Financials2004

FEBRUARY 23–25 ▪ BELLAGIO LAS VEGAS

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Get the Most Out of CO's Integrated Planning and Budgeting Capabilities

David Nowak
Virtuoso

What We'll Cover …

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Objective: Provide an overview of the integrated planning functionality found within the CO module

- CO Planning Concepts
- CO-PA/SOP/Demand Management
- Cost Center Accounting (CCA) Planning Options
- Internal Order Integrated Planning
- Investment Management (IM) Integration

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CO Planning Concepts

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- What is planning?
  - Usually an annual event, whose sole purpose is to generate a set of financials to be used as the benchmark for the coming fiscal year's performance
  - Usually done with little thought of automated integration
- What is planning integration?
  - Functionality that allows the easy transfer of planning inputs from module to module
  - Transferred information can be enhanced and then passed on again and again
  - Planning integration is an enabler

CO Planning Concepts (cont.)

- What planning integration is not
  - Excel uploads into your standalone planning framework
  - Planning in CCA, Orders, and CO-PA separately, while consolidating data in a fourth module
  - Just about anything else you can think of that doesn't link your financials with your supply chain

CO Planning Concepts (cont.)

- Benefits of leveraging integration
  - Increased planning productivity
  - Reduction in errors
  - Shortening of the planning window
  - Offers the possibility of more accurate plan data
- Inherent risks
  - Any change to your planning procedures can spark a riot
  - Requires an understanding of the integration touch points, as well as each module
  - There must be a strong desire within your organization to want to leverage SAP's planning functionality

CO Planning Concepts (cont.)

- What is going on in planning today?
  - BW and SEM-BPS
  - Fully integrated CO planning (CO-PA, SOP, DM, LTP, CCA)
  - CO planning with little or no integration
  - The usual suspects (Excel, third-parties, legacy)
  - And then my favorite … none

CO Planning Concepts (cont.)

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- What are we going to talk about here?
  - We are going to focus on the transactional systems
  - SEM-BPS may be the wave of the future, but many firms still rely on their transactional systems to monitor and report their daily/weekly/monthly/yearly activity
  - For a manufacturer, planning is even more important, because much of your CO planning work can lead straight to your supply chain planning
  - Not to mention, that no matter what you do in BW, your transactional system will be the source – and the book of record – so it might as well be accurate

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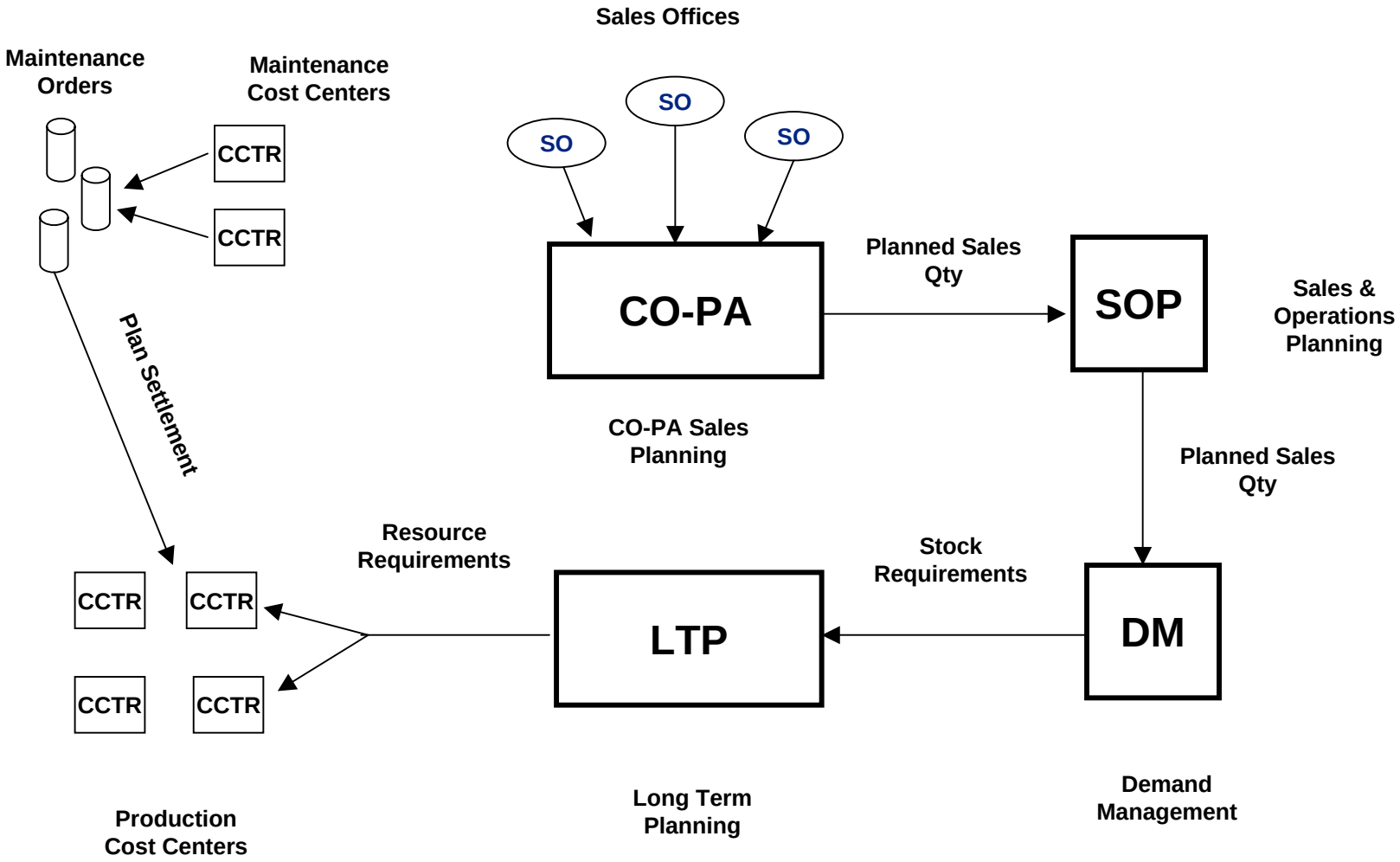
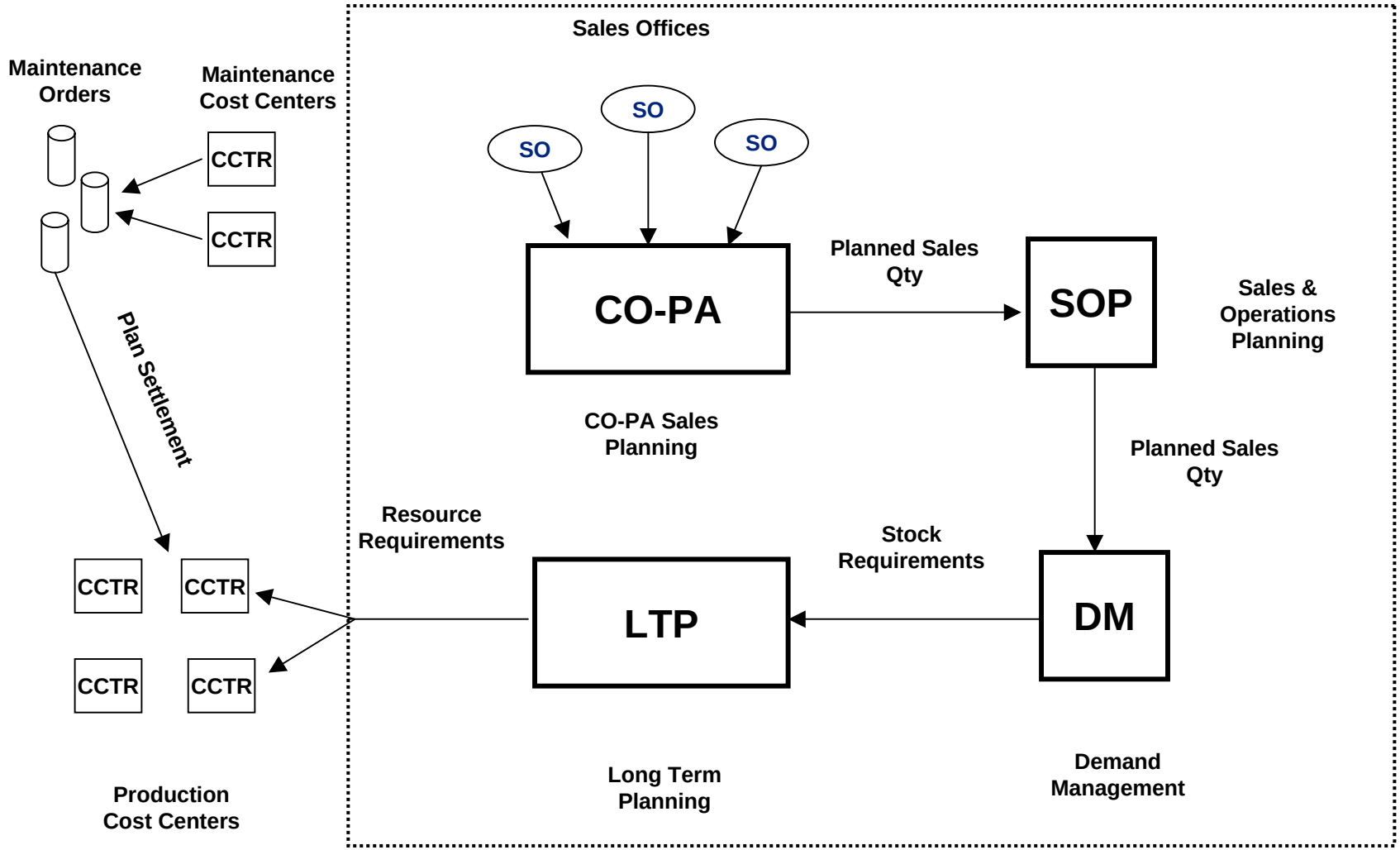
Integrated Planning Model



CO-PA/SOP/Demand Management

CO Supply Chain Integration



CO-PA/SOP/Demand Management (cont.)

- Planning Model
  - Working model designed to meet a client's planning needs
  - Standard functionality
  - No modifications, or complex user exit coding involved
  - Working for two planning years
- Link to supply chain was critical
  - Made changes in planning easier
  - Introduced consistency in the financials-operations relationship

CO-PA/SOP/Demand Management (cont.)

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- CO-PA
  - Planned sales quantity is loaded
  - Quantity detail is dependent upon planning needs
  - Desirable to set up the planning framework to allow simultaneous entry by multiple parties
  - Quantities are transferred to SOP (Sales and Operations Planning)
- Can be as simple as entering the data and saving

CO-PA/SOP/Demand Management (cont.)

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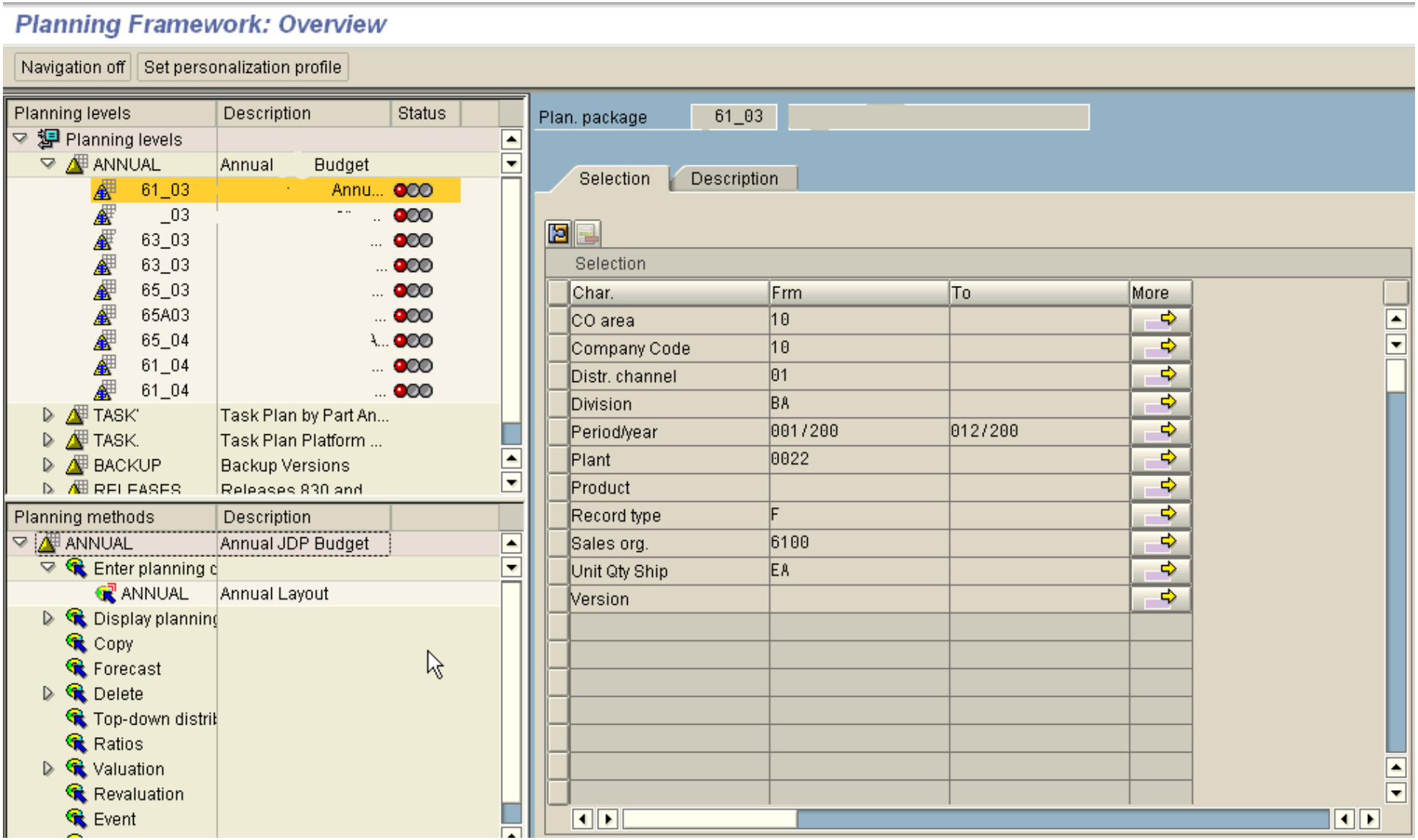
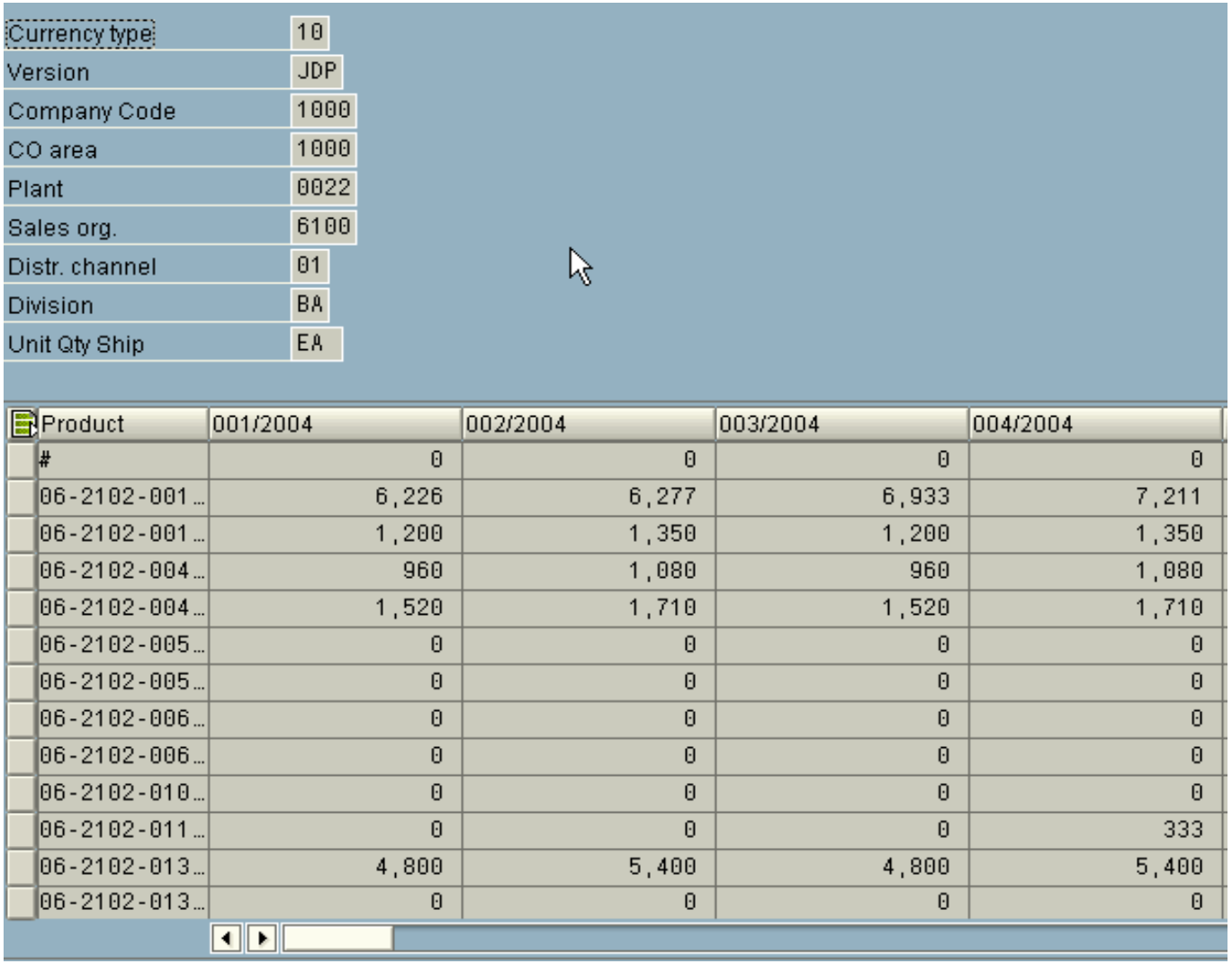
- View of a CO-PA Planning Framework (KEPM)



CO-PA/SOP/Demand Management (cont.)

- CO-PA planning data entry screen



Currency type	10
Version	JDP
Company Code	1000
CO area	1000
Plant	0022
Sales org.	6100
Distr. channel	01
Division	BA
Unit Qty Ship	EA

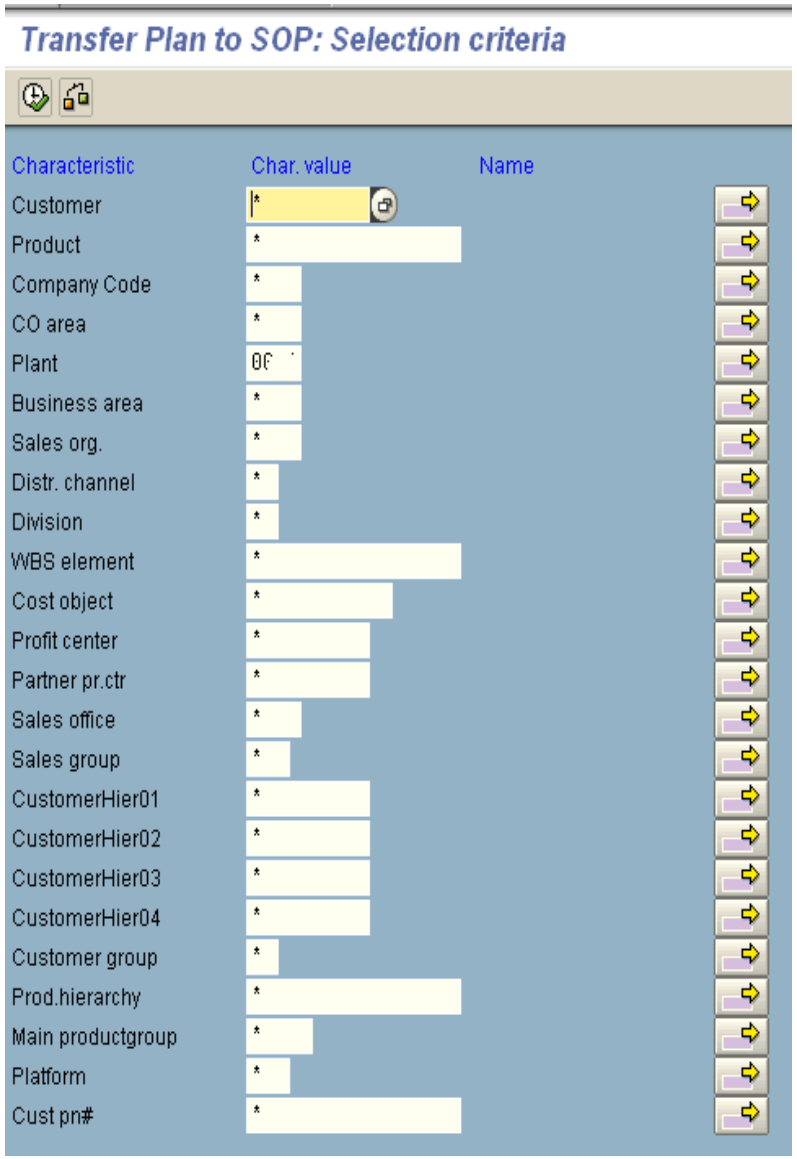
Product	001/2004	002/2004	003/2004	004/2004
#	0	0	0	0
06-2102-001…	6,226	6,277	6,933	7,211
06-2102-001…	1,200	1,350	1,200	1,350
06-2102-004…	960	1,080	960	1,080
06-2102-004…	1,520	1,710	1,520	1,710
06-2102-005…	0	0	0	0
06-2102-005…	0	0	0	0
06-2102-006…	0	0	0	0
06-2102-006…	0	0	0	0
06-2102-010…	0	0	0	0
06-2102-011…	0	0	0	333
06-2102-013…	4,800	5,400	4,800	5,400
06-2102-013…	0	0	0	0

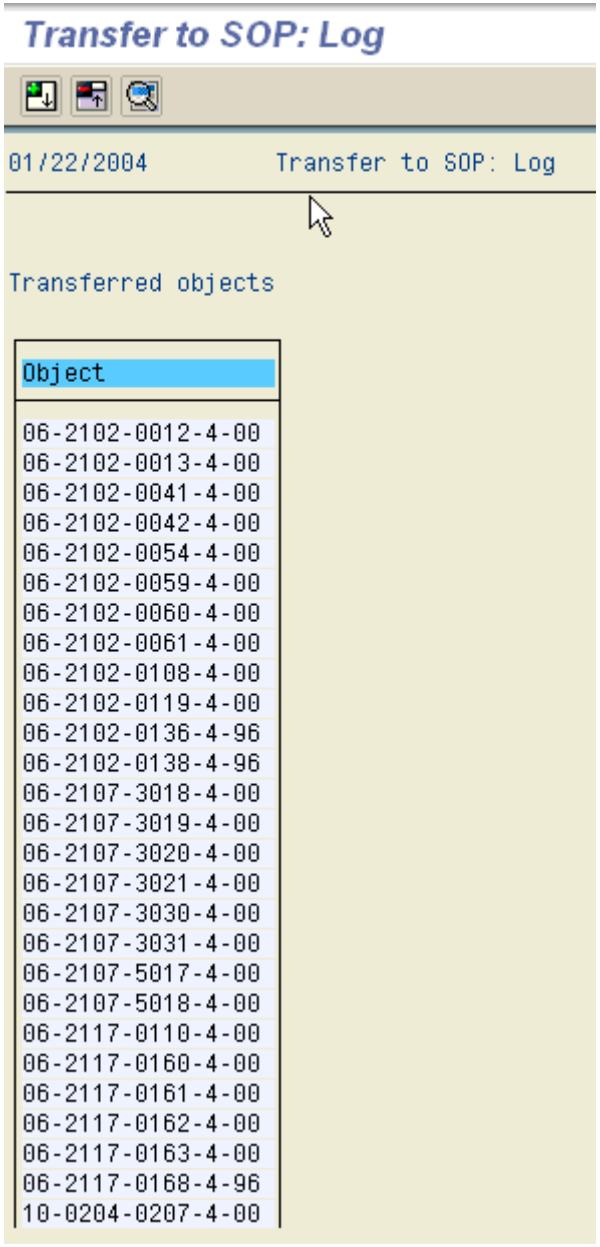
CO-PA/SOP/Demand Management (cont.)

- SOP
  - Powerful entry point into supply chain planning
  - In this version, standard SOP is leveraged
    - ✓A more complex solution, called flexible planning, is available
  - Standard SOP comes practically fully configured
  - Transfers to CCA and to/from CO-PA are possible
- How is it used here?
  - Simply as a conduit for moving planned sales quantities to Demand Management

CO-PA/SOP/Demand Management (cont.)

- Data transfer to SOP (KE1E)





CO-PA/SOP/Demand Management (cont.)

- Keys to planning in SOP
  - Know the planning method you want to use
    - ✓Consistent
    - ✓Level-by-level
    - ✓Delta
  - For financial planning, keep it simple

CO-PA/SOP/Demand Management (cont.)

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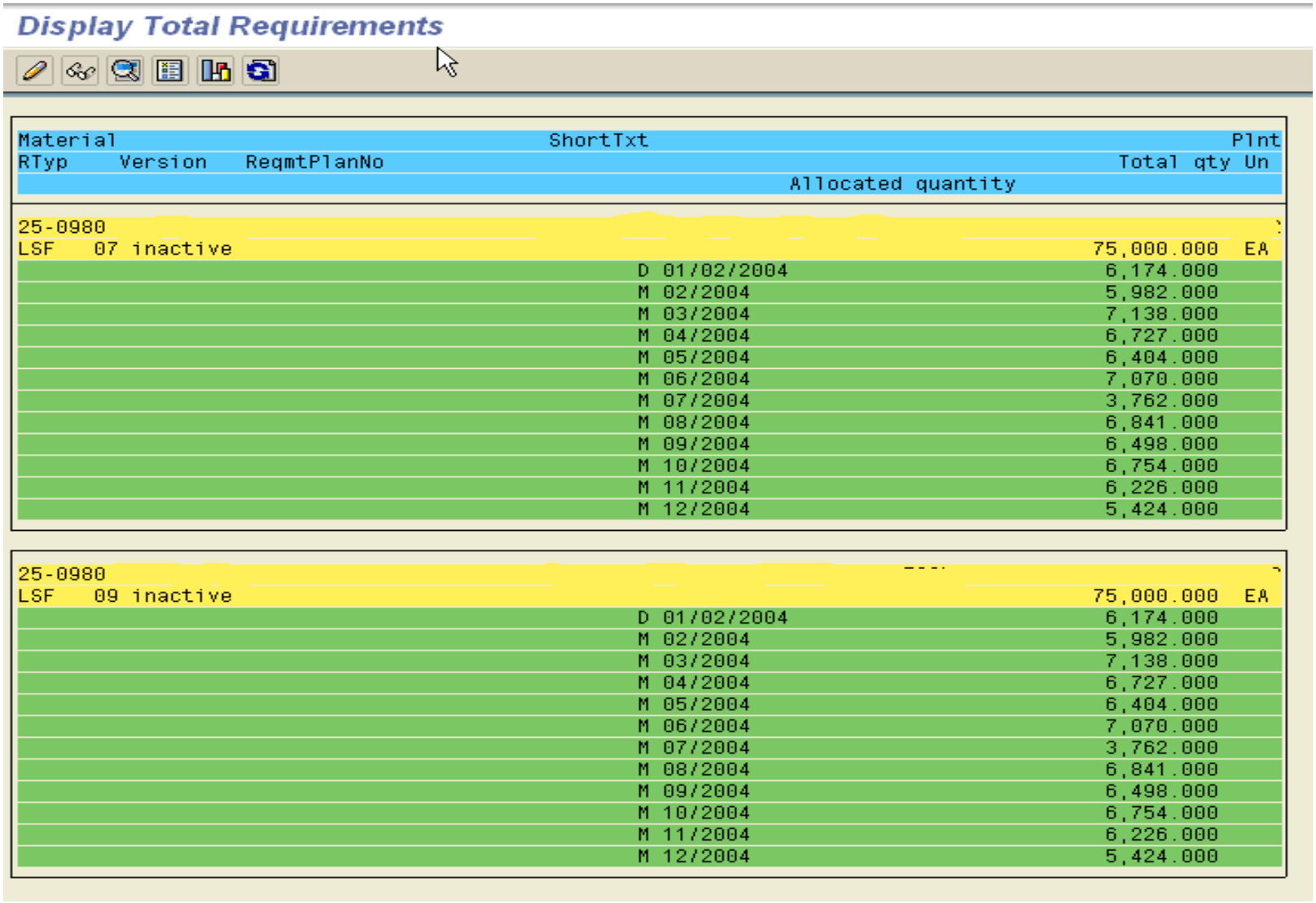
- Demand Management
  - Uses sales forecast to determine stock quantity needs and delivery dates
  - Focuses on finished stock
  - Powerful tool, with many options available
  - Main operating component for planning is the Planned Independent Requirement (PIR)
- Associated with a material(s) and a date(s), the PIR is the point of control during demand calculation and processing

CO-PA/SOP/Demand Management (cont.)

- How it is used here
  - A demand program was tailored to meet the repetitive manufacturing needs of this client
  - Program is created automatically from the transfer of the quantities from our standard SOP system
  - Cross-plant planning was included
  - Output from Demand Management is reviewed and than transferred to LTP for more refined resource planning

CO-PA/SOP/Demand Management (cont.)

- One view of output from Demand Management



Display Total Requirements

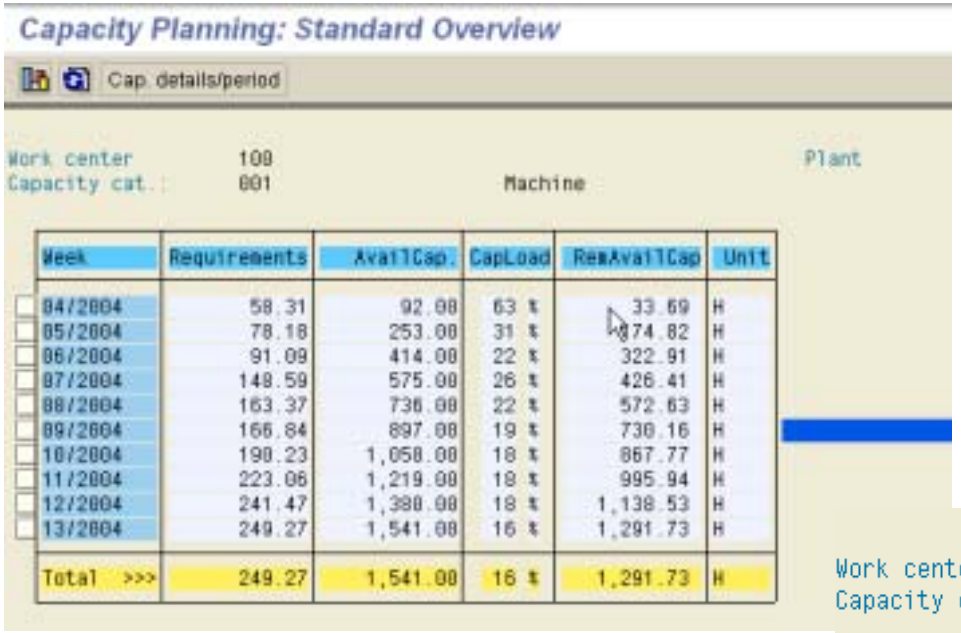
Material / RTyp	Version	ReqmtPlanNo	ShortTxt / Allocated quantity	Plnt / Total qty	Un
25-0980					
LSF	07	inactive		75,000.000	EA
			D 01/02/2004	6,174.000	
			M 02/2004	5,982.000	
			M 03/2004	7,138.000	
			M 04/2004	6,727.000	
			M 05/2004	6,404.000	
			M 06/2004	7,070.000	
			M 07/2004	3,762.000	
			M 08/2004	6,841.000	
			M 09/2004	6,498.000	
			M 10/2004	6,754.000	
			M 11/2004	6,226.000	
			M 12/2004	5,424.000	
25-0980					
LSF	09	inactive		75,000.000	EA
			D 01/02/2004	6,174.000	
			M 02/2004	5,982.000	
			M 03/2004	7,138.000	
			M 04/2004	6,727.000	
			M 05/2004	6,404.000	
			M 06/2004	7,070.000	
			M 07/2004	3,762.000	
			M 08/2004	6,841.000	
			M 09/2004	6,498.000	
			M 10/2004	6,754.000	
			M 11/2004	6,226.000	
			M 12/2004	5,424.000	

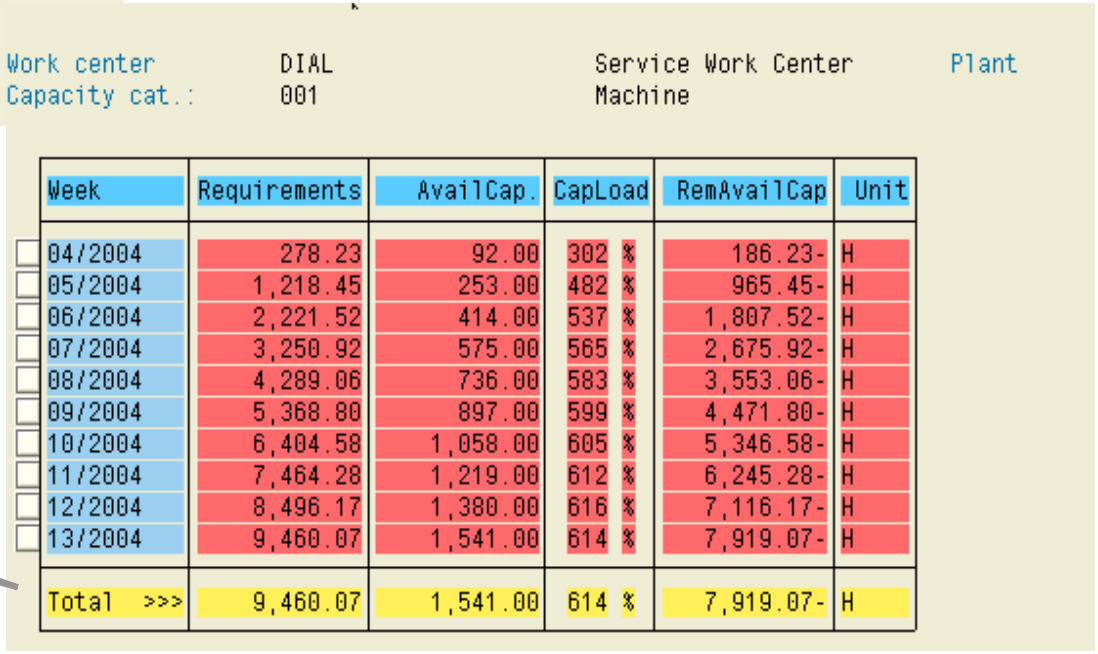
CO-PA/SOP/Demand Management (cont.)

- Long-term planning (LTP)
  - Last step in our supply chain planning, and a direct integration point with CO
  - Output from LTP will break down product demand into its component/resource parts
  - Reads the bill of materials (BOM)/routing requirements
  - Can become complex when taking into account inventory, MRP/MPS
- How it is used here
  - LTP will transfer the resource requirements to CCA in the form of activity type quantities

CO-PA/SOP/Demand Management (cont.)

- Capacity Planning Output from LTP

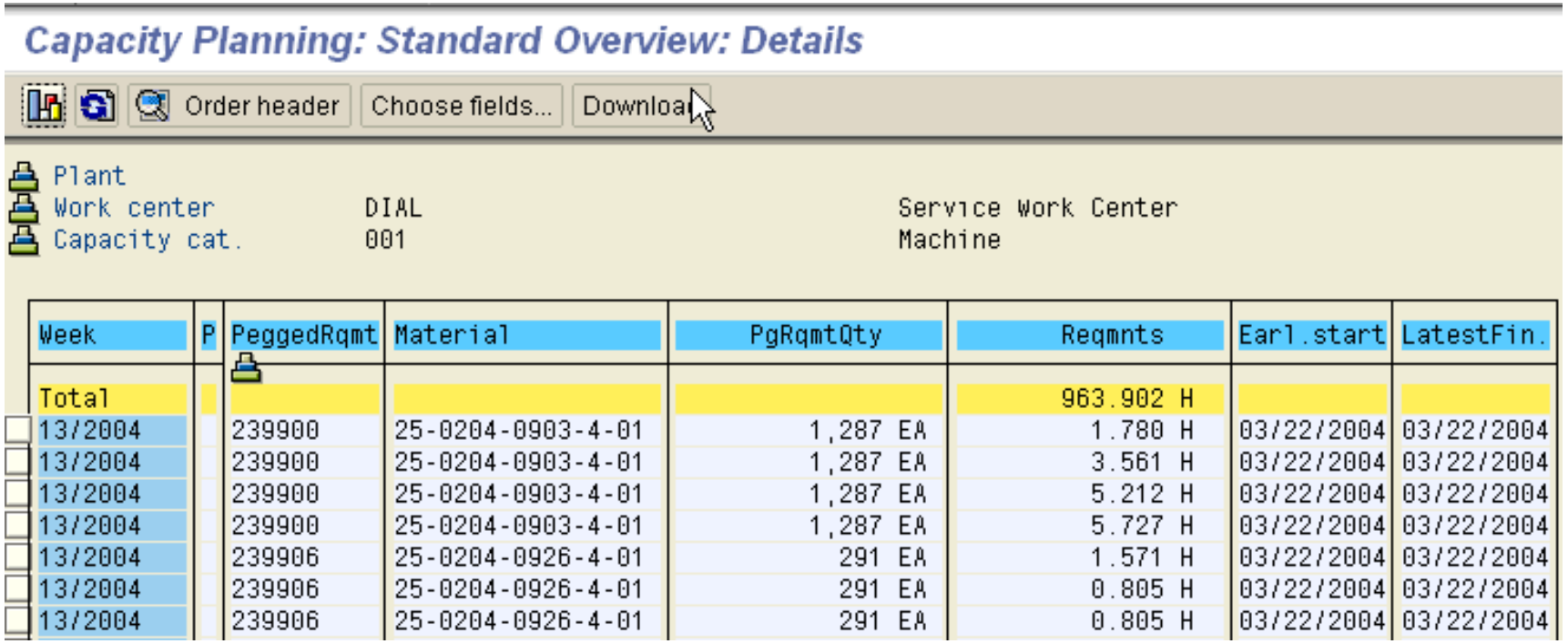




Capacity Issue in Week 13

CO-PA/SOP/Demand Management (cont.)

- Overcapacity for week 13/2004 detail



Capacity Planning: Standard Overview: Details

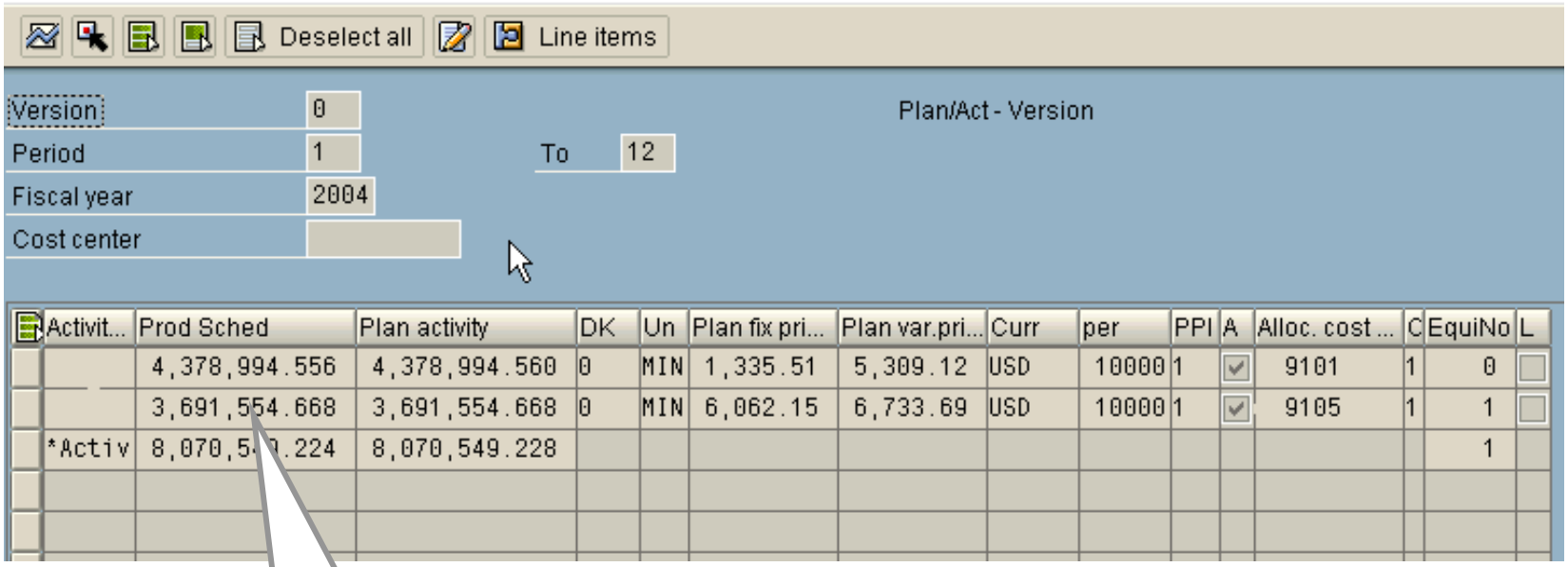
Order header | Choose fields... | Downloa

Plant
Work center DIAL Service Work Center
Capacity cat. 001 Machine

Week	P	PeggedRqmt	Material	PgRqmtQty	Reqmnts	Earl.start	LatestFin.
Total					963.902 H		
13/2004		239900	25-0204-0903-4-01	1,287 EA	1.780 H	03/22/2004	03/22/2004
13/2004		239900	25-0204-0903-4-01	1,287 EA	3.561 H	03/22/2004	03/22/2004
13/2004		239900	25-0204-0903-4-01	1,287 EA	5.212 H	03/22/2004	03/22/2004
13/2004		239900	25-0204-0903-4-01	1,287 EA	5.727 H	03/22/2004	03/22/2004
13/2004		239906	25-0204-0926-4-01	291 EA	1.571 H	03/22/2004	03/22/2004
13/2004		239906	25-0204-0926-4-01	291 EA	0.805 H	03/22/2004	03/22/2004
13/2004		239906	25-0204-0926-4-01	291 EA	0.805 H	03/22/2004	03/22/2004

- Updates to CCA planning during LTP activity transfer (KSPP)

Display Activity Type/Price Planning: Overview screen



Activit...	Prod Sched	Plan activity	DK	Un	Plan fix pri...	Plan var.pri...	Curr	per	PPI	A	Alloc. cost ...	C	EquiNo	L
	4,378,994.556	4,378,994.560	0	MIN	1,335.51	5,309.12	USD	10000	1	☑	9101	1	0	☐
	3,691,554.668	3,691,554.668	0	MIN	6,062.15	6,733.69	USD	10000	1	☑	9105	1	1	☐
*Activ	8,070,5[illegible].224	8,070,549.228											1	

Prod schedule quantity from LTP

CO-PA/SOP/Demand Management (cont.)

- What to take away from this phase
  - Setting this up was not as simple as it looked
    - ✓ But it can be done
  - Collaboration with the operations team is mandatory
    - ✓ Finance cannot manage this alone
  - Single point of entry can have a tremendous impact to many planning levels
  - Errors have potential to have a greater impact
  - Establish proper reporting at each planning stage

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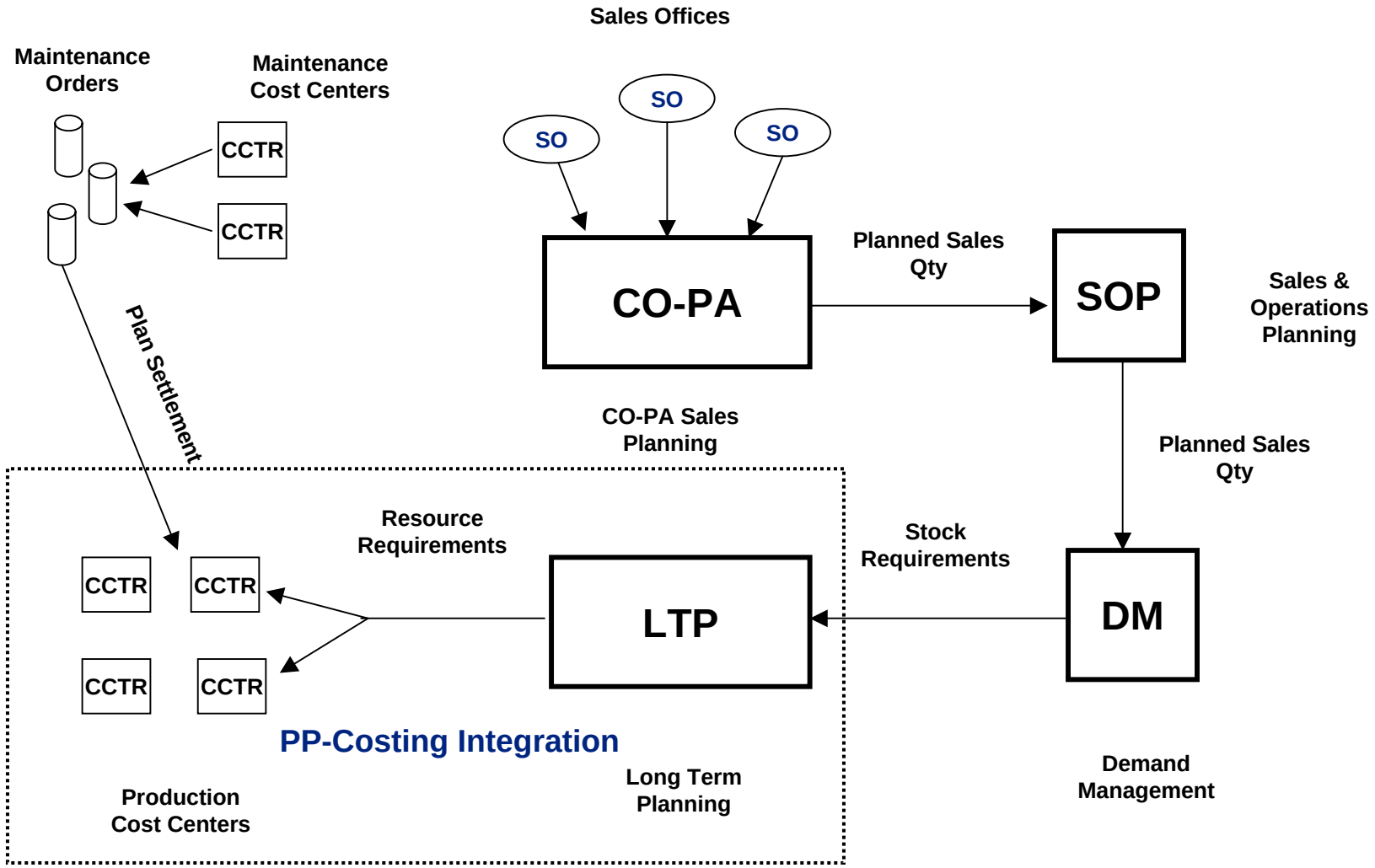
- Costing Concepts
- Investment Management (IM) Integration

LTP-CCA Activity Integration



CCA Planning Options

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- Planning considerations prior to beginning
  - Planning versions
  - Costing integration and setup
  - Overhead and variance management
- For a good review of these topics, see my session on variance analysis

CCA Planning Options (cont.)

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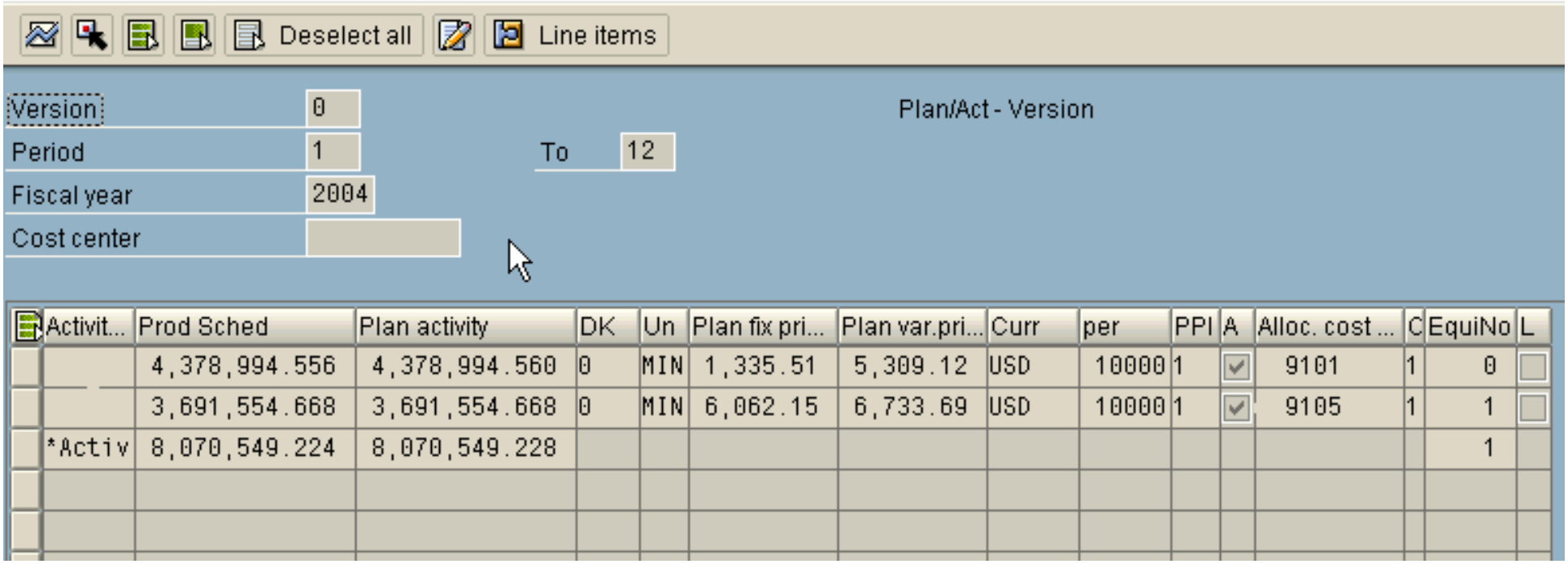
- Planning steps to consider
  - Step 1: Establish activity prices/quantities (KP26)
  - Step 2: Enter cost element detail/variable planning (KP06)
  - Step 3: Manage the quantities (KP26)

CCA Planning Options (cont.)

- Step 1: Establish activity prices/quantities (KP26)
  - Initial prices/quantities necessary for routing development and cost planning
  - Standard functionality

Display Activity Type/Price Planning: Overview screen



Activit...	Prod Sched	Plan activity	DK	Un	Plan fix pri...	Plan var.pri...	Curr	per	PPI	A	Alloc. cost ...	C	EquiNo	L
	4,378,994.556	4,378,994.560	0	MIN	1,335.51	5,309.12	USD	10000	1	☑	9101	1	0	☐
	3,691,554.668	3,691,554.668	0	MIN	6,062.15	6,733.69	USD	10000	1	☑	9105	1	1	☐
*Activ	8,070,549.224	8,070,549.228											1	

CCA Planning Options (cont.)

- Step 2: Cost element/variable planning (KP06)
  - Standard cost planning at an account level
  - Enhanced with the introduction of recipe planning

Display Cost Element/Activity Input Planning: Overview screen

Deselect all | Line items

Version	0	Plan/Act - Version	
Period	1	To	12
Cost center			
Fiscal year	2004		

ActType	cost el.		R	Rec.V...	Recipepri...	DK	Un.Rpr	Recipe Quantity	U...	Plan Costs varia...	DK
	K20	Direct-wages variable	3	TE	0...	2	00001	4378994.560	MIN	1,094,748.64	0
	K21	Wages idle time paid	3	TE	0...	2	00001	4378994.560	MIN	218,949.72	0
	K25	Shift Premium, Wages direct v...	3	TE	0...	2	00001	4378994.560	MIN	87,579.89	0
	K30	Salary fix			0...	2	00001	0.000		0.00	2
	K30	Shift premium salary fix			0...	2	00001	0.000		0.00	2
	K64	Membership Dues & Fees			0...	2	00001	0.000		0.00	2

CCA Planning Options (cont.)

- Step 3: Manage the quantities (KP26)
  - Once activity has been transferred from LTP, be sure production schedule matches the planned quantity
  - Planned quantity leads to proper price calculation

Display Activity Type/Price Planning: Overview screen

Deselect all | Line items

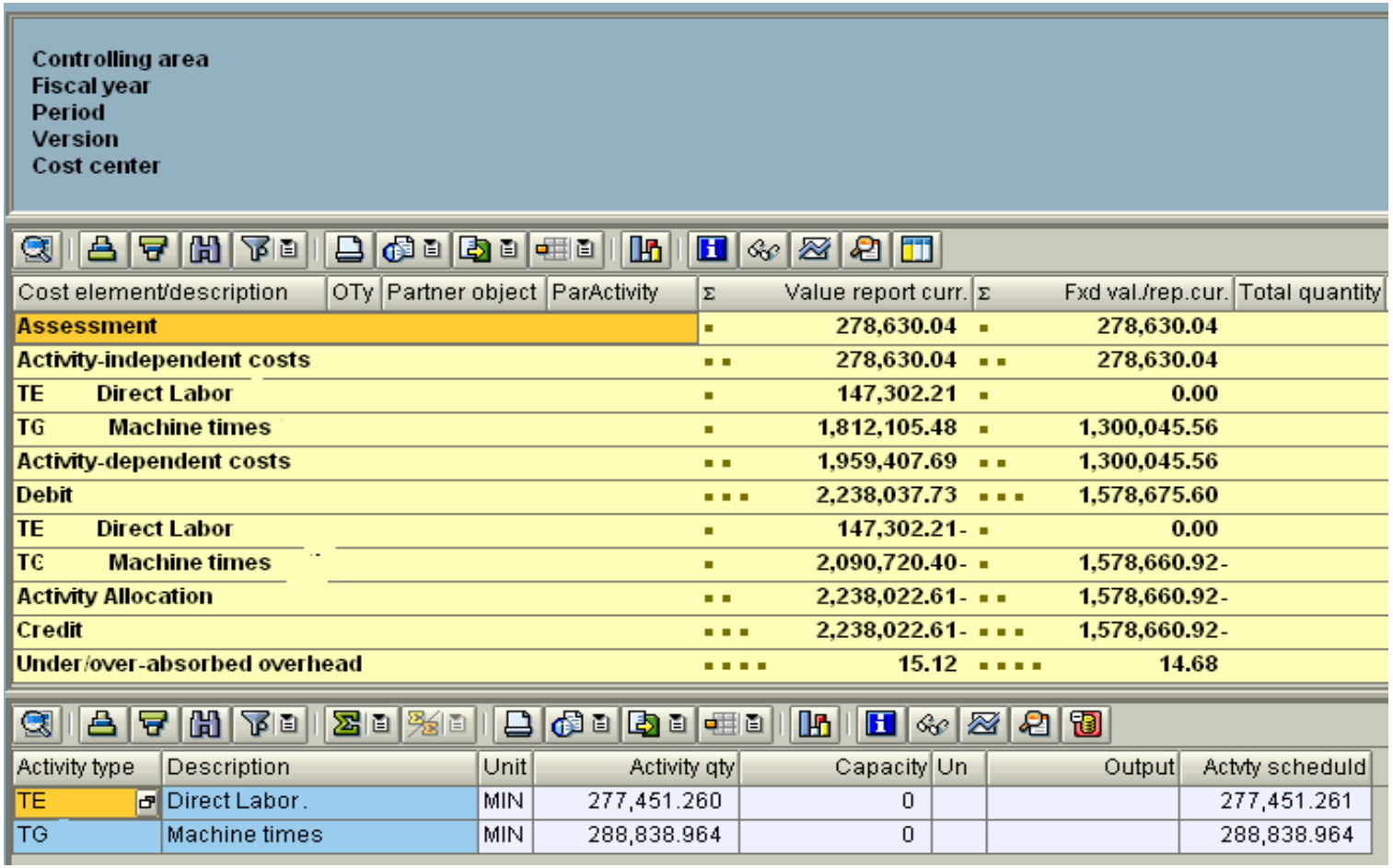
Version	0
Period	1
To	12
Fiscal year	2004
Cost center	

Plan/Act - Version

Activit...	Prod Sched	Plan activity	DK	Un	Plan fix pri...	Plan var.pri...	Curr	per	PPI	A	Alloc. cost ...	C	EquiNo	L
	4,378,994.556	4,378,994.560	0	MIN	1,335.51	5,309.12	USD	10000	1	☑	9101	1	0	
	3,691,554.668	3,691,554.668	0	MIN	6,062.15	6,733.69	USD	10000	1	☑	9105	1	1	
*Activ	8,070,549.224	8,070,549.228											1	

CCA Planning Options (cont.)

- Cost center planning report (KSBL)
  - Extremely helpful reconciliation tool



Controlling area
Fiscal year
Period
Version
Cost center

Cost element/description	OTy	Partner object	ParActivity	Σ	Value report curr.	Σ	Fxd val./rep.cur.	Total quantity
Assessment					278,630.04		278,630.04	
Activity-independent costs					278,630.04		278,630.04	
TE Direct Labor					147,302.21		0.00	
TG Machine times					1,812,105.48		1,300,045.56	
Activity-dependent costs					1,959,407.69		1,300,045.56	
Debit					2,238,037.73		1,578,675.60	
TE Direct Labor					147,302.21-		0.00	
TG Machine times					2,090,720.40-		1,578,660.92-	
Activity Allocation					2,238,022.61-		1,578,660.92-	
Credit					2,238,022.61-		1,578,660.92-	
Under/over-absorbed overhead					15.12		14.68	

Activity type	Description	Unit	Activity qty	Capacity	Un	Output	Actvty scheduld
TE	Direct Labor.	MIN	277,451.260	0			277,451.261
TG	Machine times	MIN	288,838.964	0			288,838.964

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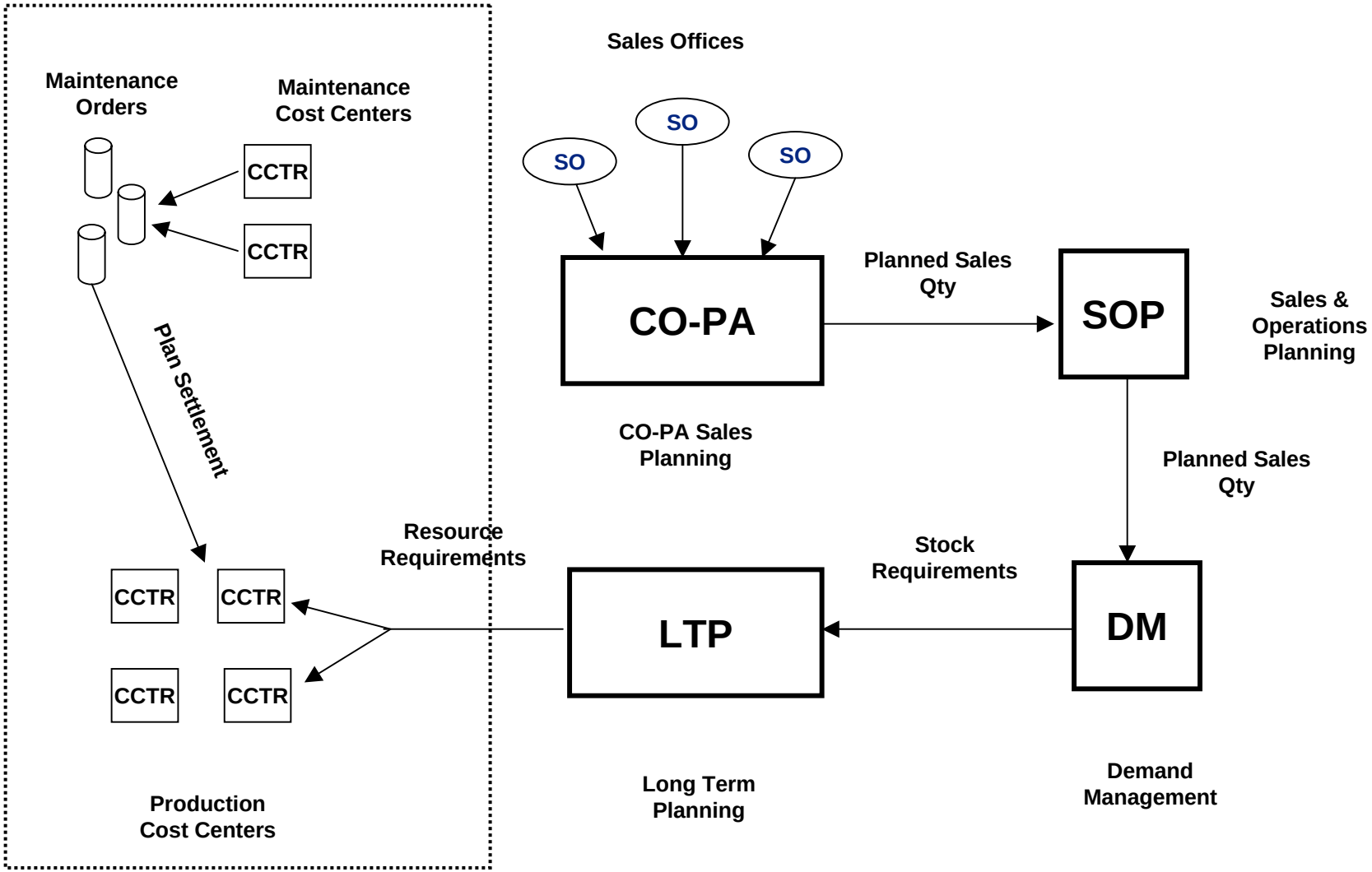
- Wrap Up

CCA-Internal Order Integration

CCA-Order Integration



CCA-Internal Order Integration (cont.)

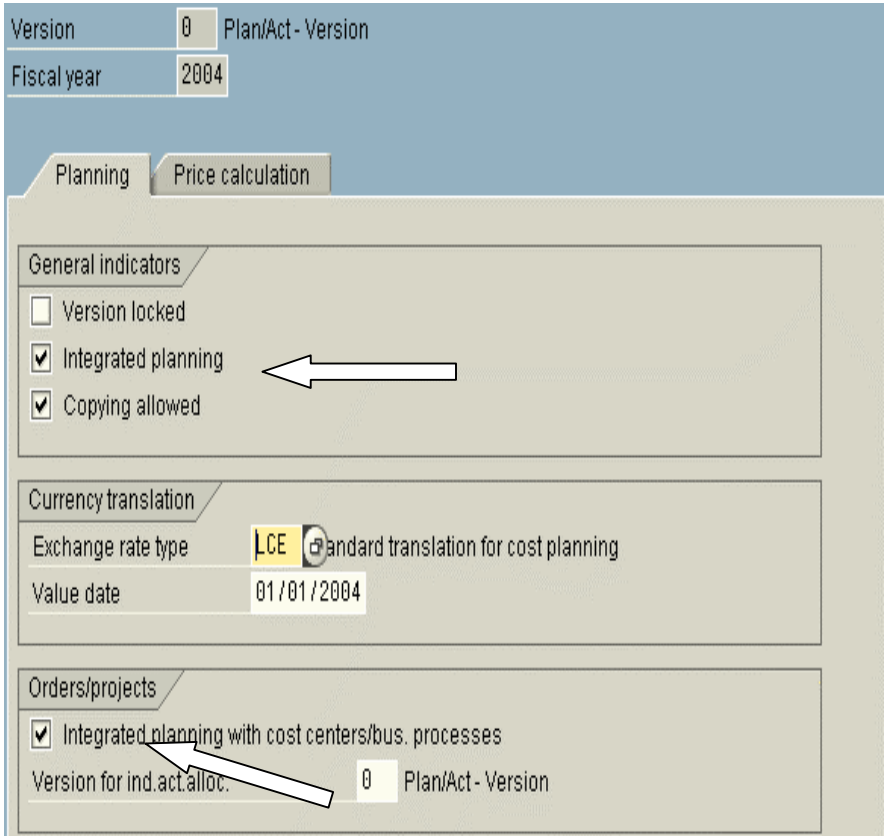
- What is CCA-order integration?
  - Process within CO that allows you to move plan activity between Internal Orders and other CO Objects through settlement and activity allocation
  - Requires some configuration prior to beginning
- How it works:
  - The sender/receiver relationship between a cost center and order is established during order planning
  - The planning detail is at the cost element/activity level
  - For the process to work, both the cost center and the internal order must have been present during the planning phase. Any planning on new internal orders would be standalone – No integration possible

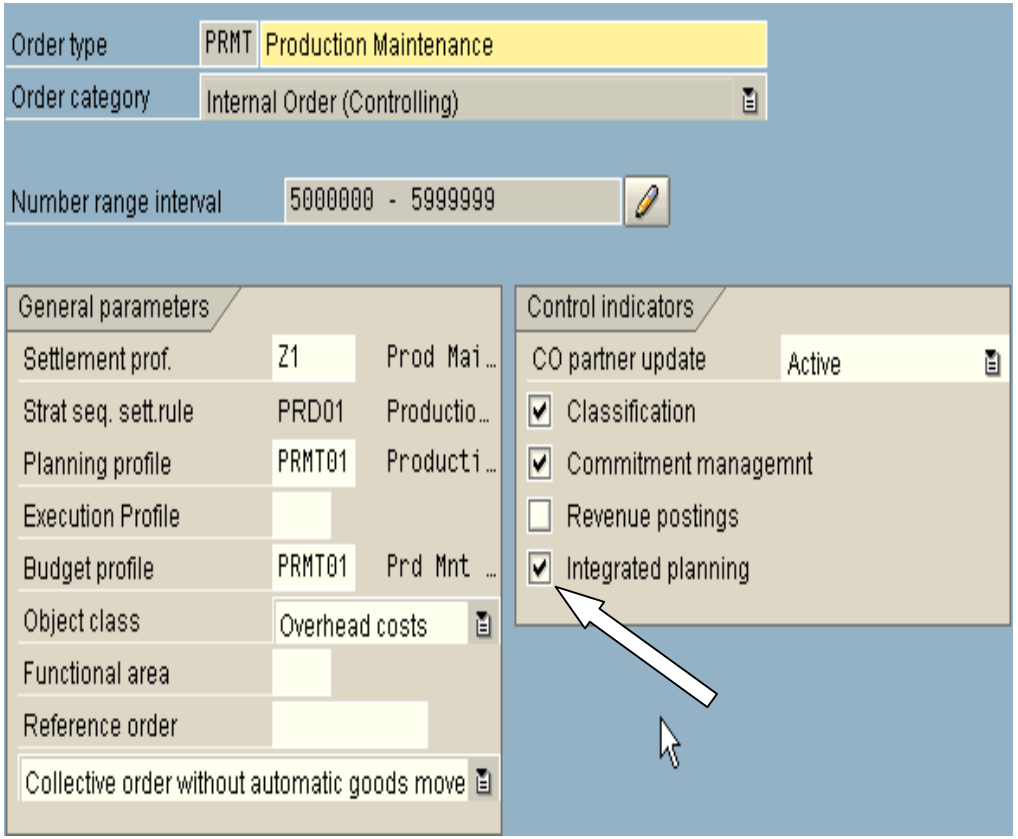
CCA-Internal Order Integration (cont.)

- What configuration steps are necessary?
  - Maintain planning versions
  - Maintain order type
- How it is used in the model:
  - Client wanted a solution that allowed it to better track its maintenance activity
  - Solution took it a step further and introduced integrated planning
  - Planned activity and settlements are processed at an order level
  - Outcome: more meaningful reporting and analysis

CCA-Internal Order Integration (cont.)

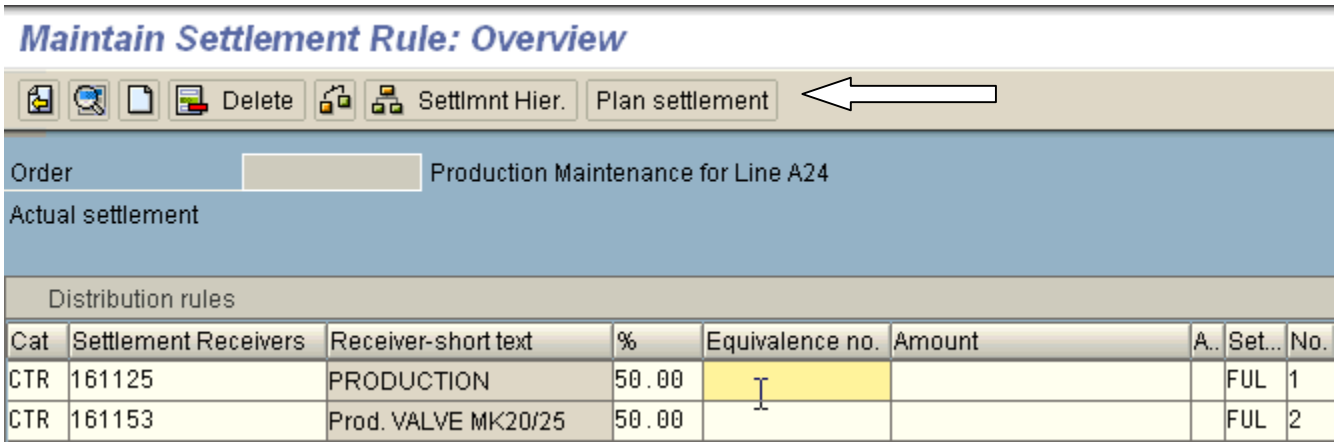
- Maintain the version and order type settings
  - Activate integrated planning in both the general settings, and the orders/projects sections
  - Both must be maintained for integration to be achieved





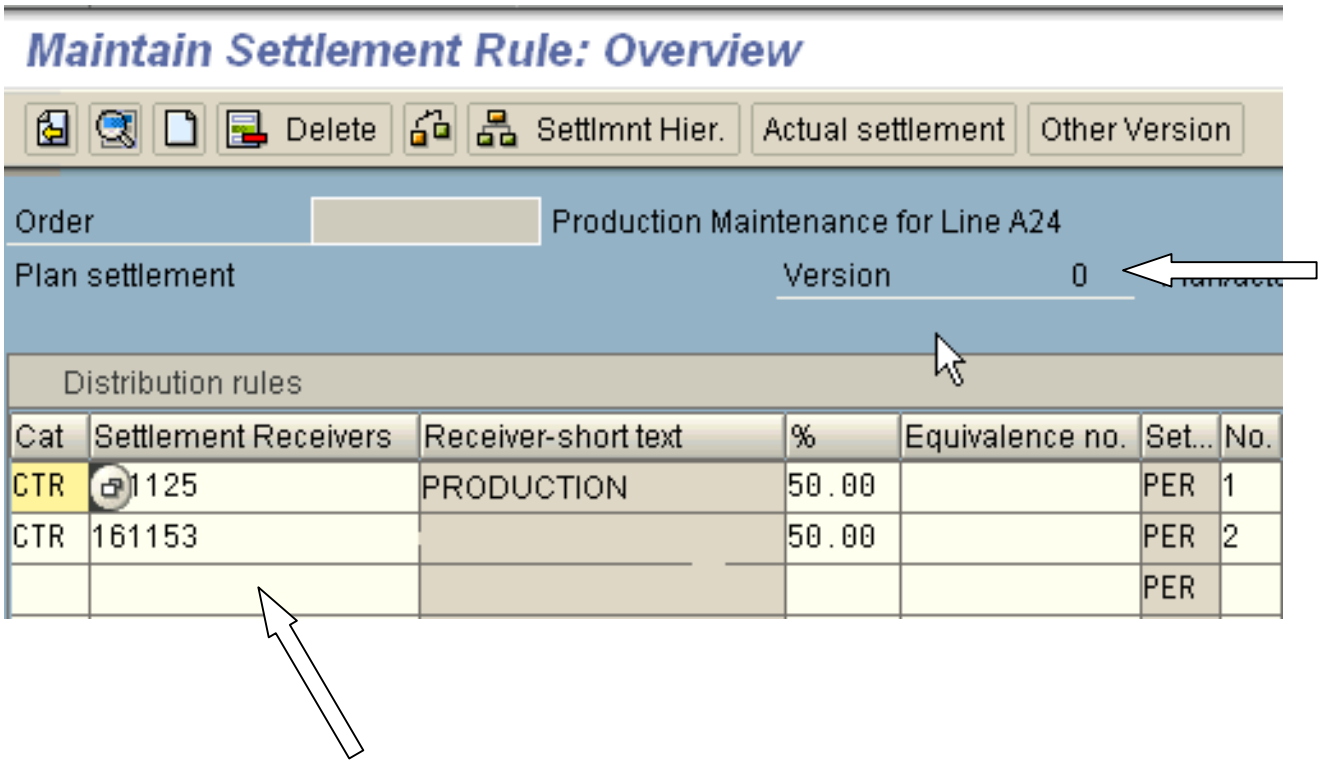
CCA-Internal Order Integration (cont.)

- Set up order plan settlement
  - From the actual Settlement Rule screen, select the Plan settlement button



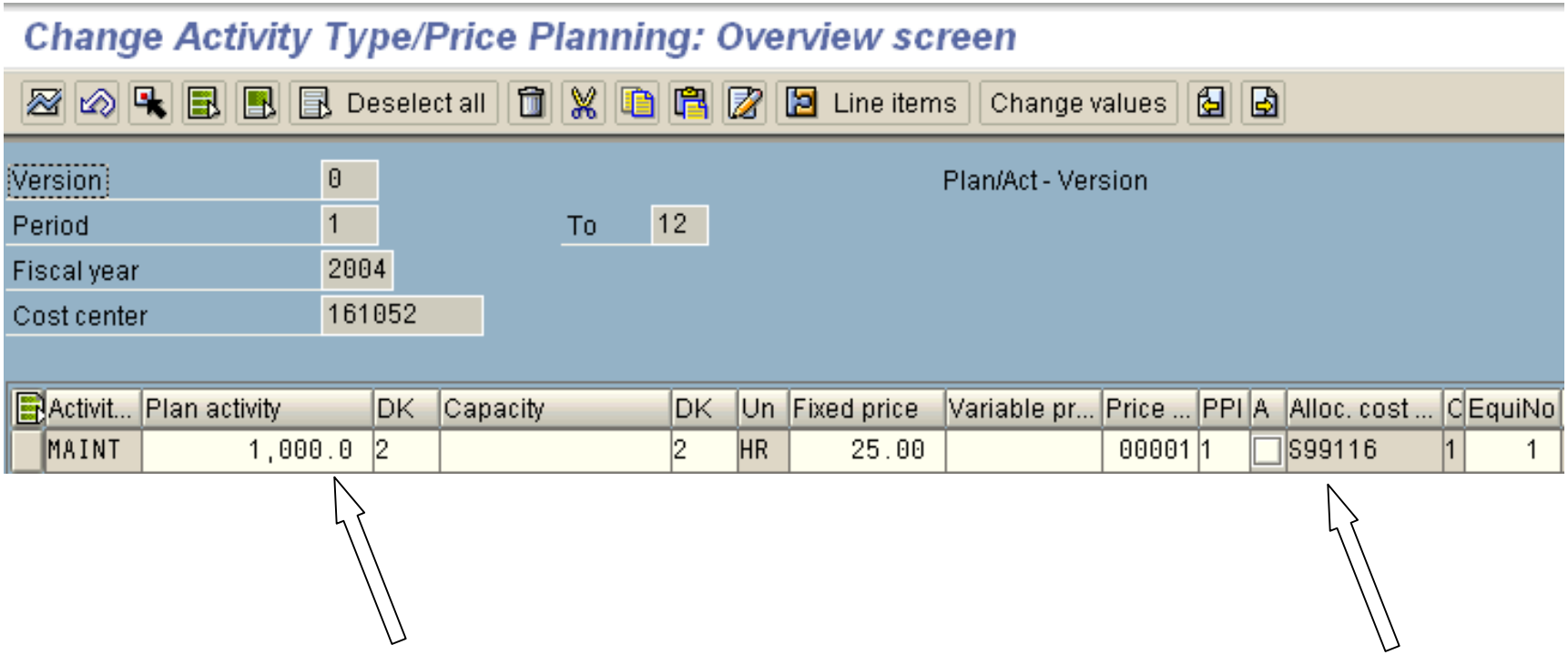
CCA-Internal Order Integration (cont.)

- Setup order plan settlement
  - Enter the cost centers that should receive the planned settlement
  - Pay attention to which version you are planning



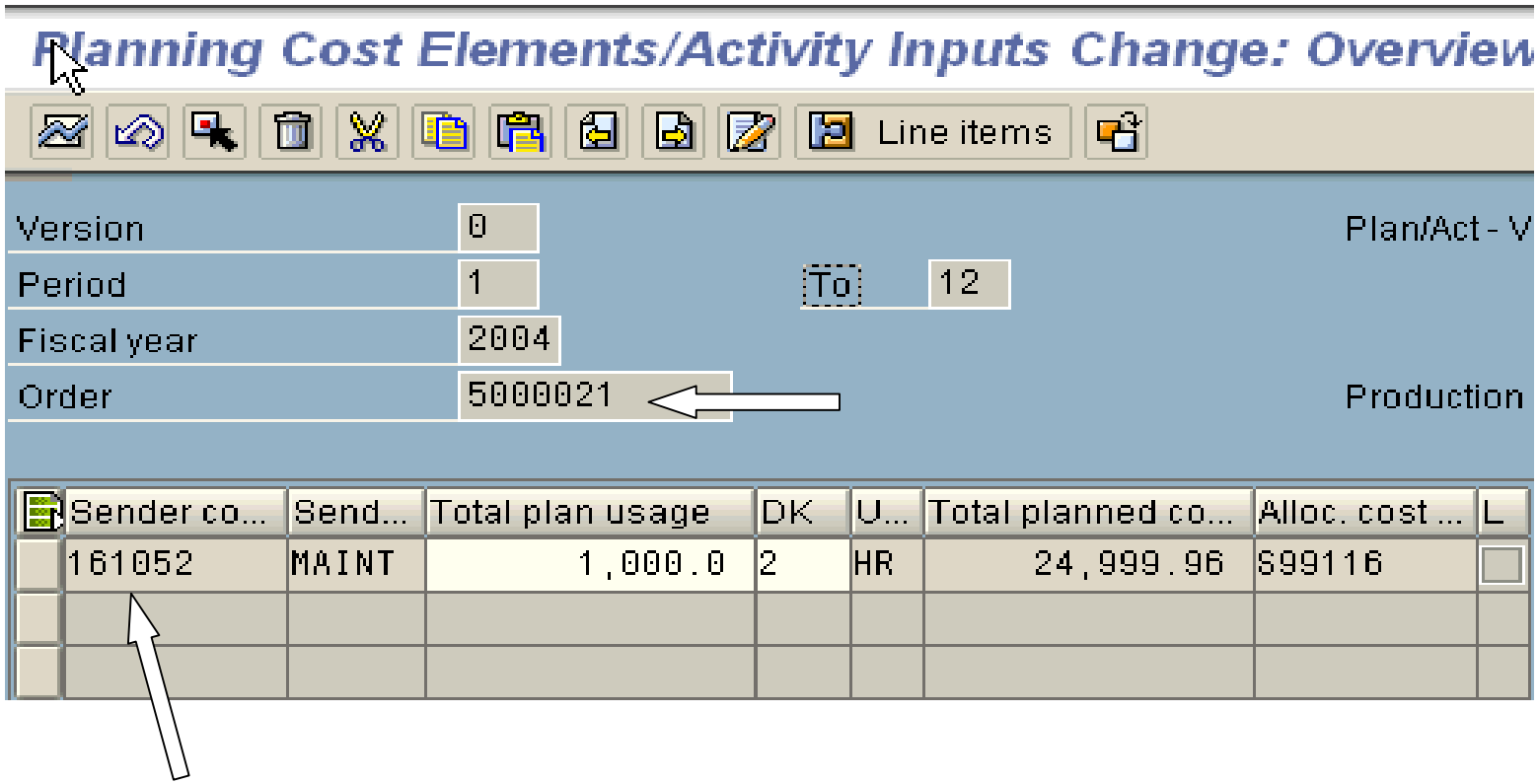
CCA-Internal Order Integration (cont.)

- Activity planning on the cost center
  - When planning on the cost center, be sure to link the quantities with those planned on the integrated order



CCA-Internal Order Integration (cont.)

- Activity planning on the order



CCA-Internal Order Integration (cont.)

Cost Center Planning

Cost centers: Planning Report

Cost element/description	OTy	Partner object	ParActivity	Val.in rep.cur.	Fxd val./rep.cur.	Total quantity	Fixed qty	Unit
Primary costs				**660,084.00**	**660,084.00**			
Accrual calculation				**175,455.36**	**175,455.36**			
Activity-independent costs				**835,539.36**	**835,539.36**			
Debit				**835,539.36**	**835,539....**			
S99116 ast-hours (order)				0.08-	0.08-	0.0	0.0	HR
S99116 ast-hours (order)	O...	5000021		24,999.96-	24,999.96-	1,000.0-	0.0	HR
MAINT Production Line Maintenance				**25,000.04-**	**25,000.04-**			

Activity type	Description	Uni	Activity qty	Capacity	Un	Output	Actvty scheduld
MAINT	Production Line Maintenan...	HR	1,000.0	0.0			1,000.0
TE	Direct Labor Activity	MIN	10,800	0			10,800

Order Planning

Orders: Planning Report

Cost element/description	OTy	Partner object	ParActivity	Val.in rep.cur.	Fxd val./rep.cur.	Total quantity	Fixed qty	Unit
S99116 ast-hours (order)	ATY	161052	MAINT	24,999.96	24,999.96	1,000.0	0.0	HR
Activity input				**24,999.96**	**24,999.96**			
Debit				**24,999.96**	**24,999.96**			
Under/over-absorbed overhead				**24,999.96**	**24,999.96**			

CCA-Internal Order Integration (cont.)

- Postings from order planned settlement

Plan Settlement: Detail

Display status Total for all periods

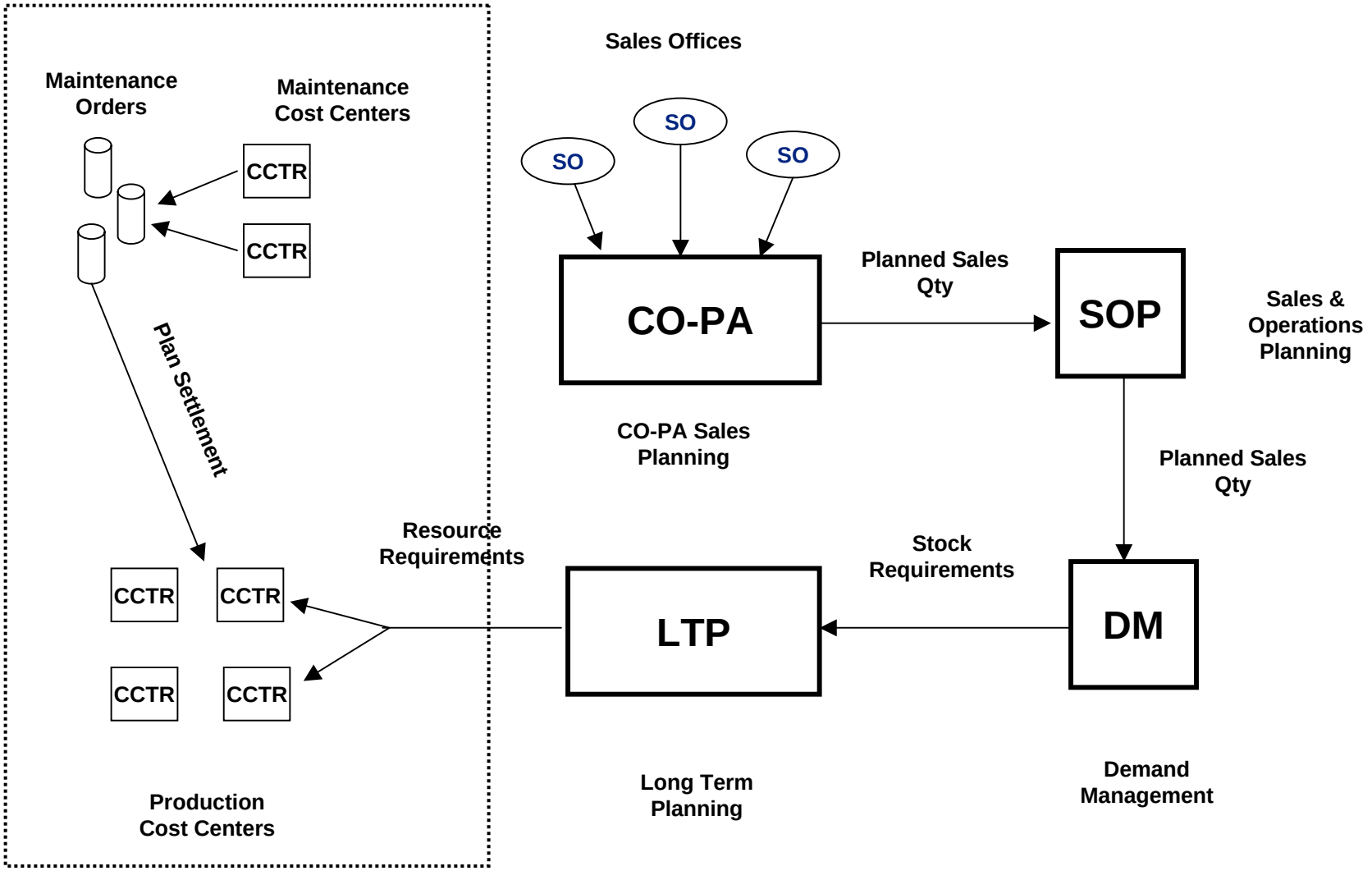
Cost object	Cost elem	Name	Partner object	Planned (COArCurr)	Curr.	Plan quantity	UM
ORD 5000021	S99116	ast-hours (order)	ATY 161052/MAINT		USD		HR
CTR 161125	S99116	ast-hours (order)	ATY 161052/MAINT	12,499.97	USD	499.997	HR
CTR 161153	S99116	ast-hours (order)	ATY 161052/MAINT	12,499.99	USD	500.003	HR
**				24,999.96	USD	1,000.000	

Cost centers: Planning Report

Cost element/description	OTy	Partner object	ParActivity	Value report curr.	Fxd val./rep.cur.	Total quantity	Fixed qty	Unit
S991 : -hours (order)	O...	5000021		12,499.99	12,499.99	500.003	500.003	HR
Order settlement				**12,499.99**	**12,499.99**			
Activity-independent costs				**12,499.99**	**12,499.99**			

CCA-Internal Order Integration (cont.)

CCA-Order Integration



CCA-Internal Order Integration (cont.)

- Why plan in this manner?
  - Primary reason, source recognition of planned activity is always key
  - Reporting is more consistent, as you are posting to the same plan account to which actuals will post
  - Flexibility offered by managing unique activity, like plant maintenance, away from a cost center

What We'll Cover …

Financials2004

Objective: Provide an overview of the integrated planning functionality found within the CO module

- CO Planning Concepts
- CO-PA/SOP/Demand Management
- Cost Center Accounting (CCA) Planning Options
- Internal Order Integrated Planning
- Investment Management (IM) Integration

Investment Management

- What is investment management?
  - In its most evolved form, investment management is SAP's capital budgeting and tracking solution
  - Heavy integration is provided between the investment management module, CO, FI, and the asset modules
  - The capital planning, reporting, and tracking/analysis capabilities are very nice

Investment Management (cont.)

Financials2004

- What integration functionality can be achieved?
  - Outside of the capital planning functionality offered, the single biggest planning benefit is in the area of depreciation simulation
  - Most companies forecast depreciation based upon current asset bases
  - IM offers you a view of the depreciation associated with anticipated capital spending

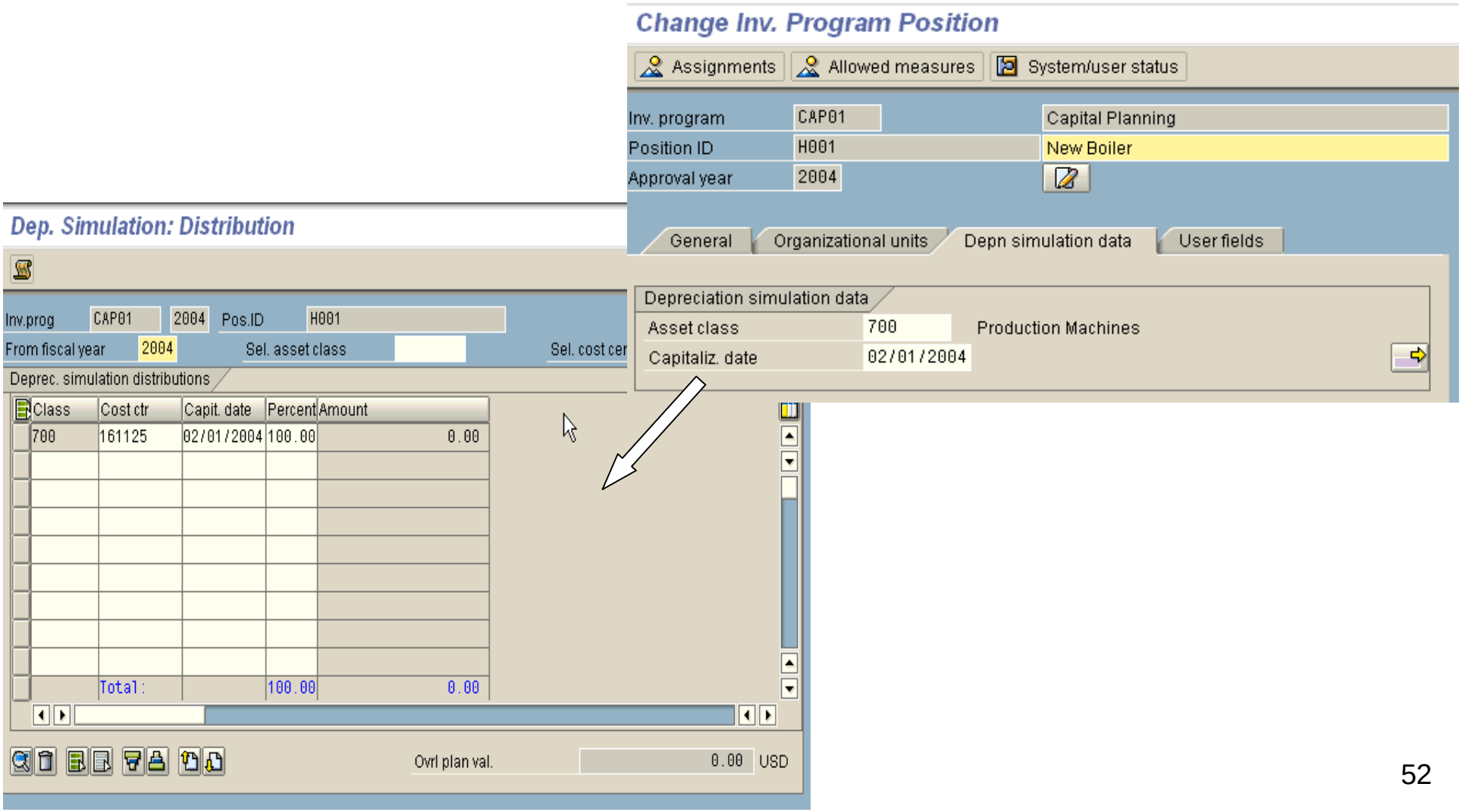
Investment Management (cont.)

- A quick look at an investment hierarchy

		Plan	Plan distributed
TOTAL	Grand Total - Capital Spending	4,290,000.00	4,290,000.00
CORPORATE	Corporate Total	1,250,000.00	1,250,000.00
CP001	New Sales Office	750,000.00	0.00
CP002	HVAC Updates	150,000.00	0.00
CP003	100 New PC's	75,000.00	0.00
CP004	New Server Bank	275,000.00	0.00
MANUFACTURNG	Manufacturing Total	1,840,000.00	1,840,000.00
PLANT 01	Hanover Plant	90,000.00	90,000.00
H001	New Boiler	55,000.00	0.00
H002	3 Forklifts	35,000.00	0.00
PLANT 02	Kansas City Plant	1,750,000.00	1,750,000.00
KC001	Warehouse Management System	1,000,000.00	0.00
KC002	Line 2 Upgrade	750,000.00	0.00
DISTRIBUTION	Distribution Total	1,200,000.00	1,200,000.00
DIST 01	St. Louis Dist	1,200,000.00	1,200,000.00
S001	4 new delivery trucks	200,000.00	0.00
S002	Plant Expansion	1,000,000.00	0.00
DIST 02	NJ Dist	0.00	0.00

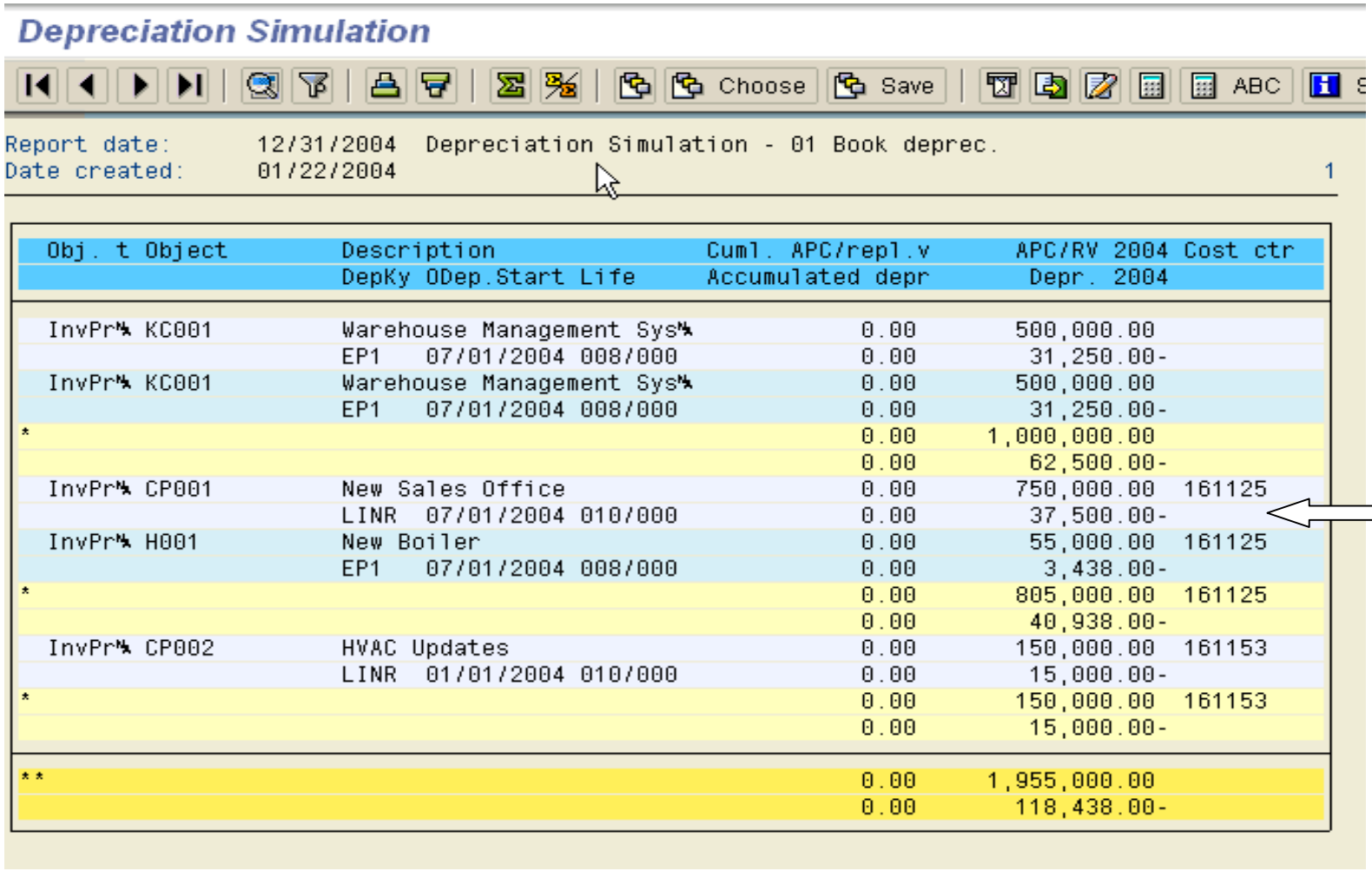
Investment Management (cont.)

- A detailed look at the depreciation simulation settings on the hierarchy node



Investment Management (cont.)

- Let's take a look at the depreciation simulation …



Depreciation Simulation

Choose | Save | ABC

Report date: 12/31/2004 Depreciation Simulation - 01 Book deprec.
Date created: 01/22/2004 1

Obj.	t	Object	Description / DepKy ODep.Start Life	Cuml. APC/repl.v / Accumulated depr	APC/RV 2004 / Depr. 2004	Cost ctr
InvPr%		KC001	Warehouse Management Sys%	0.00	500,000.00	
			EP1 07/01/2004 008/000	0.00	31,250.00-	
InvPr%		KC001	Warehouse Management Sys%	0.00	500,000.00	
			EP1 07/01/2004 008/000	0.00	31,250.00-	
*				0.00	1,000,000.00	
				0.00	62,500.00-	
InvPr%		CP001	New Sales Office	0.00	750,000.00	161125
			LINR 07/01/2004 010/000	0.00	37,500.00-	
InvPr%		H001	New Boiler	0.00	55,000.00	161125
			EP1 07/01/2004 008/000	0.00	3,438.00-	
*				0.00	805,000.00	161125
				0.00	40,938.00-	
InvPr%		CP002	HVAC Updates	0.00	150,000.00	161153
			LINR 01/01/2004 010/000	0.00	15,000.00-	
*				0.00	150,000.00	161153
				0.00	15,000.00-	
**				0.00	1,955,000.00	
				0.00	118,438.00-	

Resources

- *Configuring SAP R/3 FI/CO*, Sybex 2000, David Nowak and Quentin Hurst
- *FI/CO Expert*

7 Key Points to Take Home

Financials2004

- It's February – if you are considering changing your 2005 planning process, start now. Allow for design time and training
- Make the process mandatory – think of Cortez and his motivation skills
- Consider introducing a forecasting process
- When designing your planning procedures, remember to incorporate the supply chain integration

7 Key Points to Take Home (cont.)

Financials2004

- Don’t be stingy with your versions – use as many as you need to get through planning, but pay attention to which versions are important. This will help report development later
- If you are using orders to track actual activity throughout the year, be sure to leverage the plan settlement functionality
- Activate planning integration everywhere in CO, and then use it

Your Turn!

How to Contact Me:
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