SAP Budgetary Control Solutions
By Infocost Solution Pvt.Ltd
Overview of Funds Management

Definition:
The tasks of Funds Management are to budget all revenue expenditures for individual responsibility areas, monitor future funds movements in light of the budget available, and prevent budget overruns.

Purpose:
Funds Management enables us to keep a precise check on:
• The revenue expenditures
• Budget, with the following questions in mind:
  − What funds will the responsibility areas receive?
  − What are the funds used for? (Use of funds)
• The financial equilibrium of business, by comparing commitment and actual values with the current budget.

Integration:
Funds management is tightly integrated with other components of SAP such as:
• Finance & Controlling : All expenditure booking updated in FM
• Material management: All PR, PO, GR and IV updated in FM
Additional Activities for FM

- Maintenance of expense head wise budget for each responsibility area once in a year
- Time to time release & supplement of funds based on requirement
- Additional year end closing activities such as commitment carry forward and budget carry forward (if carry forward of funds and commitment item is required)
- Master data maintenance for FM such as:
  - Fund centre: Responsibility area
  - Commitment item: Head of expenses
- Maintenance of derivation strategy for FM account assignments
SAP Org Level Changes by FM

Client

FI
Company Code

CO
Controlling Area

FM
Funds Management Area

Assignment

FI
Company Code

FM
Funds Management Area
Master Data-Commitment Item

Definition:

It classify budget transaction that affects revenue and expenditure. Assignment of budget on responsibility area is based on commitment items.

Examples:

1. Wages & Salary
2. Repairs & Maintenance
3. Stores & Spares
4. Office expenses

Integration:

1. With FI: Define commitment item with the GL account master
2. With MM: System derive commitment item based on derivation strategy
Master Data-Fund Centres

Definition:
Organizational unit within an FM area which represents the structure of an organization, areas of responsibility, departments

Examples:
1. Purchase
2. Production
3. Finance
4. Employee welfare

Integration with FI & MM:
System derive Fund centre based on derivation strategy for FI and MM at the time of MM Transaction and FI Transactions
Budgeting and Controls

**Budgeting:**

Budget allocation among fund centre and commitment item based on function and responsibility. Budget can be entered, released, supplement, return and transfer.

**Availability Controls:**

It influences the posting procedure of funds management. System checks whether the budget or released funds available are sufficient for execution of any business transaction which involve outflow of funds.

In order to fine tune availability control following features are available;

- Activation of Availability Control
- Tolerance limit
- How system reacts (with warning, with mail, with errors)
# Recommendations for Activation of FM

<table>
<thead>
<tr>
<th>Module</th>
<th>Integration Points</th>
<th>Recommendation for activation of Funds Management</th>
<th>Remark</th>
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<tbody>
<tr>
<td>FI</td>
<td>GL account posting</td>
<td>Only for revenue expense postings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>AR / AP / Assets</td>
<td>Not to be activated</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>CO</td>
<td>Allocation of cost</td>
<td>Not to be activated</td>
<td>Not Applicable</td>
</tr>
<tr>
<td></td>
<td>Settlement of cost</td>
<td>Not to be activated</td>
<td>Not Applicable</td>
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<tr>
<td>MM</td>
<td>Purchase requisition</td>
<td>For all revenue purchase requisition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase order</td>
<td>For all revenue purchase orders</td>
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</tr>
<tr>
<td></td>
<td>Goods receipts</td>
<td>For all GR w.r.t. revenue Pos</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goods issue</td>
<td>Not to be activated</td>
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</tr>
<tr>
<td></td>
<td>Invoice verification</td>
<td>For all IV w.r.t. revenue Pos</td>
<td></td>
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<tr>
<td>PM</td>
<td>PM order processing</td>
<td>Only for Direct Expenses Postings</td>
<td>For Service entry sheets</td>
</tr>
<tr>
<td>SD</td>
<td>Billing</td>
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Demo for FM

We have prepared the Demo for entire Funds Management Cycle to Showcase the following processes in FM
- Entry & Release of the Budgets with reports
- Procure to Pay Cycle with Reports
- Finance expenses posting cycles with reports
- Availability Control and budget monitoring
- Supplement, Return and Transfer of Funds
ENTRY & RELEASE BUDGET

- Transaction code :- FR50 (Entre Original Budget)

In the above screen as highlighted we see that Fund center “Purchase” with commitment item has been assigned with Rs.50,000 Budget under FM Area.

- Document Number Generated:- 0000000014
ENTRY & RELEASE BUDGET

- Transaction code: FMRP_RFFMTO50 (Annual Budget List)

As we can see in the above the original budget which was assigned by us Rs.50,000 has reflected in the report Annual Budget List this is an standard report provided by SAP.
ENTRY & RELEASE BUDGET

- Transaction code :- FR51 (Entre Release Budget)
- After assigning the budget we have to release the budget we can release the budget fully or either partially as per our requirement.
- In our case we had assigned the original budget of Rs.50,000 but we are just releasing partially which is Rs.20,000.

- Document Number Generated:- 00000000015
ENTRY & RELEASE BUDGET

- Transaction code :- FMRP_3FMB4006 (Released Budget Report)

As highlighted in the above screenshot we can see that Rs.20,000 which was released out of Rs.50,000 which was assigned has reflected into the report Annual Budget List.
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code :- FMRP_RFFMEP30X (Annual Budget vs. Commits/Acts List)
- At start of our P2P Cycle after every step we will be able to notice the changes happening in fund centre and commitment item with budget values.
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code :-ME51N (Purchase Requisition)

- As you can see that in the above screen I have created a PR for raw material and it has automatically taken the under account assignment tab the fund centre and commitment item.

- Now the we have ordered 15 Quantity for raw material for which price is Rs.162.46 which gives and valuation of 162.46*15 = 2436.9 PR No :-0010014954
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code :- FMRP_RFFMEP30X (Annual Budget vs. Commits/Acts List)

- As we can seen in the Below screen the PR for Rs.2436.90 has been seen in the report and we can also see that how much is utilised and how much is left in the budget through this report.
As we can see I am intentionally changing the price in PO and making the PO Price higher than PR i.e. Rs.3150. PO Number: - 4500017685
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code :- FMRP_RFFMEP30X (Annual Budget vs. Commits/Acts List)

As we can see in the above report when I created PO for Rs.3150 the amount available in out of Rs.20,000 released budget got reduced to 4,250 so we can keep a track on the line item wise report and see that how the budget is getting utilised and have the control of our budget.
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code :- MIGO (Goods Receipt)

As we can see in the above screen Goods Receipt for 15 Quantity has been done and now I will check the Report and see what are the effects into that report. Material Document Number: -4015
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code: FMRP_RFFMEP30X (Annual Budget vs. Commits/Acts List)

As we can see in the above report there is a difference of 713.10 which was because there is a variance between the material master price and purchase price. The difference also loaded on material master subsequently.
PROCURE TO PAY CYCLE (FM-MM)

- **Transaction code**: MIRO (INVOICE)

I have intentionally booked more than invoice amount i.e. 3150/- while doing MIRO so that we can see the difference i.e. 150/- is captured at MIRO level.

- **MIRO Document Number**: 5105609414
Above we can see that Rs.150 which was booked in invoice has been taken into consideration and has been reflected in this report.
PROCURE TO PAY CYCLE (FM-MM)

- Transaction code :-FMRP_3FMB4006

- Budget overview at fund centre and commitment item level is displayed in the above report
## Procure to Pay Cycle (FI-FM)

### Execute Drilldown Report Assigned Funds (Anni Bud., Releases, PB)

**Header**
- Selection date
- Fin. management area: 4519 FM Area - Infocost
- Fiscal Year: 2017

**Navigation**
- FM acc asst
- Carryforwards
- Value Type
- Period
- Budget type
- Customer for
- Applicant
- Functional Area

<table>
<thead>
<tr>
<th>FM acc asst</th>
<th>CurRelease</th>
<th>Distribb</th>
<th>Assigned</th>
<th>Available</th>
<th>Cmmts/act</th>
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<tr>
<td>4519/INV1</td>
<td>2,000.00</td>
<td>2,000.00</td>
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<tr>
<td><strong>Total</strong></td>
<td>2,000.00</td>
<td>2,000.00</td>
<td>0.00</td>
<td>2,000.00</td>
<td>0.00</td>
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</table>

### Key figure
- Current Releases: 2,000.00
- Distributable: 2,000.00
- Assigned: 0.00
- Available quantity: 2,000.00
- Commitments/actuals: 0.00

*Form: Assigned Funds (3)*
PROCURE TO PAY CYCLE (FI-FM)

- Transaction code :-FB60 (Vendor Invoice)
- During this we will book an vendor invoice more than the released budget and see if the system tries to stop us. As you know we have released a budget of Rs.2,000 Out of Rs.5,000 Now we will try to post Rs.3000
PROCURE TO PAY CYCLE (FI-FM)

- Transaction code :-FB60 (Vendor Invoice)
- During this we will book an vendor invoice more than the released budget and see if the system tries to stop us. As you know we have released a budget of Rs.2,000 Out of Rs.5,000 Now we will try to post Rs.3000
PROCURE TO PAY CYCLE (FI-FM)

- Transaction code :-FB60 (Vendor Invoice)
- As you know we have released a budget of Rs.2,000 Out of Rs.5,000 Now we will try to post Rs.1000
PROCURE TO PAY CYCLE (FI-FM)

- Transaction code : FB60 (Vendor Invoice)
- As you know we have released a budget of Rs.2,000 Out of Rs.5,000 Now we have posted Rs.1000
Supplement Funds

Enter Supplement: Entry screen

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<th>Funds Center</th>
<th>Commitment Item</th>
<th>Amount</th>
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<tbody>
<tr>
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<td>PURCHASE</td>
<td>OFFICE_EXP</td>
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Payment budget

Annual Budget: Totals Records

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<th>Fund</th>
<th>Funds Center</th>
<th>Cmmt Item</th>
<th>Year</th>
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<th>Budget Type</th>
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Return of Funds

Enter Return: Entry screen

FM Area: 4519
Version: 0
Fund:
Fiscal Year: 2017

Payment budget

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Annual Budget: Totals Records

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Transfer of Funds
Thanks
From : Infocost Solution Pvt.Ltd.