Browse the Book

This chapter prepares you for a key cost object covered on the exam: internal orders. You'll walk through core concepts from master data to period-end close, review the terminology, and answer practice questions to solidify your understanding.
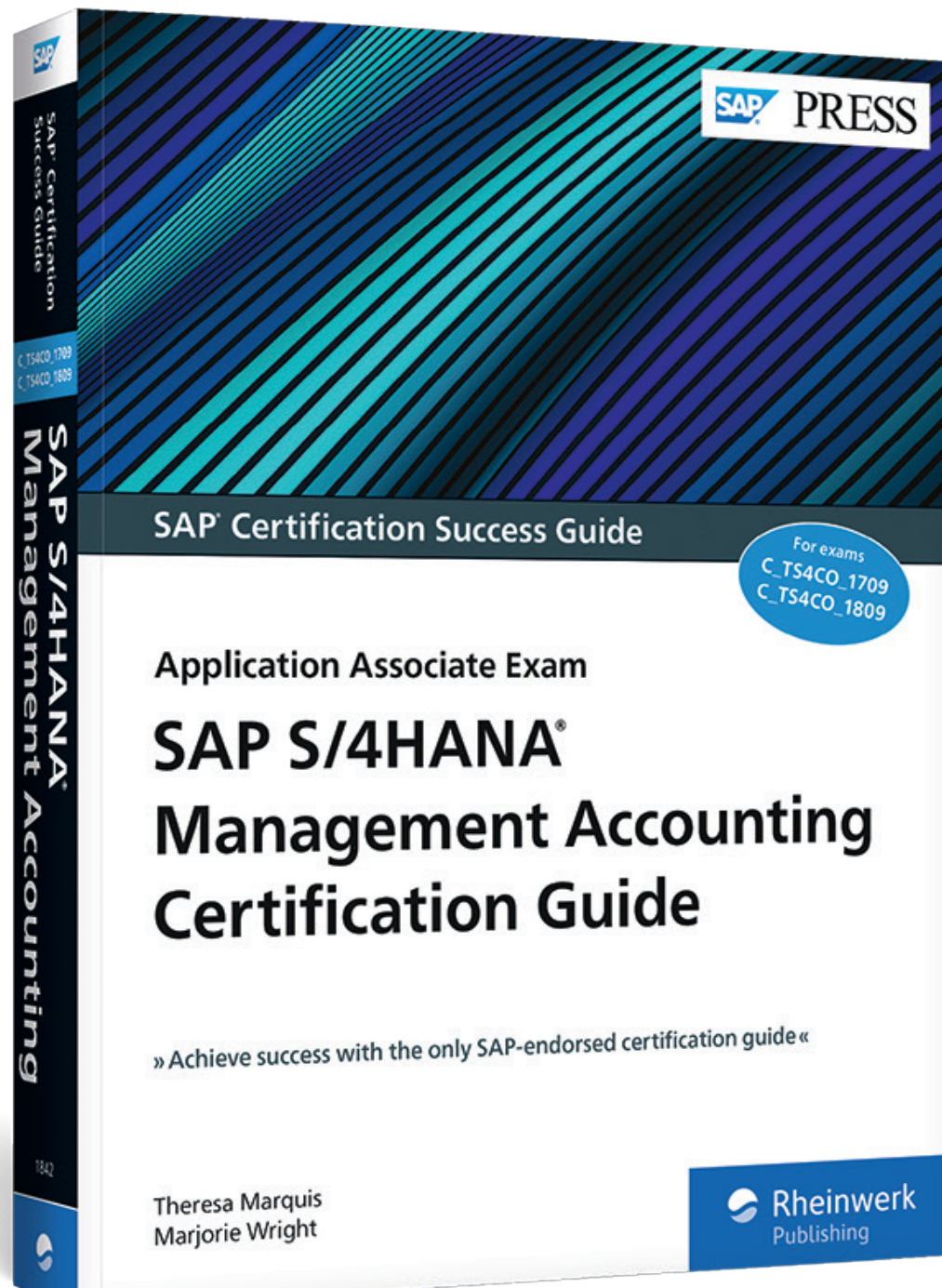
"Internal Orders"

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SAP S/4HANA Management Accounting Certification Guide

461 pages, 2019, 2019, $79.95
ISBN 978-1-4932-1842-4

www.sap-press.com/4886

Chapter 4
Internal Orders

Techniques You'll Master

- Understand the four categories of internal orders
- Create and maintain internal orders
- Understand the requirements for commitment management
- Distinguish between planning and budgeting of internal orders
- Use an overhead costing sheet to debit an internal order
- Understand periodic settlement options

In this chapter, we'll review the design and purpose of internal orders, one of three cost objects in overhead management (CO-OM).

Real-World Scenario

As a controlling (CO) consultant, you'll need an understanding of the benefits of using internal orders as temporary cost objects. SAP's intention with internal orders was to provide a convenient cost collector for short-term events or projects. If your company is sponsoring a company picnic, for example, how could you effectively collect those various expenses and divide up the cost based on attendance? Creating a cost center for an event like this would be impractical. An internal order is an ideal way to post all costs against a single cost object and, through periodic settlement, pass on each receiver's share of the event.

As a CO consultant, you'll need to explain the options available for the configuration of the internal order type, which controls all order parameters, from the order number to the period-end settlement process. You may also need knowledge of how to use overhead costing sheets, which are commonly used with internal orders.

For period-end processing, passing order costs to other cost objects is typically confusing to end users. Having a firm foundation in the configuration of a settlement profile will give you the tools necessary for explaining this process and completing your system design.

Objectives of This Portion of the Test

The objective of this portion of the certification exam will test your understanding of customizing the core objects required for internal order accounting as well as test your understanding of its main business processes.

The certification exam expects you to have a good understanding of the following topics:

- Configure internal order types
- Configure order-related profiles
- Period-end closing activities

- Planning and budgeting
- Commitments
- Daily business operations in internal order accounting

Note

The internal order accounting topic makes up 8% – 12% of the total exam.

Key Concepts Refresher

In this chapter, we'll discuss the role of an internal order as a master record and order types, as well as describe the configuration that controls the internal order itself. We'll discuss how postings are made to an internal order, the process of internal orders in period-end close, and the optional planning and budgeting features.

Master Data

An *internal order* is a cost object in CO. Often, you may hear this object referred to as a "temporary cost object." The idea is to use these fairly simple cost objects for short-term events (like that company picnic) or even for small projects. Internal orders are not complicated and have far fewer dimensions than project systems (PS).

As the short-term event is taking place, costs are accumulated against the internal order master data in real time as the financial postings occur. At the end of the accounting period, or sometimes the end of the event, the internal order goes through a periodic process called *settlement*. During settlement, the costs collected on the order are assigned to a specific receiver object; settlement is a form of cost, or overhead, allocation.

Four categories of internal orders exist, defined by their usage:

- Overhead orders: These orders are used to collect costs, with settlement to other cost objects.
- Investment orders: These orders are used to collect costs, with settlement to fixed assets. This category may be integrated with investment management (IM) and plant maintenance (PM).
- Accrual orders: These orders are used in a unique design as an offsetting cost object for calculated, or accrued, values in CO.

■ Orders with revenue: These orders can be integrated with sales and distribution (SD), or used only in CO, to collect cost and revenue, with settlement to any receiver.

To use internal orders, order management must be activated at the controlling area level, as shown in Figure 4.1.

Figure 4.1 Activate Order Management for a Controlling Area

Let's walk through the configuration settings and create an internal order master record.

Internal Order Type

An internal order master record is created by first selecting an appropriate *order type*. All the control functions of the order type are then transferred to the internal order being created.

Order types are created and maintained in Customizing. Each order type represents certain control parameters that should align to a specific business process. For example, you could create an order type that allows settlement only to a fixed asset (this order type could then support assets under construction), or you could create an order type that allows settlement only to a cost center (this order type could then support overhead cost allocations).

An internal order type is created at the SAP client level (see Chapter 2), which means that all the controlling areas of a client can use the same order types.

As shown in Figure 4.2, an order type contains the following important control functions:

■ **Number range interval**: This controls the number assigned to the internal order master record at creation. This range can be an internal or an external number range.

■ **Settlement prof.**: This controls settlement routine of the internal order.

■ **Planning Profile**: This controls how overall values are planned on the internal order.

■ **Budget Profile**: This controls order spending by using the availability control feature.

■ **Functional area**: This value will default to all orders created from the order type.

■ **Model Order**: This function can be used to provide default field values when internal orders are created, for example, a default controlling area, company code, or profit center.

■ **Commit. Management**: If selected, this order will be updated with commitments.

■ **Revenue Postings**: If selected, orders can collect revenue via the cost element category of a transaction.

■ **Integrated Planning**: If selected, orders will participate in integrated planning.

■ **Status Profile**: This function controls the lifecycle of the internal order by determining which business transactions can be executed at which phase of the order. A user status profile can be assigned in this field if more control than standard SAP field status is required.

- **Release Immediately**: If selected, orders created will be set to the status **REL** (released) upon saving the new master record.
- **Order Layout**: This function can be used to control the presentation of the internal order master record, for example, by positioning groups of fields on the various tabs of the order.
- **Field selection**: This function can be used to set the status of the fields of the order master record.

Figure 4.2 Order Type Configuration

> **Tip**
> Field status is used to identify fields that are to be hidden, displayed, required, or optional (HDRO), which determines priority in cases of conflict.

Status Management

The various profiles mentioned earlier are created independently of the order type and can be assigned to many order types. We'll review various profiles in later sections of this chapter, but for now, let's briefly explore the status profile. Other profiles have a specific use in certain business processes, but the status profile is important for the entire order lifecycle.

Let's first look at status management purely from a database management point of view. Eventually, master data objects and line item details in our system must be aged or archived simply to manage memory and storage resources. In plain words, you could define an order lifecycle in the following way:

1. Create the master data.
2. Accumulate business transactions.
3. Mark the master data for aging.
4. Mark the line item details for archiving.

In any ERP system, flags on objects and line items direct the system on how to manage that data.

> **Tip**
> What would "order lifecycle" mean within the daily business? Let's look at an example of creating an internal order to capture expenses related to creating a new marketing brochure. This event has a beginning, a middle, and an end. When the order is created at the beginning, perhaps a good idea would be to prevent the actual cost posting to the order until a supervisor has approved the event. Then, once the brochures are complete and all costs are accumulated, preventing any other costs from posting to the order would be paramount. A user status profile can be created to manage these business transactions.

All settings for the status profile are maintained in the Customizing menu.

First, let's discuss the indicators of SAP's standard example of order status, referred to as *system status*:

- **REL** (released): If this status is set, all business transactions can post against the internal order.

> **Warning!**
> If **REL** is not set, then no business transactions can be posted.

- **TECO** (technically complete): If this status is set, limited business transactions can post against the internal order, but no changes can be made to the planned order values.
- **CLSD** (closed): If this status is set, only a few activities are allowed, and no financial postings are allowed. Closed orders can be marked for deletion.

For many companies, these three system status indicators are enough. To activate system status, simply leave the status profile field blank in the order type. Figure 4.3 shows us an example of leaving the status profile field blank ❶ on an order type. To have the order status always set to **REL** upon creation of an order, you must also select the **Release Immediately** checkbox ❷.

Figure 4.3 Order Type, Status Management Group without Status Profile

If more control is needed over the order lifecycle, then an optional *user status profile* can be created and assigned to the order type, as shown in Figure 4.4.

Figure 4.4 Order Type, Status Management Group with Status Profile

As shown in Figure 4.5, the user status profile and its rules allow you to define your own statuses by defining the following:

- User status and short text
- Indicator to set a status as the initial order status
- Lowest/highest status, which controls the subsequent status allowed

Figure 4.5 User Status Profile

As shown in Figure 4.6, each user status can be configured to allow or prohibit specific business transactions by setting the transaction control indicators.

Figure 4.6 User Status Transaction Control

> **Tip**
> To prevent a business transaction from posting to an order, use the **Forbidd.** (forbidden) influence indicator in the user status profile.

Internal Order Master Record

Now that we've reviewed the configuration settings for internal orders, let's begin the process of creating an internal order. Internal orders are considered both master data and a cost object and are created on demand, whenever the business requirement exists.

Internal order master records can be created in several ways:

- Using the SAP GUI Transaction KO01
- Using the SAP GUI Transaction KO04
- Using the SAP Fiori app Manage Internal Orders

Using any of these methods, the first step is to enter a controlling area and use the dropdown menu to select an order type, as shown in Figure 4.7. Once selected, you cannot change the order type.

Figure 4.7 Internal Order: Create

In each method of order creation, you can also copy an existing order, which is referred to as "with reference." In this case, under the **Reference** heading, you would enter the **Controlling Area** and the number of the internal order master record from which you want to copy.

> **Note**
> Each internal order can be assigned to only one order type.

Figure 4.8 shows some details from the internal order master record for the **General Data** and **Organizational Assignments** data groups. Required fields are indicated with an asterisk (*).

Figure 4.8 Internal Order: General Data and Organizational Assignments

You'll maintain the order at the controlling area level, with reference to an order type, which was created at the client level.

Key fields to fill out in the **General Data** section are as follows:

- **Controlling Area**: Identifies which controlling area the order is valid for.
- **Order**: The system will assign an order number from the number range assignment when the order is saved.
- **Order Type**: The order type was specified at order creation and cannot be changed from this view. If incorrect, exit and begin anew.
- **Currency**: Identifies the currency to be used in regard to the order. This field is required; if left blank, the default company code currency will be used.

For the **Assignments** section, fill out the **Company Code** field. This identifies for which legal entity the order is valid.

> **Warning!**
> A company code must be assigned to the controlling area entered in the **General Data** of the order; you'll won't be able to select a company code here.

The other fields in this group of the master data can be used to make assignments of the order to business area, profit center, and so on. If the order is a real (as opposed to statistical) cost object, the values entered on this order will be defaulted to the line item posted in each business transaction.

Figure 4.9 shows some details of the internal order master record for the **Status**, **Control**, and **Period-End Closing** data groups.

Figure 4.9 Internal Order: Status, Control, and Period-End Closing

Let's take a closer look at each group:

- **Status**
  In this data group, the settings from the **Status Profile** assigned to the **Order Type** are displayed. Once the order is saved, you may maintain the status manually in this group.

- **Control**
  In this data group we can indicate integration with cost centers, planning, and other components. It contains the following:
  - **Order Category**: This value defaulted from the order type and cannot be maintained.
  - **Statistical Order**: If selected, this order will be posted to as a statistical cost object.
  - **Actual Posted Cost Center**: If the **Statistical Order** box is selected, you can maintain the cost center to be posted to as a real cost object.
  - **Integrated Planning**: If selected, this order participates in integrated planning.
  - **Revenue Postings**: If selected, this order can collect revenue via the cost element category of a transaction.
  - **Commitment Update**: If selected, this order will be updated with commitments.

> **Tip**
> For commitments to be active, the controlling area must also have the commitment indicator selected as described in Chapter 2. The order type can then provide a default selection to activate commitments.

- **Period-End Closing**
  This data group is divided between the **Period-End Closing** and **Settlement to One Receiver** data groups. The data entered in this data group determines the type of processing to be executed at period end and includes the following key fields:
  - **Results Analysis Key**: This field will control valuation at period end. This is useful if the order contains revenue, or if work in process (WIP) is required for the order.
  - **Costing Sheet and Overhead Key**: This field will control the overhead calculation for the order.
  - **Interest Profile**: This field will control the interest calculation.
  - **Settlement Cost Element**: If there will be one, and only one, receiver of the order value during periodic settlement, then enter the cost element (category 21) in this field (see Chapter 3).

  - **Cost Center**: If there will be one, and only one, cost center as receiver of the order value during periodic settlement, enter the cost center in this field.
  - **G/L Account**: If there will be one, and only one, general ledger (G/L) account posted to during periodic settlement, enter the G/L account in this field.

> **Note**
> Settlement to one receiver is often referred to as "basic settlement." We'll review more detailed options for settlement, or "extended settlement," in the "Period-End Close" section.

Finally, as shown in Figure 4.10, additional data groups on the order master record include the following:

- **Investment Management**: If the order is integrated with inventory management (IM), those parameters can be entered in this data group.
- **Translation and Long Text**: Language translations, if applicable, will be located in this data group.
- **Change Documents**: This data group is an order-level change log.

Figure 4.10 Internal Order: Investments, Translation, and Change Documents

> **Tip**
>
> Remember that the order layout of an order type determines what data groups and field statuses default from the order master record.

An internal order master record can be managed by creating order groups. Since the order number depends on the number range assigned in configuration, grouping similar orders together for reporting purposes can be helpful. Groups can be created using two methods:

- Manually using Transaction KOH1: If only a few orders need to be grouped together, you can enter each order number manually.
- Automatic collective processing using Transaction KOK4: If many orders should be grouped together, you can create a rule to automatically include orders in a group if the orders share the same profit center, for example.

In addition to collectively creating groups, Transaction KOK4 contains these additional features:

- Change order status
- Apply substitution rule

Business Transactions

Now that you have a firm understanding of the order type and the order master record, let's focus on the business transactions whose values will accumulate on the internal order.

If the G/L account being posted to is integrated with CO (see Chapter 3), a real (non-statistical) internal order can be entered on the line item of the posting to meet the FI-CO process integration (or CO account assignment) requirement.

Before reviewing the basics of posting financial transactions to internal orders, let's look at the status of an order once again. Figure 4.11 shows the status data group of an order master record. In this data group, the order status can be manually maintained.

Remember that the status profile controls this activity. To see how the transaction control works, click **Display Allowed Transactions.** As shown in Figure 4.12, a listing of business transactions that can be executed against the internal order is then displayed.
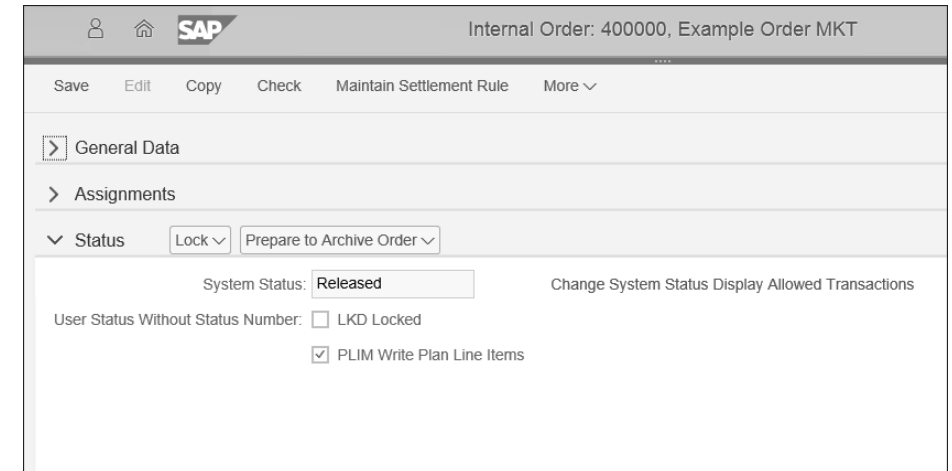
Figure 4.11 Order Status Group as Seen on the Internal Order Master Record
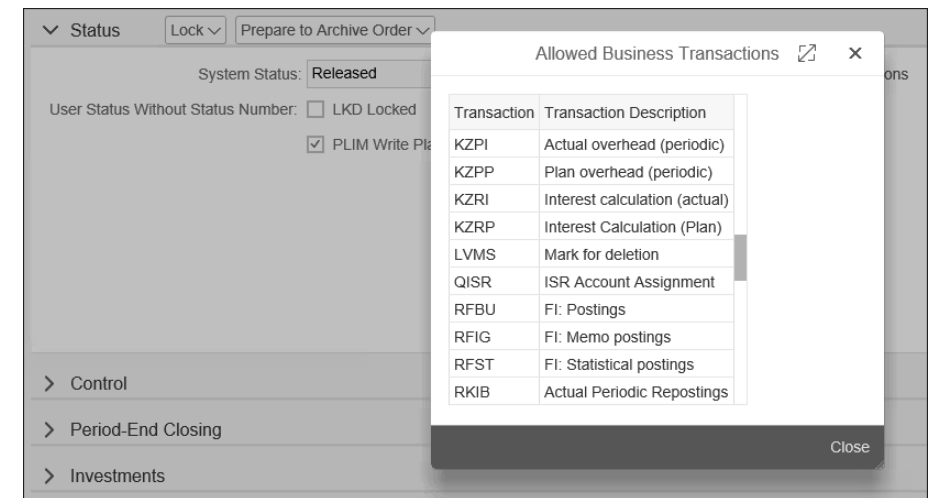
Figure 4.12 Allowed Business Transactions at the Order Level

Posting Integrated Transactions

As financial transactions are being recorded throughout the organization, internal orders are updated in real time—provided the order number was entered in the original FI document. So, exactly where can the internal order number be entered? The following are a few common examples:

- **On a purchase order line item**
  If the buyer enters an account assignment category F (order) on the purchase order line item, then an order number is required to save the order. This order number will transfer to the goods receipt and the logistics invoice verification—both of which create financial postings.

> **Note**
>
> If commitments are active on the internal order, the undelivered purchase order item value will be visible at the order level. This occurs prior to the goods receipt.

- **On a customer invoice**
  If integrated with sales and distribution (SD), the order number can default from the sales order line item. If not integrated, the order number can be manually entered in the FI accounts receivables invoice document.
- **On a vendor invoice**
  If integrated with purchasing, the order number can default from the purchase order (as described in Chapter 2). If not integrated, the order number can be manually entered in the FI accounts payables (AP) invoice document.
- **On a G/L manual posting**
  The order number can be manually entered for any G/L account number that is integrated with CO (see Chapter 3).

Figure 4.13 shows an example of the creation of a vendor invoice (not integrated with purchasing). Notice the internal order number is entered in the **Order** field for the G/L account **Purchased Services**.

> **Warning!**
>
> The internal order number used here must be assigned to the same company code entered in the line item of the FI document. If not, the user will receive an error message.

When the FI document is posted, all relevant data from the internal order master record is transferred to the posting. As shown in Figure 4.14, in our example, the profit center and business area were defaulted from the order for the expense line of **Purchased Services**.
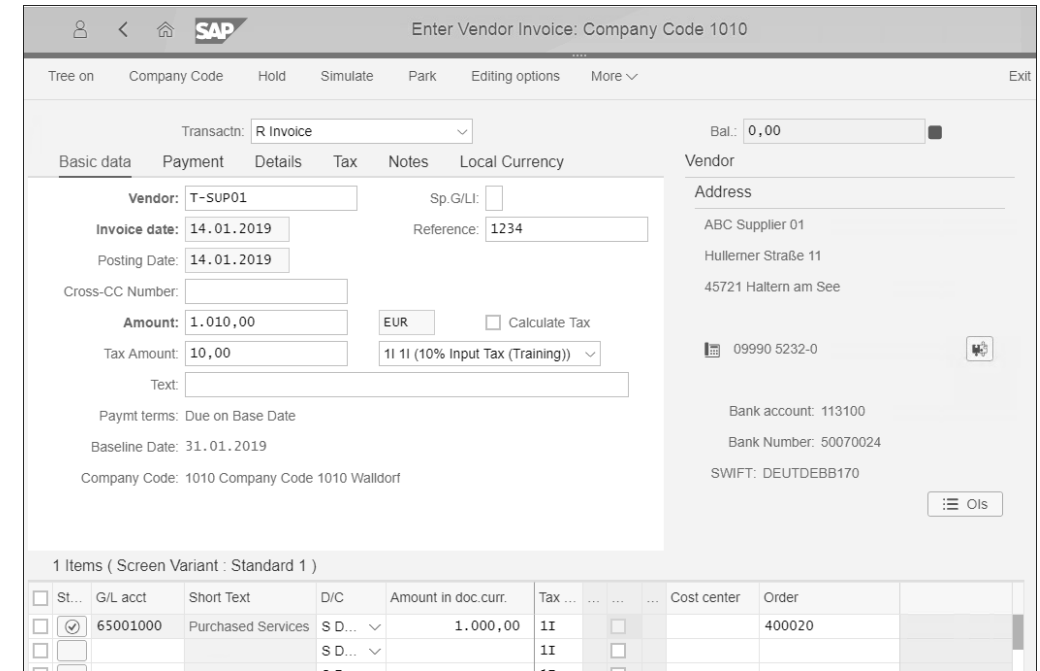
Figure 4.13 Enter Vendor Invoice with Internal Order
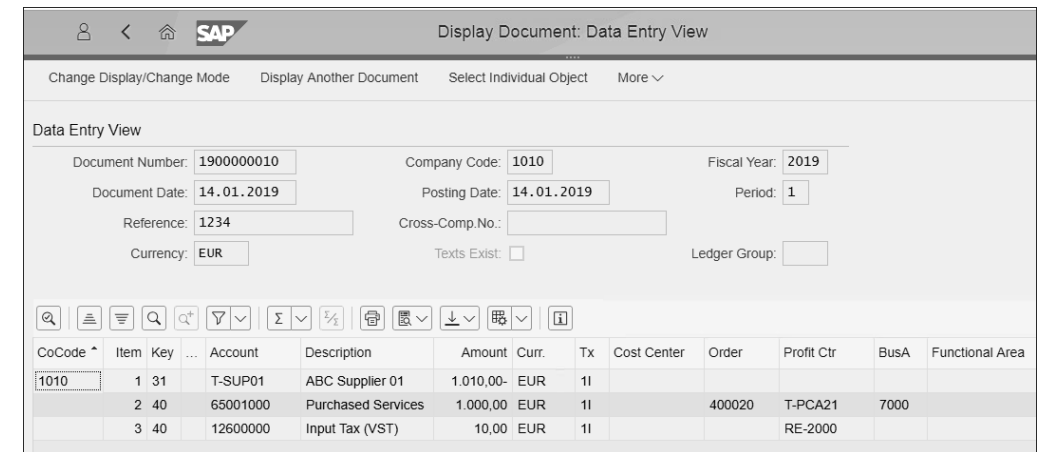
Figure 4.14 Vendor Invoice Posted with Internal Order

When the document is posted, the order information is updated in real time, as shown in Figure 4.15.

8 < ⌂ SAP	Internal Orders - Plan/Actual ⌄					
					Jump To	⊪ ⊫
Order ⇅	Order ⇅	G/L Account ⇅	G/L Account ⇅	Actual Amount ⇅	Plan Amount ⇅	Difference ⇅ %-Difference ⇅
400020	New Product Brochure	Purchased Services	65001000	1.000,00 EUR	1.000,00 EUR	
Overall Result				**1.000,00 EUR**	**1.000,00 EUR**	

Figure 4.15 Internal Orders: Plan/Actual Report

Commitment Management

Commitment management is an optional feature that allows visibility on an internal order into all open purchase requisitions and purchase orders—provided the order number was entered in the purchasing document.

Activation of this feature is created by:

1. Indicator for the controlling area
2. Indicator for the order type
3. Indicator for the order master data

> **Tip**
> If you are managing a high-value capital project using an internal order, visibility of open purchase commitments for the project could be quite useful.

Period-End Close

As part of the period-end close process, internal orders can be debited and credited by using various techniques. The following are a few examples:

- Cost center allocations can debit internal orders with expenses if the order is named as a receiver (see Chapter 3).
- Overhead costing sheets can debit internal orders with costs if the costing sheet is entered in the order master record.
- Internal orders can be the sender of costs via periodic repostings (see Chapter 3).
- Internal orders can be the sender of costs through the settlement process.

> **Tip**
> As we look at overhead costing, keeping in mind the different "senders" and "receivers" of overhead could be useful. Any real cost object can be a sender/receiver. Think of this scenario as a realignment of responsibility: An internal order was used as a temporary cost object, but at period end, we could determine who is next responsible and transfer the cost to that receiver.

In this section, we'll walk through two key processes for period-end close.

Overhead Costing Sheet

This technique is commonly used to allocate costs in several CO components: cost center accounting, product costing, and internal orders.

Three main elements, or steps, determine the calculation for overhead costing:

1. The *calculation base* is used to identify the amount to which overhead is applied. This amount is expressed by cost elements.
2. The *overhead amount* indicates how much overhead to apply. This value can be expressed as a percentage or using a quantity-based method, and you can also distinguish between actual, plan, and even commitment amounts.
3. The *credit key* indicates the sender (either a cost center or an internal order) of the overhead. With the credit key, you can also identify the secondary cost element (category 41) for the posting to take place on when executed.

Let's look at an example. As shown in Figure 4.16, a simple overhead costing sheet consists of two rows:

- Row 10 defines the calculation base as **X00**.
- Row 20 defines the overhead amount as **Y00**, which is to be applied to the result of row 10. This row also defines the credit key as **Z00**.

Change View "Costing sheet rows": Overview						
⊞ ⊟ ⊠ Set Focus Expand Controlling Area						
Costing sheet XYZ00 OH Costing Sheet 00						
Row	Base	O. Rate	Description	From	To Row	Cr.
010	X00		OH BASE			
020		Y00	O/H Rate	10	10	Z00

Figure 4.16 Overhead Costing Sheet

To better understand the calculation, let's look at the details found on the costing sheet, as shown in Figure 4.17.

Figure 4.17 Overhead Base X00

By expanding row 10, as shown in Figure 4.17, you'll see the range of cost elements (from **60000000** to **69999999**) defines the calculation base of **X00**. If the internal order has any posted values to cost elements in this range, the total value will be the basis for the overhead calculation.

By expanding row 20, as shown in Figure 4.18, you'll see that the rate of 10% defines the overhead amount of **Y00** and that the credit key of **Z00** determines the cost element as **94111000** and the sender cost object as cost center **10101601**.

> **Tip**
> When creating an overhead amount key, you may use a dependency. In this example, the overhead type is the dependency. We could assign a different percentage for plan, actual, and commitments, and other dependencies are available.

How does SAP S/4HANA bring together these various components of a costing sheet? Let's look at a simple example:

1. If overhead costing sheet XYZ00 is assigned to the internal order master record
2. And the internal order has an actual posted value of $1,000 to cost element 60001000
3. Then the overhead amount will be $100 ($1,000 × 10%)
4. And the internal order will be debited $100, and cost center 10101601 will be credited all on cost element 94111000

Figure 4.18 Overhead Rate Y00 and Credit Key Z00

Settlement

The last step in the period-end close process for internal orders is referred to as *settlement*. During the accounting period, the temporary cost collector has accumulated costs through actual postings. At period end, our task is to properly pass on to other cost objects their share of these costs.

> **Note**
> The settlement of internal orders is not mandatory.

Two settlement procedures are available in SAP:

- Simple settlement: Receiver information is entered on the **Prd-end closing** tab of the order, as shown in Figure 4.19.
- Extended settlement: Receiver information is entered in a *settlement rule*, where you can enter *distribution rules*, as shown in Figure 4.20. These distribution rules can be used to allocate costs to more than one receiver and are controlled by a *settlement profile* assigned to the order type.

Figure 4.19 Simple Settlement

Figure 4.20 Extended Settlement

The settlement profile contains all control parameters for extended settlement and is entered in the **General parameters** section of the order type in configuration, as shown in Figure 4.21.

> **Tip**
> A single settlement profile could be assigned to many order types.

Figure 4.21 Settlement Profile in Order Type

The settlement profile, shown in Figure 4.22, controls the following:

- Determines if an order can be settled
- Indicates the appropriate receivers
- Assigns additional structures, if required
- Controls indicators that determine cost apportionment methods:
  - Percentages
  - Amounts
  - Equivalence numbers
- Determines the document type used in settlement posting
- Controls the number of distribution rules allowed

> **Warning!**
> Even if you're using simple settlement, you must have a settlement profile assigned to order types. If no settlement profile exists, the order will not be included in the period-end close settlement.

Figure 4.22 Settlement Profile

There are also the following three different structure types, which are assigned to the settlement profile:

- **Allocation structure**
  An *allocation structure* determines which cost elements will be posted to at settlement and is entered in the settlement profile. An allocation structure allows you to choose, by receiver type, either a secondary cost element or the original primary cost element, as follows:
  - For settlement internal to CO: The secondary cost element used for order settlement must have cost element type (category) 21 in its definition.
  - For settlement external to CO: The secondary cost element used for order settlement must have cost element type (category) 22 in its definition. This approach is usually seen when settling an asset for a G/L account.

  Figure 4.23 shows an example of an allocation structure that allows the use of a secondary cost element if the receiver is a fixed asset or a cost center. However, if the receiver is another order, you'll want to use the original cost element of the posted cost.

Figure 4.23 Allocation Structure

- **PA transfer structure**
  If you are settling to a costing-based profitability analysis (CO-PA) profitability segment, a CO-PA transfer structure (PA transfer structure) is required to map cost elements used to post settlement to value fields in CO-PA. You'll enter this value into the settlement profile.
- **Source structure**
  This structure allows you to group certain cost elements together for assignment to different receivers in the settlement rules. This structure can be assigned to the settlement profile or entered in the order master record.

> **Tip**
> Let's consider an example. Your order supports a training event. You have a requirement to settle internal personnel costs from the order to the human resources cost center, but any outside service costs should be settled to the training cost center. Use a source structure to group these different cost elements, then enter the distribution by receiver in the settlement rule.

Planning and Budgeting

Planning and *budgeting* are optional features that can be used with internal orders to monitor and control spending against an order. These features can be implemented alone or together.

Planning provides values to compare to actual cost. Often, planning is referred to as "funds requested." Budgeting provides a tighter control by preventing overspending. Often, budgeting is referred to as "funds approved."

Tip

To analyze plan/actual/variance for an order, you may want to plan spending by cost element. Then, using the information system plan versus actual can be analyzed.

To control spending for an order, you may want to create an overall budget and availability control with actions that determine how far over budget the values may go.

Planning

Planning can be performed for costs, activities, and business processes that will be incurred over the life of the order.

The levels of planning include:

- **Overall planning**
  This option is the simplest way to plan for an order. Values are planned at the order header level as overall and/or by year.

- **Primary/secondary cost planning**
  This option is the most commonly used scope. When you have detail about expected spending by cost element, the analysis of plan versus actual is the most meaningful.

  Within this scope, two methods are available:
  – Manual planning: Plan costs are entered manually into a planning layout by cost element, activity input, and revenue.
  – Automatic planning: Plan costs are calculated by use of an overhead rate, distribution, assessment, indirect activity allocation, process costs, and settlement.

- **Unit costing**
  This feature allows for a lower level of planning detail than overall planning.

- **Statistical key figures**
  Key figures such as headcount or square footage can be planned for use in reporting and periodic reposting.

A *planning profile* contains all planning parameters, as shown in Figure 4.24. Planning profiles are assigned to internal order types.

Figure 4.24 Planning Profile

Since planning is often an iterative process, you can use multiple *planning versions* to manage various plan assumptions. This method is the same version control referenced in Chapter 2, with version 0 always indicating actual values.

For planning purposes, two indicators in the version are important, as shown in Figure 4.25:

- The **Integrated Planning** checkbox allows plan values to be passed on to profit center accounting and special purpose ledgers.

- The **Integrated planning with cost centers/bus. processes** checkbox allows order planning to integrate with these components.

Tip

Order planning is only used for longer-term orders or large values. In other cases, order planning for each internal order would be impractical.

Figure 4.25 Planning Version Indicators

In SAP S/4HANA, internal order plan values should be entered using embedded SAP Business Warehouse (SAP BW) and SAP Analysis for Microsoft Office. This planned data can then be retracted.

Budgeting

Budgeting and availability control are features used to control the actual spending of an internal order. These features are popular when using orders to track capital expenditures and any other large-dollar events with a finite amount of funds available.

A *budget profile* must be created and assigned to the order type. All control parameters are found on this profile, including the activation type for **Availability Control**, as shown in Figure 4.26.

Availability control provides a system response when posting to an order based on three actions:

- Action 1: Warning to user
- Action 2: Warning to user and email to budget manager
- Action 3: Error to user

Figure 4.26 Budget Profile

Each of these actions can have a budget tolerance expressed as a percentage or an absolute variance, as shown in Figure 4.27.

Figure 4.27 Availability Control Tolerance Limits

> **Note**
> Notice that the tolerance is assigned to a budget profile at the controlling area level.

For example, if an order has a budget of $1,000 and a posting is attempted in the amount of $951, the system will trigger a warning message to the user upon posting, as shown in Figure 4.28.
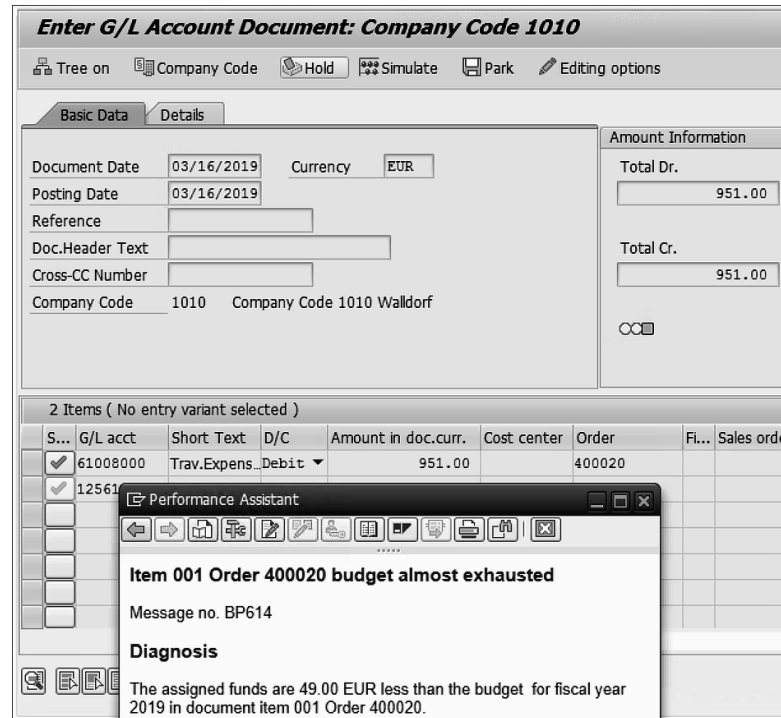
Figure 4.28 Availability Control Action 1 User Warning Message

If an order has a budget of $1,000 and a posting is attempted in the amount of $1,151, the system will trigger an error message to the user upon posting, as shown in Figure 4.29.

If action 2 is in use, you must also configure a budget manager in Customizing.

> **Tip**
> During configuration, you can exempt specific business transactions and cost elements from the availability control feature.
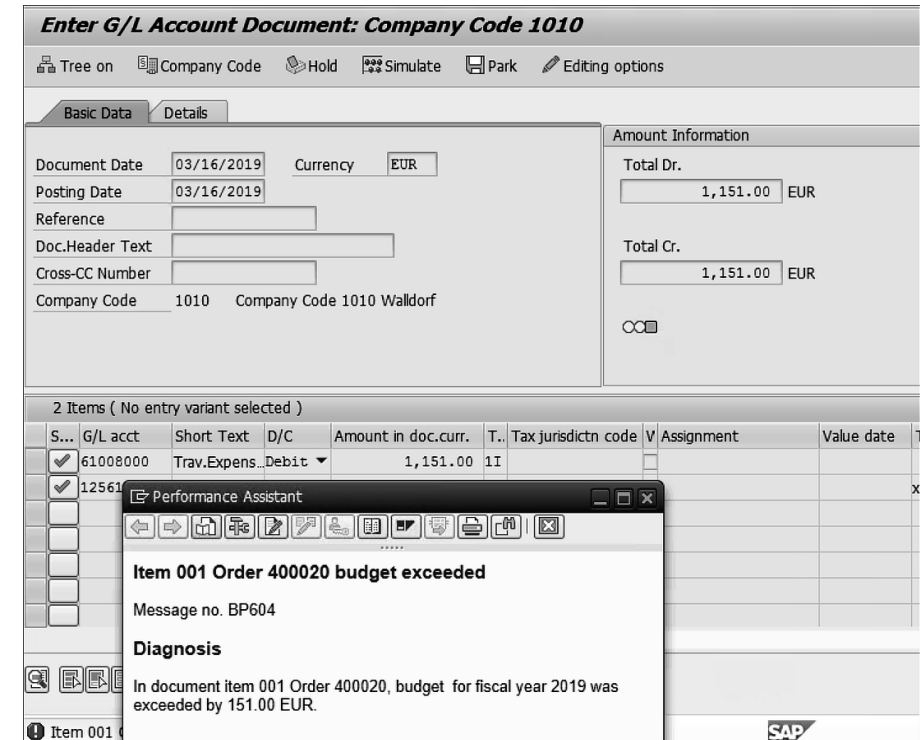
Figure 4.29 Availability Control Action 3 User Error Message

Important Terminology

In this chapter, the following terminology was used:

- **Allocation structure**
  An allocation structure controls how original cost elements are assigned to settlement cost elements.

- **Automatic collective processing**
  This kind of processing allows the grouping of multiple orders so that changes can be made at one time using substitution rules.

- **Availability control**
  This feature controls order spending based on tolerance to budget.

- **Budget profile**
  A budget profile controls a budget's settings such as timeframe, exchange rate, currency, and the activation of availability control.
- **Commitment management**
  This process can be used to identify future costs from existing purchase requisitions and purchase orders. This capability is activated at the controlling area level and by order type.
- **Internal order**
  An internal order is a cost collector for short-lived projects or events.
- **Order grouping**
  This flexible tool can manage orders, whether created manually or via automatic collective processing.
- **Order type**
  An order type contains all control parameters, including number range, for internal order master records.
- **Overhead costing sheet**
  The overhead costing sheet holds rules for applying overhead. Its three central elements are its calculation base, the overhead amount, and the percentage/quantity-based approach.
- **Planning level**
  The planning level determines how much detail is used to plan order cost. The three levels are overall, primary/secondary costs, and unit costing.
- **Planning profile**
  A planning profile contains all control parameters for overall planning and is assigned to the order type.
- **Settlement**
  This process is a periodic pass through of order costs to other receivers.
- **Settlement profile**
  A settlement profile contains all control parameters that govern the settlement process.
- **Source structure**
  A source structure controls the settlement to different receivers based on original cost.
- **Status profile**
  A status profile controls which business transactions are valid during the order lifecycle.

✅ Practice Questions

These practice questions will help you evaluate your understanding of the topics covered in this chapter. The questions shown are similar in nature to those found on the certification examination. Although none of these questions will be found on the exam itself, they will allow you to review your knowledge of the subject. Select the correct answers and then check the completeness of your answers in the "Practice Question Answers and Explanations" section. Remember that on the exam you must select all correct answers and only correct answers to receive credit for the question.

1. At what organizational level are internal orders created?
   - ☐ **A.** SAP client
   - ☐ **B.** Company code
   - ☐ **C.** Controlling area
   - ☐ **D.** Operating concern

2. True or False: Internal orders can be used to collect revenue.
   - ☐ **A.** True
   - ☐ **B.** False

3. If activated, availability control offers which benefit?
   - ☐ **A.** Used to notify the budget manager that budget is depleted
   - ☐ **B.** Uses plan values to create a budget
   - ☐ **C.** Used with postings to update commitments

4. Where do you activate commitment management for internal orders? (There are two correct answers.)
   - ☐ **A.** Controlling area
   - ☐ **B.** Company code
   - ☐ **C.** Order type
   - ☐ **D.** Budget profile

5. Which of the following are features of SAP system status? (There are two correct answers.)

☐ **A.** Controls the lifecycle of an order

☐ **B.** Can be configured

☐ **C.** Requires a status profile

☐ **D.** Determines which business transactions can post to an order

6. Which of the following does the budget profile control?

☐ **A.** Planning level

☐ **B.** Availability control

☐ **C.** Allocation structure

7. Which of the following are assigned to an order type? (There are three correct answers.)

☐ **A.** The number range for orders

☐ **B.** The description of the order

☐ **C.** General parameters for settlement, planning, and budgeting

☐ **D.** The profit center of the order

☐ **E.** The status profile

8. Tolerance limits are assigned to which organization level?

☐ **A.** Order type

☐ **B.** SAP client

☐ **C.** Controlling area

9. Which of the following are organizational assignments contained in the order master? (There are three correct answers.)

☐ **A.** Company code

☐ **B.** Order type

☐ **C.** Controlling area

☐ **D.** Business area

☐ **E.** Cost center

10. Which of the following can be a receiver for an internal order settlement? (There are three correct answers.)

☐ **A.** A fixed asset

☐ **B.** A settlement profile

☐ **C.** A general ledger (G/L) account

☐ **D.** A cost object

☐ **E.** A statistical key figure

11. True or False: Planning for internal orders is required in SAP S/4HANA.

☐ **A.** True

☐ **B.** False

12. When using budgeting and availability control for internal orders, at which action is an email sent to the budget manager?

☐ **A.** When the original budget is entered on the order

☐ **B.** When spending on the order will exceed the third tolerance limit

☐ **C.** When spending on the order will exceed the second tolerance limit

13. Which feature can be used to settle certain costs to different receivers?

☐ **A.** Settlement profile

☐ **B.** Source structure

☐ **C.** PA transfer structure

14. Which element of an overhead costing sheet identifies the sender of the overhead?

☐ **A.** Calculation base

☐ **B.** Credit key

☐ **C.** Overhead amount

15. Which setting controls where fields are positioned on the internal order master record?

☐ **A.** Status profile

☐ **B.** Field selection

☐ **C.** Order layout

Practice Question Answers and Explanations

1. Correct answer: **C**
    Orders are created within a controlling area. In the header of the order, you can then assign a company code and other organizational structures, but the initial creation is by controlling area.

2. Correct answer: **A**
    True. If the order type has the revenue checkbox selected, the orders that are created with this order type can then be used to collect revenue. Remember a checkbox for revenue on the order master record is also available.

3. Correct answer: **A**
    The purpose of availability control is to define the usage limits of a budget based on three actions. The second action triggers a notice to whomever is identified as the budget manager.

4. Correct answers: **A, C**
    First, the controlling area must have commitment management activated. Next, the order type can indicate which commitments are in scope.

5. Correct answers: **A, D**
    These activities are features of SAP-controlled system statuses. The remaining choices refer to a user status, which can be configured to meet specific requirements.

6. Correct answer: **B**
    The budget profile determines the activation type for availability control.

7. Correct answers: **A, C, E**
    Each order type contains all control parameters for creation of the internal order master data. The controls include a number range; profiles for settlement, planning, and budgeting; and a profile to control the status of the internal order. Order description and profit center are fields on the internal order master data.

8. Correct answer: **C**
    Each budget profile can have its own tolerance limits, but they are assigned at the controlling area organization level.

9. Correct answers: **A, C, D**
    An internal order is created by entering a controlling area and an order type. Of these two objects, only the controlling area is considered an organizational assignment. In the **General Data** section of the internal order, you can make the additional organizational assignments of company code and business area. You can also enter a responsible cost center, but this information would be considered master data, not an organizational assignment.

10. Correct answers: **A, C, D**
    The settlement profile assigned to the order type can allow an order to settle to other cost objects or to master data in FI. Of the possible answers, only fixed assets, G/L accounts, and cost objects could act as receivers.

11. Correct answer: **B**
    False. Planning is an optional feature for internal orders. Typically, we plan for orders that require significant spending or need to be managed over a long period of time.

12. Correct answer: **C**
    Three actions are triggered by spending compared to budget: action 1 sends a warning message to the user when the first budget tolerance limit has been reached; action 2 sends a warning message to the user and an email to the budget manager when the second budget tolerance limit has been reached; action 3 sends an error message to the user when the third budget tolerance limit has been reached.

13. Correct answer: **B**
    The source structure allows for the grouping of cost elements to be assigned to different receivers at settlement. The PA transfer structure is used when settling to costing-based CO-PA. Both of these structures are assigned to the settlement profile.

14. Correct answer: **B**
    The components of the overhead costing sheet are the calculation base, which determines the amount to calculate the overhead on; the overhead amount, which determines how much overhead to apply; and the credit key, which determines which cost object is the sender of the overhead as well as the secondary cost element for posting.

15. Correct answer: **C**

     The order layout can be used to position the tabs and fields of orders in a spe-
     cific way. You can create different order layouts for each customer requirement
     and for each order type.

Takeaway

In this chapter, we focused on using internal orders as cost objects. We began with
a review of how to activate internal orders at the controlling area level and dis-
cussed the four categories of internal orders: overhead, investment, accrual, and
with revenue.

Next, we looked at the most important configuration object—the order type.
Order types are aligned to specific business processes by the controls assigned.
Each order type can use different rules, or profiles, to determine how to manage
the business processes of settling, planning, and budgeting internal orders. Each
profile has its own indicators relevant to the specific business process.

You should now understand how to create an order master record and the basics
of the value flow from financial transactions to internal orders, including optional
features to measure commitments. The period-end close process, which the
optional use of an overhead costing sheet, was also reviewed, and we covered the
periodic settlement of orders.

Armed with this information, you should be well equipped to meet the objectives
of this portion of the test.

Summary

Internal orders offer a flexible cost collector for short-term projects and events,
and a solid understanding of internal orders is necessary to meet your customers'
requirements. You should now understand the most common configuration set-
tings, as well as how to manage the order lifecycle.

This chapter completes our review of the components of CO-OM. Now, we can
move on to the next component: product cost planning. In the next chapter, you'll
learn what objects are needed in configuration to create material cost estimates
for product cost planning.

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SAP S/4HANA Management Accounting Certification Guide

461 pages, 2019, 2019, $79.95
ISBN 978-1-4932-1842-4

www.sap-press.com/4886

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