

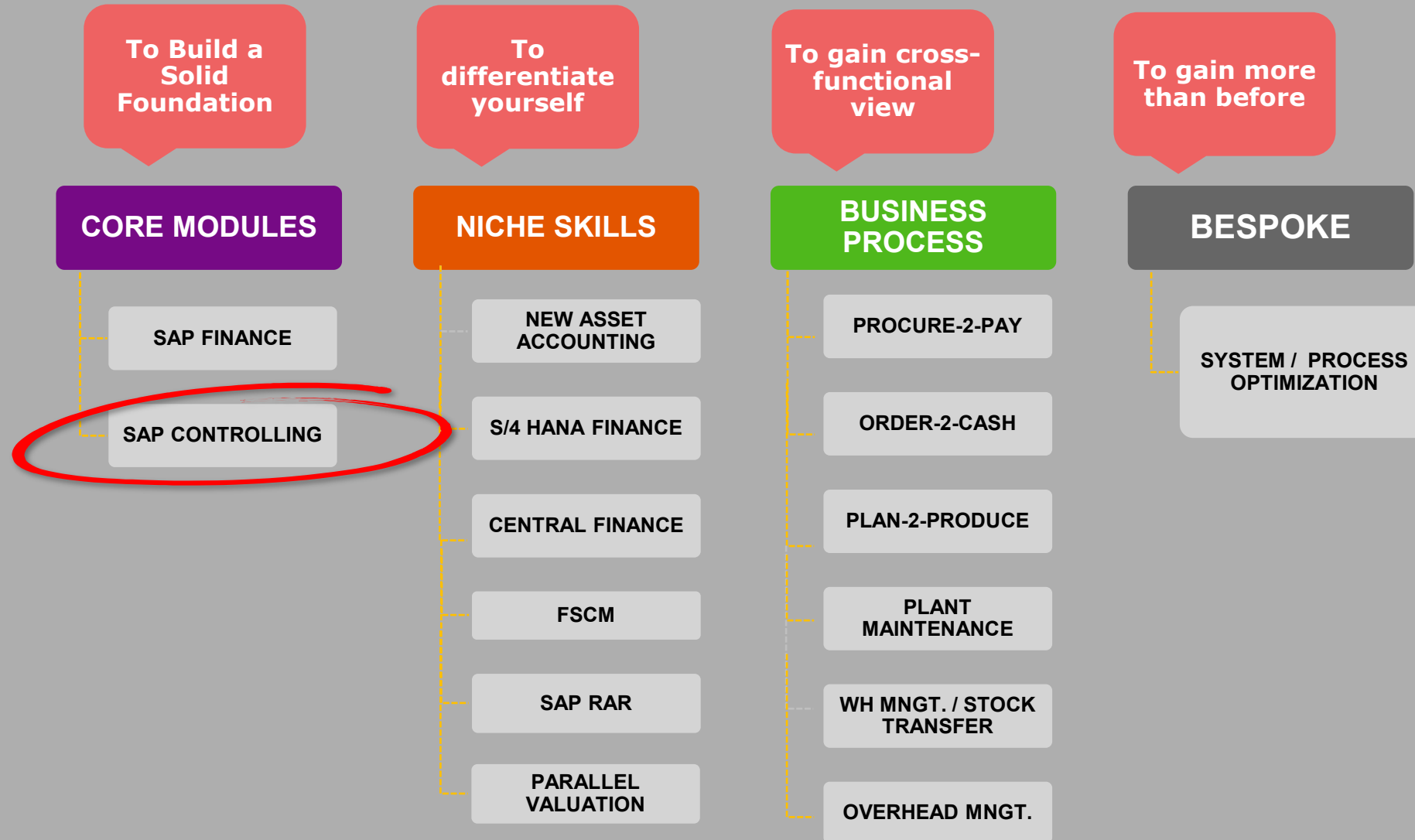


AJITA SAP
CONSULTING PVT.LTD.

CONSULTING | EDUCATION | ADVISORY SERVICES



Our SAP Education Offerings





Profitability (Margin) Analysis in S/4 HANA



- **Good understanding of SAP Finance**
- **Basic understanding of accounting processes**





- **Overview: Profitability Analysis**
- **Master Data & Setting up Profitability Analysis**
- **Actual Value Flows in Profitability Analysis**
- **Information System**
- **Expert Tools**



- Overview: Profitability Analysis**
- Master Data & Setting up Profitability Analysis
- Actual Value Flows in Profitability Analysis
- Information System
- Expert Tools



What to expect from this course?

- Understand the functions in Profitability Analysis and gain the knowledge necessary to implement the component.
- Work with CO-PA Structures and Master data
- Identify the sources of actual values
- Understand the expert tools
- Use the Information system and work with additional functions in CO-PA



What to expect from this chapter?

- What is Profitability Analysis (COPA) & what purpose does it serve
- How is COPA different from Profit Center Accounting (PCA)
- Different COPA options provided by SAP and their evaluation
- What is Characteristic, Characteristic Value and Value Field
- COPA Data Structure
- COPA Transaction Data Structure
- SAP Enterprise Structure when COPA is active



CO-PA – WHAT & WHY?



What is Profitability Analysis

- Profitability Analysis, referred as COPA, is the component of Controlling module which deals with reporting of profitability across various dimensions
- COPA Stands for Controlling – Profitability Analysis
- COPA enables you to report across dimensions such as
 - ❖ Customers (Customer wise profitability)
 - ❖ Products (Product wise profitability)
 - ❖ Region (Region wise profitability - East, West, North, South)
 - ❖ Employee (Sales manager wise profitability)
 - ❖ Sales category (Domestic, Exports, Promotional sales)



Scenario: P&L Account of ABC Inc. for Jan 20XX

Revenue	10,000
Discount	(500)
Salaries	(1,000)
Wages	(500)
Electricity	(800)
Depreciation	(700)
Material Cons	(2500)
Others	1,000
....	
Gross Profit	3,000

WHAT YOU COME TO KNOW?

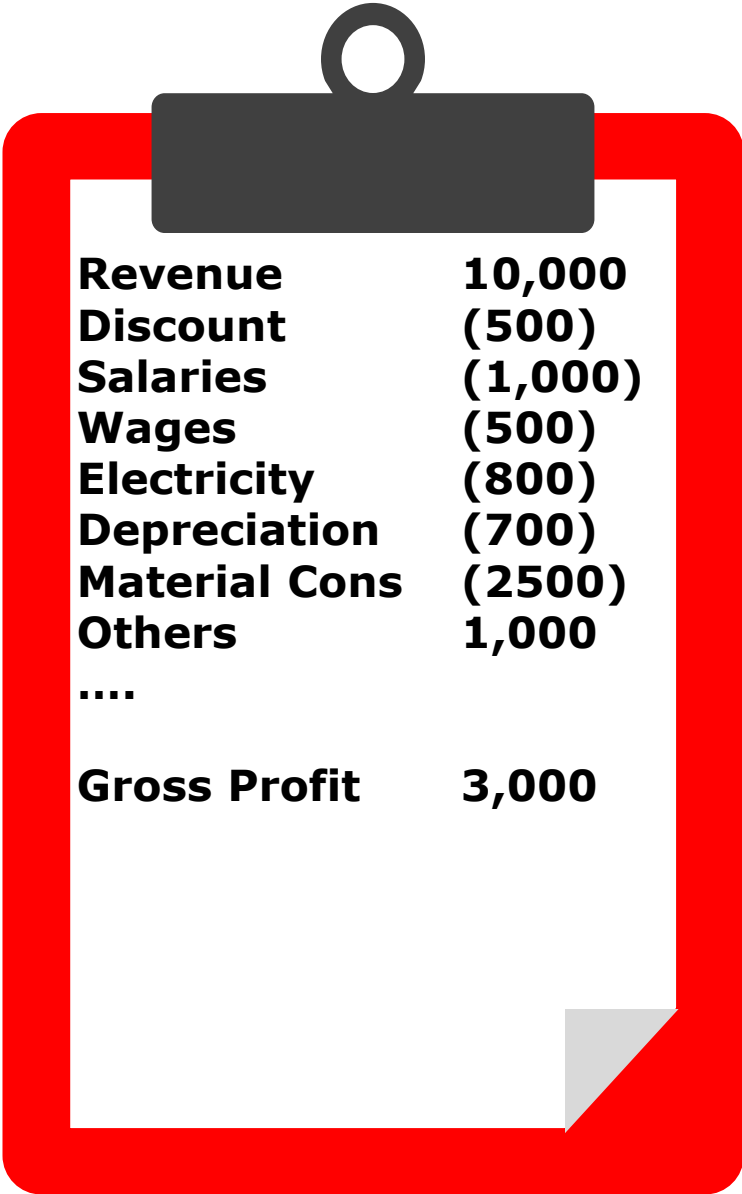
- ABC Inc. has made a Gross Profit of \$ 3,000

WHAT YOU DON'T ?

- Whether all products are profitable?
- Which are the top selling products?
- What is the % share of each product in the revenue / bottom line?
- Which regions are performing well and which ones are lagging behind?
-



Scenario: with Management Accounting in place



Revenue	10,000
Discount	(500)
Salaries	(1,000)
Wages	(500)
Electricity	(800)
Depreciation	(700)
Material Cons	(2500)
Others	1,000
....	
Gross Profit	3,000

Dimensions	Product A	Product B	Product C
Revenue	5,000	3,000	2,000
Discount	-	(300)	(200)
COGS:			
Material Cost	(200)	(1600)	(700)
Labour Cost	(500)	(700)	(300)
Mfg. Overhead	(400)	(900)	(200)
Admin Overhead	(200)	(200)	(600)
Total	3700	(700)	-

WHAT YOU COME TO KNOW?

- Not all products are profitable
- Products B and C need attention to improve the bottom line



Profitability Analysis

- CO-PA allows to analyze the profitability of specific market segments, structured according to products, customers and other characteristics as well as organizational units such as company codes, sales organization, distribution channel, etc.
- Example:
 - ❖ How is Product XYZ performing as a whole?
 - ❖ How is Product XYZ performing in a specific market (North Zone)
 - ❖ How is Customer ABC contributing to organization's profitability
- The aim is to provide the sales, marketing, product management and business planning departments with market-oriented information to support the decision-making process.






How is COPA different than PCA (2)

Profit Center Accounting

- Profit Center Accounting is oriented towards responsibility reporting
- A Profit center relates to a sub division with in the organization, which is responsible for its revenues, expenses & assets/working capital deployed
- You can structure your company's profit centers according to region (branch offices, plants), function (production, sales), or product (product ranges, divisions)
- Each Profit Center is responsible for the ROI (Return on Investment) on the capital employed in that Profit center

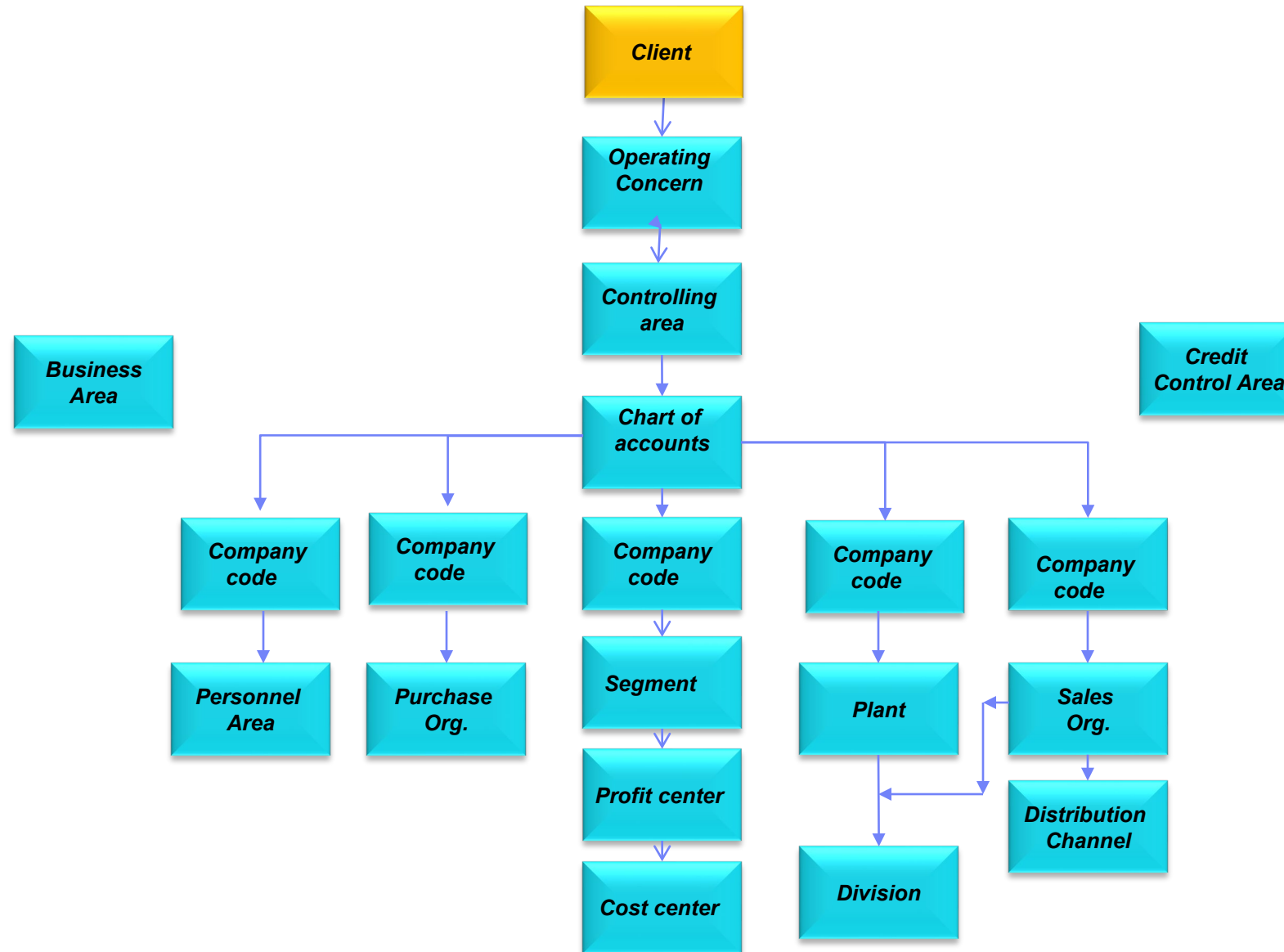


Profitability Analysis options & evaluation

Solution	 SAP ERP	 SAP S/4HANA OnPrem	 SAP S/4HANA Cloud
Margin Analysis	Not available	Recommended	Mandatory
Costing-based CO-PA	Available	Available	Not available
Account-based CO-PA	Available	Not available	Not available
Combined CO-PA	Available	Not available	Not available



Enterprise Structure





Foundational Elements of COPA



Characteristic, Characteristic Value and Value Field

- Characteristics are dimensions to analyze an organization's operating results (Profitability). They are the unique identity of a transaction and form the basis for reporting
 - ❖ Example: Customer, Product, Region, etc.
- The Values for these characteristics are called Characteristic Values
 - ❖ Example: Customer 100190 (PQR Ltd), Product MEX190 (Philips Music System) and Region (North, South, etc.)
- Value Field are the performance measures an organization wants to track
 - ❖ Example: Sales Revenue, Discounts, Cost of Sales, Sales Quantity, Selling Overhead, etc.
 - ❖ Used in CBCOPA (In ABCOPA, the same purpose is served directly by the cost elements)



Time for Exercise

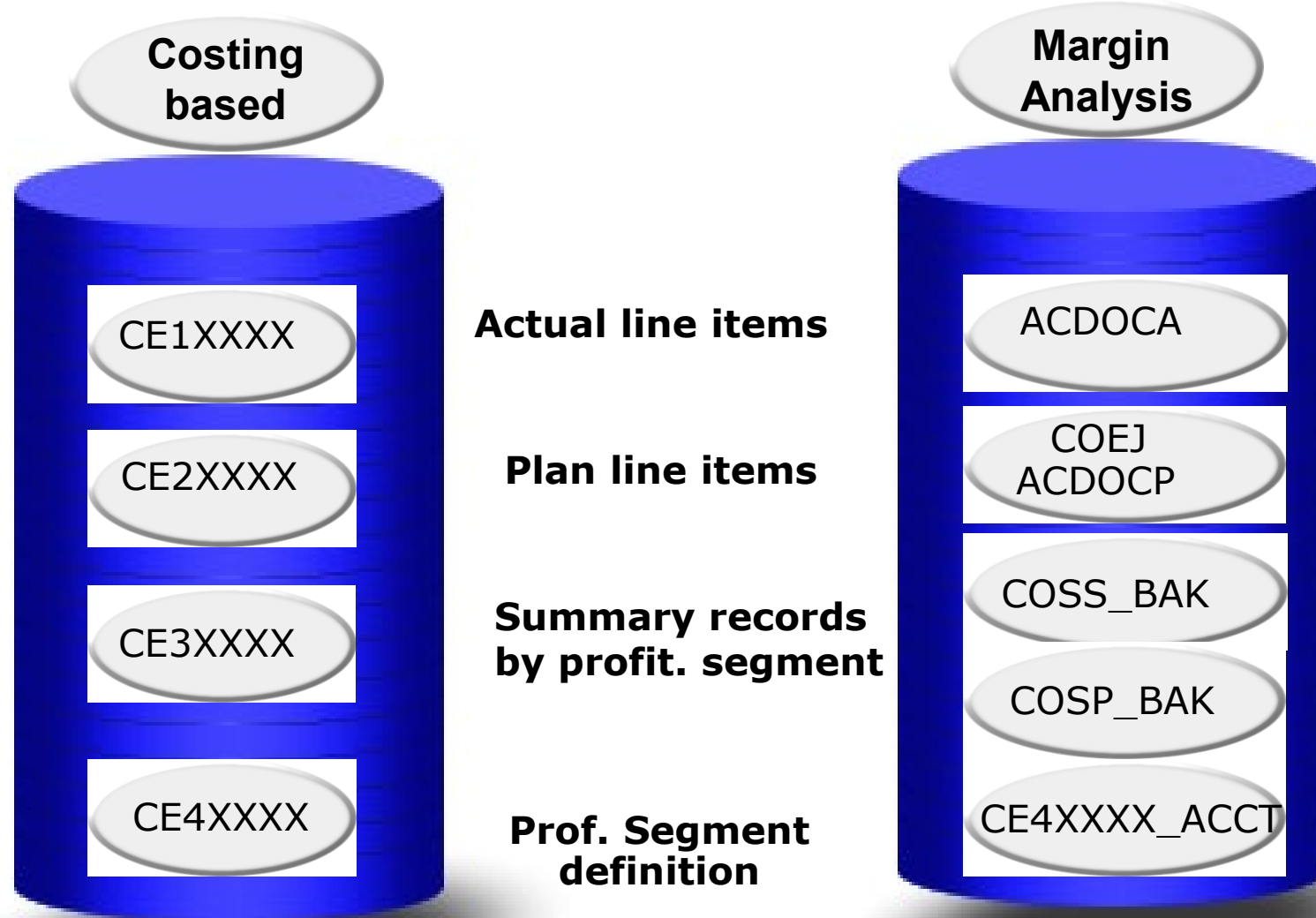


- A COPA data structure is a catalog of Characteristics and Value Fields that are available to be used in an Operating concern.
- The characteristics and value fields are defined at the client level. This means, more than one operating concern can use the same
- While defining an operating concern, the characteristics to be used for profitability analysis must be included in the operating concern. In the case of costing based COPA, the value fields must also be included

The screenshot shows two SAP dialog boxes side-by-side. The left box is titled 'Data structure' and contains a list of characteristics and their descriptions. The right box is titled 'Transfer from' and contains a list of characteristics and their descriptions. A yellow arrow points from the 'Transfer from' list to the 'Data structure' list, indicating the transfer of selected characteristics.

Characteristic	Description
MATKL	Material group
MVGR1	MaterialGroup 1
wWPH1	Prod.hier.1 bef. 4.5
wWPH2	Prod.hier.2 bef. 4.5
wWPH3	Prod.hier.3 bef. 4.5
wWPRC	Product category
wWSOP	Prod.group for SOP
wWSBU	Strategic Bus.Unit
KDGRP	Customer group
KUKLA	Customer class.
BZIRK	Sales district
BRSCH	Industry
wWREG	Region before 4.5
LAND1	Country
KUNWE	Ship-to party
wWCST	Country Ship-to
wWRST	Intern.Region Ship-t

Characteristic	Description
ABTNR	Department
AUGRU	Order reason
BONUS	Vol. rebate grp
BRSCH	Industry
BZIRK	Sales district
COPA_KOSTL	Cost center
COPA_PRZNR	Business proc.
EFORM	Form of manufacture
EKORG	Purchasing org.
GEBIE	State
HIE01	CustomerHier01
HIE02	CustomerHier02
HIE03	CustomerHier03
KDGRP	Customer group
KMBRND	Brand
KMCATG	Business field
KMHI01	CustomerHier01





- COPA is the sub module of Controlling which enables an organization to analyze profitability across various dimensions like Customer, Product, region, etc
- There are 2 types of COPA – Margin Analysis and Costing Based. In S/4 HANA, Margin Analysis is widely used over CBCOPA
- COPA is different from Profit center accounting (PCA) in the sense that COPA analyses profitability of specific market segments where as PCA is oriented towards profitability of a sub unit (region or product line) with in the organization
- Characteristics are the dimensions to analyze the profitability. Eg: Customer, Product, Region
- Characteristic values are the values for characteristics. Eg: Customer No. 10076 is the Characteristic value for characteristic “Customer”
- Value fields are the performance measures that you want to track. Eg: revenue, discounts, sales quantity, etc.
- Costing based COPA uses separate tables to manage its data – CE1, CE2, CE3 & CE4



It's quiz time!!



Beware of multiple answers!!





- Q1. Which dimension(s) does COPA help you to report on?
(a) Customer (b) Product (c) Customer group
- Q2. What does COPA help you to report on?
(a) Individual market segments (b) a sub division with in the organization
- Q3. Margin Analysis and Costing Based COPA (CBC) can be used together?
(a) True (b) False
- Q4. What are the key advantages of Margin Analysis over CBCOPA?
(a) Always reconciled with FI (b) Real-Time profitability reporting
- Q5. Which of the following statements is true about key differences between ABC and CBC?
(a) Margin Analysis uses cost elements
(b) CBC uses value fields
- Q6. Only CBC uses characteristics?
(a) True (b) False
- Q7. Which of the following best describes a characteristic in COPA?
(a) They are the key figures an organization wants to analyze like revenue, sales quantity
(b) They are the dimensions on which an organization wants to analyze the profitability



Q8. Which of the following best describes a characteristic value?

(a) Customer (b) Product (c) Customer No. 100010 - ABC Ltd

Q9. Actual line items in CBC are stored both in CE1XXXX and CE2XXXX

(a) True (b) False

Q10. Which two tables in CBC store the line items

(a) CE1XXXX (b) CE2XXXX (c) CE3XXXX (d) CE4XXXX

Q11. A COPA data structure is a catalog of Characteristics and Value Fields

(a) True (b) False

Q12. A Characteristic and value field can be used in more than one operating concern

(a) True (b) False



Thank you Thank you Grazie Tack Merci
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