.1.6 Batches ............................................................................................. 171
4.2 Customer Masters .......................................................................... 172
4.3 Bills of Material ............................................................................... 174
   4.3.1 Quantity Definition .............................................................................. 177
   4.3.2 Coproducts and Byproducts ................................................................. 178
   4.3.3 Recursive BOMs ............................................................................... 181
   4.3.4 Configurable BOMs ......................................................................... 181
4.4 Routings ................................................................. 184
  4.4.1 Types of Routing ............................................. 185
  4.4.2 Operation Values ........................................... 187
  4.4.3 Operation-Level Costing .................................. 189
4.5 Work Centers and Resources ................................. 190
4.6 Procurement Alternatives and Mixed Costing .......... 192
  4.6.1 Internal Processing ......................................... 192
  4.6.2 External Procurement ..................................... 193
  4.6.3 Plant-to-Plant Transfer .................................... 194
  4.6.4 Subcontracting .............................................. 194
  4.6.5 Mixing Ratios ................................................ 195
4.7 Projects ............................................................... 196
  4.7.1 Work Breakdown Structure Elements ............... 196
  4.7.2 Networks and Network Activities ..................... 198
4.8 Investment Programs ............................................ 199
4.9 Primary Cost Elements and Profit and Loss Accounts 202
  4.9.1 Chart of Accounts ......................................... 203
  4.9.2 Controlling and the Financial Accounts .......... 206
4.10 Setting Prices for Product Costing ......................... 209
  4.10.1 Setting Standard Costs for Raw Materials ........ 210
  4.10.2 Balance Sheet Valuation ................................ 213
  4.10.3 Calculating Actual Costs ................................. 214
  4.10.4 Cross-Company Costing ................................ 214
4.11 Summary ............................................................ 216

5 Planning and Budgeting ........................................... 217
  5.1 Complete Sales Plan in a Manufacturing Environment 219
    5.1.1 Sales and Operations Planning ....................... 221
    5.1.2 Cost Center Planning ................................. 229
    5.1.3 Calculating Standard Costs for Products to Be Manufactured 256
    5.1.4 Profitability Planning .................................. 271

5.2 Planning and Budgeting for Investment Programs .... 273
  5.2.1 Investment Program ........................................ 273
  5.2.2 Overall Plan ................................................. 274
  5.2.3 Cost Element Planning .................................... 276
  5.2.4 Budgeting ..................................................... 279
  5.2.5 Displaying and Changing a Budget .................... 282
5.3 Summary ............................................................ 285

6 Actual Postings ...................................................... 287
  6.1 Integrated Process Flows: Buy, Make, and Sell ........ 287
    6.1.1 Procure to Pay ........................................... 288
    6.1.2 Plan to Manufacture ..................................... 298
    6.1.3 Order to Cash ............................................ 311
  6.2 Distribution of Usage Variances ............................ 320
    6.2.1 Capturing Physical Inventory Documents .......... 321
    6.2.2 Distribution of Usage Variances ..................... 322
    6.2.3 Distribution of Activities ............................... 324
  6.3 Integrated Process Flows: Other Logistics Scenarios 326
    6.3.1 Product Cost by Order .................................. 326
    6.3.2 Product Cost by Period ................................. 332
    6.3.3 Product Cost by Sales Order ......................... 336
    6.3.4 Project Controlling ....................................... 341
    6.3.5 Controlling for Maintenance and Service Orders ... 347
  6.4 Corrections or Adjustment Postings ....................... 350
    6.4.1 Reposting Line Items ................................... 351
    6.4.2 Correcting an Activity Allocation .................... 354
    6.4.3 Reposting Values ........................................ 355
  6.5 Cross-Company Postings ..................................... 357
  6.6 Summary ............................................................ 362
7 Period Close

7.1 Allocations ........................................................................................................................................... 364
  7.1.1 Before the Start of the Period Close .................................................................................................. 366
  7.1.2 Allocations between Cost Centers .................................................................................................... 368
  7.1.3 Allocations to Profitability Analysis .................................................................................................. 384
  7.1.4 Target Costs and Variances on Cost Centers .................................................................................... 388
7.2 Calculations and Settlement .................................................................................................................. 396
  7.2.1 Overhead Calculation ....................................................................................................................... 399
  7.2.2 Work in Process .................................................................................................................................. 401
  7.2.3 Target Costs and Variances in Production ......................................................................................... 404
  7.2.4 Settlement .......................................................................................................................................... 410
  7.2.5 Product Cost by Sales Order ............................................................................................................. 412
7.3 Multilevel Actual Costing in the Material Ledger .................................................................................. 414
  7.3.1 Types of Costing Runs ..................................................................................................................... 415
  7.3.2 Periodic Costing Run ....................................................................................................................... 416
  7.3.3 Alternative Valuation Run ................................................................................................................. 421
7.4 CO-PA Processes .................................................................................................................................. 428
  7.4.1 Revaluation ....................................................................................................................................... 428
  7.4.2 Top-Down Distribution ..................................................................................................................... 429
7.5 Summary ............................................................................................................................................. 433

8 Reporting in SAP BW and SAP BusinessObjects .................................................................................. 435

8.1 Reporting on Large Data Volumes in SAP ERP .................................................................................... 436
  8.1.1 Using Extracts to Accelerate Cost Center and Internal Order Reports ........................................... 436
  8.1.2 Using Summarization Levels to Accelerate CO-PA Reports ......................................................... 441
  8.1.3 Using Summarization in Product Cost Reports .............................................................................. 442
  8.1.4 Using Summarization Hierarchies for CO-PC Reporting .............................................................. 443
8.2 How to Decide Whether You Need SAP BW for Reporting ................................................................. 445
  8.2.1 Performance Concerns .................................................................................................................... 445
  8.2.2 Multidimensionality ........................................................................................................................ 451
  8.2.3 Navigation Attributes ....................................................................................................................... 455
8.3 Cost Center Reporting in SAP BW ....................................................................................................... 464
  8.3.1 Reporting Using Virtual and Physical InfoProviders ....................................................................... 465
  8.3.2 Transient InfoProviders and Operational DataProviders .............................................................. 468
8.4 Reporting with SAP BusinessObjects Tools ....................................................................................... 471
  8.4.1 SAP Analysis for Microsoft Office ................................................................................................. 471
  8.4.2 SAP Crystal Reports for Controlling .............................................................................................. 474
  8.4.3 SAP BusinessObjects Dashboards for Controlling ........................................................................ 477
  8.4.4 SAP BusinessObjects Explorer for CO-PA Reporting .................................................................. 478
8.5 Summary ............................................................................................................................................. 480

9 Master Data in a Multisystem/Shared Service Environment .................................................................. 481

9.1 Change Requests in SAP ERP ............................................................................................................. 484
9.2 New Solutions for Handling Master Data in a Multisystem Environment .................................................. 490
  9.2.1 Data Modeling in SAP Master Data Governance for Financials .................................................. 491
  9.2.2 Roles for SAP Master Data Governance ......................................................................................... 495
  9.2.3 Editions in SAP Master Data Governance for Financials .............................................................. 497
9.3 Governance Requirements for Master Data ......................................................................................... 503
  9.3.1 Creating a Change Request for a Single Object .............................................................................. 503
  9.3.2 Workflow Steps for a Change Request ............................................................................................ 508
9.4 Creating Change Requests in a Shared Service Center ........................................................................ 509
9.5 Summary ............................................................................................................................................. 512

10 Planning Using SAP BW Technologies ............................................................................................... 513

10.1 Planning Applications in SAP ERP .................................................................................................... 515
10.2 Planning Applications in SAP BW .................................................................................................... 519
10.2.1 Multidimensional Database Layer in SAP BW ........................................... 521
10.2.2 Virtual InfoProviders in SAP ERP ................................................................. 524
10.2.3 Aggregation Levels and Planning Functions .................................................... 526
10.2.4 Data Entry Screens ......................................................................................... 530

10.3 Summary ........................................................................................................... 536

11 Allocations Using SAP Profitability and Cost Management .......................... 537

11.1 Template Allocations in SAP ERP ................................................................. 540
11.2 Allocations in SAP PCM .................................................................................. 549
  11.2.1 Mapping the Costing Model in SAP PCM with SAP ERP .......................... 551
  11.2.2 Dimensions of the Costing Model ................................................................. 552
  11.2.3 Assignments in the Costing Model ................................................................. 558
  11.2.4 Loading Data into the Model ....................................................................... 560
11.3 Customer Value Analysis Using SAP PCM ..................................................... 561
11.4 Summary ........................................................................................................... 565

12 Period Close Using the SAP Financial Closing Cockpit ................................. 567

12.1 New Options for Accelerating the Period Close ............................................. 568
  12.1.1 Orchestrating Your Closing Tasks ................................................................. 570
  12.1.2 Executing Your Close Tasks ........................................................................ 574
  12.1.3 Automating Closing Transactions ................................................................. 577
  12.1.4 Creating Program Variants for Your Close Tasks ......................................... 580
  12.1.5 Scheduling Tasks ......................................................................................... 583
  12.1.6 Using Workflows in the Close ....................................................................... 587
  12.1.7 Handling Costing Runs in Your Close ........................................................... 593
  12.1.8 Handling Organizational Units in the SAP Financial Closing Cockpit ....... 594
  12.1.9 Closing Cockpit and SAP Financial Closing Cockpit ................................ 598
12.2 Closing Tasks in Multiple Systems ................................................................. 600
12.3 Transparency within the Close ....................................................................... 604
12.4 Summary ........................................................................................................... 607

13 Controlling with New Technologies .................................................................. 609

13.1 Controlling with SAP HANA .......................................................................... 612
  13.1.1 Profitability Analysis (CO-PA) ........................................................... 612
  13.1.2 Product Cost Controlling (CO-PC) ............................................................. 619
  13.1.3 Overhead Management (CO-OM) ............................................................... 626
  13.1.4 Investment Management (IM) ..................................................................... 630
  13.1.5 SAP HANA Live ......................................................................................... 632
13.2 SAP Fiori Applications ..................................................................................... 636
  13.2.1 Search Models and Fact Sheets ................................................................. 637
  13.2.2 My Spend and My Unusual Items ............................................................... 641
  13.2.3 Net Margin Results and Profit Analysis ..................................................... 645
13.3 Summary ........................................................................................................... 651

14 SAP S/4HANA and Controlling ......................................................................... 653

14.1 The Universal Journal ..................................................................................... 654
  14.1.1 Merging Accounts and Cost Elements ....................................................... 658
  14.1.2 Cost Centers, Orders and Projects ............................................................... 662
  14.1.3 Profit Centers, Functional Areas, and Segments ......................................... 664
  14.1.4 Profitability Analysis (CO-PA) .................................................................. 665
14.2 The Material Ledger ......................................................................................... 673
  14.2.1 Inventory Valuation in the Universal Journal ............................................. 673
  14.2.2 Compulsory Use of Material Ledger for Inventory Valuation ................ 675
  14.2.3 Using the Material Ledger for Transfer Prices and Group Valuation .......... 677
  14.2.4 Architectural Changes in Actual Costing ................................................... 680
14.3 Profitability Analysis ......................................................... 681
    14.3.1 Derivation of CO-PA Characteristics during Cost Assignment ...... 682
    14.3.2 Revenue Recognition for Professional Services ............................. 685
    14.3.3 Cross-Company Resource-Related Billing for Professional Services ... 689
    14.3.4 New Approaches in Cost Object Controlling ................................. 691

14.4 Reporting in SAP Fiori .................................................... 693
    14.4.1 Multidimensional Reporting ....................................................... 695
    14.4.2 Accounts and Key Figures ......................................................... 696
    14.4.3 Hierarchies ............................................................................. 698

14.5 Planning ............................................................................. 700
    14.5.1 Simplified Planning Model for Financial Planning ......................... 700
    14.5.2 Functional Expenses and Sales Costs .......................................... 706
    14.5.3 Commitments and Budgeting ..................................................... 711

14.6 Summary and Postscript ................................................... 712

The Author .................................................................................. 715
Index .......................................................................................... 717
Assessment cycles ........................................ 110, 368, 371
accelerating data selection ........................... 615
cyclical relationships ................................. 377
using SAP HANA .................................................. 613
Asset Accounting .............................................. 105
link with Cost Center Accounting .................. 105
Assets, period close tasks ............................... 367
Auditing, CO-PA reporting .............................. 453
Authorization checks ........................................ 627
Auxiliary cost component split ...................... 264

Backflushing

distribution of usage variances .................... 320
for production orders ................................. 302
Background processing, for period-close activities ...... 576
Balance sheet valuation

price fields ...................................................... 167
tax and commercial prices .......................... 213
Basic view, of material master .......................... 162
Batches .......................................................... 171
Bill of material (BOM) ................................. 374
cyclical structures ........................................ 181
in production order ....................................... 299
long-term planning ....................................... 229
material usage ............................................. 71
revenue ....................................................... 181
usage .......................................................... 175
Billing document, for sales order .................. 317
Billing elements............................................... 197
Billing, prior to period close .......................... 366
Bottom-up planning ..................................... 275
Budget change ............................................... 51
change request ............................................. 283, 485
Budget planning, for investment programs ..... 274
Budget transfer change request .................... 283, 485
Budget conversion costing .......................... 21, 46
value flow ...................................................... 49
Business area, in cost center .......................... 107
Business function

CO_ALLOCATIONS ............................................. 347
FIN_ACC_LOCAL_CLOSE ................................. 569
Business function (Cont.)

FIN_CO_COGSM ............................................. 214, 368, 393, 425
FIN_GL_RECORG_I ........................................... 106
FIN_MDM_ACC ................................................. 492
FIN_MDM_ORG ................................................. 491
FIN_MDM_SOA_CU ........................................... 501
FIN_MDM_SOA_ORG ........................................... 502
FIN_REP_SIMPLE_I ............................................ 65
FIN_SSC_SS_I ..................................................... 511
LOG_EAM_OLC ............................................. 189
LOG_MM_SIT ..................................................... 358
LOG_PP_PROD_ORDER_SPLIT ....................... 329
Business process

in allocations ............................................. 545
master data ................................................ 540
Byproducts in BOM ....................................... 178
C
Calculation views, in SAP HANA Live .................. 634
Capacity

as basis for price calculation ....................... 136
in cost center planning ................................ 231
of cost center ............................................. 192
of work center ........................................... 192
Capital investment projects, planning of ... 273
Change documents for master data ............... 148
Change request ............................................ 153
action box .................................................... 487
approval of configuration ........................... 484
for budget .................................................... 283
form settings .............................................. 487
master data governance ................................ 503
notification type ......................................... 486
SAP Shared Service Framework scenarios .... 484
Characteristics for profitability analysis .......... 313
Chart of accounts .......................................... 203
data model for SAP MDGC .......................... 492
link with primary cost elements .................. 202
master data governance ................................ 483, 490
Closing hierarchy, in SAP Financial Closing cockpit ................... 594
Collective processing, during period close .......... 567
Column store, database structure ................. 610
Commitment .................................................... 46
for project ..................................................... 343
Commitments, in SAP S/4HANA .................... 711
Company code, in cost center ...................... 106
Compatibility view for cost reporting .......... 657
Compatibility views ....................................... 694
Completed contract, valuation ..................... 413
Conditions for purchasing .......................... 289
Configurable BOM .......................................... 181
classification ............................................... 183
Configurable material .................................... 181
manufacture of .......................................... 337
Confirmation, for production orders ............... 306
Control key for operation ............................. 187
Controlling ...................................................... 20
Controlling document, for production order .... 304
CO-PA Accelerator ......................................... 612
Coproducts ..................................................... 169
in BOM ......................................................... 178
in process orders ........................................ 526
settlement rules .......................................... 179
Corporate Investment Management planning ........ 521
Cost and activity input planning, planning layouts .......................... 516
Cost center ...................................................... 32
approval processes ...................................... 37
as account assignment ................................ 37
change request ............................................ 484
difference from order .................................... 98
finding cost centers in allocation cycles .......... 370
groups ......................................................... 112
hierarchies .................................................... 109
link to work center ....................................... 190
master data ............................................... 491
operational .................................................. 100
output measure .......................................... 32
outputs ....................................................... 40
planning ...................................................... 229
purchasing costs ......................................... 37
Cost center (Cont.)

responsibility for ........................................ 32
responsible managers ................................. 100
SAP Fiori fact sheet ....................................... 639
supporting .................................................... 100
typical expenses ......................................... 39
validity period ............................................. 150
Cost Center Accounting ............................. 28
actual postings ........................................... 350
creating cost centers ................................... 98
line items .................................................... 54
period close activities .................................. 365
planning ...................................................... 229
Cost center hierarchy, preparing for change ...... 150
Cost center line item .................................... 308
layouts for reporting .................................... 308
simplified reporting ..................................... 63
Cost component split

in Product Cost Planning ......................... 264
manual change to ........................................ 419
Cost components

for activity prices ........................................ 255
introduction ................................................ 71
Cost Element Accounting ........................... 27
master data .................................................. 138
Cost element category

for primary cost element ............................. 205
for secondary cost elements ......................... 661
in General Ledger account ........................... 658
Cost element group ........................................ 141
in planning .................................................. 236
Cost element master data, reports ................. 143
Cost elements ............................................... 27, 138
examples ..................................................... 27
for goods issues and receipts ...................... 304
for recording WIP ........................................ 402
in activity types ........................................... 134
in primary cost component split ................ 255
in product costing ........................................ 525
in Profitability Analysis ............................... 93
link to cost components ................................ 265
link to SAP PCM ............................................ 553
master data governance ............................... 491
planning ...................................................... 276
primary ...................................................... 27
Index

Cost elements (Cont.) secondary ............................................................... 27
Cost Object Controlling master data ......................................................... 144
MRP class .................................................................................. 170
period close activities ........................................................................... 395
production orders ............................................................................. 395
Cost object hierarchy ........................................................................... 82
options at period close ................................................................. 146
Cost objects dimension in SAP PCM ..................................................... 554
in SAP PCM .................................................................................. 539
Cost of goods sold in the Universal Journal ........................................... 667
splitting in SAP S/4HANA ................................................................. 668
Cost planning ................................................................................. 217
Costed multilevel BOM, report ............................................................. 73
Costing lot size ............................................................................ 167, 262
impact of scrap ................................................................................ 170
in material master ........................................................................... 169
Costing run ................................................................................. 256
actual costing in SAP S/4HANA .......................................................... 680
in Material Ledger ........................................................................... 414
Costing sheet, in production order ...................................................... 398
Costing variant, in Product Cost Planning ........................................... 259
Costing version, in Product Cost Planning ........................................... 260
Costing view of material master .......................................................... 167
Costing-based CO-PA ........................................................................ 92
Costing-based Profitability Analysis, in SAP S/4HANA ......................... 668
Country chart of accounts ................................................................... 203
Cross-company costing ....................................................................... 214
Cross-company postings .................................................................... 357
allocations ..................................................................................... 106, 206
Cumulation, in Material Ledger ........................................................... 421
Currencies, for reporting ................................................................... 63
Customer account ........................................................................... 173
Customer invoice ........................................................................... 317
Customer master ............................................................................ 172
reconciliation account ...................................................................... 315
Customer value analysis, using SAP PCM ......................................... 561
Customer, master data governance ....................................................... 492
Cycle run groups for allocations ......................................................... 378

D
Dashboard reports .............................................................................. 477
Data modeling, master data governance ................................................ 491
Data provisioning in SAP BW .............................................................. 464
Data warehousing ............................................................................ 445
DataSources .................................................................................... 23
for Controlling .................................................................................. 446
Default account assignments, in Universal Journal .................................. 660
Dependencies in period close ............................................................... 573
Depreciation .................................................................................... 367
Depreciation expenses, cost center assignment ..................................... 39
Derivation CO-PA characteristics from projects ..................................... 682
from master data in Universal Journal ................................................ 664
in Profitability Analysis ................................................................... 312, 665
Determine delta postings, in alternative valuation run .................................. 422
Direct access using SAP BW ............................................................... 449
Direct activity allocation category of activity type .................................. 131
correction of .................................................................................... 354
Distribution cycles ........................................................................... 369, 379
Distribution of activities ................................................................... 324
Distribution rules, settlement rules ....................................................... 123
Division, in material master ............................................................... 164
Document type, for CO postings in Universal Journal .................................. 661
Drilldown reporting in Cost Object Controlling ..................................... 442
in Material Ledger ........................................................................... 621
in Product Cost Controlling ............................................................... 619
in Profitability Analysis ................................................................... 441
unassigned data ............................................................................. 466
Driver-based planning ......................................................................... 46
Drivers for cost centers ........................................................................ 33
for products .................................................................................... 33
Dynamic selections, using SAP HANA .................................................. 610
Expenses, to be capitalized ................................................................... 42
Extension ledger in SAP S/4HANA ....................................................... 664
Extracts ......................................................................................... 436
Fact sheet, in SAP Fiori ...................................................................... 639
Factory calendar, in SAP Financial Closing cockpit .................................. 597
FIFO (first-in, first-out) ...................................................................... 167
Financial planning, using SAP HANA ................................................... 700
Financial statement version, as reporting ............................................. 698
Fixed assets depreciation ................................................................... 367
Fixed costs ...................................................................................... 32, 393
Flow definition, for period-close activities ............................................. 588
formatted reports using SAP Crystal Reports ......................................... 475
Form-based planning ........................................................................... 237
Formula key, in work center/resource ................................................... 190
Free planning .................................................................................. 237
Functional area in cost center ............................................................. 107
Future standard price in material master ............................................. 267
marking/releasing ............................................................................ 268
Hans-Georg Plaut ............................................................................. 31
Hierarchy area, for cost centers ............................................................ 109

E
Edition how to create ............................................................................ 500
master data governance ...................................................................... 494
overview of ..................................................................................... 501
Enterprise extension EA_FIN ................................................................ 320, 417, 419
Entity types, use in SAP MDG ............................................................. 493
Environment, use in templates ............................................................. 547
Equipment, link with Cost Center Accounting ....................................... 106
Equivalence numbers for co-products ................................................. 180, 327
Event-based revenue recognition .......................................................... 685
Executable programs, for period-close transactions .................................. 577
Expenses, to be capitalized ................................................................... 42
Extension ledger in SAP S/4HANA ....................................................... 664
Extracts ......................................................................................... 436
Fact sheet, in SAP Fiori ...................................................................... 639
Factory calendar, in SAP Financial Closing cockpit .................................. 597
FIFO (first-in, first-out) ...................................................................... 167
Financial planning, using SAP HANA ................................................... 700
Financial statement version, as reporting ............................................. 698
Fixed assets depreciation ................................................................... 367
Fixed costs ...................................................................................... 32, 393
Flow definition, for period-close activities ............................................. 588
formatted reports using SAP Crystal Reports ......................................... 475
Form-based planning ........................................................................... 237
Formula key, in work center/resource ................................................... 190
Free planning .................................................................................. 237
Functional area in cost center ............................................................. 107
Future standard price in material master ............................................. 267
marking/releasing ............................................................................ 268

G
General Ledger Cost Center Accounting ................................................ 107
link to Cost Center Accounting .......................................................... 106
link with internal orders ..................................................................... 122
number of posting lines ..................................................................... 655
Goods movements, real-time valuation ............................................... 44
Goods receipt for purchasing ............................................................... 290
Grenzplankostenrechnung (GPK) ......................................................... 260
Group chart of accounts ..................................................................... 203
Group costing, use of costing versions .................................................. 260
Group valuation ............................................................. 360
for intercompany trade in Material Ledger .............................................. 677
in material master ............................................................................. 215
Hans-Georg Plaut ............................................................................. 31
Hierarchy area, for cost centers ............................................................ 109
Incoming invoice, from vendor ............................................................. 293
Incoming sales orders in SAP S/4HANA .............................................. 711
Indirect activity allocation category of activity type .................................. 135
cycles ......................................................................................... 369, 381
for energy ...................................................................................... 134
in planning ..................................................................................... 246
Infokrea, in SAP BW ........................................................................ 447
InfoObjects, in SAP BW ................................................................... 456
InfoPackages, for data extraction ........................................................ 446
InfoProviders for corporate Investment Management .................................. 521
for planning .................................................................................... 519
in SAP BW ..................................................................................... 447
Information system product cost by order ............................................. 72
product cost planning ........................................................................ 72
InfoSet queries .................................................................................. 469
Input price variances for production orders .......................................... 406
on cost centers ................................................................................ 392
P&L accounts, link to CO ................................... 204
Parameters, for closing activities .......................... 582
Partners
  cost component split ........................................ 72
  in an allocation ................................................. 62
  Passive budgeting ............................................... 50
  Payroll costs, cost center assignment .................... 40
Percentage of completion .................................... 45
  valuation ......................................................... 413
Period close ....................................................... 22, 44
  automation of .................................................. 577
  process controls ............................................... 52
  use of SAP Financial Closing cockpit .................... 567
Periodic costing run ......................................... 415
  costing steps .................................................... 416
  link to Schedule Manager .................................. 593
  underlying data ................................................ 291
Periodic unit price ............................................. 291
  in costing run .................................................. 415
  in Material Ledger ............................................. 167
Person responsible, for cost center ......................... 100
Physical InfoProviders, in SAP BW ......................... 466
Physical inventory
  distribution of differences ................................... 322
  documentation .................................................. 521
  handling of variances ........................................ 320
Plan integration, for internal orders ......................... 250
Plan quantities, inclusion in template ....................... 543
Plan reconciliation ............................................. 231
Plan to manufacture ........................................... 298
Plan version, how to look ..................................... 273
Planning scrap
  in BOM .......................................................... 177
  settings in material master ................................ 170
Planner profile in planning applications .................... 515
Planning
  driver-based .................................................... 46
  options ........................................................... 18
  process controls ............................................... 51
  steps involved .................................................. 47
  supply and demand ............................................ 49
Planning area, for planning applications .................... 516
Planning elements, for project .............................. 198
Planning layouts, for cost center planning ................. 236
Planning scenario, for sales and operations plan ........ 228
Post closing, in Material Ledger .............................. 417
Preliminary cost estimate, for production order .......... 300
Price conditions
  for intercompany sales ........................................ 214
  for purchasing ................................................... 289
  in purchasing info record ................................... 212
Price control, in material master ............................ 164
Primary cost component split ................................ 72
  for product costs .............................................. 264
  in planning ....................................................... 255
  use of ............................................................. 191
Primary cost distribution ..................................... 379
Primary cost elements
  27, 138, 202 ...................................................... 658
  in distribution cycles ......................................... 379
Primary cost posting, reporting options ................. 61
Primary cost postings, in Universal Journal ............... 656
Primary database ................................................ 612
Prior year rates .................................................. 346
Process controls
  period close ...................................................... 52
  planning .......................................................... 51
price calculation in Material Ledger ...................... 418
Procurement
  costs, in product costing .................................... 542
Procure to pay ..................................................... 288
Procurement alternative, product cost collector ........ 334
Procurement alternatives ....................................... 192
  Material Ledger reports ...................................... 623
Product cost by order .......................................... 77, 326
  period close activities ......................................... 396
Product cost by period
  80, 332, 404 ...................................................... 82
  period close activities ......................................... 412
Product cost collector ........................................... 80, 144
  product cost by period ......................................... 332
  variance calculation .......................................... 409
Product Cost Controlling ....................................... 30
  Product Cost Planning ........................................ 256
  procurement alternatives ..................................... 265
Product costing .................................................. 17
  reporting options .............................................. 71
  Product hierarchy .............................................. 14
  for sales order item ............................................ 312
  in material master .............................................. 162
  Product roll-up, via BOM ...................................... 175
  Production alternatives ...................................... 144
  Production campaigns, reporting options ............... 77
  Production order ................................................ 298, 330
  outsourced manufacturing ................................... 77
  reporting options .............................................. 76
  settlement ....................................................... 309
  Production plan ................................................ 228
  Production quantity, as basis for planning ............... 220
  Production variances
  calculation of ................................................... 405
  in SAP S/4HANA ................................................ 670
  sources of ....................................................... 307
  Production version
  in material master .............................................. 169
  product cost collector ........................................ 145, 333
  reporting options .............................................. 80
  Profit and loss planning, using SAP HANA ................. 702
  Profit center
  cost center ........................................................ 108
  in material master .............................................. 169
  in purchase order .............................................. 290
  Profitability Analysis
  allocations to ................................................... 384
  billing document .............................................. 317
  direct posting from FI ........................................ 296
  period close activities ......................................... 428
  planning ........................................................ 221, 271
  sales order entry .............................................. 311, 312, 340
  SAP BW content ................................................ 450
  settlement ....................................................... 411
Profitability Analysis in the Universal Journal .......... 665
  Profitability planning .......................................... 271, 518
  Program variant
  generation of ................................................... 584
  in period close ................................................... 579
  in workflows .................................................... 591
Project change request ....................................... 484
Project controlling ............................................. 341
Quantity structure
  in Material Ledger ............................................. 87
  link to BOM ...................................................... 175
Queries
  for planning .................................................... 530
  for Profitability Analysis .................................... 462
  for SAP BusinessObjects tools ................................ 471
  in SAP BW ...................................................... 448
Realignment, for project-related characteristics ......... 684
Realignments, in SAP S/4HANA .............................. 666
Real-time finance ............................................... 682
Receiver rule
  allocations to Profitability Analysis ....................... 385
  assessment cycle .............................................. 372
Reconciliation accounts, impact of Universal Journal ... 661
Reconciliation ledger ........................................... 106
Record types, in Profitability Analysis ...................... 88
Recursive BOMs .................................................. 191
Reference order .................................................. 118
Release
  of cost estimates .............................................. 268
  production order .............................................. 302
Remote tasks, for period-close activities .................... 602
Replicated data, in SAP BW .................................... 449
Rate routing ....................................................... 185
Receivers ........................................................ 62, 111
Reconciliation
  accounts, impact of Universal Journal ...................... 661
  ledger ........................................................... 106
Recursion types, in Profitability Analysis .................... 88
Reference order ................................................... 118
Release
  of cost estimates .............................................. 268
  production order .............................................. 302
Remote tasks, for period-close activities .................... 602
Replicated data, in SAP BW .................................... 449
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>726</td>
</tr>
<tr>
<td>Sales and operations planning</td>
<td>221</td>
</tr>
<tr>
<td>transfer from CO-PA</td>
<td>227</td>
</tr>
<tr>
<td>Sales order</td>
<td>311</td>
</tr>
<tr>
<td>Sales order controlling, period close activities</td>
<td>412</td>
</tr>
<tr>
<td>Sales order costing, reporting options</td>
<td>439</td>
</tr>
<tr>
<td>Sales order stock</td>
<td>82, 337</td>
</tr>
<tr>
<td>account assignment</td>
<td>164</td>
</tr>
<tr>
<td>unvaluated</td>
<td>413</td>
</tr>
<tr>
<td>valued</td>
<td>413</td>
</tr>
<tr>
<td>Sales planning</td>
<td>223</td>
</tr>
<tr>
<td>Sales quantity, as basis for planning</td>
<td>220</td>
</tr>
<tr>
<td>SAP BEx queries for planning</td>
<td>520</td>
</tr>
<tr>
<td>reporting</td>
<td>467</td>
</tr>
<tr>
<td>SAP BusinessObjects</td>
<td>23</td>
</tr>
<tr>
<td>SAP BW</td>
<td>23, 446</td>
</tr>
<tr>
<td>Material Ledger extractors</td>
<td>625</td>
</tr>
<tr>
<td>SAP BW extractor, Universal Journal</td>
<td>694</td>
</tr>
<tr>
<td>SAP Catch Weight Management equivalence numbers for co-product</td>
<td>180</td>
</tr>
<tr>
<td>multiple units of measure</td>
<td>162</td>
</tr>
<tr>
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<td>19</td>
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<td>SAP Financial Closing cockpit in period close</td>
<td>24, 569</td>
</tr>
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<td>scheduling extracts for reporting</td>
<td>439</td>
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<td>web application</td>
<td>598</td>
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<td>611</td>
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<td>SAP HANA Live</td>
<td>611</td>
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<td>for operational reporting</td>
<td>632</td>
</tr>
<tr>
<td>SAP HANA, impact on Controlling</td>
<td>609</td>
</tr>
<tr>
<td>SAP List Viewer</td>
<td>58</td>
</tr>
<tr>
<td>layouts</td>
<td>59</td>
</tr>
<tr>
<td>SAP Crystal Reports</td>
<td>476</td>
</tr>
<tr>
<td>tree report</td>
<td>74</td>
</tr>
<tr>
<td>SAP Master Data Governance</td>
<td>23</td>
</tr>
<tr>
<td>SAP Master Data Governance for Financials</td>
<td>483, 490</td>
</tr>
<tr>
<td>options for loading data</td>
<td>550</td>
</tr>
<tr>
<td>SAP Profitability and Cost Management</td>
<td>24</td>
</tr>
<tr>
<td>sales posting, using SAP HANA</td>
<td>629</td>
</tr>
<tr>
<td>Report Writer, use of extracts</td>
<td>436</td>
</tr>
<tr>
<td>Reporting</td>
<td>20, 53</td>
</tr>
<tr>
<td>Reposting cycles</td>
<td>369, 380</td>
</tr>
<tr>
<td>Reposting line items</td>
<td>351</td>
</tr>
<tr>
<td>Reposting values</td>
<td>355</td>
</tr>
<tr>
<td>Requirements type, in sales order</td>
<td>337</td>
</tr>
<tr>
<td>Resource drivers, in SAP PCM</td>
<td>558</td>
</tr>
<tr>
<td>Resource-related billing, in SAP S/4HANA</td>
<td>690</td>
</tr>
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<td>Resources in process industry</td>
<td>190</td>
</tr>
<tr>
<td>in SAP PCM</td>
<td>540</td>
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<tr>
<td>supply and demand</td>
<td>34</td>
</tr>
<tr>
<td>Resource-usage variances for production orders</td>
<td>407</td>
</tr>
<tr>
<td>on cost centers</td>
<td>392</td>
</tr>
<tr>
<td>Responsibility accounting</td>
<td>29</td>
</tr>
<tr>
<td>Responsibility centers, in SAP PCM</td>
<td>553</td>
</tr>
<tr>
<td>Responsible cost center internal order</td>
<td>122</td>
</tr>
<tr>
<td>Results analysis</td>
<td>45</td>
</tr>
<tr>
<td>cost elements</td>
<td>402</td>
</tr>
<tr>
<td>revenue-based</td>
<td>45</td>
</tr>
<tr>
<td>Results analysis key, in production order</td>
<td>398</td>
</tr>
<tr>
<td>Results analysis version, use of</td>
<td>401</td>
</tr>
<tr>
<td>Revaluation</td>
<td>395</td>
</tr>
<tr>
<td>at actual prices</td>
<td>395</td>
</tr>
<tr>
<td>in Profitability Analysis</td>
<td>428</td>
</tr>
<tr>
<td>of reporting</td>
<td>417</td>
</tr>
<tr>
<td>Revenue elements, account type</td>
<td>658</td>
</tr>
<tr>
<td>Rework</td>
<td>306</td>
</tr>
<tr>
<td>confirmation of</td>
<td>306</td>
</tr>
<tr>
<td>for production order</td>
<td>529</td>
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<td>Routing</td>
<td>300</td>
</tr>
<tr>
<td>in production order</td>
<td>300</td>
</tr>
<tr>
<td>long-term planning</td>
<td>229</td>
</tr>
<tr>
<td>manufacturing steps</td>
<td>71</td>
</tr>
<tr>
<td>work in process calculation</td>
<td>404</td>
</tr>
<tr>
<td>Run store database structure</td>
<td>610</td>
</tr>
<tr>
<td>Run schedule headers</td>
<td>335</td>
</tr>
<tr>
<td>product cost collector</td>
<td>144</td>
</tr>
<tr>
<td>SAP SEM</td>
<td>23</td>
</tr>
<tr>
<td>SAP Shared Service Framework</td>
<td>483</td>
</tr>
<tr>
<td>SAP HANA, cost object</td>
<td>50</td>
</tr>
<tr>
<td>account assignment</td>
<td>164</td>
</tr>
<tr>
<td>unvaluated</td>
<td>413</td>
</tr>
<tr>
<td>valued</td>
<td>413</td>
</tr>
<tr>
<td>Sales planning</td>
<td>223</td>
</tr>
<tr>
<td>Sales quantity, as basis for planning</td>
<td>220</td>
</tr>
<tr>
<td>SAP BEx queries for planning</td>
<td>520</td>
</tr>
<tr>
<td>reporting</td>
<td>467</td>
</tr>
<tr>
<td>SAP BusinessObjects</td>
<td>23</td>
</tr>
<tr>
<td>SAP BW</td>
<td>23, 446</td>
</tr>
<tr>
<td>Material Ledger extractors</td>
<td>625</td>
</tr>
<tr>
<td>SAP BW extractor, Universal Journal</td>
<td>694</td>
</tr>
<tr>
<td>SAP Catch Weight Management equivalence numbers for co-product</td>
<td>180</td>
</tr>
<tr>
<td>multiple units of measure</td>
<td>162</td>
</tr>
<tr>
<td>SAP Central Processing by Redwood</td>
<td>600</td>
</tr>
<tr>
<td>SAP Crystal Reports</td>
<td>476</td>
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<td>24, 569</td>
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<td>439</td>
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<td>609</td>
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<td>58</td>
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<td>Run schedule headers</td>
<td>335</td>
</tr>
<tr>
<td>product cost collector</td>
<td>144</td>
</tr>
</tbody>
</table>
Structure explosion, in Product Cost Planning ........................................... 262
Substitutions
in the Universal Journal ................................................................. 662
of profit centers ........................................................................ 664
Summarization hierarchy, on-the-fly aggregation ......................... 444
Summarization levels
changes with SAP HANA ............................................................. 614
in Cost Object Controlling .......................................................... 442
in Profitability Analysis ................................................................. 441
Supplier, master data governance .................................................. 492
Supporting cost center
indirect activity allocation cycles ................................................. 381
use of ......................................................................................... 379
Supporting cost centers ............................................................... 99
cost center planning ................................................................. 242

T

Table
CE1 ................................................................. 612
CE4 ................................................................. 612
CMCLPP ........................................................................... 624
COEP ................................................................. 626
CPTI .............................................................................. 547
FCML_CCS_REP ....................................................... 623
FCML_MAT ............................................................... 623
FCML_REP ...................................................................... 623
MLCD .............................................................................. 623
MLIT .............................................................................. 621
MLPP .............................................................................. 621
Target costs
for product cost collector ......................................................... 334
for production orders .............................................................. 404
version .............................................................................. 405
Task list, for period close .......................................................... 574
Template
as part of period close .............................................................. 547
definition .............................................................................. 547
display in product costing ....................................................... 542
for period close ........................................................................ 573
instead of overhead calculation .............................................. 400
Time dependency
in BOM .............................................................................. 175
in cost center ......................................................................... 149

Index

Transactions (Cont.)
CO01 ................................................................. 298
CO05 ................................................................. 302
COBB ................................................................. 329
CON2 ................................................................. 395
CORI ................................................................. 326
CPT1 .............................................................................. 547
CRC3 .............................................................................. 190
CRC4 .............................................................................. 175
FS00 ................................................................. 204, 658
HDC ................................................................. 620
IM_AVCHANA ......................................................... 630
IM02 .............................................................................. 280
IM34 .............................................................................. 200, 279
IM52 .............................................................................. 280
KAO1 .............................................................................. 138
KAO6 .............................................................................. 138
KA23 .............................................................................. 143
KAH2 .............................................................................. 142
KAL ................................................................................. 106
KB11N ......................................................................... 355
KB21N ......................................................................... 345
KB61 .............................................................................. 354
KB65 .............................................................................. 354
KEIP ................................................................................. 616
KE24 .............................................................................. 312
KE27 .............................................................................. 429
KE28 .............................................................................. 430
KE38 .............................................................................. 616
KEDZ .............................................................................. 615
KEG5 .............................................................................. 615
KEH ............................................................................... 612
KEFM .............................................................................. 221, 272, 518
KEU2 .............................................................................. 384
KEU5 .............................................................................. 387, 615
KG2 ............................................................................... 399
KK01 .............................................................................. 129
KK87 .............................................................................. 411
KKA5 .............................................................................. 405
KKAX .............................................................................. 402
KKBC_ORD ...................................................................... 402
KKE6N ........................................................................... 145
KKMLO ................................................................. 619, 621
KKO0 .............................................................................. 619
KKEHP .......................................................................... 147
KKEI .............................................................................. 383
KKIU .............................................................................. 376
Transactions (Cont.)

RKIV ......................................................... 379
RKPI ......................................................... 519
RKP3 ......................................................... 354
RSA3 ......................................................... 446
RSPLAN ....................................................... 528
XDO1 ......................................................... 173
XK01 ......................................................... 215
Transfer control, in Product Cost Planning 260
Transitory InfoProviders, for reporting ........... 468
Travel expenses, cost center assignment ........... 39
Trial balance, in SAP Fiori ......................... 655

Unit of measure

for material master ................................. 162
Profitability Analysis ............................... 163
Universal Journal ................................. 653
number of posting lines ......................... 656
table ACDOCA ........................................... 655
User exit, COOMKS01 ......................... 102
User responsible, for cost center ................ 101

Validation, in the Universal Journal .............. 662
Valuated Quantity Structure report ............ 306
Valuation class, for materials .................... 164
Valuation function, in Profitability Analysis . 428
Valuation, during planning ........................ 227
Value fields, in Profitability Analysis .......... 92, 313
Value flows, in Controlling ....................... 30
Value streams, cost center assignment ......... 105
Variable costs ............................................. 32
Variables, for organizational units .............. 596
Variance analysis, introduction ................. 364
Variance calculation
   for cost centers ..................................... 389
   for product cost collectors ..................... 409
Variance key
   in material master .................................. 169
   in production order ................................ 398
   Variances, settlement of ......................... 309
   Variation, in Report Writer reports ............. 439
   Vendor master ........................................ 215
   Version .............................................. 219
   for sales and operations plan ................... 228
   purpose of ......................................... 219
   use in period close ................................ 368
   Views, in SAP BW queries ......................... 466
   Virtual data model .................................. 654
   product cost controlling ......................... 691
   Virtual InfoProvider
      for CO-PA ......................................... 616
      for planning ...................................... 524
      how to create ................................... 519–618
      in SAP BW ......................................... 466
      Material Ledger .................................... 624

W

WBS element .............................................. 196
change request ......................................... 484
Web queries, for planning ......................... 520
Weighted average price, in Material Ledger ... 165, 167
Where-used lists, for cost centers ............... 116
Wolfgang Kilger .......................................... 17
Work Breakdown Structure (WBS) .............. 22, 43, 196
Work centers ............................................ 190
   in production order ............................... 300
   in Universal Journal .............................. 692
   link with Cost Center Accounting .............. 106
Work in process
   account determination ......................... 209
   calculation of ...................................... 401
   for product cost collectors ..................... 403
   introduction ........................................ 44
   Work lists, for period-close activities .......... 588
   Work orders, reporting options ................. 76
   Workflow approvals ................................ 51
   period-close activities .......................... 587
   Working time, recording of ..................... 344

Z

Zero-based planning ............................... 223
Janet Salmon is a regular speaker on Controlling at conferences, including ASUG, SAP Financials (U.S. and Europe), and Mastering SAP Financials (Australia) with high speaker ratings. Janet joined SAP in 1992, working first as a translator and then as a technical writer for product cost controlling. She began working as a product manager/solution manager for the product costing area in 1995 and gradually began covering profitability analysis and overhead controlling.