Course Overview

- Introduction to SAP
- Navigation
- Introduction to GBI
- Sales & Distribution
- Materials Management
- Production Planning
- Financial Accounting
- Controlling
  - Human Capital Management
  - Warehouse Management
  - Project System
Unit Overview

- CO Organizational Structure
- CO Master Data
- CO Processes
Managerial Accounting – also termed Controlling – is designed to collect transactional data that provides a foundation for preparing internal reports that support decision-making within the enterprise.

These reports are exclusively for use within the enterprise and include:
- Cost center performance
- Profit center performance
- Budgets analyses
Target Audience

- Executives
- Senior Management
- Department Managers
- Controllers
- Cost Accountants
CO Organizational Structure

- Represents the legal and/or organizational views of an enterprise
- Forms a framework that supports the activities of a business in the manner desired by management
- Permits the accurate and organized collection of business information
- Supports the development and presentation of relevant information in order to enable and support business decisions
CO Organizational Structure

- **Client**
  - An independent environment in the system

- **Company Code**
  - Represents an independent legal accounting unit
  - Balanced set of books, as required by law, are prepared at this level.
  - A client may have more than one company code
    - United States
    - Germany
    - United Kingdom
    - Australia
    - …

Assets & Liabilities & Owners Equity
- **Controlling Area**
  - A self-contained, organizational unit for which the management of revenues and expenses can be performed
  - May include one or more company codes; therefore, an enterprise can perform management accounting analyses and reports across several companies
  - A way to identify and track where revenues and costs are incurred for evaluation purposes

- **Operating Concern**
  - Represents a part of an organization for which the sales market is structured in a uniform manner
  - A operating profit for the individual market segments can be calculated.
  - Multiple controlling areas can be assigned to one operating concern.
GBI Structure for Controlling

- **Client**: Global Bike
- **Operating Concern**: Global Concern
- **Controlling Area**: Controlling North America, Controlling Europe
  - **Company Code**: Global Bike Inc., Global Bike Germany GmbH
GBI Enterprise Structure in SAP ERP (Accounting)

- Controlling Area
  - Client GBI
    - Operating Concern (global) GL00
      - Business Area – Bikes BI00
        - Credit Control Area (global) GL00
          - Chart of Accounts (global) GL00
            - Company Code
              - Credit Control Area (see FI unit)
              - Controlling Area
                - Client GBI
### Profit Center
- Responsible for revenue generation and cost containment
- Evaluated on profit or return on investment
- Enterprises are commonly divided into profit centers based on
  - Region
  - Function
  - Product

### Cost Center
- Responsible for cost containment, not responsible for revenue generation
  - One or more value-added activities are performed within each cost center.
  - Unit that is distinguished, for example, by area of responsibility, location, or type of activity
    - Copy center
    - Security department
    - Maintenance department
**Internal Order**
- Temporary cost center responsible for cost containment, not responsible for revenue generation
- It is used to plan, collect, and monitor the costs associated with a distinct short-term event, activity, or project
  - Company picnic
  - Trade show/Fair
  - Recruiting campaign

**Revenue Element**
- A one-to-one linkage (mapping) between General Ledger revenue accounts and CO revenue elements is established to permit the transfer of FI revenue information to CO.
- Posting in FI that impact revenue accounts lead to a posting in CO to a revenue element.
- In other words, revenue account = revenue element – just different words depending on whether FI object or CO object.
CO Master Data

- **Cost Element**
  - A one-to-one linkage (mapping) between General Ledger expense accounts and CO cost elements is established to permit the transfer of FI expense information to CO.
  - Postings in FI that impact cost accounts lead to a posting in CO to a cost element.
  - In other words, expense account = cost element – just different words depending on whether FI object or CO object.

- **Primary Cost Element**
  - Originate in the General Ledger within FI and are automatically transferred to CO when an FI transaction is recorded in the General Ledger

- **Secondary Cost Element**
  - Used exclusively in CO for allocations and settlements between and amongst cost centers
Primary vs. Secondary Cost Elements

Managerial Accounting (CO)

Aggregated Cost Elements

Secondary Cost Elements

Primary Cost Elements

Financial Accounting (FI)

General Ledger Accounts

Income Statement

Balance Sheet

Expense Accounts

Revenue Accounts
**CO Master Data**

- **Statistical Key Figures**
  - Provide the foundation for accurate and effective cost allocations between cost objects
  - Utilized to support internal cost allocations involving allocations, assessments, and distributions
  - Examples:
    - number of employees
    - square footage
    - minutes of computer usage

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<tr>
<td>Executive Offices</td>
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<td>Maintenance Department</td>
<td>10</td>
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<tr>
<td>IT Department</td>
<td>4</td>
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</tbody>
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- Posting Primary Cost Element

Financial Accounting (FI)

Supplies Expense

Debit  Credit
1,500

Cash

Debit  Credit
1,500

Managerial Accounting (CO)

Cost Center A

Primary Cost Element
Postimg Primary Cost Element

(FI) Transaction
Document
Amount
G/L Account #
Cost Center
1900012432

(CO) Transaction
Document
Cost Center
Cost Element
20000657

Financial Accounting (FI)

Managerial Accounting (CO)

- Supplies Expense
  - Debit: 1,500
  - Credit: 1,500

- Cash
  - Debit: 1,500
  - Credit: 1,500

Cost Center
  - 1,500
SAP ERP

CO Processes

- Posting Secondary Cost Element

Financial Accounting (FI)

<table>
<thead>
<tr>
<th>Supplies Expense</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit 1,500</td>
<td>Credit 1,500</td>
</tr>
</tbody>
</table>

Managerial Accounting (CO)

Cost Center A

Secondary Cost Element

CC 1

CC 2

Managerial Accounting (CO)
- Posting Secondary Cost Element

Rent Expense
- Debit: 1,500
- Credit: 1,800

Supplies Expense
- Debit: 2,500
- Credit: 3,000

Labor Expense
- Debit: 2,000
- Credit: 1,200

Copy Center
- Debit: 1,500
- Credit: 2,500

Executive Offices
- Debit: 1,800

Maintenance Department
- Debit: 3,000

Information Services
- Debit: 1,200
Types of Allocation

- **Distribution**
  - Method for periodically allocating primary cost elements
  - Primary cost elements maintain their identities in both the sending and receiving objects
  - Sender and receiver cost centers are fully documented in a unique Controlling (CO) document.

- **Assessment**
  - A method of allocating both primary and secondary cost elements
  - Primary and/or secondary cost elements are grouped together and transferred to receiver cost centers through use of a secondary cost element.
  - Sender and receiver cost centers are fully documented in a unique Controlling (CO) document.
**SAP ERP**

**Distribution**

**Sending cost center**

- **A010** – Administration Rent Expense
  - $1,500

**Receiving cost centers**

- **A010** – 600 sft
- **A015** – 150
- **A020** – 150
- **S005** – 100
- **S010** – 100
- **D005** – 900 sft
- **D010** – 550 sft
- **A005** – 400 sft

**Primary cost element specifies allocation type**
SAP ERP  Distribution

Sending cost center

A010 – Administration Rent Expense
$1,500

Primary cost element specifies allocation type

Receiving cost centers

D010 – $275
A005 – $200
A010 – $300
D005 – $450
A015
A020 – $75
S005 – $100
S010 – $50
A015

D020 – $50
S005 – $50
D010 – $200
A005 – $300
A010 – $450
S010 – $50
D005 – $275
A015
A020 – $75
S005 – $100
S010 – $50
A020 – IT
Software Expense
$4,200

A020 – IT
Supplies Expense
$500

Assessment

Sending cost center

Receiving cost centers

Primary and secondary cost elements

- D010 – 10%
- A005 – 15%
- A010 – 5%
- A015 – 10%
- S005 – 30%
- D005 – 20%
- S010 – 10%
- A020 – 0%
Sending cost center

A020 – IT
Software Expense
$4,200
A020 – IT
Supplies Expense
$500

Receiving cost centers

Primary and secondary cost elements

A005 – $705
D010 – $470
D005 – $940
S010 – $470
S005 – $1,410
A010 – $235
A015 – $470
A020 – $0
S005 – $1,410

Assessment
Fully integrated with other SAP modules including, but not limited to:
- Financial Accounting (FI)
- Materials Management (MM)
- Sales and Distribution (SD)
- Production Planning and Execution (PP)