Unit 7: Controlling

CO - Organizational Structure

Client	An independent environment in the system.
Company Code	Smallest Org Unit for which you can maintain a legal set of books. Balanced Set of books, as required by law, are prepared at this level
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.

CO - Master Data

1. **Profit Center:**

   Profit Center is the responsible for revenue generation and cost containment.
   It is evaluated on profit or return on investment.
   Common types of Profit centers in companies are Regions, Functions and Products.

2. **Cost Center:**

   Cost Centers are responsible for cost containment, not responsible for revenue generation.
   One or more value-added activities are performed within each cost center.

3. **Internal Order:**

   Internal Orders are cost collectors responsible for cost containment, not responsible for revenue generation.
   They are used to plan, collect, and monitor the costs associated with short-term events, activities or projects for example a recruiting campaign,...

4. **Revenue Element:**

   Revenue Element In CO is equal to Revenue Account in FI.
   There is a one-to-one mapping between FI General Ledger revenue accounts and CO revenue elements.
   Posting in FI that impact revenue accounts lead to a posting in CO to a revenue element.

5. **Cost Element:**

   Like in Revenue Accounts there is a one-to-one mapping between FI General Ledger expense accounts and CO cost elements.
   Postings in FI that impact cost accounts lead to a posting in CO to a cost element.
   In SAP CO a Cost element is equal to an FI expense account:

   ➢ Primary Cost Element: Originated in FI General Ledger and automatically transferred to CO.

   ➢ Secondary Cost Element: Used exclusively in CO for allocations and settlements between cost centers.

Statistical Key Figures are used to support internal cost allocations involving allocations, assessments, and distributions for example in the case of minutes of usage,...
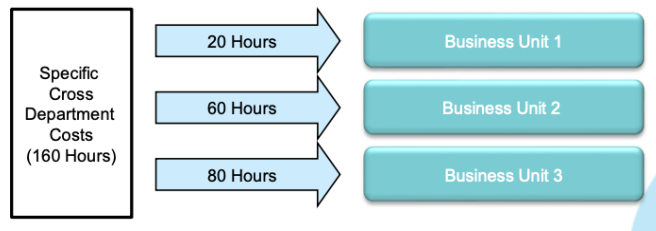
CO - Processes

Cost elements are defined as either
- ➢ Primary cost elements arise through the consumption of production factors that are sourced externally
- ➢ Secondary cost elements arise through the consumption of production factors that are provided internally.

In FI, Expenses and Revenue accounts correspond to CO Primary Cost Elements and Revenue Elements.

Secondary Cost Elements are used exclusively in CO not having corresponding in FI.

A cost element category needs to be assigned while creating a cost element and identifies the transactions for which the cost element can be used.

Customer and vendor account balances are maintained in FI through fully integrated accounts receivable and accounts payable sub-ledgers.

- • **Types of Allocation**

Distribution
- • Method for periodically allocating primary cost elements
- • Primary cost elements maintain their identities in both the sending and receiving objects.

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.

CO - Integration

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)