

# Cost Audit Solutions

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Cost audit of an organization is a statutory requirement in India, every manufacturing organization has to go through the same annually.

SAP doesn't provide any standard solution for the cost audit since it is a country specific reporting requirement and hence industry as a whole need to carry out this exercise manually in excel files.

The complexity is very high since the allocation mechanism of cost is completely different than the normal costing process.

Infocost team have designed the customized solutions for the cost audit in SAP System by taking the advantage of real time data, standard SAP processes and very minimal development effort.

The cost audit solution in SAP is up and running and can be very well replicated to any industries with minimum one time effort.

# Cost Audit - Concepts

Cost Audit Concepts										
Heads of Expenses	GL Accounts Group	Balance as per FI TB	Product A	Product B	Product C	Product D	Manuf.OH	Adm.OH	Sell OH	Other OH
Opening Qty			20	40	30	50				
Production Qty			200	100	50	150				
Sales Qty			180	130	60	130				
Closing Qty			40	10	20	70				
Raw Materials	RM	10,000	5,000	1,200	1,500	2,300	-	-	-	-
Packing Materials	PM	2,000	900	600	200	300				
Total Material cost		12,000	5,900	1,800	1,700	2,600				
Stores & Spares	SS	4,000	1,200	1,000	800	400	300	300		
Direct Labour	DL	3,000	700	400	200	100	800	600		200
OH Charges	OH	1,200	200	100	300	100	200	100		200
Depreciation	DEP	1,500	150	200	250	100	600	100		100
Share of Manuf OH	Allo-Qty		760	380	190	570	(1,900)			
Share of Adm OH	Allo-Qty		440	220	110	330		(1,100)		
Share of Other OH	Allo-Qty		200	100	50	150				(500)
Total Conversion		9,700	3,650	2,400	1,900	1,750	-	-	-	-
Total COP		21,700	9,550	4,200	3,600	4,350				
Per unit COP			48	42	72	29				
Selling OH Direct	SDIR	2,000	500	700	600	200				
Selling OH Indirect	SIDR	1,000							1,000	
Share of Indirect			360.00	260.00	120.00	260.00			(1,000)	
Total COS		24,700	10,410	5,160	4,320	4,810				
Revenue/Unit			70	60	100	50				
Sales Revenue		32,900	12,600	7,800	6,000	6,500				
Change in Stock in Value of CIS		(445)	955	(1,260)	(720)	580				
Profit/Loss		7,755	3,145	1,380	960	2,270				

# Cost Audit Model

1. Actual financial data in Income and Expenses GL Accounts along with the cost object assignments to be captured fully and to be stored in a separate Controlling area version from the version “0” i.e. actual version
2. The cost objects assignments will help us to identify the different cost for products, type of OH and other required breakups;
3. For example the type of cost objects are as under;
  1. Cost Centres: All the CC to be grouped for products and nature of OH
  2. Production Order: To be linked to products based on Material Code
  3. Internal Order: To be linked to either Products or OH as the case may be
  4. WBS Elements: Normally it is settled at the month end to CC or AUC
  5. Profitability Segments: To be linked to products based on Char. Of Product if products information not available then at the appropriate level
  6. PM Order: Normally it is settled at the month end to CC
  7. Blank: It means for such GL Accounts there is no cost elements exists, this type of cost we collect separately

Continued....

# Cost Audit Model

4. The total GL accounts are then grouped into our logical grouping as per the cost audit requirements for example; RM Cost, Stores & Spares, Direct Labour, Sales, etc.
5. For each of the major reporting head we create separate cost object to collect the data from respective cost objects after it get copied in Cost audit version,
6. For example:
  - Product A has a separate cost object in itself for cost collection and reporting,
  - All the cost relating to product A to be grouped and planned in the cost object for product A by using the standard cost planning tool.
  - Likewise for all the other
7. At this point we can get a complete cost data arranged in required format for cost audit, without any allocations as shown in slide 3

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# Cost Audit Model

8. Post this we will run allocation cycles for different OH and products as per the allocation requirements of Cost Audit, here also we will be using the standard allocation cycles only
9. After the allocation all OH cost gets allocated to its respective products,
10. For Quantitative details as product level we will create a report similar to standard MB5B report where in we will capture the following details at material code level in SAP,
  - Material Code and Plant
  - Opening and Closing Stock
  - Production, Purchase and Sales Quantity
  - Stock transfer, captive consumption, export stock at port etc.
11. With the quantitative and cost data the abridged cost statements will be prepared separately in the form of a report at reporting dimension level.

# Cost Audit Processes in SAP

1. Fetching the actual data of RM Cost consumption quantity and all other cost and revenue at GL and cost object level and store separately
2. Exception reports to get the list of items to be maintained in some of the sets and custom tables.
3. Processing transaction to update the raw data in to respective product wise cost objects in the custom table with GL accounts.
4. Upload the processed data in to product wise cost objects to get the desired report as shown in slide 3

Maintenance prior to execution of CAR Program :

- Finished material with cost object
- Raw material with GL accounts (These GL's are only created for CAR purpose)
- Plant/Profit centre with cost audit locations

# Thanks

