

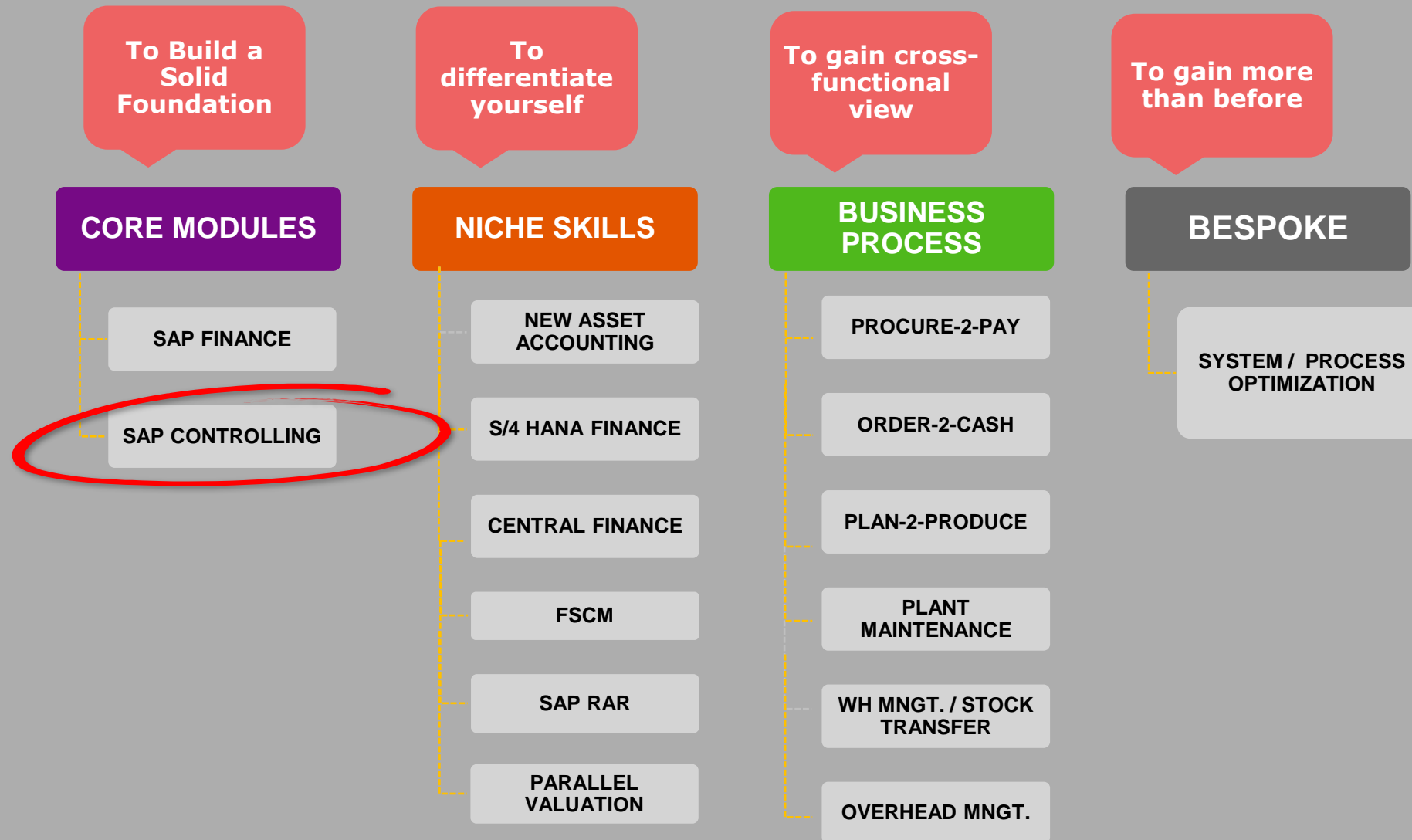


AJITA SAP
CONSULTING PVT.LTD.

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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**



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What to expect from this chapter?

- Understand how SD Sale orders and Billing feed into COPA for analysis and simulation / prediction
- Understand how direct FI postings feed into COPA
- Understand how MM feeds into COPA
- Understand how CO feeds into COPA with settlements, allocations
- Understand the attributed profitability segment and its usability



Value flow from Sales & Distribution



Value Flow from Order-to-Cash Process

- The most important data source for COPA is **PGI** (Post Goods Issue) and **Invoicing** from SD
- From SD invoices, COPA receives data like revenue, discounts and sales quantity, while PGI updates COPA with Cost Of Goods Sold (COGS)
- With ABCOPA, it is also possible to split the COGS into multiple GL accounts based on the Cost Component Split information from Product costing
- In order to update the values into COPA
 - ❖ From PGI – the COGS GL account (OBYC: GBB-VAY) must be created as category 1 cost element
 - ❖ From Invoicing - The relevant GL accounts assigned to SD condition types (VKOA) must be created as a category 11 or 12 cost elements
- It is also possible to transfer the additional quantities from SD Invoicing (i.e. sales qty. in SKU as well as invoicing UoM) by means of a custom BADI implementation



Area	Demo	T Code
Configuration	▪ Define additional quantity fields	IMG
	▪ Check BAdI to populate additional quantity fields	IMG
	▪ Define Accounts for Splitting the Cost of Goods Sold	IMG
Transaction	▪ Create Sale Order	VA01
	▪ Post Goods Issue	VL01N
	▪ Post Invoice	VF01



Moving from Traditional Analysis to Predictive Accounting

- Sale orders contain vital information (such as price and cost conditions) which can be passed on to accounting for the purpose of simulations and predictions
- While the actual COGS and invoice amounts post into the leading ledger, the information from sale orders is posted into an “Extension Ledger” meant for predictions, till the time the actual data is posted into the leading ledger
- The actual invoice and cost data combined with the data from not-yet-serviced sale orders can be used to predict the future profitability
- Similarly, the statistical conditions from sale orders can now be updated into the dedicated extension ledger, to be used for predicting the future



Area	Demo	T Code
Configuration	▪ Set up transfer of incoming sale orders for ABCOPA	SPRO
	▪ Enable transfer of statistical condition types for ABCOPA (SM30 FCOV_STAT_ACT)	SM30
Transaction	▪ Create Sale Order	VA01
	▪ Predictive Postings Monitor	FINS_PRED_MONITOR



Value flow from direct FI postings



- Direct posting allows to post direct costs, revenue and sales deductions to profitability segments.
- Whatever can be directly traced to a specific market segment (Product, Customer, Sales Area, etc.), it should be ideally posted from FI to COPA
 - ❖ Bad-debts can be identified with customer in COPA
 - ❖ Any specific advertisement expenses incurred for a product or product group
 - ❖ Any marketing campaign undertaken to boost sales in a specific region
 - ❖ ...



Characteristic Group

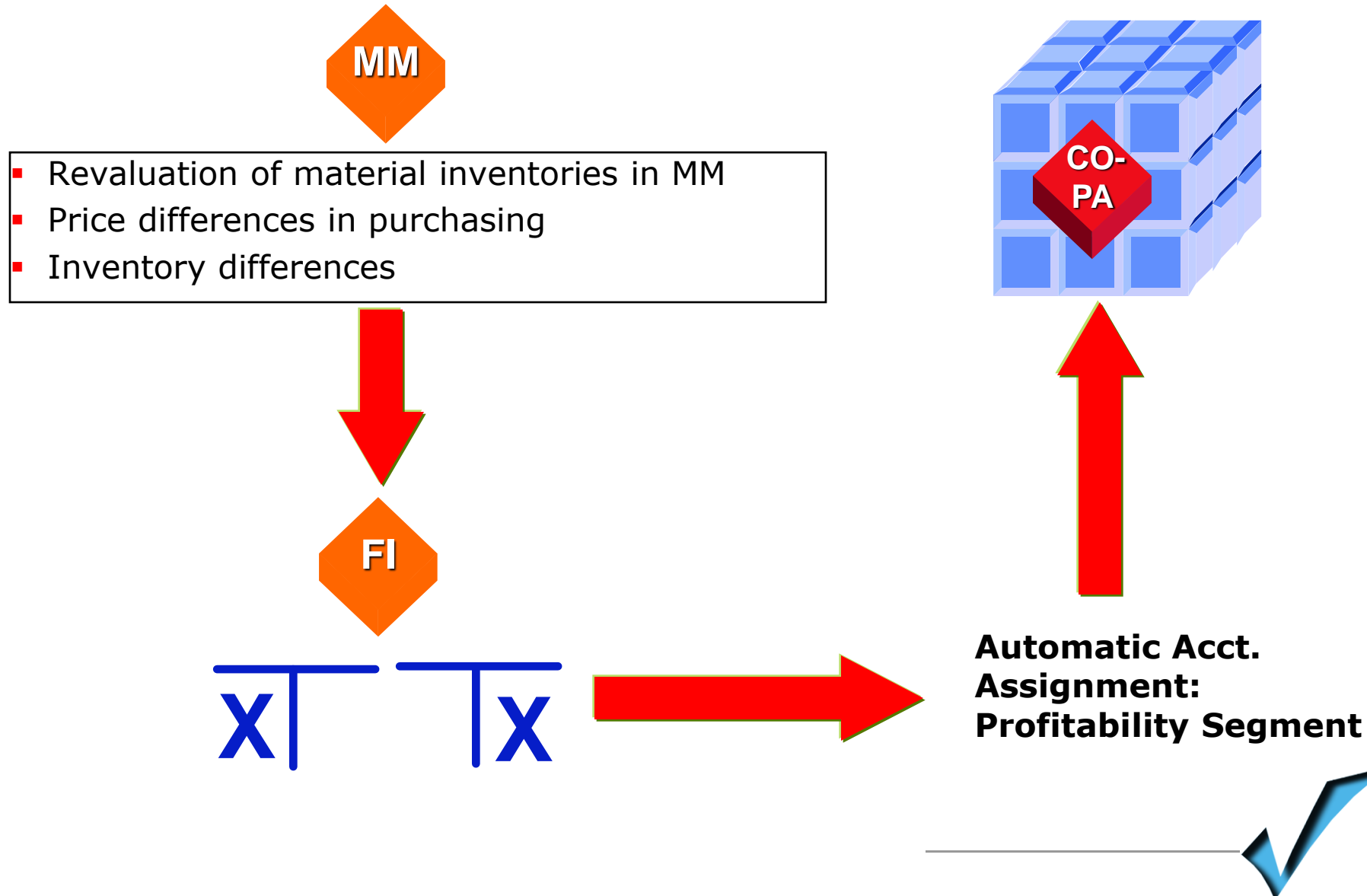
- Characteristic Groups help to control what COPA characteristics are optional, mandatory and suppressed while making direct postings from FI to COPA
- A characteristic group with required characteristics needs to be assigned to business transaction RFBU (FI postings).
- It must be noted that the characteristic group will apply to all the GL accounts involved in direct postings from FI to COPA. User exit COPA0003 must be implemented if different char. groups are required based on GL accounts



Area	Demo	T Code
Configuration	<ul style="list-style-type: none">▪ Create a Characteristic Group▪ Assign characteristic group to business transaction	KEPA KE4G
Transaction	<ul style="list-style-type: none">▪ Make a direct posting from FI to COPA	FB01



Value flow from MM





Value flow from settlements



- Settlement means the costs which are incurred in temporary cost objects like internal order, production order, WBS element or a sales order are transferred to asset, cost center or a profitability segment, where it should be accounted and reported finally
- For the purpose of COPA, settlements can be grouped into two types
 - ❖ Settlement of variances from manufacturing orders: based on variance categories
 - ❖ Other settlements from Internal orders, sales orders, projects, etc.



The image shows a screenshot of the SAP Easy Access interface. A table is overlaid on the screen, detailing the areas and transactions to be demonstrated. The table has three columns: Area, Demo, and T Code. The background shows the SAP navigation tree on the left and a toolbar with buttons like 'Create role', 'Assign users', and 'Documentation'.

Area	Demo	T Code
Configuration	<ul style="list-style-type: none">▪ Set up allocation structures / settlement profiles▪ Define Accounts for Splitting Price Differences	OKO6 /7 IMG
Transaction	<ul style="list-style-type: none">▪ Settlement of internal orders to COPA	KO88



Attributed Profitability Segment



- Postings can now be enriched with market (profitability) segment information before it is updated to Universal Journal
- Any posting on an internal order or WBS Element can derive the COPA characteristics from the settlement rule
 - ❖ Will be available for profitability reporting even before the actual settlements



Area	Demo	T Code
Configuration	▪ Activate Derivation for Items without Profitability Segment	IMG
Transaction	▪ Make posting to an internal order	FB01



Value flow from Allocations



- COPA allows to allocate the costs (using assessment method) from cost centers to market segments (Profitability segments)
- This process is usually applied to expenses not already part of COGS
- The sender (cost center) is credited and the receiver (profitability segment) is debited with one or more secondary cost elements
- Like in any method of allocation, the COPA assessment cycle will have a
 - ❖ Sender (Cost center)
 - ❖ Receiver (COPA characteristics)
 - ❖ Basis of allocation/Tracing factor (Sales Qty., revenue, etc.)
- Using Universal Allocations, it is now possible to define a distribution cycle for allocating costs from cost center to COPA
 - ❖ However, consider the data volume before making a decision



Area	Demo	T Code
Transaction	<ul style="list-style-type: none">▪ Creating an COPA assessment cycle▪ Executing the COPA assessment cycle	KEU1 KEU5



- Condition types need to be assigned to GL Accounts which are also defined as the cost elements of category 11 or 12 in order to update COPA from SD billing
- COGS (must be created as cost element) can be split into multiple GL accounts based on the cost component structure
- Additional quantities can be populated in COPA during SD billing
- Direct postings from FI to COPA are possible to identify revenues / costs directly with profitability segments
- Attributed PSG helps you to derive the COPA characteristics even while the posting is made to, say, Internal Orders
- Use characteristic groups for direct postings to COPA for better control



It's quiz time!!



Beware of multiple answers!!





- Q1. Which of the following are mandatory to transfer billing documents to COPA
- (a) Customizing for populating additional sales quantities
 - (b) Customizing for populating COGS Split
 - (c) Creating the GL accounts as category 11 and 12 cost elements
- Q2. When do you make direct postings from FI to COPA
- (a) When an expense is attributable to a specific market segment
 - (b) When an income is attributable to a specific market segment
 - (c) When a balance sheet item is attributable to a specific market segment
- Q3. When do you make postings from MM to COPA
- (a) For price differences related to saleable items must be posted to COPA
 - (b) Physical inventory differences of production raw materials must be posted to COPA
- Q4. You can use characteristic group to control what characteristics you want to enter while making direct postings from FI to COPA
- (a) True (b) False
- Q5. Only characteristics with own value maintenance can be used as "Receivers" in a COPA assessment cycle
- (a) True (b) False



Q6. Once you use the real time derivation of profitability characteristics in S/4 HANA, settlement of an internal order becomes obsolete

(a) True (b) False

Q7. It is possible to update sale orders into the prediction ledger to have future insights into profitability

(a) True (b) False



Thank you Thank you Grazie Tack Merci
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