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Practical Guide to SAP[®] Profit Center Accounting

- ▶ Fundamentals of SAP Profit Center Accounting (PCA)
- ▶ Differences between PCA in classic and new GL
- ▶ Concepts, master data, actual data flow, and planning basics
- ▶ Reporting for Profit Center Accounting (PCA)

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2 Master data in PCA

One way of classifying data in SAP is to differentiate between items that are considered master data and items that are considered transactional data. In SAP, master data is relatively static data that is usually defined once and is shared throughout the application. Examples include: vendors, customers, materials, general ledger accounts, cost centers, profit centers, etc. This master data is then used in transactional data such as invoices, billing documents, and material movements. In an SAP implementation project, the structure and definition of master data should be thoroughly planned to properly reflect the needs of the business. Careful consideration should be given to such factors as numbering and naming the master data, permitted field values, and the ultimate reporting aims of the business. In this chapter, I show the relevant master data available in profit center accounting.

2.1 Profit center

As discussed in the previous chapter, the structure of the profit centers is meant to define a responsibility reporting view of the organization. Once the master data is defined, the profit centers are arranged in a hierarchy to represent the responsibility structure of the enterprise. During the design of the system, the nature of that responsibility structure should be determined. Along what lines does the business divide itself? Is it on a geographical basis, a functional basis, a product line basis, some other method, or a combination of some of the above?

Technically, the name of this hierarchy is defined first in the configuration settings and assigned to the controlling area before the profit center masters can be created. This is the case for both classic PCA and for PCA in the new GL. In classic PCA, it is also required to create a dummy profit center before you can start using the standard hierarchy. The concepts of dummy profit center and standard hierarchy are discussed more fully in the following sections.

The creation of the profit center master data is essentially the same regardless of whether you are using classic PCA or new GL PCA. Transaction KE51 is used to create profit centers (see Figure 2.1).

Figure 2.1: Create profit center initial screen

Set the controlling area



Often, when entering transactions in the controlling module in SAP, you are presented with a preliminary screen asking you to enter the controlling area. Having to constantly enter the controlling area can become aggravating, especially when you may only be working with one area. The solution to this is to set your controlling area using transaction OKKS. Enter the controlling area that you work with and press the **SAVE** button. The value is now stored in your user parameters and remains until you set it to a different value.

It is important before you start creating pieces of master data, such as profit centers, to understand how you are going to name or number them. Unlike some master data objects in SAP, profit center numbering is not driven by a number range object. In fact, it is pretty much free form. You are limited by the field size of up to 10 characters and there are a few special characters such as * that will be rejected; otherwise you can use any alpha-numeric combination you choose. You should also be aware that the

profit center, like the cost center, exists in the controlling area, so it is not possible to have a duplicate value within the same controlling area.

Since your profit centers will be tied in some way to other organizational objects in SAP, such as company codes and cost centers, it is prudent to have an overall numbering strategy for these objects before you start creating them in the system. This should reflect the responsibility structure of the organization and be designed to facilitate reporting. Often, the structure or the nature of your business will lead you to a certain strategy in profit center numbering:

- ▶ An organization with a primary focus on manufacturing may be largely concerned with results at a plant level, so may wish to reflect the plant structure somehow in the profit center numbering and hierarchy.
- ▶ An organization with a primary focus on re-selling may be more concerned with results at a regional or product line level so may want to reflect that in the numbering and hierarchy.

In the fictional example, you are setting up profit centers for an organization that manufactures and sells toys and games. They are interested in looking at their results regionally. They operate in four regions; United States, Canada, Europe, and Asia. They are also interested in results by product line. These are: video games, board games, and card games.

Copying master data



Many master data objects will have a COPY FROM or CREATE WITH REFERENCE option to allow you to use an existing piece of master data as a template for your new entry. This can significantly speed up the creation of new pieces of master data.

When you have decided on your profit center number, you can go ahead with transaction KE51 (see Figure 2.2).

The most important information about the profit center is contained on the BASIC DATA tab.

General Data																	
Controlling Area	5000 Smarter Sisters																
<div style="display: flex; border-bottom: 1px solid black;"> <div style="border-right: 1px solid black; padding: 2px 5px;">Basic Data</div> <div style="padding: 2px 5px;">Indicators</div> <div style="padding: 2px 5px;">Company Codes</div> <div style="padding: 2px 5px;">Address</div> <div style="padding: 2px 5px;">Communication</div> <div style="padding: 2px 5px;">History</div> </div>																	
<div style="border-bottom: 1px solid black;"> <p>Descriptions</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Profit Center</td> <td style="width: 20%;">500010</td> <td style="width: 20%;">Status</td> <td style="width: 30%;">Inactive: Create</td> </tr> <tr> <td>Analysis Period</td> <td>01.01.2010</td> <td>to</td> <td>31.12.9999</td> </tr> <tr> <td>Name</td> <td colspan="3">Video Games - US</td> </tr> <tr> <td>Long Text</td> <td colspan="3">Video Games US Market</td> </tr> </table> </div>		Profit Center	500010	Status	Inactive: Create	Analysis Period	01.01.2010	to	31.12.9999	Name	Video Games - US			Long Text	Video Games US Market		
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Profit Ctr Group	5000 Smarter Sisters																
Segment	5000																

Figure 2.2: Create profit center basic data

The profit center is considered to be a *time-based* object in controlling, which means it is created with a validity period and you can create different data for different time periods. In configuration, certain fields on the master data can be flagged as *time dependent*, resulting in SAP storing a new master record whenever a time-dependent field is changed on a profit center. The ability to create time-based objects is a very important aspect of controlling since it allows you to view master data values at different time periods. For example, the *person responsible* for the profit center may change next year. If *person responsible* is a time-dependent field, then you will have a view of the profit center master when Sally was the person responsible, and then a new view starting when *person responsible* is reassigned.

Defining time-dependent fields



Since every change to a time-dependent field causes SAP to write a new master record for the data object being changed, you should be very careful in defining fields as time dependent in the system configuration. By defining many time-dependent fields, the data volumes can become large and match-code searches can become confusing for the user, as a piece of master data with more than one time range will appear multiple times in a match-code search. The SAP-delivered configuration should be sufficient for most situations.

The time dependency of the profit center is checked when you create another object with a relationship to it, such as a cost center. If you created your profit center to be valid from 01/01/2015 onwards, you will not be able to create a cost center assigned to that profit center with a valid-from date earlier than 01/01/2015.

Valid-from dates and other master data



It is best to be aware of other master data requirements when you are setting up validity dates for profit centers, cost centers, and other CO objects. There may be requirements from other modules, such as HR or fixed assets, that the cost centers should exist for a certain time in the past to allow historical data to be loaded. It is good to know that before you create your cost centers and profit centers to avoid a lot of extra rework extending the validity periods after the fact.

Other key fields on the BASIC DATA tab are *person respons*, this is the person responsible for the results of the profit center. There is also *user responsi bl e*, which links to the user master in the SAP system. This field is not mandatory since it is possible that the person responsible for the profit center does not exist as a user in the SAP system. The *de- partment* field is a free text field that can be used to store an external department number. There is no validation on the entry in this field, so the user creating the profit center can enter any value they choose.

The field *profi t ctr group* makes the link between the profit center and its place in the standard hierarchy. The *profit center group* selected here is a *node* in the hierarchy. In the initial setup of the profit center structure, there are several different approaches to populating this field. If you are creating other master data, such as material masters which may be dependent on a profit center number, you may want to load or create all the profit centers before you have fully thought out all the levels in the hierarchy. In this case, you may wish to create all the profit centers and assign them to the top hierarchy node and then distribute them later. Alternately, you may have your hierarchy in place and may choose to directly assign each profit center to its correct level during the initial creation.

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