

Tips & Tricks for Actual costing material ledger Implementation

OVERVIEW

Definition of Material ledger: Material Ledger (Henceforth termed as “ML”) is a tool that collects data for material whose master data is stored in the material master. On the basis of this data ML calculates prices for valuation of materials. Valuation of material is possible in three currencies.

During actual costing system automatically calculates the new prices & new inventory value from the value collected during the period.

Important Note: Implementation and use of actual costing material ledger demands lots of discipline and maintenance. For example: From the implementation perspective after completing the configuration each plant need to be set as productive from the ML side. Likewise for each month end for each plant and material code which is subject to actual costing actual costing run must be executed. Apart from these activities there are number other critical cross module activities are there which affects working of ML. So we should make a note of all such activities of inter modular and cross modular at different phases of implementation project for smooth working of actual costing material ledger. We always need to ensure another fact that whichever Server is being used for testing (Sandbox client on Development server, Integration testing client on Quality server etc.), on those servers we do the Material Ledger closing meticulously. If we do not close periods in Material Ledger and instead keep opening Materials Management periods then we will run into a potential risk of not carrying out ML closing at all going forward on the respective servers.

Executive Summary

Business Blueprint Phase:

1. Basic concept of actual costing material ledger must be clear to all the project team responsible for implementation of ML.
2. Pros and cons of additional fields in material master must be understood by all the project team members.
3. Accounting implication of actual costing run must be understood by financial & costing team.
4. Preparation of business blueprint document for actual costing material ledger including all such business scenarios and related accounting entries.

Realization Phase:

1. Complete configuration based on business blueprint document for actual costing material ledger.
2. Checklist for completion of other configuration which affects ML.
3. Set all the plants as “Productive” from the ML perspective, before any transaction in plants.
4. Check material ledger document after inventory posting in plants.
5. During the integration testing execute “Actual costing run” and analyze the accounting documents.

Final preparation phase:

1. Ensure that the entire configuration from ML and other related must be available in production system.
2. All plants in company code where ML is active must be set as “productive”
3. Maintenance of accounting 1 view of material master for large no. of materials in production system.
4. Cutover strategy for standard cost estimate, stock upload, price release and actual costing run.

Go live and Post go live phase:

1. Types of error which may occur in live system because of material ledger, reason for the same and how to resolve these errors.
2. Material price analysis, accounting of price variances and its implications.
3. Actual costing run at the end of each month within first week of next month. Types of error may occur during the actual costing run.
4. Use of actual cost for the purpose of inventory valuation, COPA revaluation and MIS reporting.

Detailed Explanation

1. Basic concepts of Actual costing material ledger: The need for actual cost arises because there are some inherent limitation of standard price and moving average price. These limitations are described as under;
 - A. Limitations of Standard price are :
 - Variances are posted to Price difference account in FI rather than stock account, therefore stock is not valuated at actual cost
 - Variances cannot be transferred to subsequent production levels.
 - B. Limitations of Moving average price are :
 - Valuation of material consumption is totally dependent on timing of Goods Issue, example if Invoice receipt was entered after Goods issue with variances, in this case issued material is not valuated at actual procurement cost.
 - In case of stock shortage partial price difference goes to Price difference account instead of inventory account.

With Actual Costing, system combines the benefits of standard price valuation with the advantages of a valuation with the moving average price: a stable price for controlling purposes and, at the same time, weighted actual price for each material for each period. Hybrid of Standard Cost and Moving Average cost (i.e. Periodic Unit Price: PUP)

2. Price determination control in accounting 1 view of material master: This is additional field activated only if ML is active at plant level.
 - a. Each Material master can be set either with Indicator 2 or Indicator 3.
 - b. Indicator 2 – Transaction based price determination. This functions same way as the system without Material Ledger. Generally all raw materials, consumables, engineering stores & reprocess material (repack & return) will be having Price Indicator 2
 - c. Indicator 3 – Single/ Multiple level price determination :
 - i. Standard price used for preliminary Valuation, and a Periodic Unit price is calculated in period end. Only possible for materials with price control S.
 - ii. In addition to this, the differences between the preliminary valuation price and the actual price are recorded, per material, for each posted activity. Generally all finished and Semi finished product will be maintained at 3/S
3. Accounting implication of Actual costing run in different business scenarios:

In order to facilitate a detailed understanding of various Accounting transactions which are envisaged in the 3 different scenarios as given below , it's imperative to understand an example in toto. A detailed example along with the Accounting entries and Material Price Analysis has been provided in the Attached Excel file which will help a great deal.



Accounting entry for
ML - Georg Fischer.xlt

Material Ledger closing entries are always posted in Accounting using Document type ML. A number range of 47 is specially reserved for the same.

- a. With revaluation of inventory and original consumption accounts, for revaluating original consumption account the pre requisite is to configure Movement type group for movement types applicable for last point consumption (e.g. 201, 202,601,602 etc.) Segregation between original consumption entries and the ML closing entries in the Consumption accounts can be done by using document types in FI.

Posting date : 30.04.10 if closing for Apr'10		OBYC TRANSACTION KEY
PRICE DIFFERENCE A/C	CR	PRY
MAT LEDGER ADJ A/C	DR	PRV
SFG INVENTORY A/C	DR	BSX
PRICE DIFFERENCE A/C	CR	PRY
COST OF GOODS SOLD	DR	GBB-VAX
FG INVENTORY A/C	DR	BSX
FG INVENTORY A/C	DR	BSX
COST OF GOODS SOLD	DR	GBB-VAX
MAT LEDGER ADJ A/C	CR	PRV
Posting date : 01.05.10 if closing for May'10		OBYC TRANSACTION KEY
PRICE DIFFERENCE A/C	DR	PRY
SFG INVENTORY A/C	CR	BSX
PRICE DIFFERENCE A/C	DR	PRY
FG INVENTORY A/C	CR	BSX
FG INVENTORY A/C	CR	BSX
MAT LEDGER ADJ A/C	DR	PRV

- b. Without revaluation of inventory and consumption: This scenario is applicable in cases where customer doesn't want to rely on the actual cost as computed by system for initial periods. Normally all organizations have problems in setting up their master data especially w.r.t Bill of Materials and routings to depict correct values at the time of going live. So , Organizations take a conscious call that only upon the actual cost figures reaching an agreeable figure then they would like to reevaluate their consumption

and inventory. Till that point of time the Price differences are transferred to a Material Ledger adjustment account instead of Consumption / Inventory. System uses transaction key LKW to achieve the same.

Posting date : 30.04.10 if closing for Apr'10		OBYC TRANSACTION KEY
MAT LEDGER ADJ A/C	CR	PRY
MAT LEDGER ADJ A/C	DR	PRV
MAT LEDGER ADJ A/C	DR	LKW
MAT LEDGER ADJ A/C	CR	PRY
MAT LEDGER ADJ A/C	DR	LKW
MAT LEDGER ADJ A/C	DR	LKW
MAT LEDGER ADJ A/C	DR	LKW
MAT LEDGER ADJ A/C	DR	LKW
MAT LEDGER ADJ A/C	CR	PRV

Posting date : 01.05.10 if closing for May'10		OBYC TRANSACTION KEY
MAT LEDGER ADJ A/C	DR	PRY
MAT LEDGER ADJ A/C	CR	LKW
MAT LEDGER ADJ A/C	DR	PRY
MAT LEDGER ADJ A/C	CR	LKW
MAT LEDGER ADJ A/C	DR	LKW
MAT LEDGER ADJ A/C	CR	PRV

- c. With revaluation of inventory and constant consumption accounts: This scenario is applicable in cases where customer doesn't want to post the consumption revaluation posting in original consumption accounts.

Posting date : 30.04.10 if closing for Apr'10		OBYC TRANSACTION KEY
PRICE DIFFERENCE A/C	CR	PRY
MAT LEDGER ADJ A/C	DR	PRV
SFG INVENTORY A/C	DR	BSX
PRICE DIFFERENCE A/C	CR	PRY
REV OF CONSUMPTION	DR	COC
FG INVENTORY A/C	DR	BSX
FG INVENTORY A/C	DR	BSX
REV OF CONSUMPTION	DR	COC

MAT LEDGER ADJ A/C	CR	PRV
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Posting date : 01.05.10 if closing for May'10		OBYC TRANSACTION KEY
PRICE DIFFERENCE A/C	DR	PRY
SFG INVENTORY A/C	CR	BSX
PRICE DIFFERENCE A/C	DR	PRY
FG INVENTORY A/C	CR	BSX
FG INVENTORY A/C	CR	BSX
MAT LEDGER ADJ A/C	DR	PRV

In short the following are the transaction keys which are used and new GL Accounts apart from the original GL Accounts are required to be created –

Price Difference account (Material Ledger)	-	PRY
Material Ledger Adjustment Account	-	PRV
Revaluation of Consumption (Material Ledger)	-	COC (or LKW)
Exchange rate recovery (Material Ledger)	-	KDV

Exchange rate recovery account (Material Ledger) is similar to that of Price difference account (Material Ledger) where in the exchange rate differences which are posted in the Exchange rate GL Account as configured in transaction key KDM are considered and accordingly using the Exchange rate recovery account (KDV) the exchange rate differences are transferred to the Material Ledger Adjustment account and there on to the Inventory and Consumption GL Accounts.

None of the new GL Accounts which are created for the above transaction keys should be created as Cost elements in Controlling.

4. Business blueprint document shall be prepared based on above understanding and business requirement from customer. Here I am attaching one sample business blueprint document for actual costing material ledger which can be referred while preparation of BBP.



BBP_Actual costing
material ledger.docx

5. Realization of material ledger and actual costing is very less and simple in nature, few realization steps are generic in nature and some steps need configuration if specific requirement arises. We will deal with all the configuration steps.

Under the SPRO node: Controlling> Product cost controlling>Actual costing material ledger

1. Activate valuation areas for material ledger: (Generic)
 - o ML activation at plant level
 - o Default price determination at plant level

- Whether defaults price determination at plant level in binding or not.
- 2. Assign Currency Types to Material Ledger Type: (Generic) generally we should use the standard ML type only i.e."0000". In the event, if there is no parallel currency used in Financial Accounting nor we have used a Currency and Valuation profile in Controlling, we can create our own ML type using the "Manual" setting where in we can enter the currency indicators. If we intend to use Hard currency / Index currency in the ML type, then we need to maintain the Hard currency / Index currency in the Country settings of the respective Company codes.
- 3. Assign Material Ledger Types to Valuation Area: (Generic) If we are using standard ML types then valuation are for which ML is active this assignment is automatically done. If we have defined customized ML type then this need to be assigned to respective valuation areas.
- 4. Maintain Number Ranges for Material Ledger Documents: (Generic) generally we should use the standard no. range only. We can create number range only with reference to Fiscal year 9999 only. ML number ranges are normally year dependent and the ML Document tables will hold the Document number along with the Fiscal year combination.
- 5. Configure Dynamic Price Changes: (Specific to customer) If the marked actual/standard cost need to be released on first day of any period at the time of first goods movement for that material, then this configuration is required. If for example, we are using future price in Accounting view as one of the strategies for valuating the material consumption of our Standard cost estimate and also we maintain future price in the raw material field, then we have a chance that post executing and releasing a standard cost estimate for the said material, during Logistics Invoice verification process, we will encounter a message stating that "Perform the planned price change for material &1 &2 &3". This can be resolved by implementing SAP Note No. 972899 (Price release Future price not deleted)
- 6. Reasons for Price Changes: (Specific to customer): For transaction like MR21, MR22, and CKME etc used for revaluation of material we can use one reason for price change and also we can provide different account grouping code for each transaction.
- 7. Set up Material Price Dispatch: (Specific to customer)Distribution of Material Prices using Application Link Enabling (ALE)
- 8. Define User-Defined Message Types: (Specific to customer)In this step you can change the default message type for certain messages.
- 9. Under the sub node Material Update following are the configuration steps:
 - Define Movement Type Groups of Material Ledger: (Specific to customer) Movement type group needs to be prepared for revaluation of consumption either on common consumption accounts of in original consumption account.
 - Assign Movement Type Groups of Material Ledger :(Specific to customer) the groups created above needs to be assigned to required movement types.
 - Define Material Update Structure: (Generic) generally we should use the standard only.
 - Assign Material Update Structure to a Valuation Area (Generic) generally we should use the standard only.

If we are using Movement type 309 in Logistics, then it becomes pertinent to Implement Note no. 167722 to transfer the price differences across materials during ML Closing.

- 10. Under the node Actual costing following are the configuration steps:
 - Activate Actual Costing: (Generic) Here actual costing at plant level need to be activated, also configuration for Update of Activity Consumption in the Quantity Structure, i.e. where the revaluation of activity cost booked into. An ideal practice is to NOT to use indicator 0 or 2. Activity revaluation should be carried out in Cost Object Controlling itself so as to reflect a true picture of the Production variances along with the portion of Activity price variances as well. If we intend to

use Activity update category as 2 then in that we need to configure the transaction key GBB/AUI in OBYC and the account which we map under GBB/AUI should be created as a Cost element. Debits will in that case happen to Materials and Credits will happen to Cost Centers using this cost element. Ideally , we should USE Activity update category 1 as we get the quantities into Material ledger for Actual quantity structure derivation.

- Create User-Defined Names for Receipts/Consumptions: (Generic) not to be touched for configuration only standard will be used.
- Assign User-Defined Names for Receipts/Consumptions: (Generic) not to be touched for configuration only standard will be used.
- Activate Actual Cost Component Split: (Specific to customer) for activation of actual cost component split at plant level.
- Activate Distribution of Consumption Differences: (Specific to customer) for specific plant and storage location for distribution of consumption difference. For this configuration SAP note no. 645739 is available, based on which the entire configuration need to be done for movement types used for distribution of usage variance.
- In rest of the nodes some BADIs are listed which can be used based on the customer requirement.

COPA Settings:

- Define Access to Actual Costing & material Ledger: In this transaction, we define a Costing key to fetch the values of the Actual cost component split into CO-PA. We specify whether we will send the Cost component wise cost / total cost under this setting.
- Assign Costing keys to Products / Material types / Characteristics: Based on the Costing key which is created to fetch the Actual Cost component split, we assign the same to either Products / Material types or to a set of Characteristics based on the need during the Implementation.
- Assign Value fields: In this step, we assign Value fields to the respective Cost components for the Cost Component Structure which we are using in Product Cost Planning so as to transfer the results of Actual cost component split into CO-PA. Create new Value fields to hold the Actual cost component split data. If you use the same value fields as you have mapped for transferring the Standard cost estimate results , then the system will transfer only “Delta” values (difference between Actual cost and Standard cost) during the Periodic Valuation. If new value fields are created then Actual cost will flow in different value fields and Standard cost will flow in different value fields thereby facilitating a comparison in CO-PA between Standard and Actuals.

Configuration Manual – A sample configuration manual is attached herewith.



6. Checklist for completion of other configuration which affects ML.

- a. Material period initialize for company code, this is to be done by MM consultant by using transaction MMPI. Here for company code current period and fiscal year needs to be initialized. After initialization the same can be checked in transaction CKM9 for individual plant of the company code.
- b. Cost component assignment for company code for which we are going to activate the material ledger.

- c. For all the plant check in table T001W proper entries should be there for all the plants where ML need to be productive,
- d. Check currency type maintenance for the company code at the client level in transaction OB22.
- e. Check whether “Quantity” and “Value” updating indicators are set for those Material types against the respective Plants. Note that ML can be activated only for those materials which have both these indicators set in transaction OMS2.
- f. Maintain exchange rate values among all currency types which we have set for use in Material ledger in transaction OB08.
- g. Transaction CKM9 is the central place where the entire configuration at plant level can be checked.

7. Set all the plants as “Productive” from the ML perspective, before any transaction in plants:

- a. After you activate the material ledger, you must convert the data for these valuation areas to your *live system*. This ensures consistency of the valuation data and the material ledger is flagged internally as being *in production*.
- b. You activate the Material Ledger in a system that does not contain any production data and transport the Customizing settings to your production system. You must ensure that the data is converted for the Material Ledger in the production system before you start work with Materials Management.
- c. Important point: In one company code suppose 10 plants are there so the activation of ML for each plant should be done collectively by entering all the ten plant in the following transaction.
- d. Path and transaction for setting plant as productive: Choose *Accounting -> Controlling -> Actual costing/Material ledger -> Environment-> Production startup*.(Transaction CKMSTART)
- e. After setting plant as productive we should check the same in transaction CKM9, here the productive date, used id and status is updated. Try to create one material master and ensure that in accounting 1 view ML active indicator must be defaulted and price determination as per configuration should come.

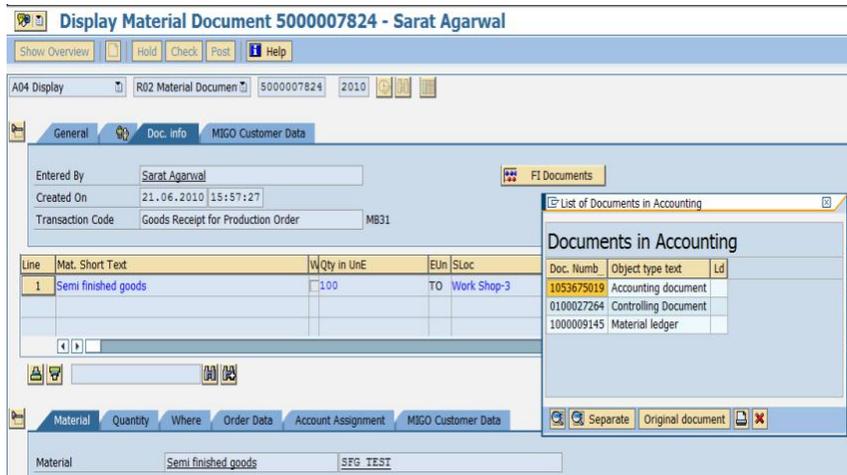
Deactivation of Material Ledger –

Scenario 1 - If by any chance , someone has deactivated Material Ledger for valuation areas by removing the activation indicator using transaction OMX1 , then Material ledger can be reactivated using the same transaction. You need not be required to carry out Productive Start up of Material Ledger again. Data which has already been posted will still remain in Material ledger, but ensure that there are no transactions created during the time between post the deactivation and reactivation. If however , there are transactions posted then these are to be reversed before reactivation and should be carried out again once the activation happens so that these transactions will flow into Material Ledger. Refer OSS Message number 0000625137 2010 posted on this subject (by Venkat Lolla on Georg Fischer Project)

Scenario 2 – If however, you would like to Deactivate Material Ledger permanently then follow the instructions as given in the below Notes to do it. However, this can be done by one self only on Test servers. If you would like to deactivate Material Ledger on a Productive System then you have to approach Remote Consulting Wing of SAP.

- Note 425487 - Deactivating the material ledger in production system
- Note 108374 - Canceling material ledger production startup
- Note 175758 - Deactivate transfer prices

8. Check material ledger document after inventory posting in plants: For every inventory posting one material ledger document starts getting posted after activation of material ledger.ML document and material price analysis we can view by using transaction CKM3.



Display Material Ledger Document 1000009145: Overview

Material Price Analysis Accounting Documents... Source Document

Material Ledger Update

Document Number 1000009145
 Document Date 21.06.2010
 User SFI_SARAT
 Period 003.2011
 Currency/Valuation Company code currency INR

Item	Material	Material Description	Plant	ChgTotInv.	Unit	Value chg.	Crcy	It
1	SFG_TEST	Semi finished goods	MG01	100	TO	15,000.00	INR	UP

9. Actual costing run is the final activity for getting the actual cost out of the system by using all the material ledger documents. This transaction we can execute by T.Code CKMLCP. Following activity is to be done for this:
- Create on costing run for previous period of fiscal year
 - Name the costing run and give appropriate description for this.
 - Select plants for which we want to execute the actual costing run.
 - Maintain parameters for actual costing run, against each of the specific node as mentioned below:
 - Selection: In this step system selects all the material with price determination 3 and price control "S" i.e. standard price for the purpose of actual costing run. Material maintained with moving average prices are not selected in this costing run.
 - Determine sequence: In this step system determine the sequence of multilevel BOM for the purpose of roll up of price difference from one level to other level.
 - Single level price determination: Here the price difference at the material level is determined, for example price difference for raw material, semi finished and finished material of its own.
 - Multilevel price determination: Here the price difference from lower level gets transported to the higher level for the purpose of computing the actual cost of finished product by taking the impact

of change in semi finished material. (Important Point: in the maintain parameter for this node please do not select plant as it will result in to dump if plants selected as it is conflicting with the header of costing run.)

- v. Revaluation of consumption: In this step based on the configuration of consumption revaluation system determine the delta amount for revaluating the consumption quantity. Here the consumption means only the quantity delivered w.r.t. sales order by movement type 601, or quantity issued to cost center by using movement type 201 or quantity booked for scrapping by using movement type 551. Consumption booked by using movement type 261 is not considered in this step as these are already considered in multilevel price determination. In Version 4.7, this indicator of Revaluation of Consumption is not visible automatically. It will become visible only upon activating the EA-FIN indicator in the transaction Activation Switch for SAP R/3 Enterprise Extension Set on the Implementation guide.
- vi. Post closing: This is the most crucial step for actual costing run as in this step actual accounting entries gets triggered. There are some pre requisites which should the completed before executing the post closing:
 - 1. MM posting period must be set as previous for period for which we are executing the post closing
 - 2. All the previous period quantity and value posting for the selected material must be completed, as once post closing completed then system will not allow doing any transaction for these materials.
 - 3. Also execute the Standard Cost estimate run for the new period and release all the Standard Cost estimates. Once Closing happens in Material Ledger, we cannot release standard cost estimates in the new period. If someone comes across with such a situation, as a work around then you can change the Price determination Indicator from 3 to 2 & S using transaction CKMM, release the cost estimates and change the Price determination indicator back to 3 & S. But, be aware that with this activity all Material Ledger documents pertinent to those materials will NOT be considered during the ML Closing activity. So, this can be used only for those materials where there are no transactions posted in Material ledger.

In post closing following are the important parameter which should be maintained after knowing their implication:

- 1. Revaluate Material: Option to be selected if we want to revalue the inventory with actual cost and post the delta to the original inventory account for the previous period.
 - 2. Revaluate consumption: If consumption is to be revaluated, the accounting and other implication is explained above. If this is activated without the Set CO Account assignment then system would use the account configured against COC transaction key in OBYC. If this indicator and Set CO Account assignment are not checked then system will look for a GL Account existing in transaction key LKW to post the revaluation impact value.
 - 3. Set CO Account assignment: If the original consumption account needs to be revaluated then we have to set this indicator as the original consumption account is a cost element and any entry in cost element requires CO account assignment. Hence system automatically determines the original account assignment and post the delta consumption amount.
- vii. Mark material prices: Here actual cost as computed by the costing run gets updated in future price of accounting 1 view of material master. This future price can be release as standard cost for following period.
The updation can be done by selecting any one of following options
 - 1. Manual date
 - 2. Beginning of following period

- e. Analyze the actual costing run result under the head “Costing result” Here we can view the tree structure based on plant, material type, valuation class and material code. Status of all the above processing can be seen in the costing result area.

Costing Cockpit: Actual Costing - Change / Execute

Costing run: 1001 ML Closing run for Company Code 1001-June'2010
 Period: 3 2011

General Data

Create Cost Estimate

Flow step	Authorizn	Parameters	Execute	Log	Status	Successful	Errors	Still open
Selection		>>	⊕	📄	■	8,892	0	0
Determine Sequence		>>	⊕	📄	■	8,892	0	0
Single-Level Pr. Determination	📄	>>	⊕	📄	■	8,892	0	0
Multilevel Pr. Determination	📄	>>	⊕	📄	■	3,830	0	0
Revaluation of Consumption		>>	⊕	📄	■	8,892	0	0
Post Closing	📄	>>	⊕	📄	■	8,892	0	0
Mark Material Prices		>>	⊕	📄	■	0	0	0

Job Overview Schedule Manager Activity Types

Detailed End User Manual for Actual Costing run –



EUT_Actual Costing & Material Ledger Ver

10. During the final preparation phase we have to ensure that the entire configuration relating to actual costing material ledger moved to production system. After complete transport of customizing request it is also required to check the cross module configuration as discussed in above points.
11. Creation of accounting 1 view of material master: In material ledger active scenario for creation of accounting 1 view of material master in production system for large no. of materials the normal LSMW will not work. The reason for the same is “Price determination field” this field is not available in standard material master LSMW program (RMDATIND).
 In order to resolve the issue we need to add the price determination field in standard LSMW program as per SAP notes no. 44410.
12. Cutover strategy for standard cost estimate, stock upload, price release and actual costing run: For any cutover strategy the objective is to upload the stock as per book value and at the same time for further movement after go live standard cost estimate must also be available in system. In order to achieve the said objective we have to follow the following steps:

LIST OF CUTOVER CRITICAL STEPS FOR ACTUAL COSTING MATERIAL LEDGER ENABLED COMPANY			
ASSUMPTION FOR GO LIVE DATE			01.04.2010

Sl.No.	Activity Detail	Transaction	Dependency	Shd.be date
1	Cost estimate run in production server, marking of cost estimate	CK40N		25/03/2010
1.1	Assignment of rates for activity in cost centers	KP26	Data to be provided by CO core team	01/03/2010
1.2	Updation of price in bought out material	MR21/at time of creation of Accounting view of material master	Data to be provided by CO core team	01/03/2010
1.3	Info record for material with spl.proc key 30 (sub contract)need to be maintained	ME11	Logistics Team MM	01/03/2010
1.4	All BOM and Routing to be created in production server	CS03 & CA03	Logistics Team PP	10/03/2010
2	Stock Upload activity			
2.1	Block the price difference accounts as assigned in OBYC			
2.2	Standard rate for manufactured materials	MR21/at time of creation of Accounting view of material master	Data to be provided by CO core team	28/03/2010
2.3	Quantity upload for standard priced materials	MB1C		
2.4	For moving average price material stock quantity with value	MB1C	Data to be provided by CO core team	01/04/2010
3	Initial upload a/c to be blocked after initial inventory stock upload	FS00	Financials Team	02/04/2010
4	Open Material period for April '2010	MMPV	Logistics Team MM	02/04/2010
5	Activities to be carried out before releasing system to users			
5.1	Release marked cost estimate	CK40N	CO Core Team	02/04/2010
5.2	Actual costing material ledger run need to be closed for March'2010	CKMLCP	CO Core Team	02/04/2010

Detailed Cutover Presentation for ML Activities –



Copy of Inventory Cutover Plan with ML

13. Types of error which may occur in live system because of material ledger, reason for the same and how to resolve these errors.

- a. First of all we should implement Material ledger help desk functionality in our system. This can be implemented by using standard SAP note 364368. The benefit of having ML help desk is at any time if we raise issue to OSS then those support OSS consultant can easily diagnose the problem and fix. **(Caution: we should not use any of the reports and transaction available in ML help desk)**
- b. Valuation of material is inconsistent while doing the production confirmation, this I have faced on very first day of goes live and there is no valid reason as well. However this error will get resolve after some time automatically. Raised to OSS and they resolved this issue by using the ML Helpdesk.
- c. In material master price determination field is blank even though ML is active for company code: Raised to OSS and they resolved this issue by using the ML Helpdesk.
- d. Error in posting of post goods issue or change in material master: Error message is MLCCS099 this error comes when new plant is added in material ledger and actual cost component is not created properly. To resolve this error you need to run program MLCCS_STARTUP. This program re-generates actual cost component split again.
- e. Error in releasing the cost estimate and the message is Material with status "Quantity and value entered"(i.e. 30) and release of cost estimate is not possible. If we want to release the cost estimate now then we have to change the price determination indicator and price control by transaction CKMM for that material from 3 & S to 2 & S. After changing this we can release the cost estimate and after releasing we should again change price determination from 2 & S to 3 & S. (Implication of using CKMM: It removes all the ML documents pertaining the price difference for all previous periods and years so we generally use this transaction if no price difference entries exist on this material)
- f. Error message no.MLCCS015 while settlement of production orders/product cost collectors. The reason for such error is cost component split determined from the order history has a total value of zero, or the total value of the split varies greatly from the total of the costs posted to the order. For resolving this error use standard program MLCCS_KO88_TREATMENT to set the handling of the delta according to standard price split (option "D") for costs on the order.

Any material relevant errors which crop up during Single level / Multi level price determinations can actually be analyzed much more in detail by using Value flow Monitor (CKMVFM). Detailed Explanation of the use of Value flow monitor is explained in Note 744090 - Value Flow Monitor Explanation and recommendations.

Also, one error (which we conceive as an error but it in reality it is not) which we tend to notice is that in the report CKMLQS where we notice the Actual Itemization of BOM vs the Standard cost itemization, the sum total of items is not equal to the Total cost reported at the highest level. It is a standard behavior of the system and the same is explained in the Note 1004597 - CKMLQS: Valuated quantity structure (Multilevel)

14. Material price analysis, accounting of price variances and its implications: In this transaction we can easily review the entire detail of inventory posting, price difference, and closing entries for any material and plant. (Transaction is CKM3). From this transaction we can go to the following details:
 - a. Actual cost component split
 - b. Multi level structure for material and its various input and activity cost.

- c. Closing documents
 - d. Costing cockpit
 - e. Status of material for any period
 - f. Inventory position and value related to that
15. Actual costing run at the end of each month within first week of next month. Types of error may occur during the actual costing run. Following are the types of error which generally encountered during actual costing run.
- a. Material not gets selected for actual costing run: If for any material the price determination has been changed by using transaction CKMM and afterwards if no transaction is posted then that material will not be selected for actual costing run for that period.
 - b. In determining sequence step the error can be because of standard cost estimate not available for that material. As system can only determine sequence based on the standard cost estimate and its multilevel cost structure.
 - c. In single level / multilevel price determination: Following are the different types of error encountered during the actual costing run:
 - i. Price determination not possible because previous period price determination is not completed.
 - d. Post Closing: Following are the error encountered during this step;
 - i. GL accounts in OBYC not maintained for specific transaction key.
 - ii. Previous period post closing not completed successfully.
 - iii. Material locked for posting by some other user.
16. Use of actual cost for the purpose of inventory valuation, COPA revaluation and MIS reporting: Previous period inventory can be valued based on the actual cost if we have activated revalue inventory option while executing the post closing in actual costing run. For the previous period system value the inventory based on periodic unit price i.e. actual cost computed by actual costing run and post the delta amount in original inventory GL on the last day of previous period and simultaneously post the reversal on first day of next period.

COPA revaluation is also very important feature and useful in getting the actual contribution statement by using the actual cost. The actual cost gets updated in COPA by using transaction KE27, which will call original billing documents and revalue actual cost by using the actual sales quantity as base. This actual cost information we should store in separate value field for the purpose of comparative contribution reporting of standard and actual.

Summary and Closing

For successful implementation and smooth working of actual costing material ledger it is crucial that we should follow the above tips and tricks, as these are listed based on our experience and error faced during the implementation of actual costing material ledger. We can summarize the entire tips and tricks as under:

1. Basic concept of Actual costing Material ledger
2. Changes in material master due to ML
3. Accounting entries on post closing of actual costing run
4. Configuration checklist for actual costing ML
5. Converting the plant data as productive
6. Regular posting and actual costing run.
7. Cutover strategy for standard cost and stock upload
8. Error analysis and its resolution.

