Cost object controlling period end steps and variance calculation explanation

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INTRODUCTION

Period end closing in Controlling has always been a challenge. Variance calculation and its explanation has invariably sent shivers down the spine of all SAP consultants. WIP calculation too has at times been complex to understand.

We are delighted to present to you the complete Period end steps in Cost Object Controlling. In this document we will cover this whole process including variance calculation and WIP by taking a single process order and churning it all through.

Alright lets have a ball today friends!

Merry Christmas and a Happy New Year..

Scenario 1

In this scenario we will cover the calculation of variance on the process order and its settlement.

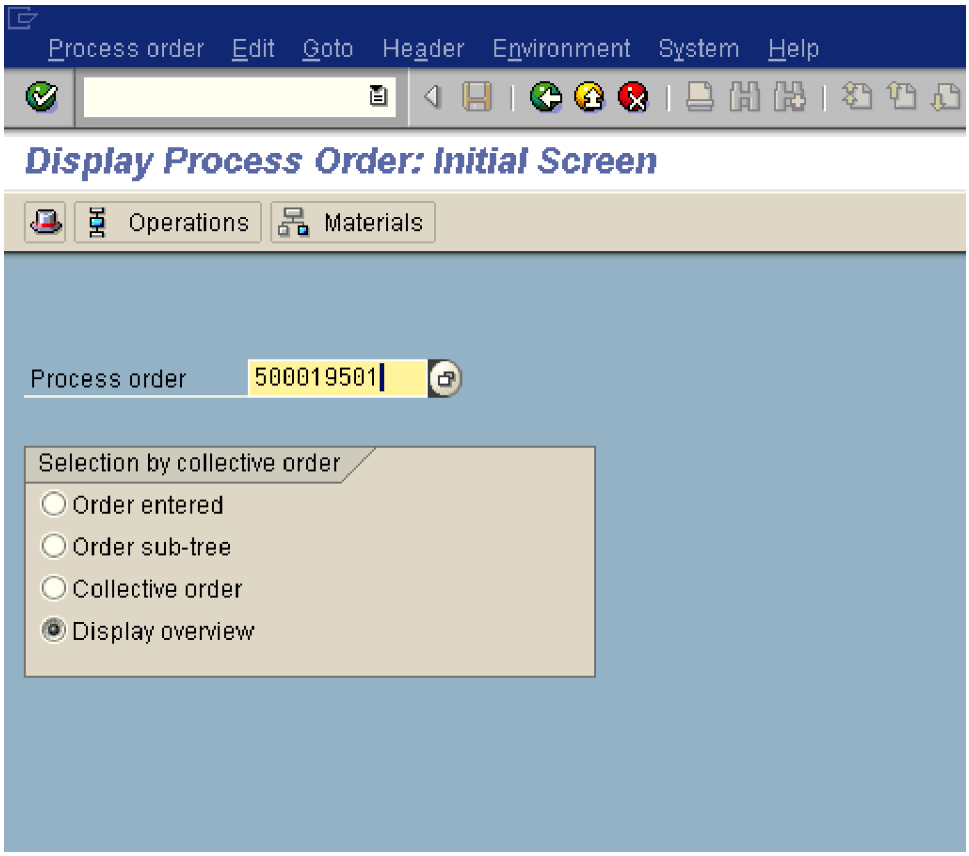
1) Display Process order to see the cost and other details

Please note that process order is used in the process industry. In other industries the production order is used. Both are cost objects and do the same function of carrying cost.

We take a process order to see the status and the costs on it.

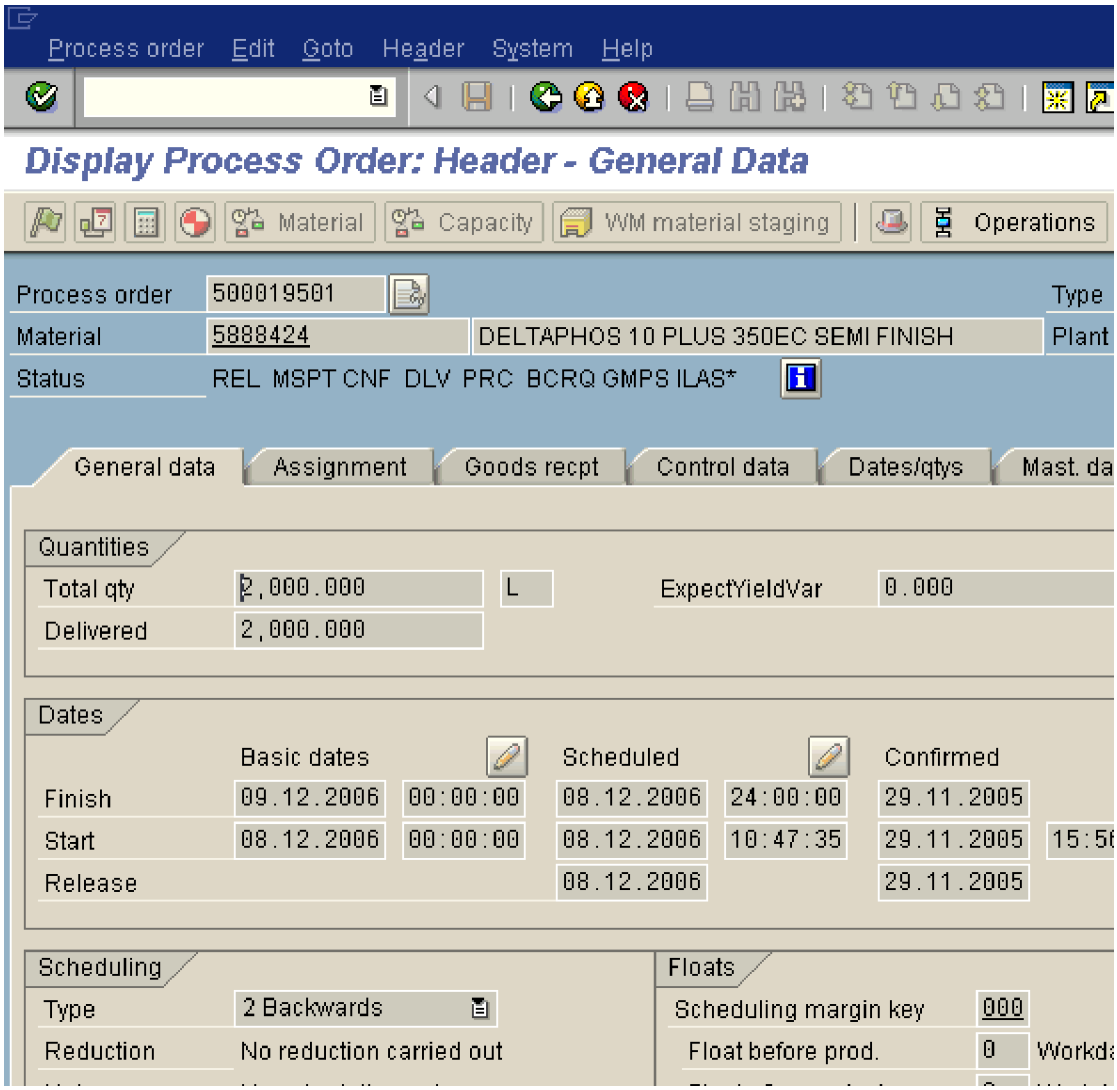
Use the following path

Accounting à Controlling à Product Cost Controlling à Cost Object Controlling à Product Cost by Order à Order à Process Order à COR3 - Display



The status of the process order is **DLV (Delivered)**. This means that this particular process order will not have any WIP and will be relevant for variance calculation.

Note the Order Qty is 2000 (Total qty).
The Qty delivered shown is 2000.



Now let us go and see the costs on this process order.

But before that let us understand how are costs debited on the process order.

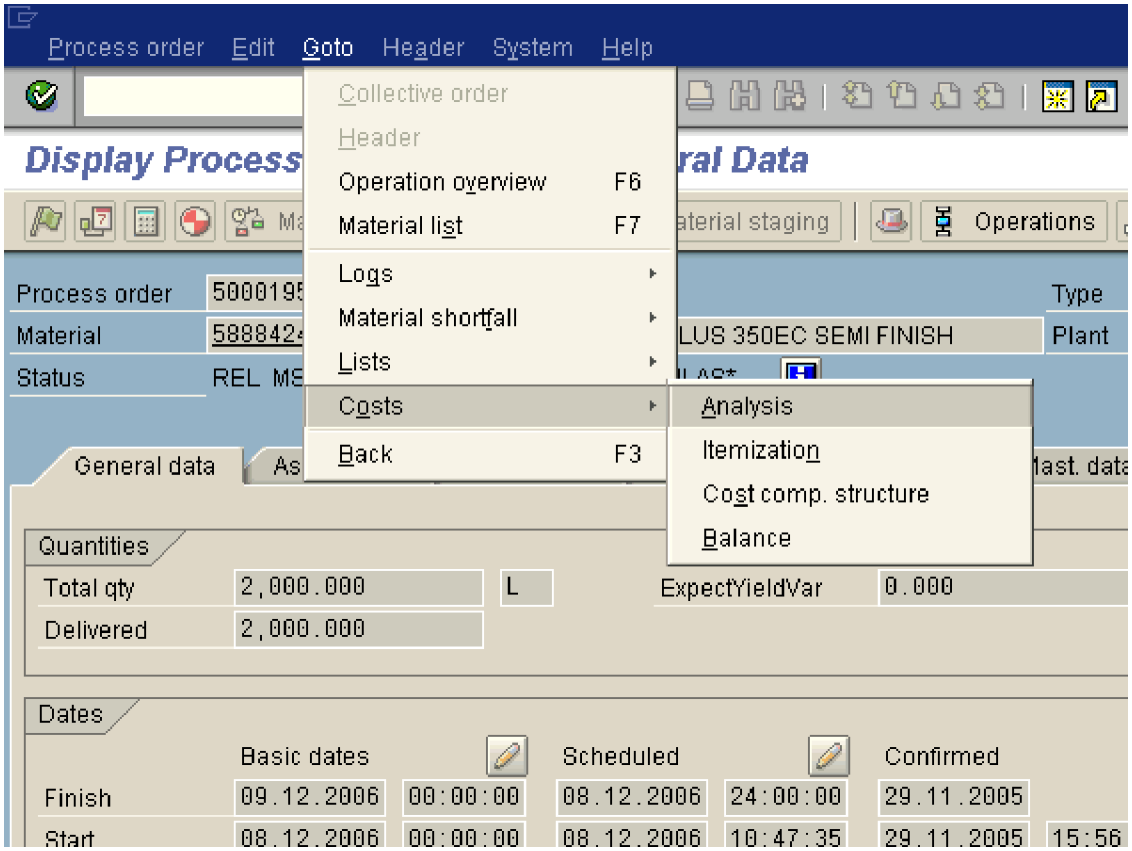
The costs debited on to the process order are as follows:-

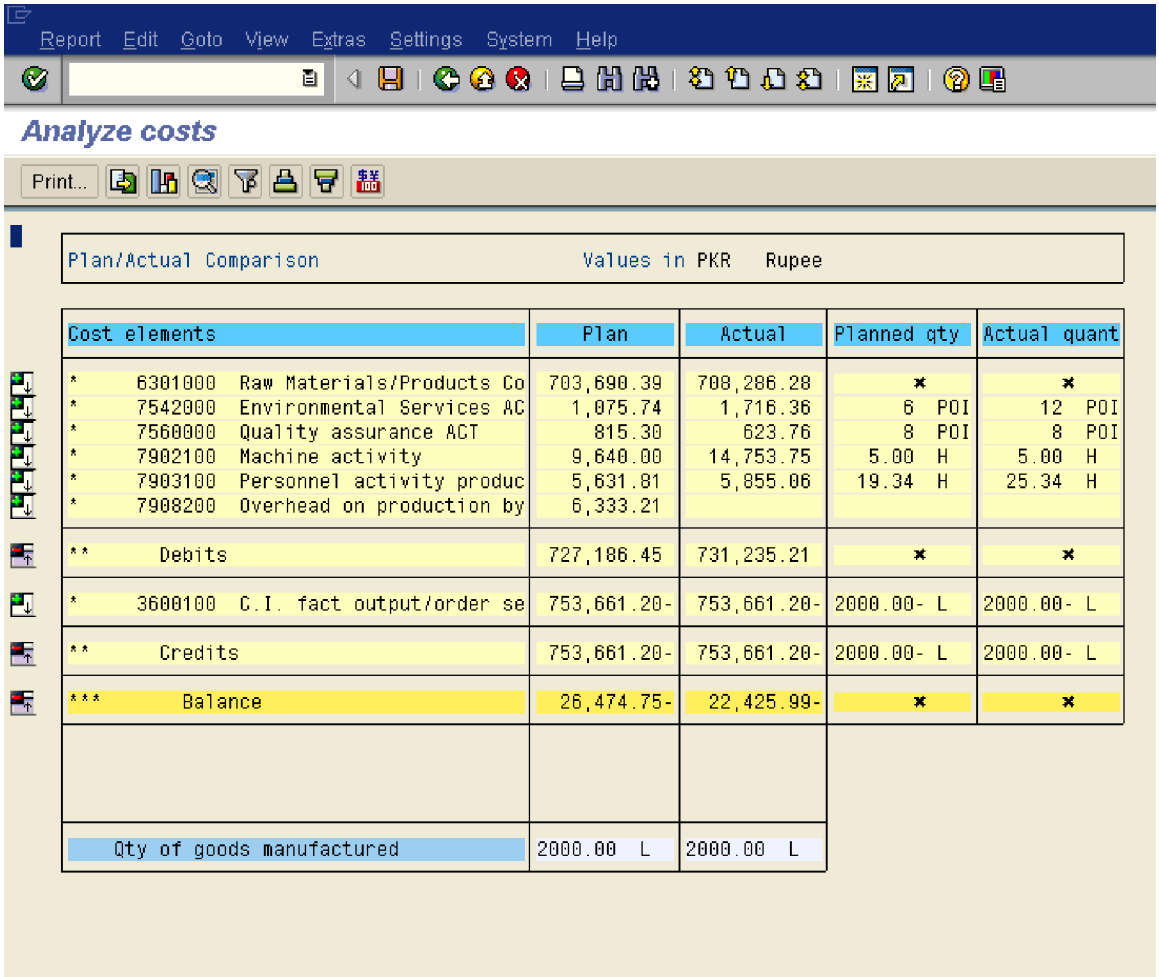
1) Raw Materials are issued to the process order by the Stores department

2) Packing Materials are issued to the process order by the Stores department
3) Production department confirms the various operations done on the process order such as Machine, Labour, Quality and so on. This results in these costs being debited on the process order.

The process order also has a credit. What is this credit?

The production department has confirmed completion of the production of the order quantity. This results in finished goods being delivered and a credit on to the process order.





Report Edit Goto View Extras Settings System Help

Analyze costs

Print...

Plan/Actual Comparison Values in PKR Rupee

Cost elements		Plan	Actual	Planned qty	Actual quant
* 6301000	Raw Materials/Products Co	703,690.39	708,286.28	*	*
* 7542000	Environmental Services AC	1,075.74	1,716.36	6 POI	12 POI
* 7560000	Quality assurance ACT	815.30	623.76	8 POI	8 POI
* 7902100	Machine activity	9,640.00	14,753.75	5.00 H	5.00 H
* 7903100	Personnel activity produc	5,631.81	5,855.06	19.34 H	25.34 H
* 7908200	Overhead on production by	6,333.21			
**	Debits	727,186.45	731,235.21	*	*
* 3600100	C.I. fact output/order se	753,661.20-	753,661.20-	2000.00- L	2000.00- L
**	Credits	753,661.20-	753,661.20-	2000.00- L	2000.00- L
***	Balance	26,474.75-	22,425.99-	*	*
	Qty of goods manufactured	2000.00 L	2000.00 L		

Click to see the details of each cost lines

Report Edit Goto View Extras Settings System Help

Analyze costs

Print...

Plan/Actual Comparison Values in PKR Rupee

Cost elements	Plan	Actual	Planned qty	Actual quant
KC01 5881977 BUTYLATE HYDROXY TOL	106.48	106.48	0.30 KG	0.30 KG
KC01 5882027 DELTAMETHRIN TECH	179,292.54	179,292.53	20.40 KG	20.40 KG
KC01 5882116 EMULSOGEN 3510	5,682.39	10,280.01	24.72 KG	44.72 KG
KC01 5882329 TRIAZOPHOS TECH 70 C	396,488.28	396,485.58	999.92 KG	999.92 KG
KC01 5887819 ACETIC ANHYDRIDE	8,534.02	8,533.98	35.02 KG	35.02 KG
KC01 5888009 PHENYL SULFONATE CA	42,258.74	42,259.07	200.84 KG	200.84 KG
KC01 5888025 SOLVESSO 100	17,802.01	17,802.98	429.69 L	429.69 L
* 6301000 Raw Materials/Products Co	703,690.39	708,286.28	*	*
* 7542000 Environmental Services AC	1,075.74	1,716.36	6 POI	12 POI
* 7560000 Quality assurance ACT	815.30	623.76	8 POI	8 POI
* 7902100 Machine activity	9,640.00	14,753.75	5.00 H	5.00 H
* 7903100 Personnel activity produc	5,631.81	5,855.06	19.34 H	25.34 H
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* 3600100 C.I. fact output/order se	753,661.20-	753,661.20-	2000.00- L	2000.00- L
** Credits	753,661.20-	753,661.20-	2000.00- L	2000.00- L
*** Balance	26,474.75-	22,425.99-	*	*
Qty of goods manufactured	2000.00 L	2000.00 L		

We see 4 columns above Plan, Actual, Planned Qty and Actual quantity.

The Plan costs are for information.

From where do plan costs come?

Plan costs explanation

In the process order there is a costing variant for planned costs. These costing variants has settings which picks up the price in case of Raw Material and Packing material from the material master on the date of creation of process order and multiplies it with the Bill of material quantities.

The prices for the activities are obtained from the activity prices in the cost center and multiplies it with the quantities mentioned in the Master Recipe (Routing) and the overhead from the overhead rate in the costing sheet.

The credits in the plan cost are picked from the standard price of the finished goods * order Qty. Thus in plan costs itself you see a Balance or a variance.

Planned Qty explanation
The **planned Qty** is picked up from the BOM (Bill of Material) and Master Recipe (Routing).

Actual explanation

In the process order there is a costing variant for actual costs which picks up the actual costs.

The **Actual column** shows the actual costs debited on the process order.

Raw Material and packing material the actual costs calculated is:-
Actual Qty * Actual price (moving average price)

For activities the actual cost calculated is:-
Actual Qty * Plan activity price

The credit in the actual is through the standard price * qty delivered

Actual Qty explanation

The actual qty of material and activities issued to the process order

The total actual debits on the process order are 731,235.21. There is still no debit on account of overhead in actual. This will be debited once the overhead calculation program is executed.
The credit posting in actual is 753,661.20 which is the standard cost. The order shows a balance of 22, 425.99 – (credit balance)

2) Display Standard cost estimate

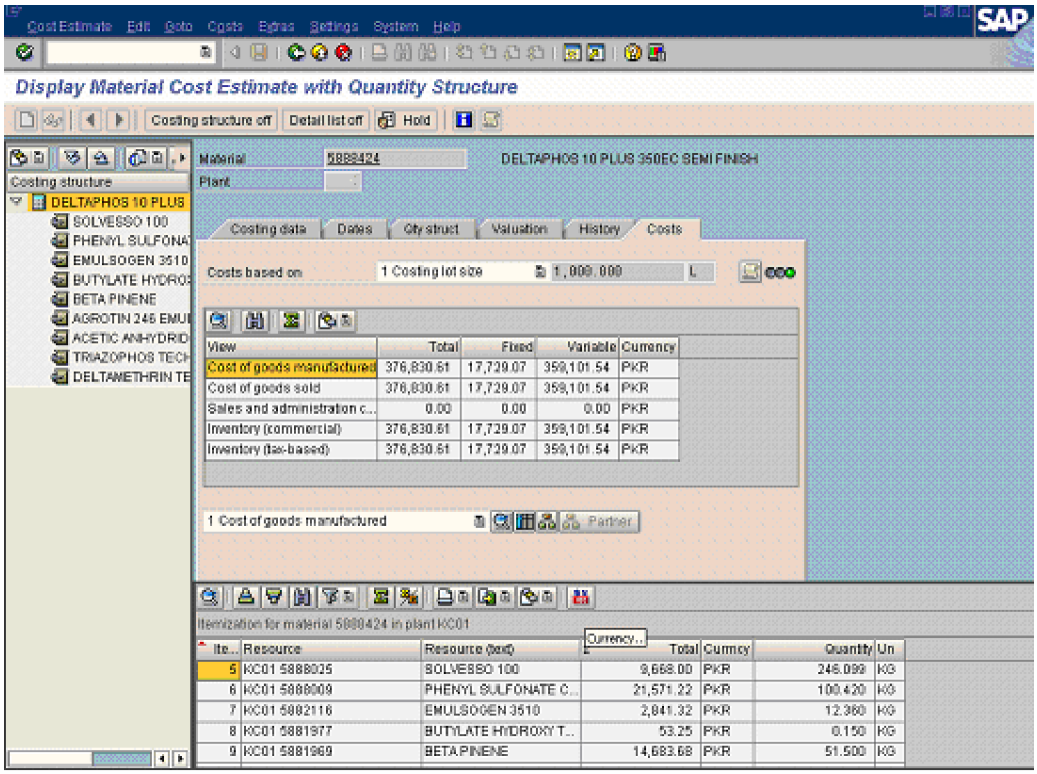
Let us see the standard cost estimate for this product.

Use the following path:-

Accounting → Controlling → Product Cost Planning → Material Costing → Cost Estimate with Quantity Structure → CK13N – Display

The standard cost estimate is 376,830.61 for the costing lot size 1000 litres.

The process order is for 2000 litres.



Let us now proceed for the period end steps.

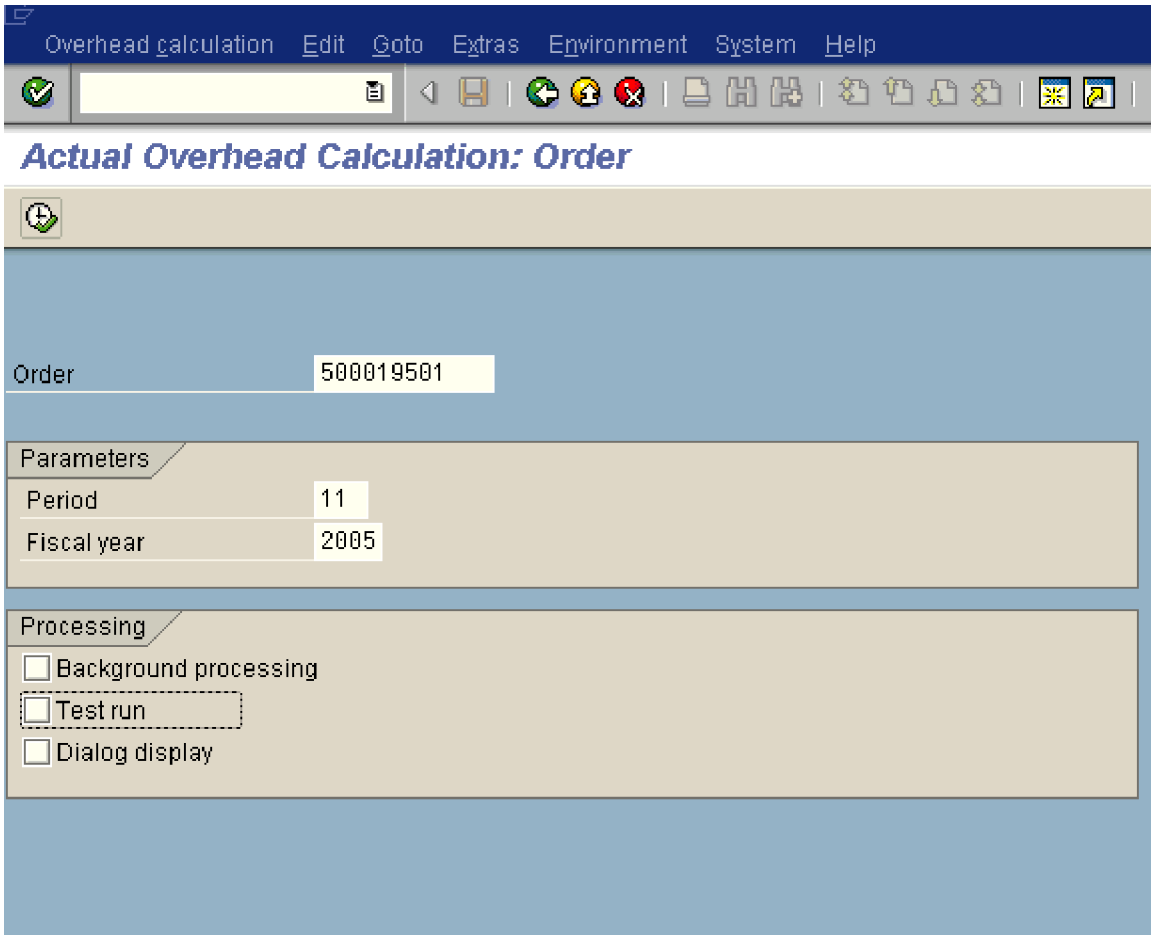
3) Overhead calculation

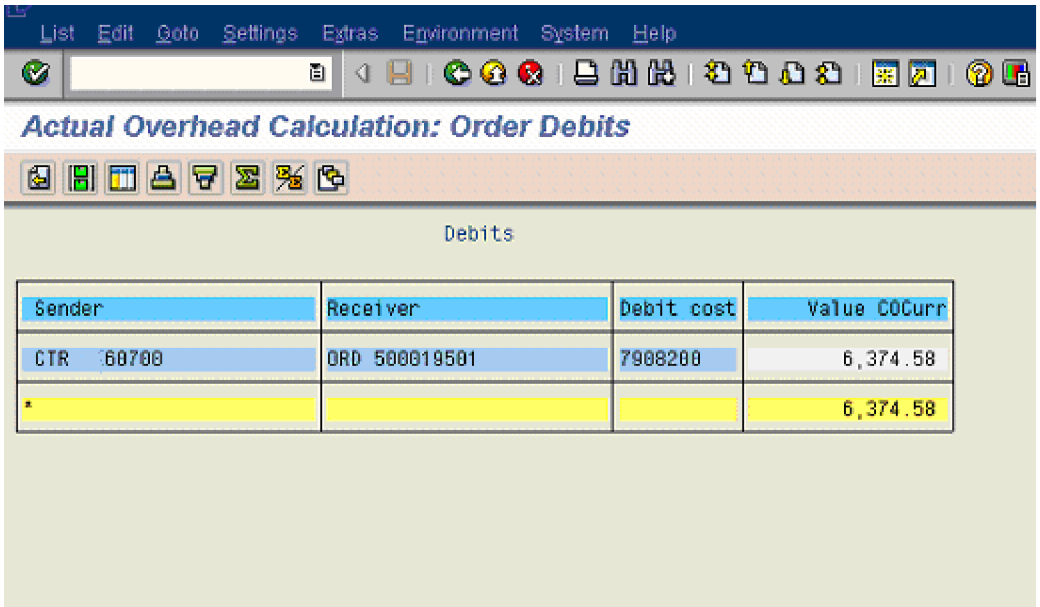
The first step starts with the overhead calculation on the process order.

Use the following path:-

Accounting → Controlling → Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Overhead → KGI2 - Individual Processing

Update the following:-





Sender	Receiver	Debit cost	Value COCurr
CTR 60700	ORD 500019501	7908200	6,374.58
*			6,374.58

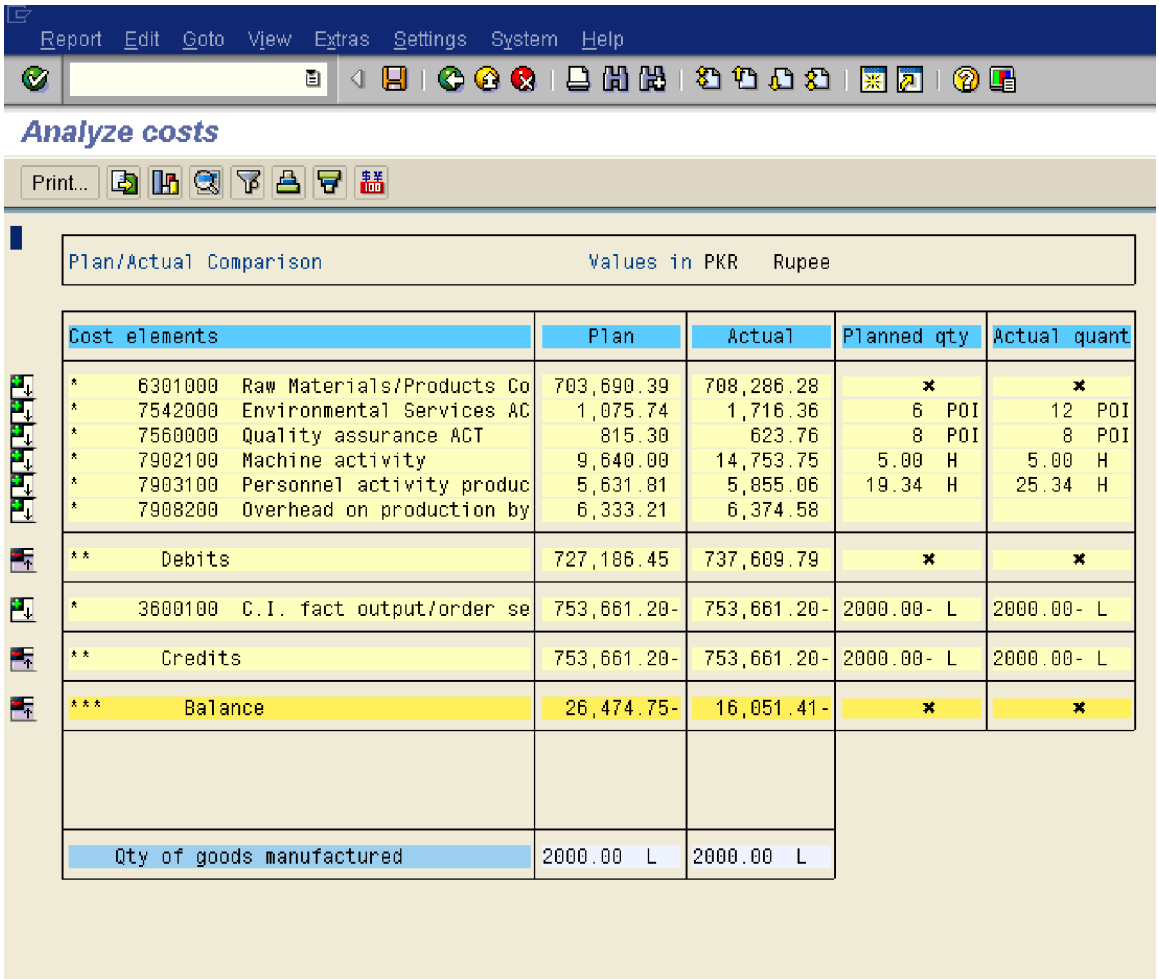
The total Raw Material Cost and Packing Cost amounts to 708286.28 in the above process order.

As you see in the above calculation the system has calculated an Overhead at 0.9% on total Raw material and packing material amounting to 6374.58.

Check the process order now.

Use transaction code COR3.

The overhead costs of 6374.58 are now updated on the process order in Actual column.



Report Edit Goto View Extras Settings System Help

Analyze costs

Print...

Plan/Actual Comparison Values in PKR Rupee

Cost elements	Plan	Actual	Planned qty	Actual quant
* 6301000 Raw Materials/Products Co	703,690.39	708,286.28	*	*
* 7542000 Environmental Services AC	1,075.74	1,716.36	6 POI	12 POI
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* 7902100 Machine activity	9,640.00	14,753.75	5.00 H	5.00 H
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* 7908200 Overhead on production by	6,333.21	6,374.58		
** Debits	727,186.45	737,609.79	*	*
* 3600100 C.I. fact output/order se	753,661.20-	753,661.20-	2000.00- L	2000.00- L
** Credits	753,661.20-	753,661.20-	2000.00- L	2000.00- L
*** Balance	26,474.75-	16,051.41-	*	*
Qty of goods manufactured	2000.00 L	2000.00 L		

Now the balance show on the process order is 16,051.41- (credit). This is the variance between the actual costs and the standard cost of the product.

Now it is difficult to explain the variance figure above and what has resulted in the variance. The variance calculation program helps us to understand this variance.

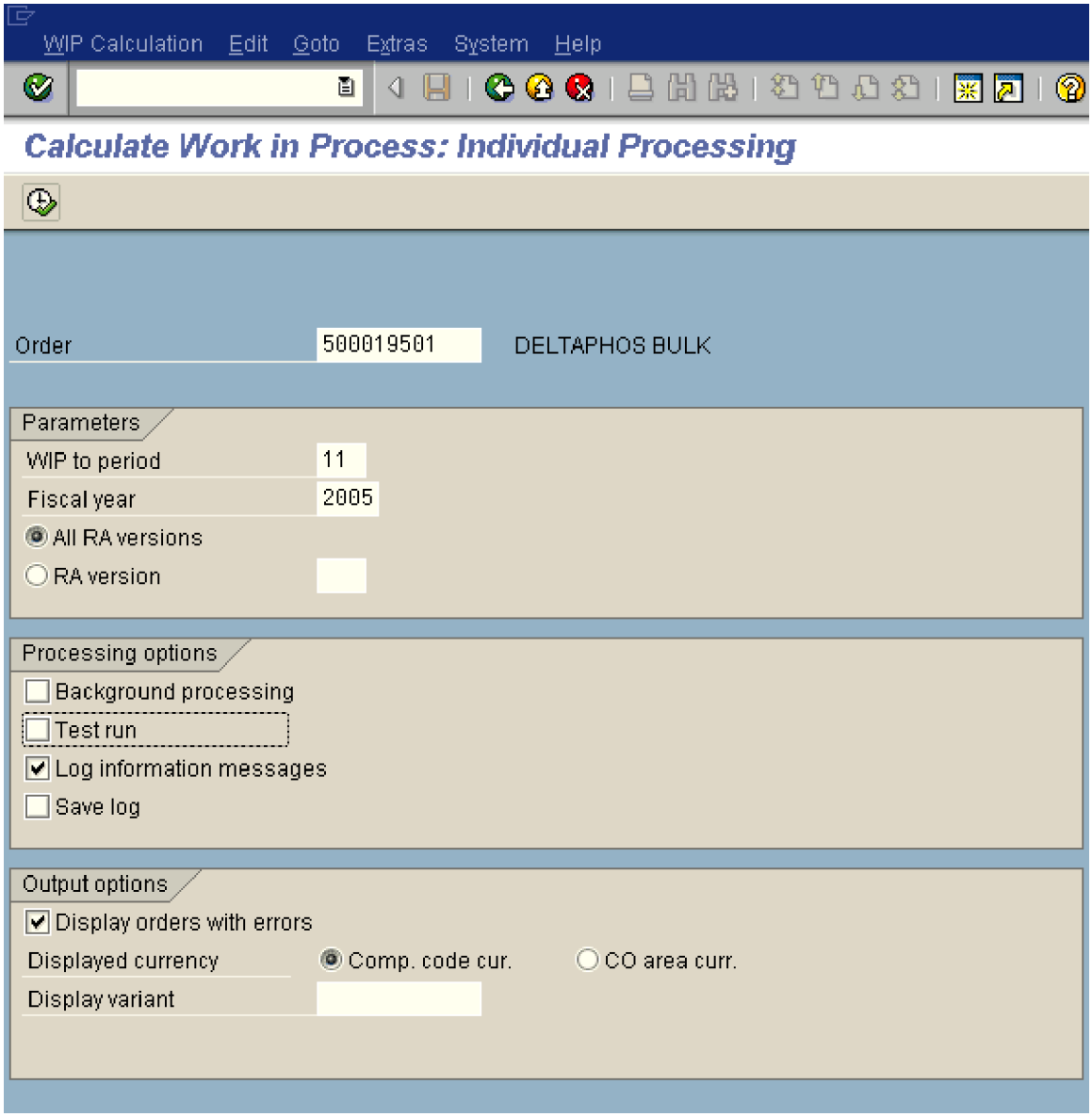
4) WIP process calculation

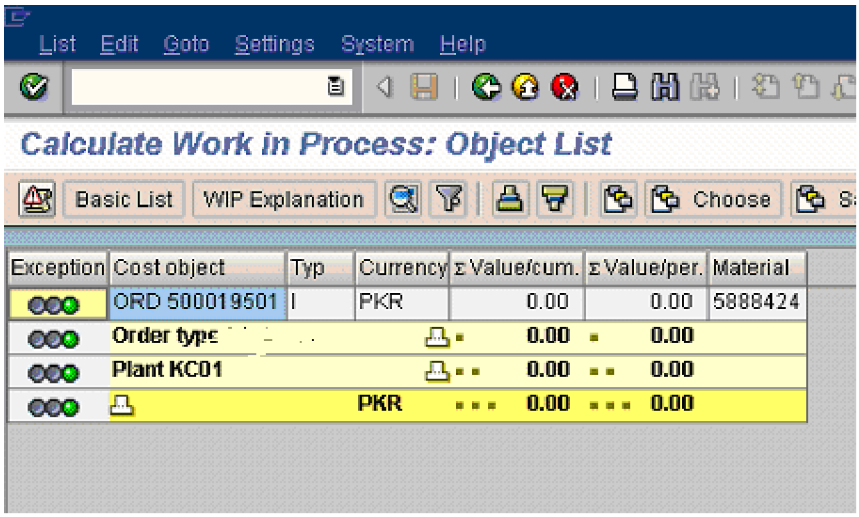
Let us now calculate WIP if any for this process order.

Use the following path:-

Accounting → Controlling → Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Work in Process → Individual Processing → KKAX - Calculate

Update the following fields:





The WIP is 0 since the status of the order is DLV (Delivered)

5) Variance calculation

This is the most important step which actually explains the variance on the process order. The total variance visible on the process order after the overhead calculation step is 16,051.41- (credit).

You are not able to understand the reason for variance.

SAP breaks down this variance into variance categories which is as follows:-

Total variance

Input side	Output side
Input price variance	Output price variance
Input Quantity variance	Mixed price variance
Resource usage variance	Lot size variance
Remaining input variance	Remaining variance

Variances on the Input side:-

These are variances based on goods issues; internal activity allocations, overhead allocation and GL account postings.

Input price variance
Input price variances are caused by difference between the planned and actual prices of the material and activities used.

Formula:
Input price variance = Control cost (actual costs) – (Actual qty/Target qty)* Target costs

Input Quantity variance
Input quantity variances are caused by differences between the planned and actual consumption quantities of material and activities

Formula:
Input quantity variance = (Actual quantity / Target input qty – 1) * Target costs

Resource Usage Variance
Resource usage variances are caused by usage of different materials and activities than were planned.

Formula:
Resource usage variance = Control cost (Actual costs) – Target costs – Input price variance

Remaining input variance
If the system cannot assign a variance on the input side to any of the above variance categories, it assigns the variance to the remaining input variance

Remaining input variance = Control costs (Actual costs) – Target costs – Input price variance – Input qty variance – Resource usage variance

Variances on the Output side:-

These variances result from lower or higher quantity of actual output compared to the planned quantity being delivered. Also it is possible that the delivered quantity was valued differently.

Output price variance
These are calculated in the following situation:-

If the standard price has changed between the time point of delivery to stock and the time point when the variances are calculated.
If the price used to valuate the inventory is not a mixed price.

Output price variance = Allocated costs (means confirmed qty * Std. costs) – Std costs

Mixed price variance
Mixed price variances arise when the system valuates inventories using a mixed cost estimate for the material. This is caused by a difference between the target credit (confirmed quantity X standard cost of Procurement alternative) determined by variance calculation and the actual credit that was posted when the goods were received (confirmed quantity X Standard price). The standard price corresponds to the mixed price.
Formula:
Mixed price variance = Target credit – Target Credit Mixed costing

Lot size variance

Lot size variances are differences between the planned costs that do not vary with the lot size and the actual costs that that do not vary with the lot size, which are passed on to inventory when you put the order quantity into inventory. A lot size variance arises when a portion of a material's total cost does not change when you change the quantity of goods manufactured.
The formula is:
Lot size variance = Lot size independent target cost X (1 – Control qty / Planned qty)

Remaining variance

Difference between the target costs and the allocated actual costs that cannot be assigned to any other variance category are reported as remaining variances.

Formula:

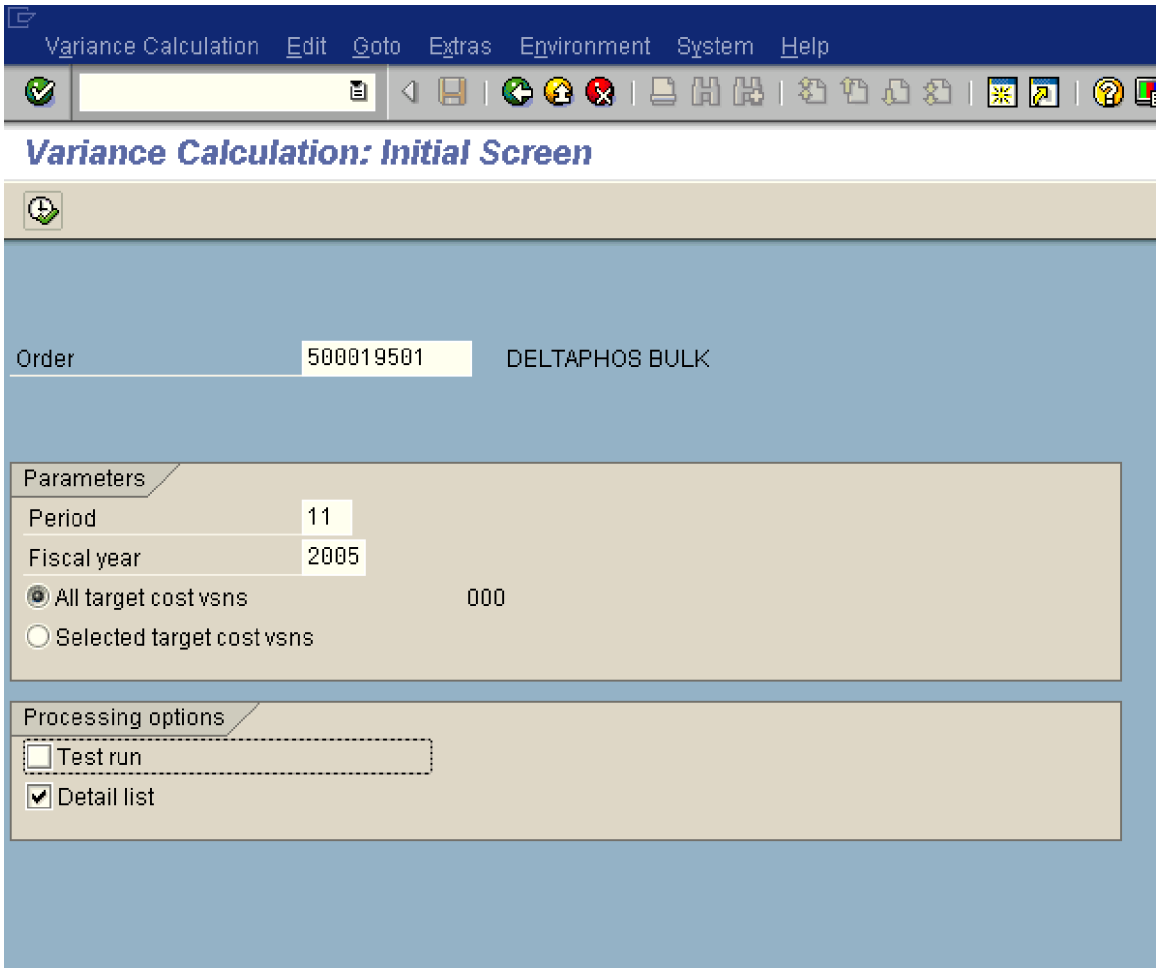
Remaining variance = Target costs – Act. costs allocated (Std. costs) – Output price variance – Mixed price variance – Output qty variance – Lot size variance

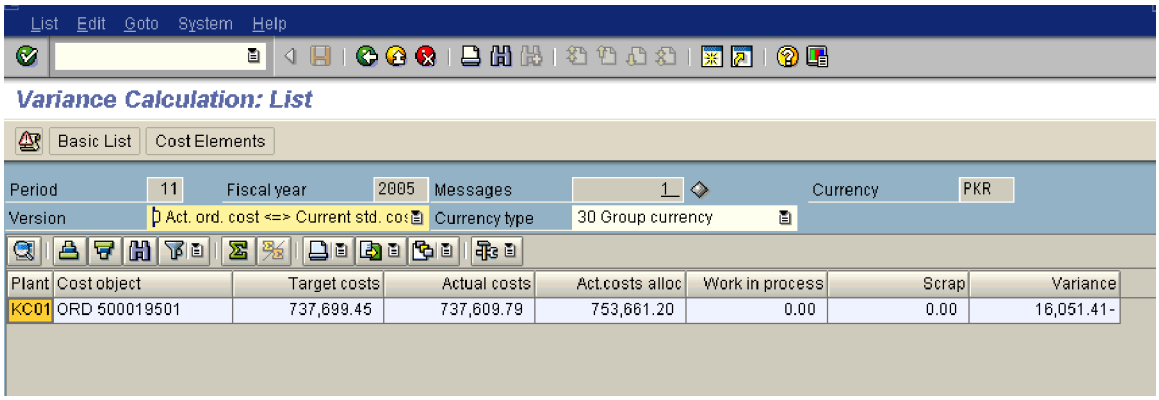
Let us now do the variance calculation for the process order.

Use the following path:-

Accounting → Controlling → Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Variances → KKS2 - Individual Processing

Update the following fields:





In the above screen you will see the following:

Target costs (737,699.45) : Cost in the standard cost estimate for the material that vary with the lot size are divided by the costing lost size and multiplied by the quantity delivered(the yield) Costs that do not vary with the lot size are used directly as target costs.

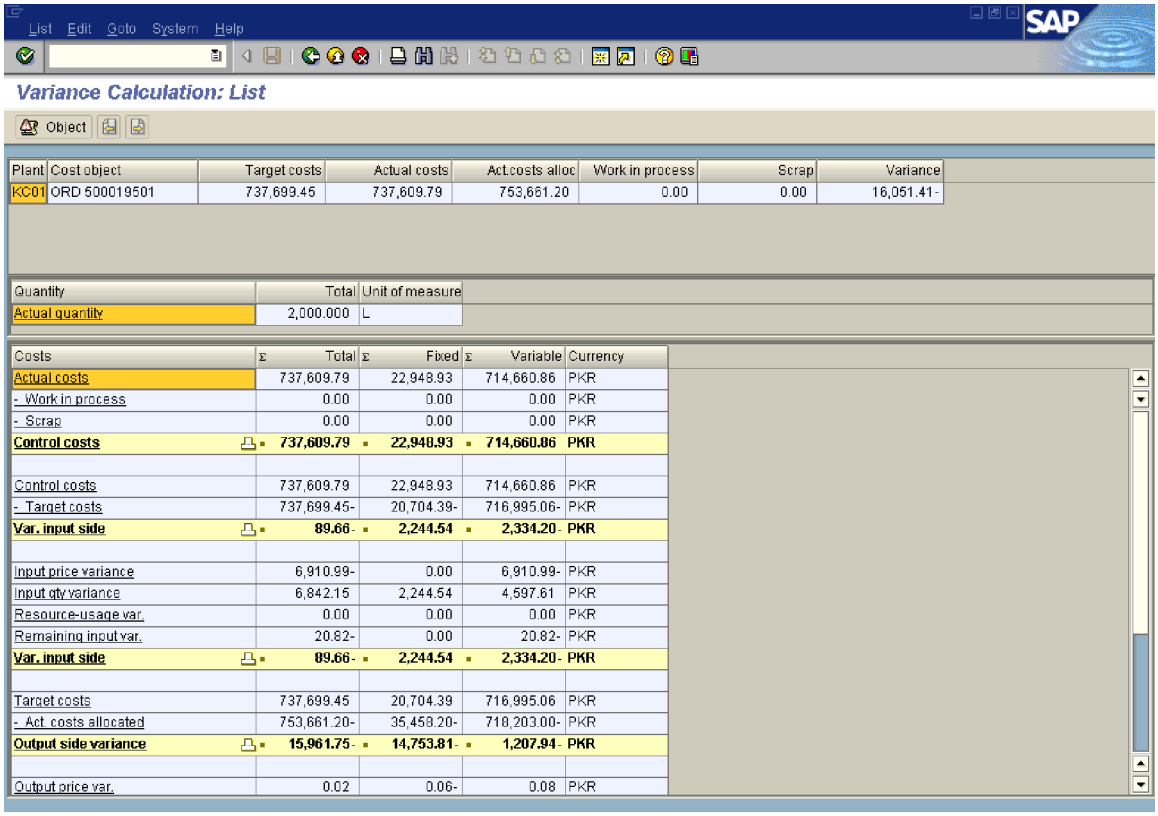
Actual costs (737,609.79): This is the actual debits on the process order

Act. Costs allocated (753,661.20): This is the standard cost estimate of the finished goods for 2000 litres

The variance shown is 16,051.41-

For further explanation,

Double click 16,051.41-



Plant	Cost object	Target costs	Actual costs	Act.costs alloc	Work in process	Scrap	Variance
KC01	ORD 500019501	737,699.45	737,609.79	753,661.20	0.00	0.00	16,051.41-

Quantity	Total	Unit of measure
Actual quantity	2,000.000	L

Costs	Total	Fixed	Variable	Currency
Actual costs	737,609.79	22,948.93	714,660.86	PKR
- Work in process	0.00	0.00	0.00	PKR
- Scrap	0.00	0.00	0.00	PKR
Control costs	**737,609.79**	**22,948.93**	**714,660.86**	**PKR**
Control costs	737,609.79	22,948.93	714,660.86	PKR
- Target costs	737,699.45-	20,704.39-	716,995.06-	PKR
Var. input side	**89.66-**	**2,244.54**	**2,334.20-**	**PKR**
Input price variance	6,910.99-	0.00	6,910.99-	PKR
Input qty variance	6,842.15	2,244.54	4,597.61	PKR
Resource-usage var.	0.00	0.00	0.00	PKR
Remaining input var.	20.82-	0.00	20.82-	PKR
Var. input side	**89.66-**	**2,244.54**	**2,334.20-**	**PKR**
Target costs	737,699.45	20,704.39	716,995.06	PKR
- Act. costs allocated	753,661.20-	35,458.20-	718,203.00-	PKR
Output side variance	**15,961.75-**	**14,753.81-**	**1,207.94-**	**PKR**
Output price var.	0.02	0.06-	0.08	PKR

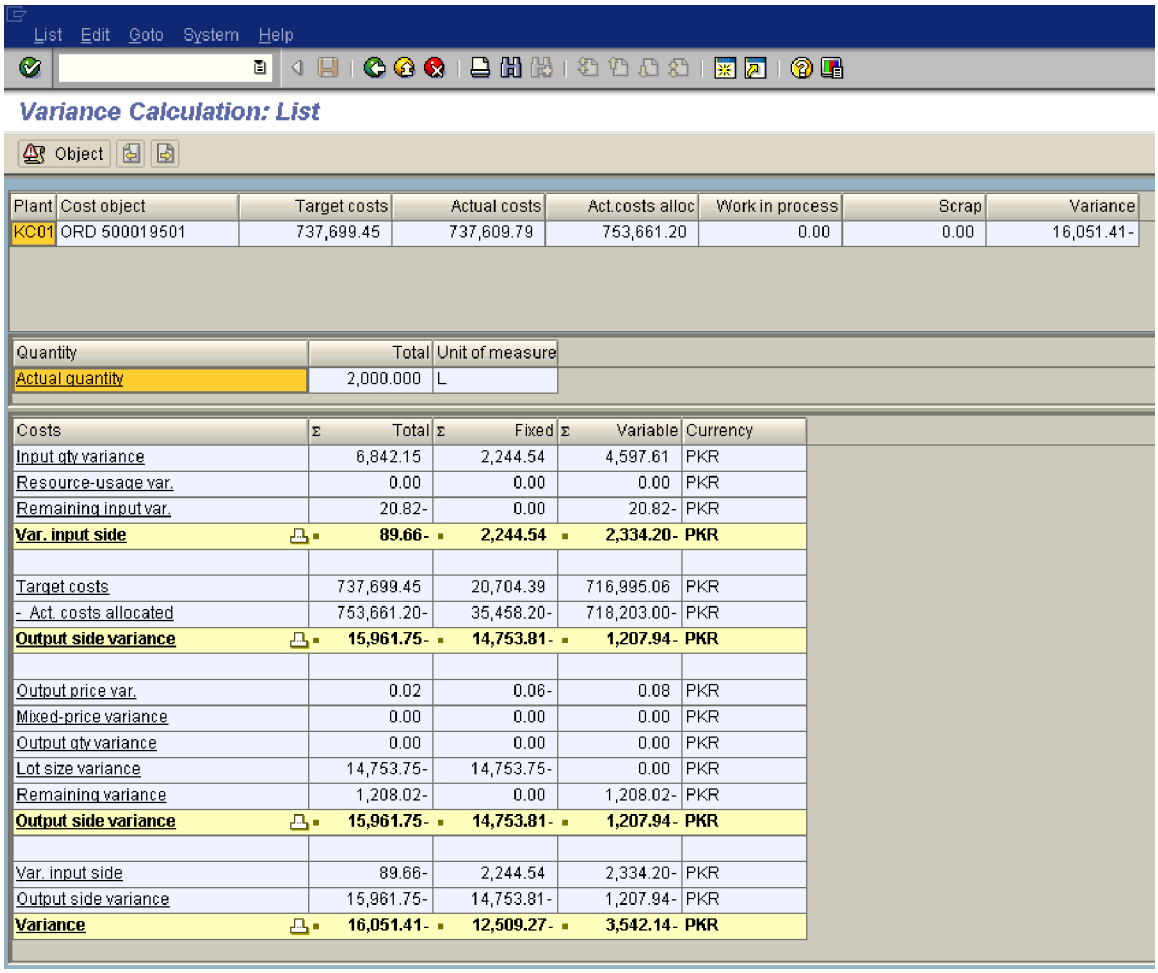
Thus you see above

Variance input side = Control costs (actual costs) – Target costs

= 737,609.79 - 737,699.45
= 89.66-

This is broken down into
Input price variance = 6,910.99-
Input qty variance = 6,842.15
Remaining input variance = 20.82-

Click



Plant	Cost object	Target costs	Actual costs	Act.costs alloc	Work in process	Scrap	Variance
KC01	ORD 500019501	737,699.45	737,609.79	753,661.20	0.00	0.00	16,051.41-

Quantity	Total	Unit of measure
Actual quantity	2,000.000	L

Costs	Total	Fixed	Variable	Currency
Input qty variance	6,842.15	2,244.54	4,597.61	PKR
Resource-usage var.	0.00	0.00	0.00	PKR
Remaining input var.	20.82-	0.00	20.82-	PKR
Var. input side	**89.66-**	**2,244.54**	**2,334.20-**	**PKR**
Target costs	737,699.45	20,704.39	716,995.06	PKR
- Act. costs allocated	753,661.20-	35,458.20-	718,203.00-	PKR
Output side variance	**15,961.75-**	**14,753.81-**	**1,207.94-**	**PKR**
Output price var.	0.02	0.06-	0.08	PKR
Mixed-price variance	0.00	0.00	0.00	PKR
Output qty variance	0.00	0.00	0.00	PKR
Lot size variance	14,753.75-	14,753.75-	0.00	PKR
Remaining variance	1,208.02-	0.00	1,208.02-	PKR
Output side variance	**15,961.75-**	**14,753.81-**	**1,207.94-**	**PKR**
Var. input side	89.66-	2,244.54	2,334.20-	PKR
Output side variance	15,961.75-	14,753.81-	1,207.94-	PKR
Variance	**16,051.41-**	**12,509.27-**	**3,542.14-**	**PKR**

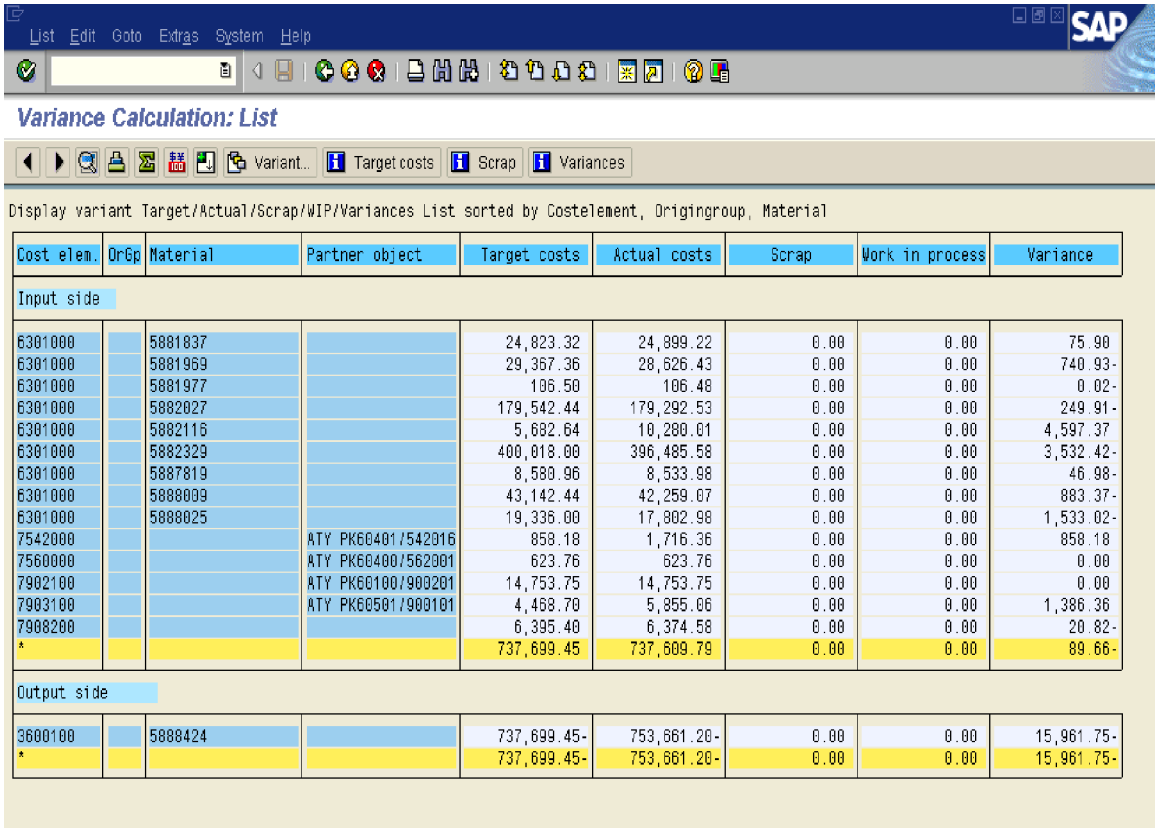
Further you see above
Output side variance = Target costs – Act. Costs allocated (standard costs)
= 737,699.45 - 753,661.20
= 15,961.75-

The output side variance is broken down into:
Output price variance = 0.02
Lot size variance = 14,753.75-

Remaining variance = 1,208.02-

Click back

Click Cost Elements



List Edit Goto Extras System Help

Variance Calculation: List

Variant... Target costs Scrap Variances

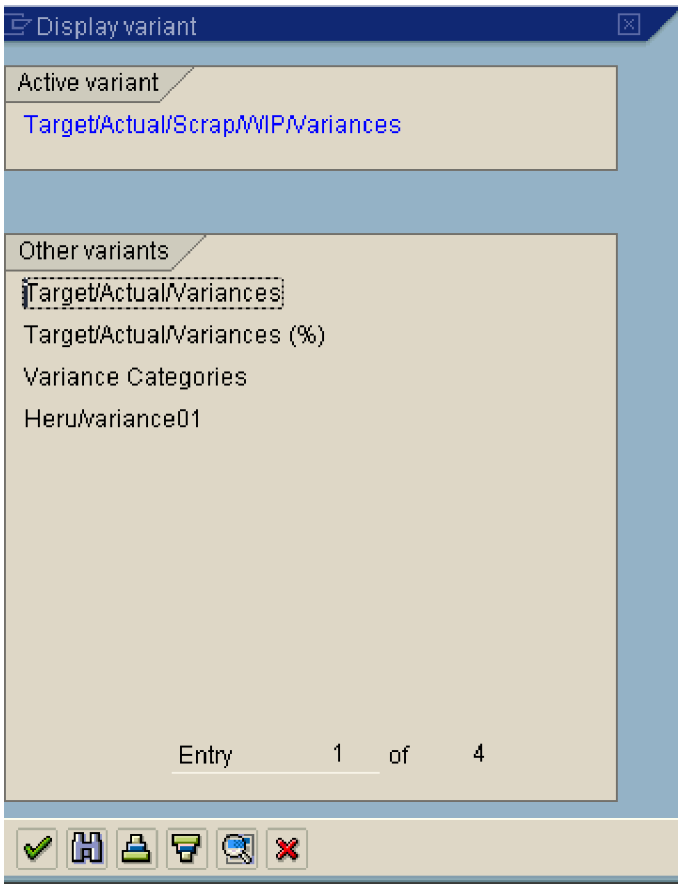
Display variant Target/Actual/Scrap/WIP/Variances List sorted by Costelement, Origingroup, Material

Cost elem.	OrGp	Material	Partner object	Target costs	Actual costs	Scrap	Work in process	Variance
Input side								
6301000		5881837		24,823.32	24,899.22	0.00	0.00	75.90
6301000		5881959		29,367.36	28,626.43	0.00	0.00	740.93-
6301000		5881977		106.50	106.48	0.00	0.00	0.02-
6301000		5882027		179,542.44	179,292.53	0.00	0.00	249.91-
6301000		5882116		5,682.64	10,280.01	0.00	0.00	4,597.37
6301000		5882329		400,018.00	396,485.58	0.00	0.00	3,532.42-
6301000		5887819		8,580.96	8,533.98	0.00	0.00	46.98-
6301000		5888009		43,142.44	42,259.07	0.00	0.00	883.37-
6301000		5888025		19,336.00	17,802.98	0.00	0.00	1,533.02-
7542000			ATY PK60401/542016	858.18	1,716.36	0.00	0.00	858.18
7560000			ATY PK60400/562001	623.76	623.76	0.00	0.00	0.00
7902100			ATY PK60100/900201	14,753.75	14,753.75	0.00	0.00	0.00
7903100			ATY PK60501/900101	4,468.70	5,855.06	0.00	0.00	1,386.36
7908200				6,395.40	6,374.58	0.00	0.00	20.82-
*				737,699.45	737,609.79	0.00	0.00	89.66-
Output side								
3600100		5888424		737,699.45-	753,661.20-	0.00	0.00	15,961.75-
*				737,699.45-	753,661.20-	0.00	0.00	15,961.75-

In above screen you can see a detailed variance against each cost element and Material.
The input variance = Actual costs – Target costs
The output variance = Target costs – Standard costs

To actually get a further breakup on the input and output side material wise let us select another variant

Click Variant...



Select Variance Categories by positioning the cursor

List Edit Goto Extras System Help

Variance Calculation: List

Variant... | Target costs | Scrap | Variances

Display variant Variance Categories List sorted by Costelement, Origingroup, Material

Cost elem.	Or6p	Material	Partner object	Target costs	Input price var	Res-usage var.	Input qty var.	RemainInput var	Lot si
Input side									
6301000		5881837		24,823.32	75.90	0.00	0.00	0.00	
6301000		5881969		29,367.36	740.93-	0.00	0.00	0.00	
6301000		5881977		106.50	0.02-	0.00	0.00	0.00	
6301000		5882027		179,542.44	249.91-	0.00	0.00	0.00	
6301000		5882116		5,682.64	0.24-	0.00	4,597.61	0.00	
6301000		5882329		400,018.00	3,532.42-	0.00	0.00	0.00	
6301000		5887819		8,580.96	46.98-	0.00	0.00	0.00	
6301000		5888009		43,142.44	883.37-	0.00	0.00	0.00	
6301000		5888025		19,336.00	1,533.02-	0.00	0.00	0.00	
7542000			ATY PK60401/542016	858.18	0.00	0.00	858.18	0.00	
7560000			ATY PK60400/562001	623.76	0.00	0.00	0.00	0.00	
7902100			ATY PK60100/900201	14,753.75	0.00	0.00	0.00	0.00	
7903100			ATY PK60501/900101	4,468.70	0.00	0.00	1,386.36	0.00	
7908200				6,395.40	0.00	0.00	0.00	20.82-	
*				737,699.45	6,910.99-	0.00	6,842.15	20.82-	
Output side									
3600100		5888424		737,699.45-	0.00	0.00	0.00	0.00	14
*				737,699.45-	0.00	0.00	0.00	0.00	14

List Edit Goto Extras System Help

Variance Calculation: List

Variant... | Target costs | Scrap | Variances

Display variant Variance Categories List sorted by Costelement, Origingroup, Material

Cost elem.	Or6p	Material	Partner object	e var.	Input qty var.	RemainInput var	Lot size var.	Output prc var.	Remaining var.
Input side									
6301000		5881837		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5881969		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5881977		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5882027		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5882116		0.00	4,597.61	0.00	0.00	0.00	0.00
6301000		5882329		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5887819		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5888009		0.00	0.00	0.00	0.00	0.00	0.00
6301000		5888025		0.00	0.00	0.00	0.00	0.00	0.00
7542000			ATY PK60401/542016	0.00	858.18	0.00	0.00	0.00	0.00
7560000			ATY PK60400/562001	0.00	0.00	0.00	0.00	0.00	0.00
7902100			ATY PK60100/900201	0.00	0.00	0.00	0.00	0.00	0.00
7903100			ATY PK60501/900101	0.00	1,386.36	0.00	0.00	0.00	0.00
7908200				0.00	0.00	20.82-	0.00	0.00	0.00
*				0.00	6,842.15	20.82-	0.00	0.00	0.00
Output side									
3600100		5888424		0.00	0.00	0.00	14,753.75-	0.02	1,208.02-
*				0.00	0.00	0.00	14,753.75-	0.02	1,208.02-

Again click Variant...

Heru/variance01

List Edit Goto Extras System Help

Variance Calculation: List

Variant... | Target costs | Scrap | Variances

Display variant Heru/variance01 List sorted by Costelement, Origingroup, Material

Cost elem.	Name	Material	Std cst estimate cts	Std cost estim. qty	Actual quantity	UM	Target costs
Input side							
6301000	RM Cons	5881837	12,411.66	94.750	189.520	KG	24,823.32
6301000	RM Cons	5881969	14,683.68	51.500	103.000	KG	29,367.36
6301000	RM Cons	5881977	53.25	0.150	0.300	KG	106.50
6301000	RM Cons	5882027	89,771.22	10.200	20.400	KG	179,542.44
6301000	RM Cons	5882116	2,841.32	12.360	44.720	KG	5,682.64
6301000	RM Cons	5882329	200,009.00	499.950	999.920	KG	400,018.00
6301000	RM Cons	5887819	4,290.48	17.510	35.020	KG	8,580.96
6301000	RM Cons	5888609	21,571.22	100.420	200.840	KG	43,142.44
6301000	RM Cons	5888025	9,668.00	214.844	429.689	L	19,336.00
7542000	Environment Serv Act		429.09	3	12	POI	858.18
7560000	Quality assuranc ACT		311.88	4	8	POI	623.76
7902100	Machine activity		14,753.75	5.000	5.000	H	14,753.75
7903100	Pers activity prod		2,234.35	9.670	25.340	H	4,468.70
7908200	Prod OH by plant		3,197.70	0.000	0.000		6,395.40
*			376,226.60	0.000	0.000		737,699.45
Output side							
3600100	AUF w/out aa SFG	5888424	376,226.60-	1,023.374	0.000	L	737,699.45-
*			376,226.60-	0.000	0.000		737,699.45-

List Edit Goto Extras System Help

Variance Calculation: List

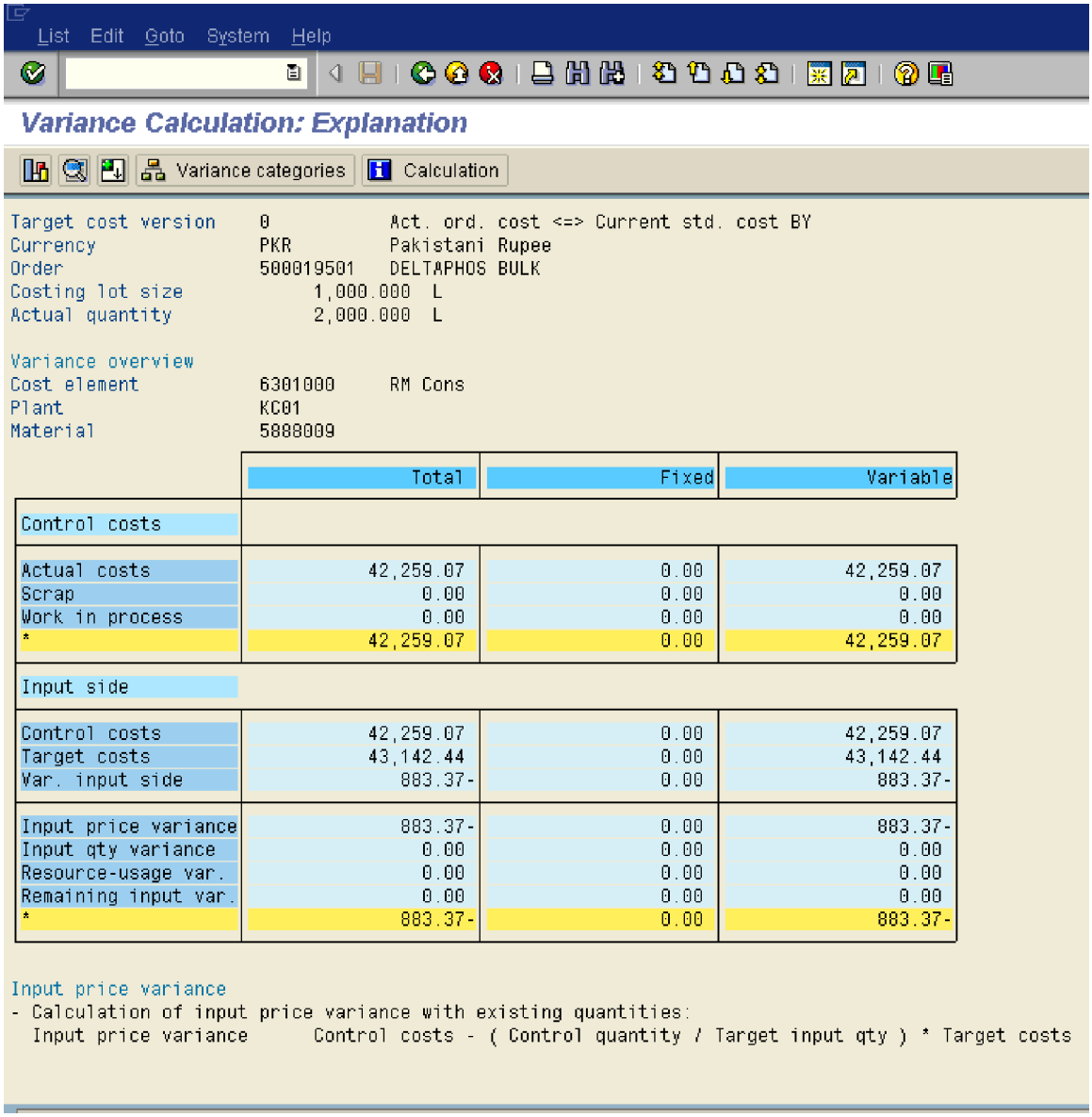
Variant... | Target costs | Scrap | Variances

Display variant Heru/variance01 List sorted by Costelement, Origingroup, Material

Cost elem.	tual quantity	UM	Target costs	Actual costs	Fixed variances	Variable variances	Variance
Input side							
6301000	189.520	KG	24,823.32	24,899.22	0.00	75.90	75.90
6301000	103.000	KG	29,367.36	28,626.43	0.00	740.93-	740.93-
6301000	0.300	KG	106.50	106.48	0.00	0.02-	0.02-
6301000	20.400	KG	179,542.44	179,292.53	0.00	249.91-	249.91-
6301000	44.720	KG	5,682.64	10,280.01	0.00	4,597.37	4,597.37
6301000	999.920	KG	400,018.00	396,485.58	0.00	3,532.42-	3,532.42-
6301000	35.020	KG	8,580.96	8,533.98	0.00	46.98-	46.98-
6301000	200.840	KG	43,142.44	42,259.07	0.00	883.37-	883.37-
6301000	429.689	L	19,336.00	17,802.98	0.00	1,533.02-	1,533.02-
7542000	12	POI	858.18	1,716.36	858.18	0.00	858.18
7560000	8	POI	623.76	623.76	0.00	0.00	0.00
7902100	5.000	H	14,753.75	14,753.75	0.00	0.00	0.00
7903100	25.340	H	4,468.70	5,855.06	1,386.36	0.00	1,386.36
7908200	0.000		6,395.40	6,374.58	0.00	20.82-	20.82-
*	0.000		737,699.45	737,609.79	2,244.54	2,334.20-	89.66-
Output side							
3600100	0.000	L	737,699.45-	753,661.20-	14,753.81-	1,207.94-	15,961.75-
*	0.000		737,699.45-	753,661.20-	14,753.81-	1,207.94-	15,961.75-

To get a detailed Variance explanation

Click



Target cost version 0 Act. ord. cost <=> Current std. cost BY
Currency PKR Pakistani Rupee
Order 500019501 DELTAPHOS BULK
Costing lot size 1,000.000 L
Actual quantity 2,000.000 L

Variance overview
Cost element 6301000 RM Cons
Plant KC01
Material 5888009

	Total	Fixed	Variable
Control costs			
Actual costs	42,259.07	0.00	42,259.07
Scrap	0.00	0.00	0.00
Work in process	0.00	0.00	0.00
*	42,259.07	0.00	42,259.07
Input side			
Control costs	42,259.07	0.00	42,259.07
Target costs	43,142.44	0.00	43,142.44
Var. input side	883.37-	0.00	883.37-
Input price variance	883.37-	0.00	883.37-
Input qty variance	0.00	0.00	0.00
Resource-usage var.	0.00	0.00	0.00
Remaining input var.	0.00	0.00	0.00
*	883.37-	0.00	883.37-

Input price variance
- Calculation of input price variance with existing quantities:
  Input price variance Control costs - (Control quantity / Target input qty) * Target costs

Click

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

Target cost version	0	Act. ord. cost <=> Current std. cost BY
Currency	PKR	
Order	500019501	DELTAPHOS BULK
Costing lot size	1,000.000	L
Actual quantity	2,000.000	L

Variance overview

	Total	Fixed	Variable
Control costs			
Actual costs	737,609.79	22,948.93	714,660.86
Scrap	0.00	0.00	0.00
Work in process	0.00	0.00	0.00
*	737,609.79	22,948.93	714,660.86
Input side			
Control costs	737,609.79	22,948.93	714,660.86
Target costs	737,699.45	20,704.39	716,995.06
Var. input side	89.66-	2,244.54	2,334.20-
Input price variance	6,910.99-	0.00	6,910.99-
Input qty variance	6,842.15	2,244.54	4,597.61
Resource-usage var.	0.00	0.00	0.00
Remaining input var.	20.82-	0.00	20.82-
*	89.66-	2,244.54	2,334.20-
Output side			
Act. costs allocated	753,661.20	35,458.20	718,203.00
Target credit	753,661.22	35,458.14	718,203.08
Tgt credit MixedCstg	0.00	0.00	0.00
Output side variance	15,961.75-	14,753.81-	1,207.94-

Click

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

Output price var.	0.02	0.06-	0.08
Mixed-price variance	0.00	0.00	0.00
Output qty variance	0.00	0.00	0.00
Lot size variance	14,753.75-	14,753.75-	0.00
Remaining variance	1,208.02-	0.00	1,208.02-
*	15,961.75-	14,753.81-	1,207.94-

Variance total

*	16,051.41-	12,509.27-	3,542.14-

Input price variance
- Calculation of input price variance with existing quantities:
  Input price variance Control costs - (Control quantity / Target input qty) * Target costs
  Fixed price variance Control costs, fixed - (Control quantity / Target input qty) * Target fixed costs
- If no quantities exits, input price variance is calculated according
  to the "primary price variance" entries maintained in Customizing.
  The ratio of fixed to total is the same as for actual costs.
- Calculation of input price variance for tracing factors with fixed cost predistribution:
  The posted input price variances were accepted.

Cost element/origin Partner/plant/matl no.	Control costs Control costs, fixed	Control quantity	Target costs Target fixed costs	Target input qty	Input price variance Fxd input price var.	% rate
6301000	24,899.22	189.520	24,823.32	189.520	75.90	0.00
KC01 5881837	0.00		0.00		0.00	
6301000	28,626.43	103.000	29,367.36	103.000	740.93-	0.00
KC01 5881969	0.00		0.00		0.00	
6301000	106.48	0.300	106.50	0.300	0.02-	0.00
KC01 5881977	0.00		0.00		0.00	
6301000	179,292.53	20.400	179,542.44	20.400	249.91-	0.00
KC01 5882027	0.00		0.00		0.00	
6301000	10,280.01	44.720	5,682.64	24.720	0.24-	0.00
KC01 5882116	0.00		0.00		0.00	
6301000	396,485.58	999.920	400,018.00	999.920	3,532.42-	0.00

The input price variance calculation is as follows:-

In the above screen shot let us take 1 raw material:-

5881837

Input price variance = Control costs (actual costs)- Actual qty/ Target qty * Target costs

= 24899.22 – 189.52/189.52 * 24823.32

= 24899.22 – 24823.32

= 75.90

Like input price variance is calculated for each raw material packing material and activities are calculated

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

KC01 5882329	0.00		0.00		0.00	
6301000	8,533.98	35.020	8,580.96	35.020	46.98-	0.00
KC01 5887819	0.00		0.00		0.00	
6301000	42,259.07	200.840	43,142.44	200.840	883.37-	0.00
KC01 5888009	0.00		0.00		0.00	
6301000	17,802.98	429.689	19,336.00	429.689	1,533.02-	0.00
KC01 5888025	0.00		0.00		0.00	
7542000	1,716.36	12	858.18	6	0.00	0.00
ATY PK60401/542016	1,716.36		858.18		0.00	
7560000	623.76	8	623.76	8	0.00	0.00
ATY PK60400/562001	623.76		623.76		0.00	
7902100	14,753.75	5.000	14,753.75	5.000	0.00	0.00
ATY PK60100/900201	14,753.75		14,753.75		0.00	
7903100	5,855.06	25.340	4,468.70	19.340	0.00	0.00
ATY PK60501/900101	5,855.06		4,468.70		0.00	
7908200	6,374.58	0.000	6,395.40	0.000	0.00	0.00
	0.00		0.00		0.00	
*	737,609.79	2,073.749	737,699.45	2,041.749	6,910.99-	
	22,948.93		20,704.39		0.00	

Thus the total input price variance is 6910.99- which can be see above with explanations

Let us now move on to Input Quantity variance

Input quantity variance
- Calculation of input quantity variance with quantities
  Input quantity variance (Control quantity / Target input qty - 1) * Target costs
  Fixed quantity variance (Control quantity / Target input qty - 1) * Target fixed costs
- Calculation of input quantity variance for tracing factors with fixed cost predistribution:
  Difference between target and actual costs based on input price variance

Cost element/origin Partner/plant/matl no.	Control quantity	Target input qty	Target costs Target fixed costs	Control costs Control costs, fixed	Input qty variance Fixed input qty var.
6301000	189.520	189.520	24,823.32		0.00
KC01 5881837			0.00		0.00
6301000	103.000	103.000	29,367.36		0.00
KC01 5881969			0.00		0.00
6301000	0.300	0.300	106.50		0.00

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

KC01 5881977			0.00		0.00
6301000	20.400	20.400	179,542.44		0.00
KC01 5882027			0.00		0.00
6301000	44.720	24.720	5,682.64		4,597.61
KC01 5882116			0.00		0.00
6301000	999.920	999.920	400,018.00		0.00
KC01 5882329			0.00		0.00
6301000	35.020	35.020	8,580.96		0.00
KC01 5887819			0.00		0.00
6301000	200.840	200.840	43,142.44		0.00
KC01 5888009			0.00		0.00
6301000	429.689	429.689	19,336.00		0.00
KC01 5888025			0.00		0.00
7542000	12	6	858.18		858.18
ATY PK60401/542016			858.18		858.18
7550000	0	0	623.76		0.00
ATY PK60400/562001			623.76		0.00
7902100	5.000	5.000	14,753.75		0.00
ATY PK60100/900201			14,753.75		0.00
7903100	25.340	19.340	4,468.70		1,386.36
ATY PK60501/900101			4,468.70		1,386.36
7908200	0.000	0.000	6,395.40		0.00
			0.00		0.00
*	2,073.749	2,041.749	737,609.45	737,609.79	6,842.15
			20,704.39	22,948.93	2,244.54

Resource-usage variance
Requirement for structure variance: Actual or target costs = zero.
Resource-usage variance Control costs - Target costs - Input price variance
Fixed resource-usage variance Control costs, fixed - Target fixed costs - Fxd input price var.

Cost element/origin Partner/plant/matl no.	Control costs Control costs, fixed	Target costs Target fixed costs	Input price variance Fxd input price var.	Resource-usage var. Res-usage var. fixed
6301000	24,899.22	24,823.32	75.90	0.00

Control = Actual

Input Quantity variance = (Control qty / Target input qty – 1) * Target costs

Let us take raw material 5882116 from the above screen shot

= (44.720 / 24.72 – 1) * 5682.64
= 4597.61

Therefore system calculates for each raw material, packing material and activities and gives us the total input quantity variance = 6,842.15

Let us now move on to **Resource usage variance**

Resource-usage variance
Requirement for structure variance: Actual or target costs = zero.
Resource-usage variance Control costs - Target costs - Input price variance
Fixed resource-usage variance Control costs, fixed - Target fixed costs - Fxd input price var.

Cost element/origin Partner/plant/matl no.	Control costs Control costs, fixed	Target costs Target fixed costs	Input price variance Fxd input price var.	Resource-usage var. Res-usage var. fixed
6301000	24,899.22	24,823.32	75.90	0.00

Formula for Resource usage variance

Let us take the total cost shown above:-

Resource usage variance = Control costs (actual costs) – Target costs – Input price variance
= 24899.22 – 24823.32 -75.9
= 0

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

KC01 5881837	0.00	0.00	0.00	0.00
6301000	28,626.43	29,367.36	740.93-	0.00
KC01 5881969	0.00	0.00	0.00	0.00
6301000	106.48	106.50	0.02-	0.00
KC01 5881977	0.00	0.00	0.00	0.00
6301000	179,292.53	179,542.44	249.91-	0.00
KC01 5882027	0.00	0.00	0.00	0.00
6301000	10,280.01	5,682.64	0.24-	0.00
KC01 5882116	0.00	0.00	0.00	0.00
6301000	396,485.58	400,018.00	3,532.42-	0.00
KC01 5882329	0.00	0.00	0.00	0.00
6301000	8,533.98	8,580.96	46.98-	0.00
KC01 5887819	0.00	0.00	0.00	0.00
6301000	42,259.07	43,142.44	883.37-	0.00
KC01 5888009	0.00	0.00	0.00	0.00
6301000	17,802.98	19,336.00	1,533.02-	0.00
KC01 5888025	0.00	0.00	0.00	0.00
7542000	1,716.36	858.18	0.00	0.00
ATY PK60401/542016	1,716.36	858.18	0.00	0.00
7560000	623.76	623.76	0.00	0.00
ATY PK60400/562001	623.76	623.76	0.00	0.00
7902100	14,753.75	14,753.75	0.00	0.00
ATY PK60100/902201	14,753.75	14,753.75	0.00	0.00
7903100	5,855.06	4,460.70	0.00	0.00
ATY PK60501/903101	5,855.06	4,468.70	0.00	0.00
7908200	6,374.58	6,395.40	0.00	0.00
	0.00	0.00	0.00	0.00
*	737,609.79	737,699.45	6,910.99-	0.00
	22,948.93	20,704.39	0.00	0.00

Remaining input variance
Input side variances that cannot be assigned to following variance categories:
Input price/input quantity/resource-usage variances
Input side variance Control costs - Target costs - Input price variance - Input qty variance - Resource-usage var.

CSQ (2) (728) | sircsq | INS

Let us now move on to Remaining input variance:

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

Cost element/origin Partner/plant/matl no.	Variance Fixed variances	Input price variance Fxd input price var.	Input qty variance Fixed input qty var.	Resource-usage var. Res-usage var. fixed	Remaining input var. Fxd remain. InputVar
6301000	75.90	75.90	0.00	0.00	0.00
KC01 5801037	0.00	0.00	0.00	0.00	0.00
6301000	740.93-	740.93-	0.00	0.00	0.00
KC01 5881969	0.00	0.00	0.00	0.00	0.00
6301000	0.02-	0.02-	0.00	0.00	0.00
KC01 5881977	0.00	0.00	0.00	0.00	0.00
6301000	249.91-	249.91-	0.00	0.00	0.00
KC01 5882027	0.00	0.00	0.00	0.00	0.00
6301000	4,597.37	0.24-	4,597.61	0.00	0.00
KC01 5882116	0.00	0.00	0.00	0.00	0.00
6301000	3,532.42-	3,532.42-	0.00	0.00	0.00
KC01 5882329	0.00	0.00	0.00	0.00	0.00
6301000	46.98-	46.98-	0.00	0.00	0.00
KC01 5887819	0.00	0.00	0.00	0.00	0.00
6301000	883.37-	883.37-	0.00	0.00	0.00
KC01 5888009	0.00	0.00	0.00	0.00	0.00
6301000	1,533.02-	1,533.02-	0.00	0.00	0.00
KC01 5888025	0.00	0.00	0.00	0.00	0.00
7542000	858.18	0.00	858.18	0.00	0.00
ATY PK60401/542016	858.18	0.00	858.18	0.00	0.00
7560000	0.00	0.00	0.00	0.00	0.00
ATY PK60400/562001	0.00	0.00	0.00	0.00	0.00
7902100	0.00	0.00	0.00	0.00	0.00
ATY PK60100/900201	0.00	0.00	0.00	0.00	0.00
7903100	1,386.36	0.00	1,386.36	0.00	0.00
ATY PK60501/900101	1,386.36	0.00	1,386.36	0.00	0.00
7908200	20.82-	0.00	0.00	0.00	20.82-
	0.00	0.00	0.00	0.00	0.00
*	89.66-	6,910.99-	6,842.15	0.00	20.82-
	2,244.54	0.00	2,244.54	0.00	0.00

Output price variance

Remaining input variance = Control costs – Target costs – Input price variance – Input qty variance – Resource usage variance

= 737,609.79 - 737,699.45 – (-6,910.99) - 6,842.15 - 0
= -89.66 + 6910.99 – 6842.15
= - 20.82

Variance input side = Control costs (actual costs) – Target costs
= 737,609.79 - 737,699.45
= 89.66-

Let us now move to output price variance:

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

Fixed output price variance = allocated costs - target credit mixed costing
Fixed output price variance = fixed allocated costs - fixed target credit mixed costing

Costing lot size 1,000.000 L
Actual quantity 2,000.000 L

	Total	Fixed	Variable
Std cst estimate cts	376,226.60	17,729.07	358,497.53
Tgt credit MixedCstg	0.00	0.00	0.00
Act. costs allocated	753,661.20	35,458.20	718,203.00
Output price var.	0.02	0.06-	0.08

Mixed-price variance
Mixed-price variance = Target credit - TgtCred MxdCstg

	Total	Fixed	Variable
Target credit	753,661.22	35,458.14	718,203.08
Tgt credit MixedCstg	0.00	0.00	0.00
Mixed-price variance	0.00	0.00	0.00

Output quantity variance
No manual postings in actual possible on this object.

Lot size variance
Lot size variance LSI target costs * (1 - Actual quantity / Costing lot size)
Fixed lot size variance = Fixed lot target costs * (1 - Actual quantity / Costing lot size)
Costing lot size 1,000.000 L
Actual quantity 2,000.000 L

Cost element/origin	LSI target costs	Lot size variance
Partner/plant/matl no.	Fixed lot target cos	LotSize var. FxdCost

Output price variance = Allocated cost (means confirmed qty * std price) – Standard cost = 753,661.20 -753,661.22
= 0.02

Mixed price variance = 0

List Edit Goto System Help

Variance Calculation: Explanation

Variance categories | Calculation

3600100	0.00	0.00
KC01 5880424	0.00	0.00
6301000	0.00	0.00
KC01 5881837	0.00	0.00
6301000	0.00	0.00
KC01 5881969	0.00	0.00
6301000	0.00	0.00
KC01 5881977	0.00	0.00
6301000	0.00	0.00
KC01 5882027	0.00	0.00
6301000	0.00	0.00
KC01 5882116	0.00	0.00
6301000	0.00	0.00
KC01 5882329	0.00	0.00
6301000	0.00	0.00
KC01 5887819	0.00	0.00
6301000	0.00	0.00
KC01 5888009	0.00	0.00
6301000	0.00	0.00
KC01 5888025	0.00	0.00
7542000	0.00	0.00
ATY PK60401/542016	0.00	0.00
7560000	0.00	0.00
ATY PK60400/562001	0.00	0.00
7902100	14,753.75	14,753.75-
ATY PK60100/900201	14,753.75	14,753.75-
7903100	0.00	0.00
ATY PK60501/900101	0.00	0.00
7908200	0.00	0.00
	0.00	0.00
*	14,753.75	14,753.75-
	14,753.75	14,753.75-

Remaining variance

Remaining variance Target costs - Act. costs allocated - Output price var. - Mixed-price variance - Output qty variance -

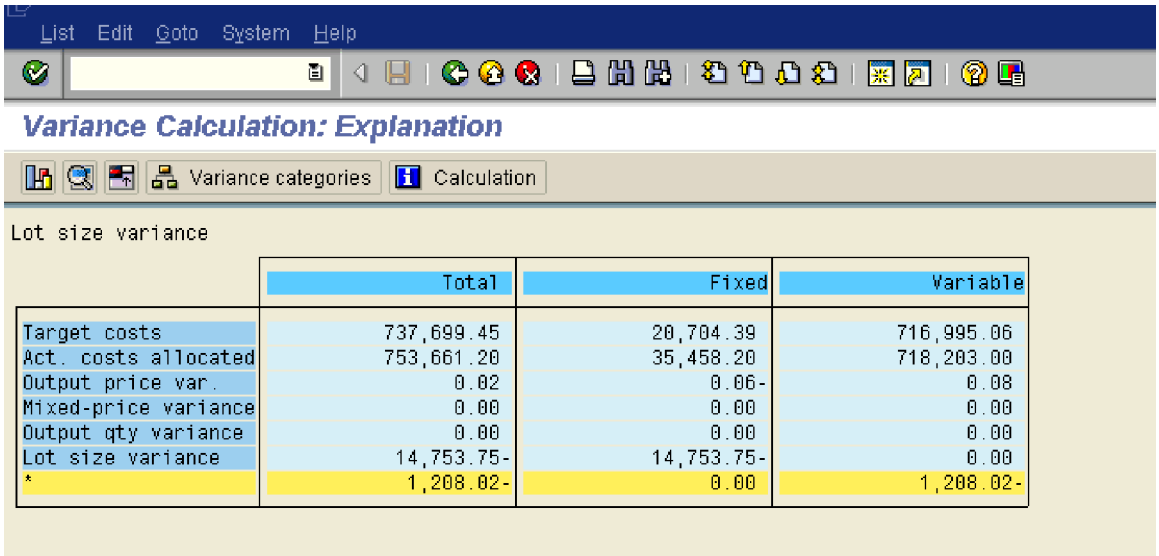
Lot size variance = Lot Size Independent target costs * (1 – Actual Qty/ costing lot size)

= 14,753.75 * (1 – 2000/1000)

= 14,753.75 * (-1)

= 14,753.75-

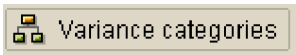
In the above case number of hrs taken for the activity 562001 for costing lot size 1000 litres is 5 hrs and for 2000 also it is 5hrs.

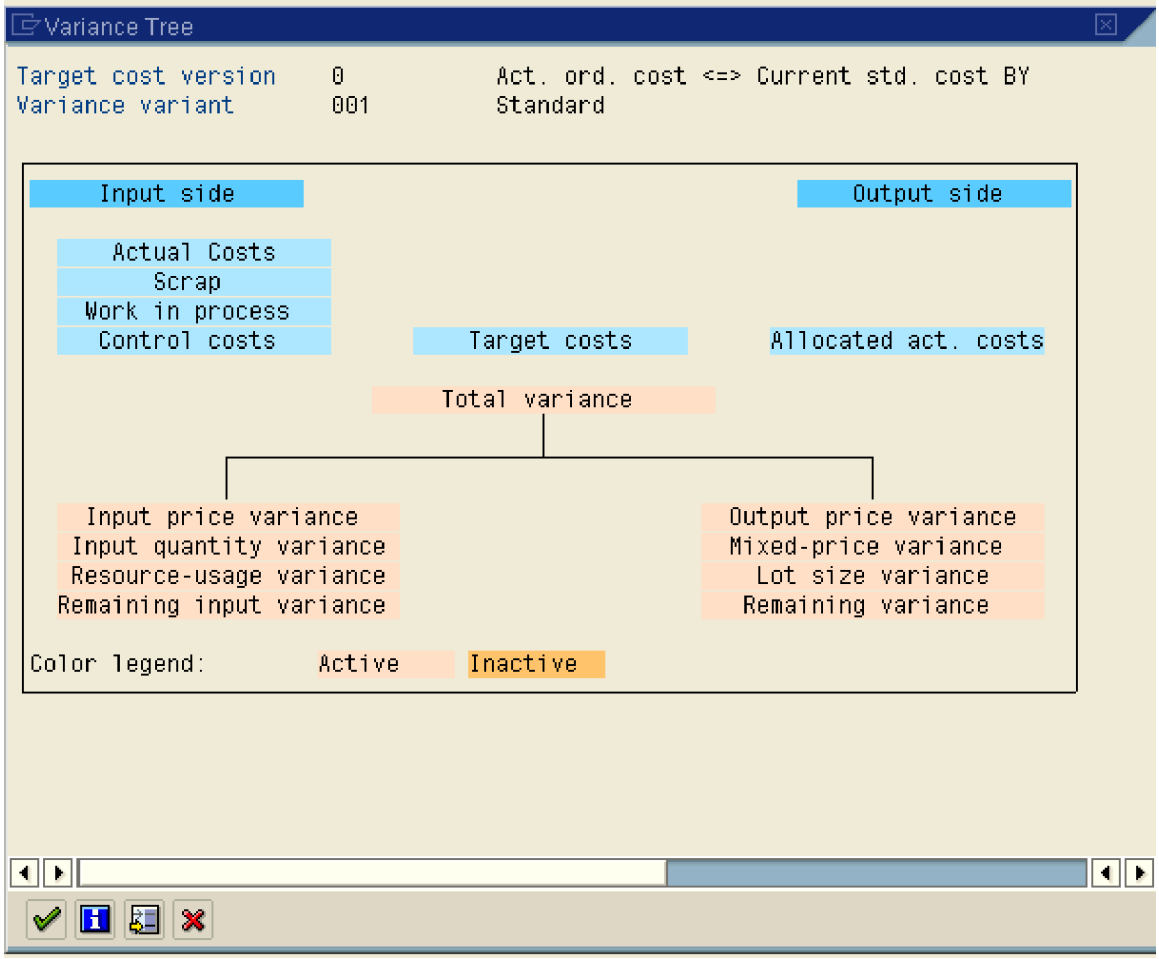


	Total	Fixed	Variable
Target costs	737,699.45	20,704.39	716,995.06
Act. costs allocated	753,661.20	35,458.20	718,203.00
Output price var.	0.02	0.06-	0.08
Mixed-price variance	0.00	0.00	0.00
Output qty variance	0.00	0.00	0.00
Lot size variance	14,753.75-	14,753.75-	0.00
*	1,208.02-	0.00	1,208.02-

Let us move on to the last variance category on the output side which is Remaining variance.

Remaining variance = Target costs – Act. Costs allocated (Std. costs) – Output Price variance – Mixed price variance – Output qty Variance – Lot size variance
= 737,699.45 - 753,661.20 - 0.02 – 0 – 0 – (14,753.75-)
= -15961.77 + 14,753.75
= - 1208.02

Click 



Thus we have now understood the various variance categories and how it is calculated.

Finally we go to the last step in the period end steps which is Settlement of process orders.

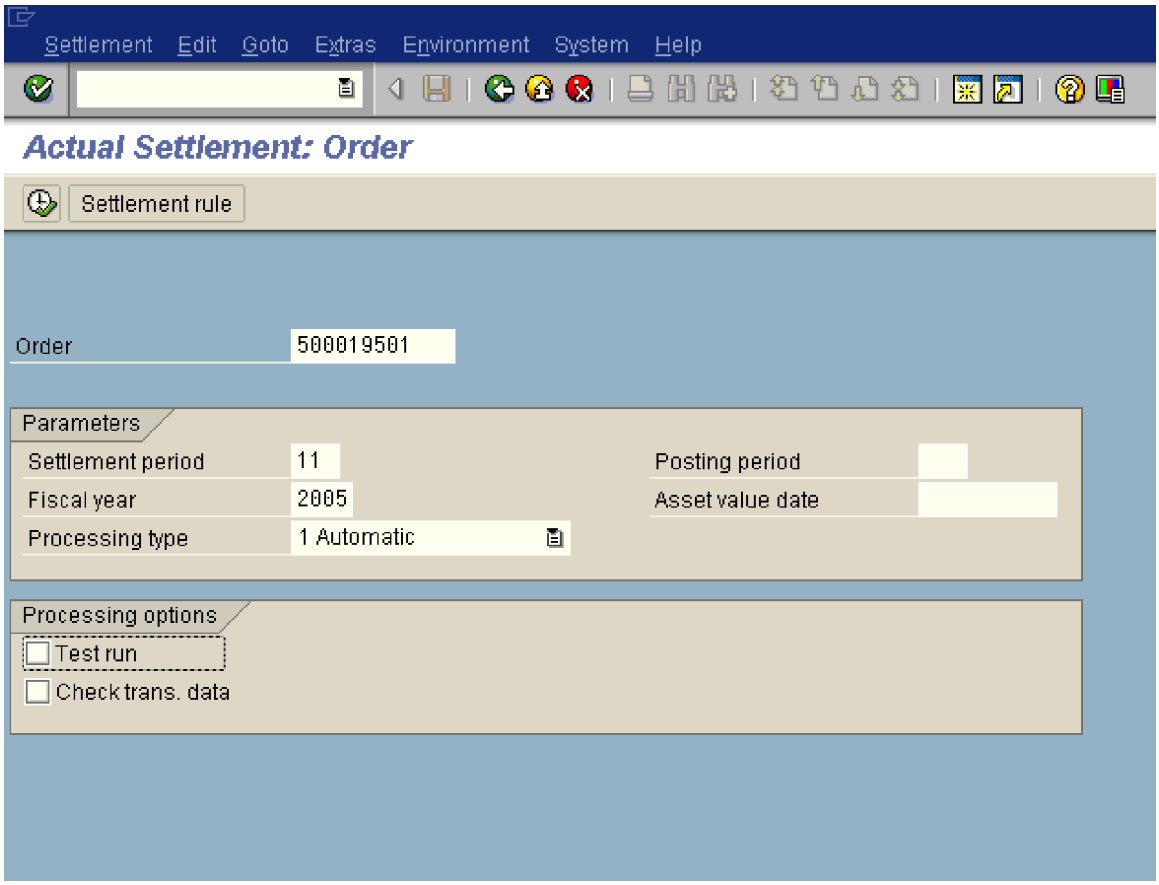
6) Settlement

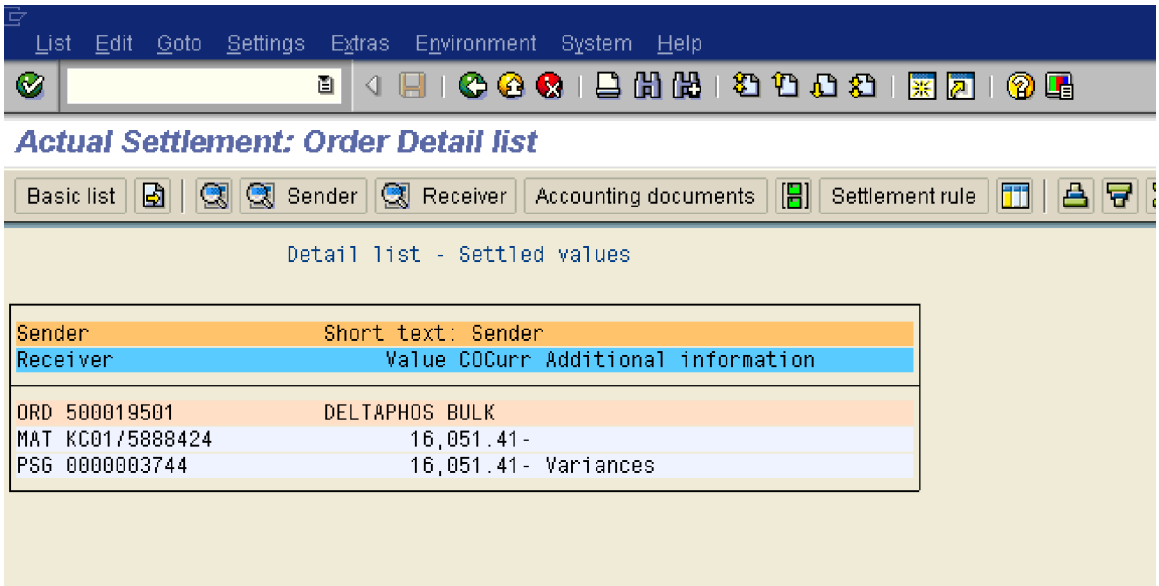
This is the last step in the period end closing of cost object controlling.
Here the variance calculated on the process order will be settled to FI, PCA and Profitability Analysis. If any WIP exists on the process order it will be posted to FI and PCA in this transaction.

Use the following path:-

Accounting →Controlling →Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Settlement → KO88 - Individual Processing

Update the following fields:





Click on

to see the document.

This will show various documents from FI, PCA and Profitability Analysis.

The accounting entry passé for variance calculation is :-

Change in FG	Dr	16,051.41	
Production variance	Cr.		16,051.41

The Variance category can be individually updated to various value fields which can give an analysis of the type of variance.
Alternatively, it can be updated on a single value field.

Scenario 2

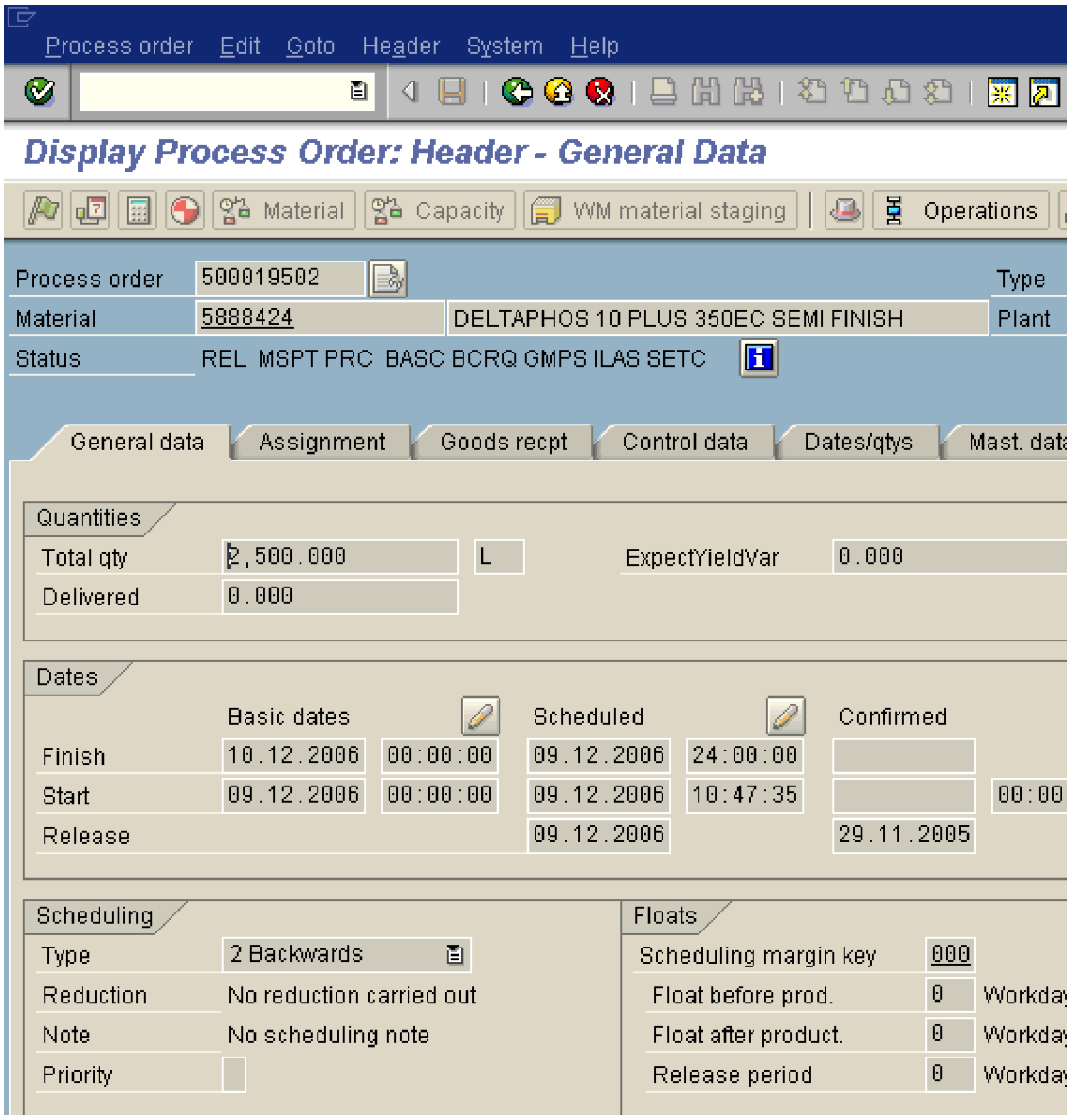
In this scenario we will cover the WIP calculation and its settlement to FI.

1) Display Process order to see the cost and other details

We take a process order to see the status and the costs on it.

Use the following path

Accounting à Controlling à Product Cost Controlling à Cost Object Controlling à Product Cost by Order à Order à Process Order à COR3 - Display



Note that the status of the process order is not DLV (Delivered) or TECO (Technically Complete). It is REL (Released).

This means that the process order is relevant for WIP calculation.

Click Goto à Costs à Analysis

Report Edit Goto View Extras Settings System Help

Analyze costs

Print...

Plan/Actual Comparison Values in PKR Rupee

Cost elements		Plan	Actual	Planned qty	Actual quant
KC01 5881837	AGROTIN 246 EMULSOGE	31,123.92	31,124.03	236.90 KG	236.90 KG
KC01 5881969	BETA PINENE	35,783.49	35,783.03	128.75 KG	128.75 KG
KC01 5881977	BUTYLATE HYDROXY TOL	133.10	133.10	0.38 KG	0.38 KG
KC01 5882027	DELTAMETHRIN TECH	224,115.68	224,115.66	25.50 KG	25.50 KG
KC01 5882116	EMULSOGEN 3510	7,102.98	7,103.13	30.90 KG	30.90 KG
KC01 5882329	TRIAZOPHOS TECH 70 C	495,610.35	495,606.98	1249.90 KG	1249.90 KG
KC01 5887819	ACETIC ANHYDRIDE	10,667.53	10,667.47	43.78 KG	43.78 KG
KC01 5888009	PHENYL SULFONATE CA	52,823.43	52,823.84	251.05 KG	251.05 KG
KC01 5888025	SOLVESSO 100	22,252.53	22,253.76	537.11 L	537.11 L
* 6301000	Raw Materials/Products Co	879,613.01	879,611.00	*	*
* 7542000	Environmental Services AC	1,344.68		8 POI	
* 7560000	Quality assurance ACT	1,019.13		10 POI	
* 7902100	Machine activity	9,640.00		5.00 H	
* 7903100	Personnel activity produc	7,039.76		24.18 H	
* 7908200	Overhead on production by	7,916.52			
**	Debits	906,573.10	879,611.00	*	*
* 3600100	C.I. fact output/order se	942,076.50-		2500.00- L	
**	Credits	942,076.50-		2500.00- L	
***	Balance	35,503.40-	879,611.00	*	*
Qty of goods manufactured		2500.00 L			

Note that only Materials have been issued to the process order, no confirmation of the various activities has happened so far.

The total debits on the process order are 879,611 at the month end. After Overhead calculation the overheads will be added to these costs.

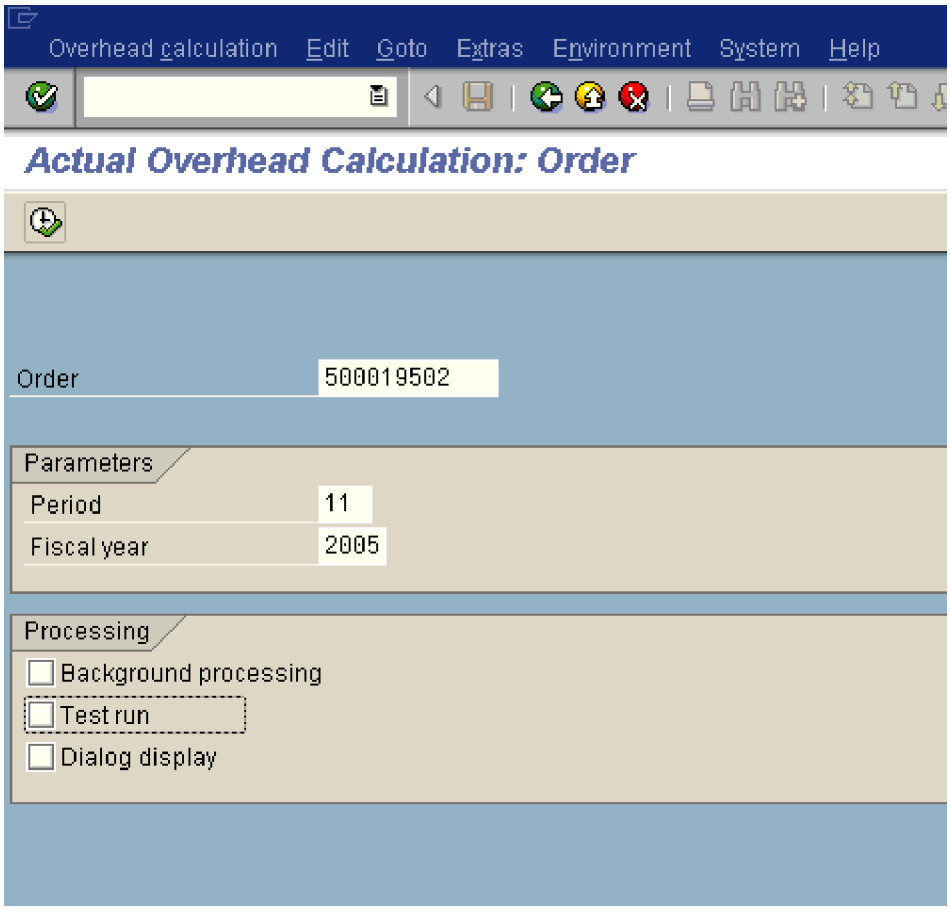
2) Calculate Overhead

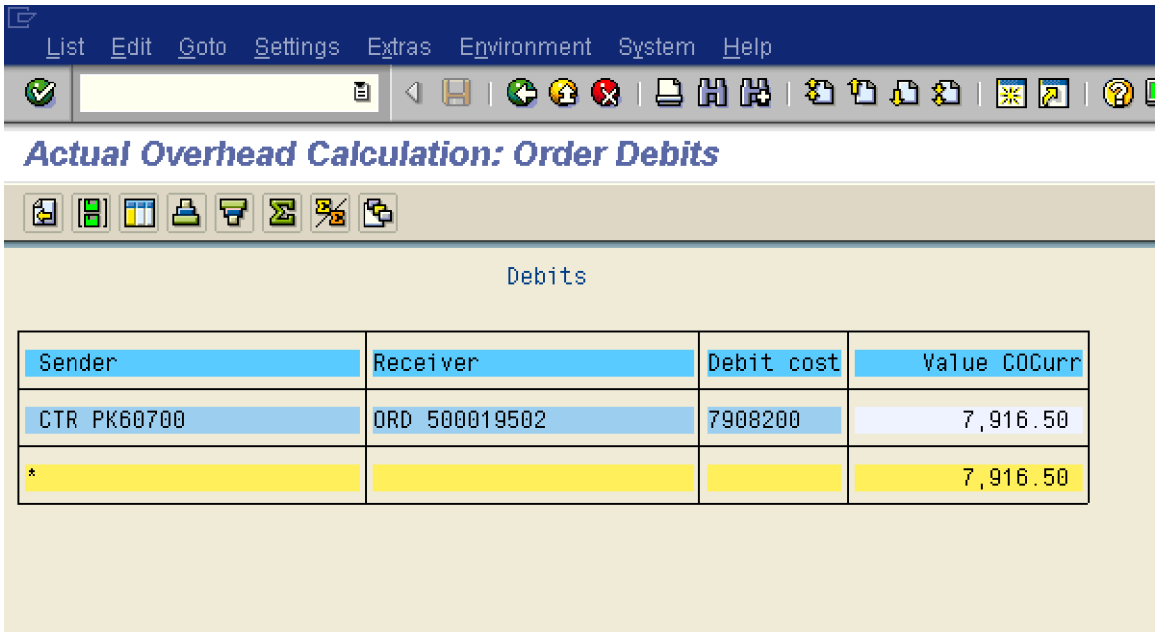
Let us do the overhead calculation on the process order.

Use the following path:-

Accounting → Controlling → Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Overhead → KGI2 - Individual Processing

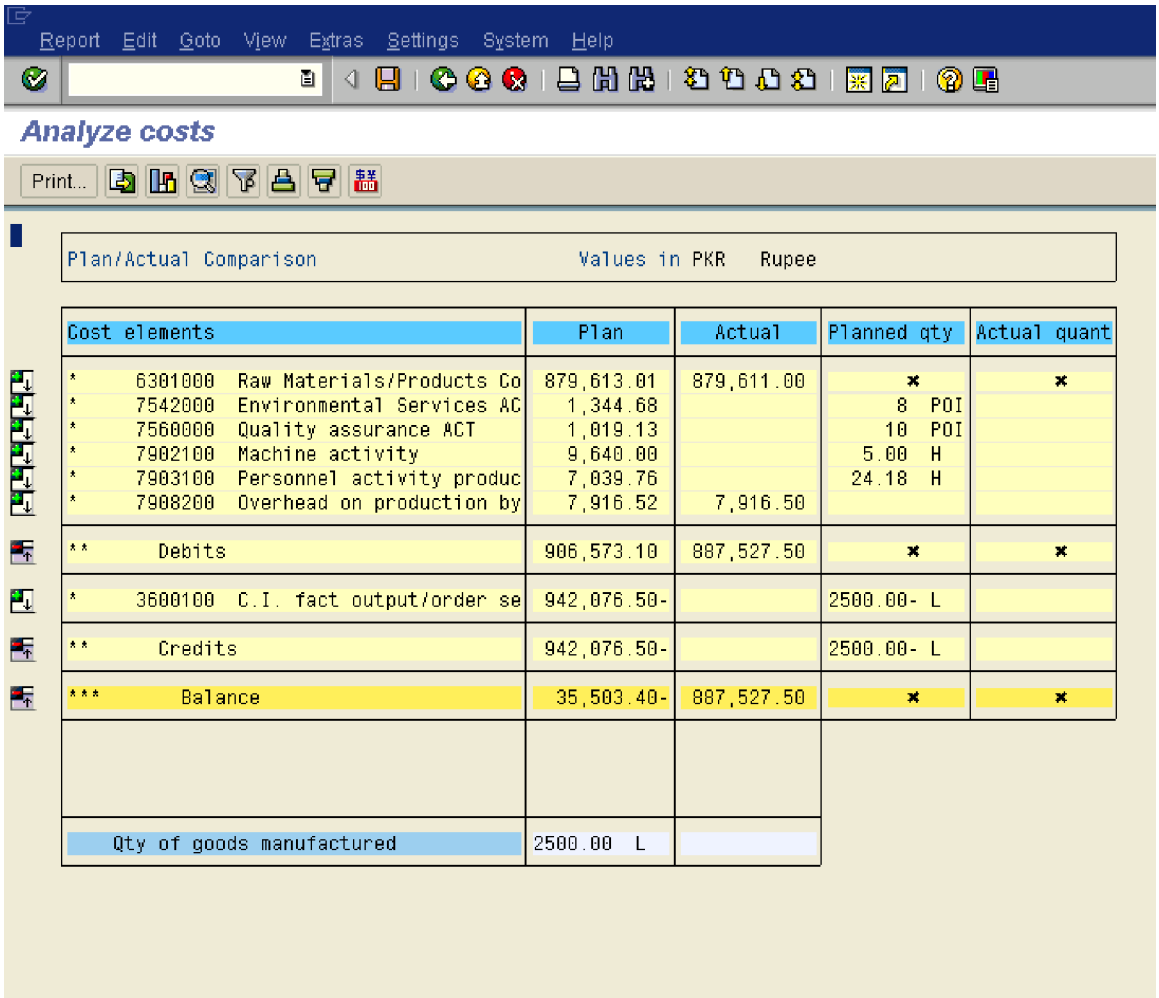
Update the following:-





Sender	Receiver	Debit cost	Value COCurr
CTR PK60700	ORD 500019502	7908200	7,916.50
*			7,916.50

Check the process order now



Report Edit Goto View Extras Settings System Help

Analyze costs

Print...

Plan/Actual Comparison Values in PKR Rupee

Cost elements	Plan	Actual	Planned qty	Actual quant
* 6301000 Raw Materials/Products Co	879,613.01	879,611.00	*	*
* 7542000 Environmental Services AC	1,344.68		8 POI	
* 7560000 Quality assurance ACT	1,019.13		10 POI	
* 7902100 Machine activity	9,640.00		5.00 H	
* 7903100 Personnel activity produc	7,039.76		24.18 H	
* 7908200 Overhead on production by	7,916.52	7,916.50		
** Debits	906,573.10	887,527.50	*	*
* 3600100 C.I. fact output/order se	942,076.50-		2500.00- L	
** Credits	942,076.50-		2500.00- L	
*** Balance	35,503.40-	887,527.50	*	*
Qty of goods manufactured	2500.00 L			

The process order has now bee debited with the overheads of 7916.50. The total costs on the process order are now 887,527.50

There are no credits on the process order, since nothing is delivered.

3) Calculate WIP

Let us now calculate WIP for this process order.

Use the following path:-

Accounting → Controlling → Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Work in Process → Individual Processing → KKAX - Calculate

WIP Calculation Edit Goto Extras System Help

Calculate Work in Process: Individual Processing

Order 500019502 DELTAPHOS BULK

Parameters

WIP to period 11

Fiscal year 2005

(●) All RA versions

( ) RA version

Processing options

[ ] Background processing

[ ] Test run

[x] Log information messages

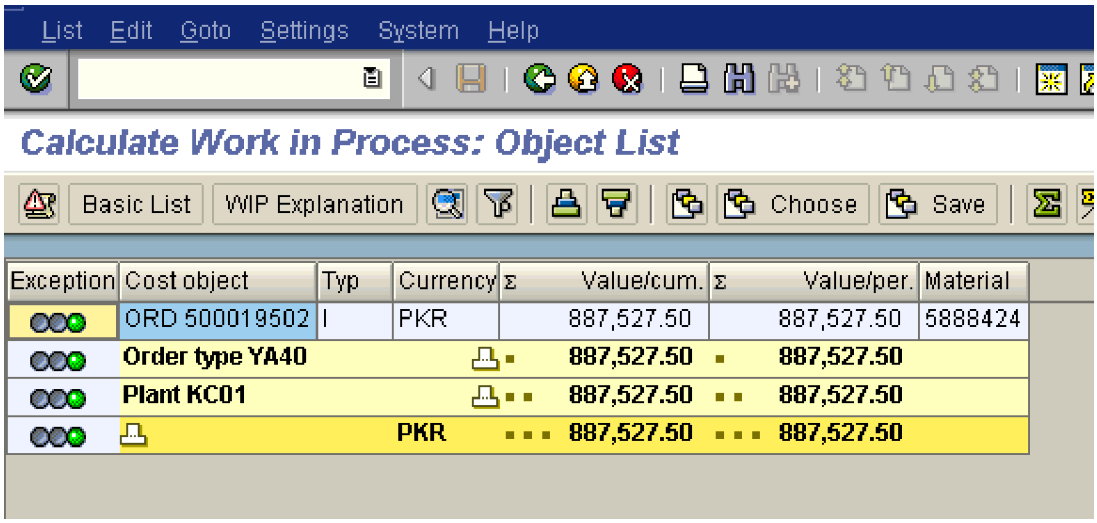
[ ] Save log

Output options

[x] Display orders with errors

Displayed currency (●) Comp. code cur. ( ) CO area curr.

Display variant



The system has calculated a W IP which is 887,527.50. (This was the balance remaining on the order). The status of the order is REL (Released)

4) Variance calculation

Let us now do the variance calculation for the process order.

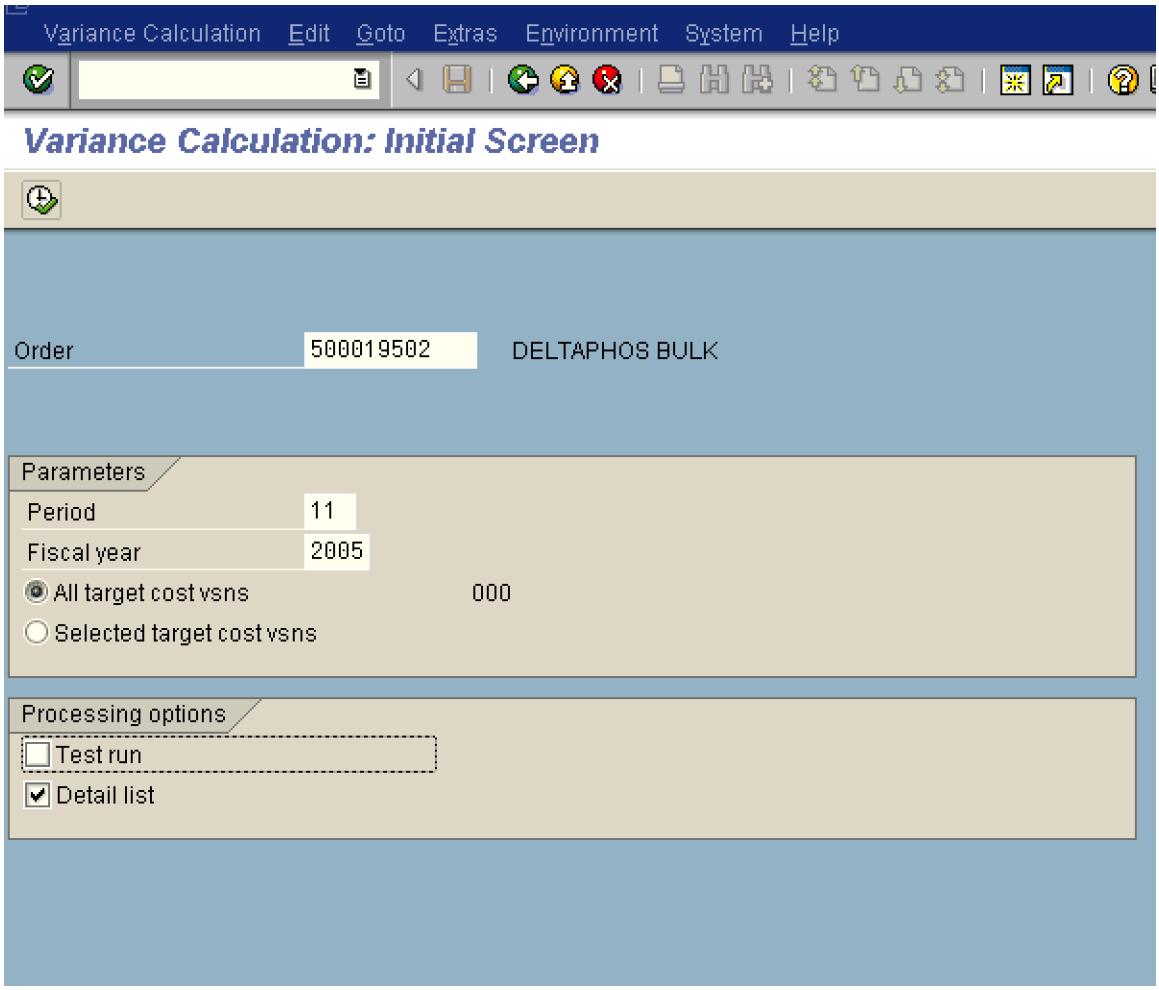
This step is actually not relevant for this process order since system has already calculated WIP. There will be no variance calculation done.

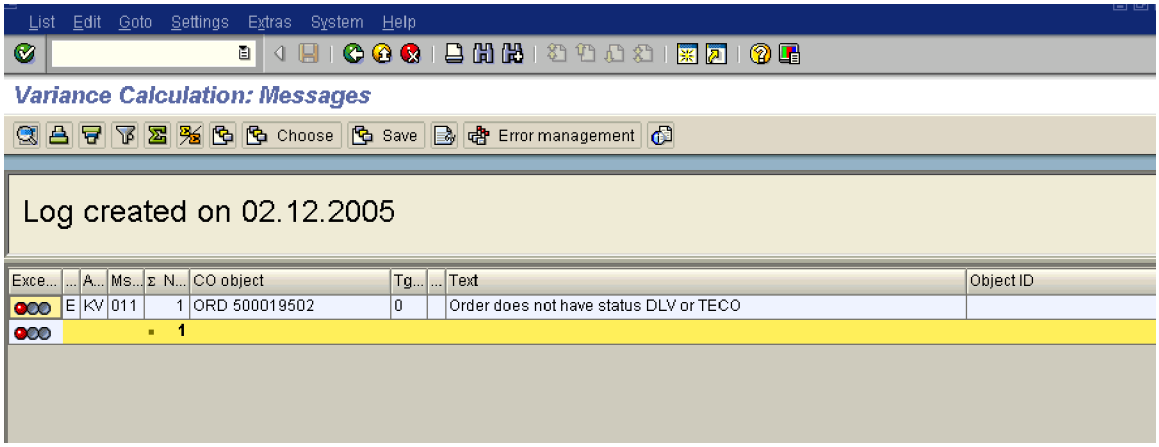
Nevertheless, we still do it to see what the result is.

Use the following path:-

Accounting → Controlling → Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Variances → KKS2 - Individual Processing

Update the following fields:





The system gives error message “Order does not have status DLV or TECO”

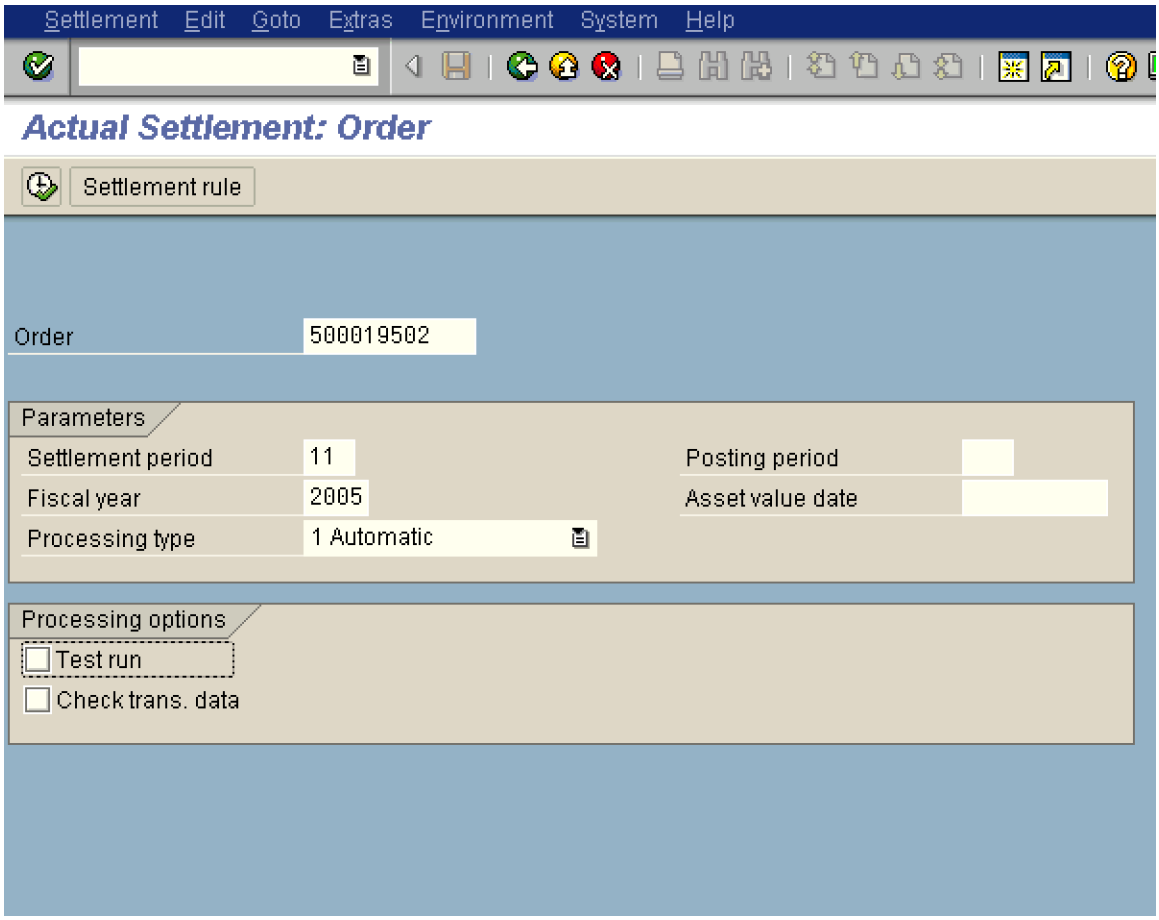
5) Settlement

This is the last step in the period end closing of cost object controlling.
The WIP calculated on the process order will be posted to FI and PCA in this step.

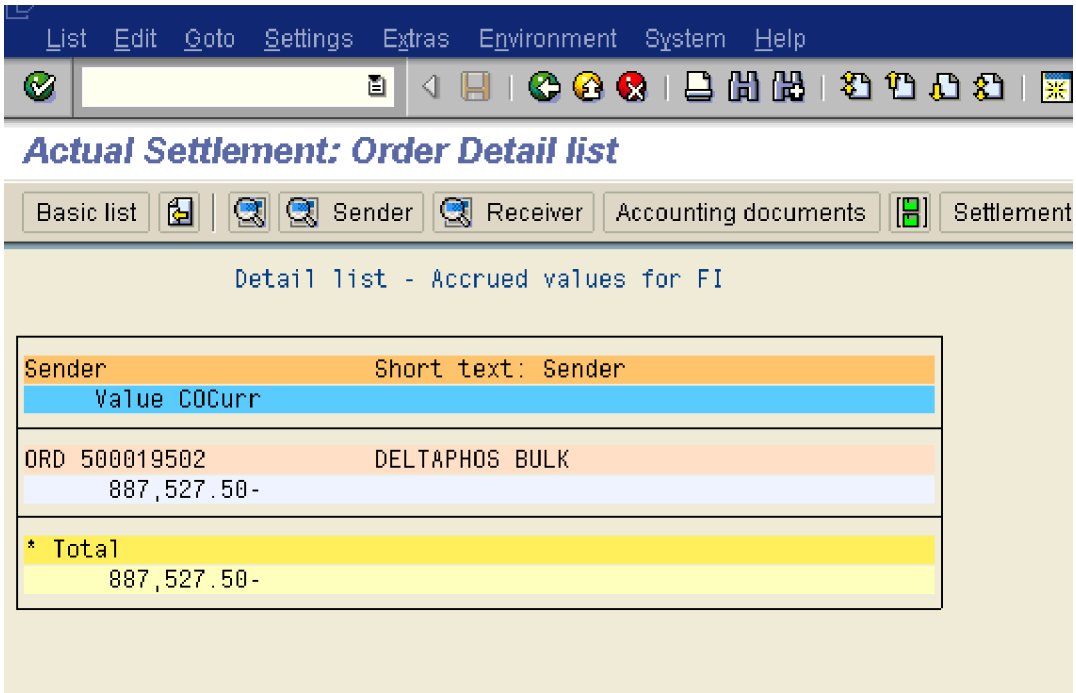
Use the following path:-

Accounting →Controlling →Product Cost Controlling → Cost Object Controlling → Product Cost by Order → Period-End Closing → Single Functions → Settlement → KO88 - Individual Processing

Update the following fields:



Click



Click

The following accounting entry is passed:-

WIP Dr. 887,527.50
Change in WIP Cr. 887,527.50

This brings us to an end of the Period end steps in cost object controlling.
Hope you enjoyed reading it.