

SAP ERP Costing Function

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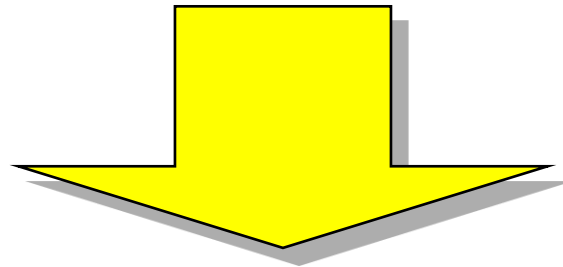


SAP Certified
in Run SAP Implementation



■ SAP ERP is a real-time-based system

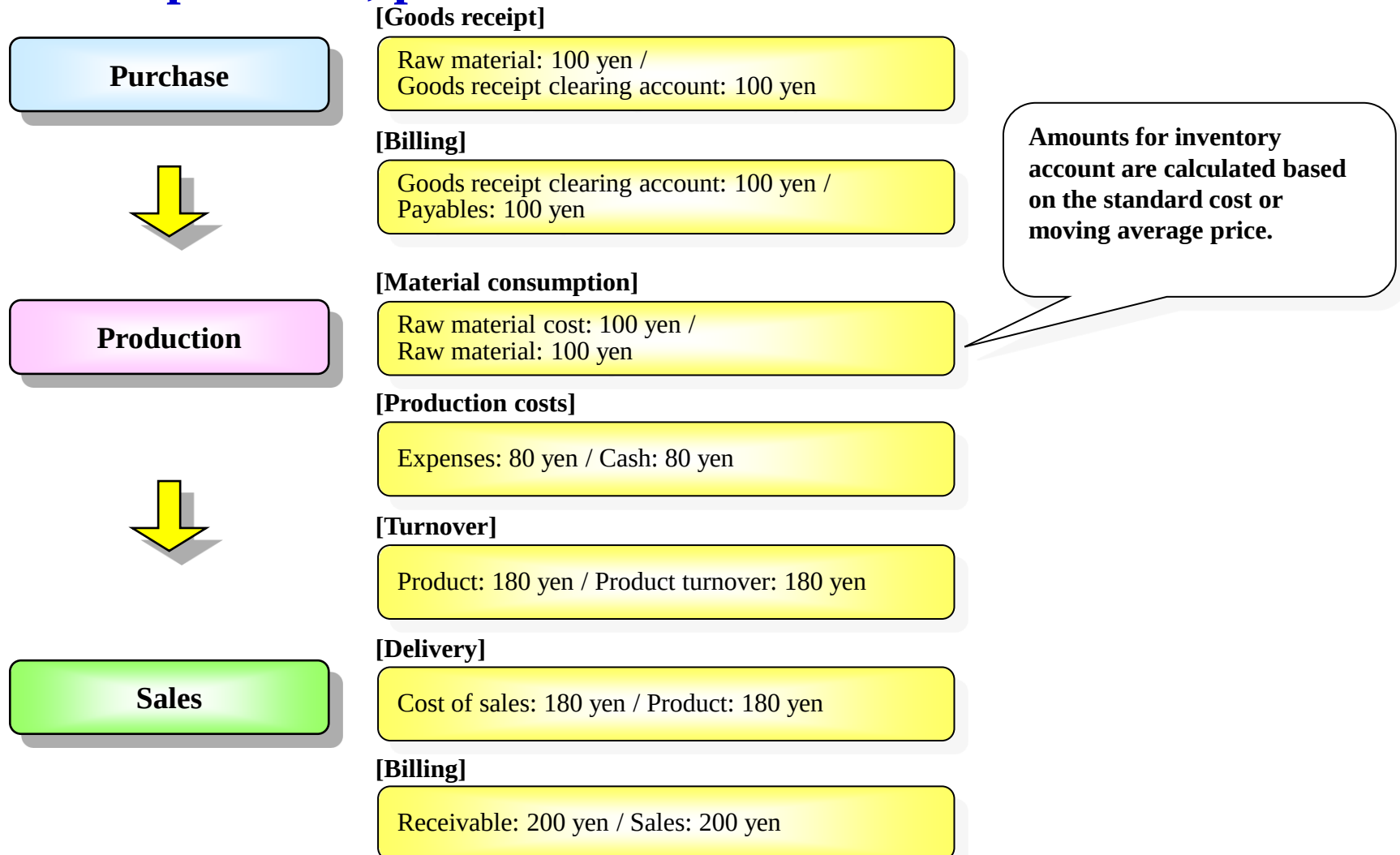
- Integration with the materials management module and sales and distribution module enables journal entry in conjunction with flow of goods.
- In SAP ERP, real-time-based entry is applied to journal entry related to purchase, production and sales. (Refer to "Prerequisite: Journal entry example")
- This is based on the assumption that the standard cost or moving average price (*1) is set.



Due to the real-time-based system, each costing function has respective features as well as prerequisites and restrictions.

*** 1: In SAP ERP, the moving average price is automatically calculated for each acceptance of results.**

■ In SAP ERP, real-time-based entry is applied to journal entry related to purchase, production and sales.



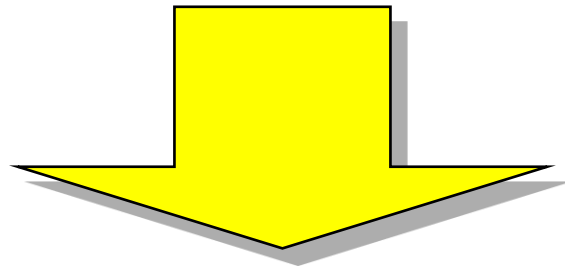
■ Prerequisites: Common

- **Logistics organization setting is required.**
- **Introduction of the inventory management module is required.**
- **To apply project stock control, introduction of the project management module is required.**
- **For a material that requires costing, a unique material number setting is required.**
- **Actual input quantity/consumption quantity must be correctly grasped for each material.**
- **Account titles related to production must be clearly classified.**

SAP ERP Standard Costing Function

■ SAP ERP Standard Costing Function

- Standard costing function provided by the Product Cost Controlling module (CO-PC)
- Standard cost setting based on the bill of material, routing and activity types
- Standard cost roll-up method based on bill of material
- Cost variance allocation based on actual consumption by plant/material number
- Standard cost component (breakdown) analysis and cause analysis of cost variance



SAP ERP Features of standard costing function

"Cost component analysis with standard costing method and cost variance analysis/allocation"

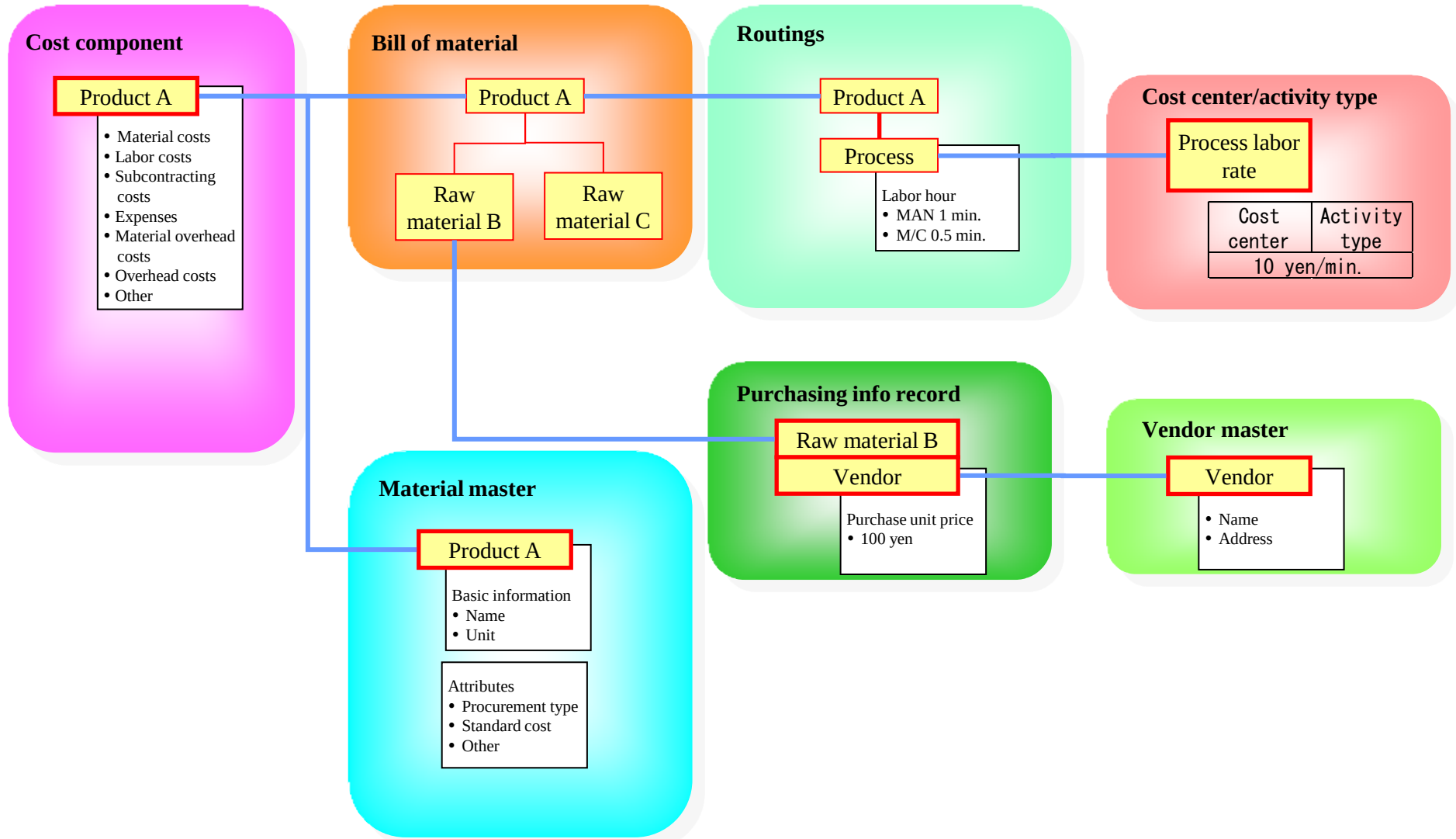
■ Prerequisites: SAP ERP Standard Costing Function

- To use bill of material and routing, it is required to make clear definitions. (Refer to "Major master association chart")
- For a material with production process (semi-finished product, product, etc.), set a standard cost.
- Standard cost fixing process can be executed only once a month.
- Standard cost fixing process needs to be performed after the 1st day of the corresponding month and before registration of actual data.
- Calculation is performed by plant/material.
- Payment and receipt are calculated monthly.
- Balance sheet valuation method is the gross average method.
- This is not applicable to the categories of business in which standard cost cannot be calculated.

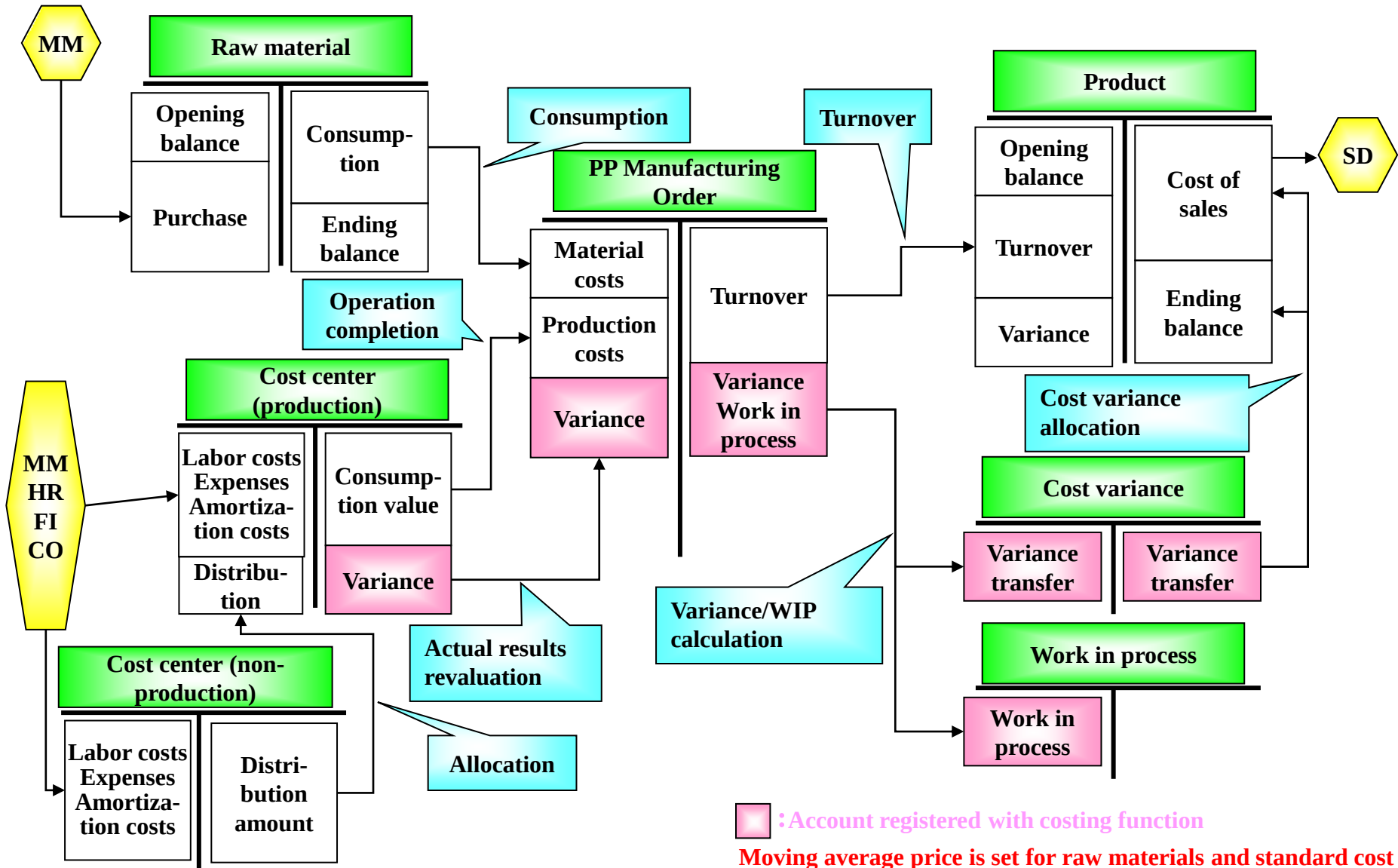
■ Restrictions: SAP ERP Standard Costing Function

- Actual total costs cannot be grasped by account title.
- Cost variance allocation only allocates the difference between the standard cost and actual cost based on the closing stock/actual consumption.
- A simplified method of cost variance allocation is not available.
- Cost variance value allocated to closing stock is carried over to the next month and aggregated into the cost variance incurred in the next month, which is used as the base of distribution amount for the next month.
- As journal entry is registered on a real-time basis in the month, the entry using the costing function is allocation of difference. (Refer to "Account Flow")
- Up to 40 items can be registered for cost component.
(When the fixed cost is included in the cost items, up to 20 items can be registered.)

■ Major master association chart



Account Flow Example: SAP ERP Standard Costing Function



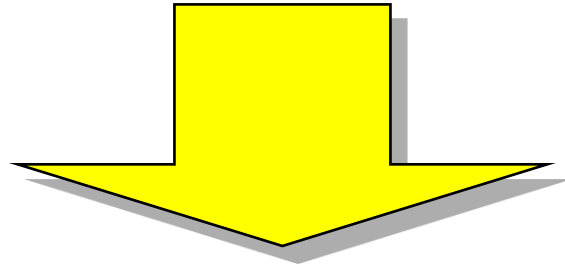
: Account registered with costing function

Moving average price is set for raw materials and standard cost for products

SAP ERP Moving Average Calculation Function

■ SAP ERP Moving Average Calculation Function

- **Moving average calculation function provided by the inventory management module (MM-IM)**
- **The moving average price is calculated by plant/material number each time the actual process of acceptance occurs and set as the amount for entry.**



SAP ERP Features of moving average calculation function
"Account processing with moving average price calculation method"

■ Prerequisites:

SAP ERP Moving Average Calculation Function

- **The moving average price is calculated for each actual process of acceptance.**
- **The moving average price for journal entry registration is used as the amount for entry.**
- **Using the material subcontracting function, application to contract manufacturing is available.**
- **This is not applicable to the categories of business with production process.**

■ Restrictions:

SAP ERP Moving Average Calculation Function

- **Cost roll-up calculation to subsequent process is not available.**
- **Moving average calculation in consideration of factors such as entry errors is not available.**
- **Cost creation after goods issues is not included.**
- **Cost creation for the case with no stock cannot be included in the material cost.**
- **Cancellation of goods issue/receipt is processed for journal entry using the moving average price during cancellation.**

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