S/4 HANA Material Ledger & Actual Costing configuration

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INTRODUCTION

Material Ledger/Actual costing is one of the complex tools provided by SAP to manage inflows and outflows of core manufacturing related materials in multiple currency and valuations.

Material Ledger is a tool that collects transaction data for materials whose master data is stored in the material master. It uses this data to calculate prices to valuate these materials.

Thus Actual costing/ML main characteristics are :-

1) Production cost analysis – We can get the relevant information in any required level of detail
2) Support of several currencies & valuation - Company, Group and Profit center view.
3) Actual costing - A functionality provided by SAP to calculate actual prices, for example a periodic unit price of inventories or valuated material, including Raw Materials, Semi- Finished Goods, and Finished Goods. It includes all the actual prices for a material in the particular period.

Actual costing helps in determining actual costs for externally procured materials (raw materials) and materials manufactured internally.
In actual costing, all good movements (including raw material and packaging material) are valuated preliminarily with the standard price. (**Recommended by SAP**) At the same time, all price and exchange rate differences for the material are collected in the material ledger. At the end of the period, an actual price is calculated for each material based on all of the actual costs of the particular period. The actual price that is calculated is called the periodic unit price and can then be used to revaluate the material stock for the period to be closed. In addition, we can use this actual price as the standard price for the next period. Actual costing determines what portion of the variance is to be debited to the next-highest level using material consumption. With the actual BOM, variances can be rolled-up over multiple production levels all the way to the finished product. Further you can even take into account variances from cost centers into the products.

The following 2 options are available for price determination indicator in the material master (accounting view):-
1) **2 – Transaction based price determination** – If you select this option in the material master you can only keep the price control indicator V (moving average). But by selecting this option you cannot roll up price differences to the next highest level of finished good.
2) **3 - Multi level price determination** – If you select this option in the material master you can only keep the price control indicator S (Standard price). Here you can roll up price differences to the next level in a multi level Bill of Material.

Multi Level Bill of Material:-

Finished Goods A is manufactured using Semi finished goods C and Packing material B. SFG C is manufactured using SFG D. SFG D is manufactured using SFG E . SFG E is manufactured using RM F, RM G and RM H
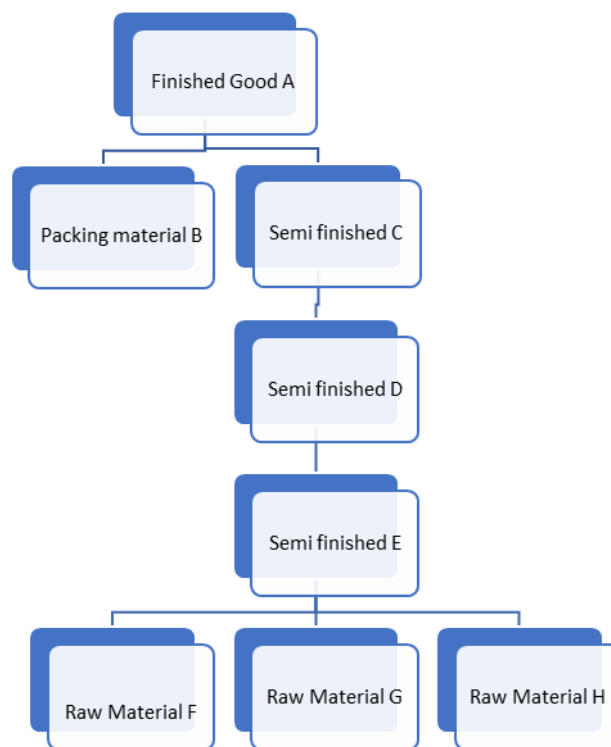
BOM	Std price	Price diff
Finished Goods A	100	11
Packing material B	5	1
Semi finished Goods C	90	10
Semi finished Goods D	80	10
Semi finished Goods E	70	10
Raw Material F	30	2
Raw Material G	20	5
Raw Material H	10	3

In our current scenario Universal Ltd. (co. code 6600) has a plant 6603 and CM02.

Universal Ltd. wants actual costing of Raw material, packaging material Traded, Semi- finished and Finished goods,. Further it also wants to carry prices for materials in 2 different currencies. Hence we need to activate actual costing.

The raw material, packaging materials, Semi Finished and Finished goods are kept at Standard price (price control indicator S and price determination indicator 3). All purchase price difference occurring for raw material can be rolled to next levels. Production variances occurring for semi-finished goods can be rolled up to Finished goods.

For doing the configuration we use the following path on the SAP application screen: -

SAP Menu → Tools → Customizing → IMG → SPRO - Execute Project →

 SAP Reference IMG

Configuration for all the modules will be done here. The above path will not be referred henceforth; we will directly refer to the IMG node.

Click on SAP Reference IMG
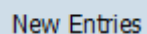
1. Material Ledger

1.1 Assign Currency Types and Define Material Ledger Types

SAP Customizing Implementation Guide → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Assign Currency Types and Define Material Ledger Types

Here we create material ledger types and assign currency types to them

Click on New Entries

Update the following:-

We update currency type 10 and 30

Click on

Select

Double click
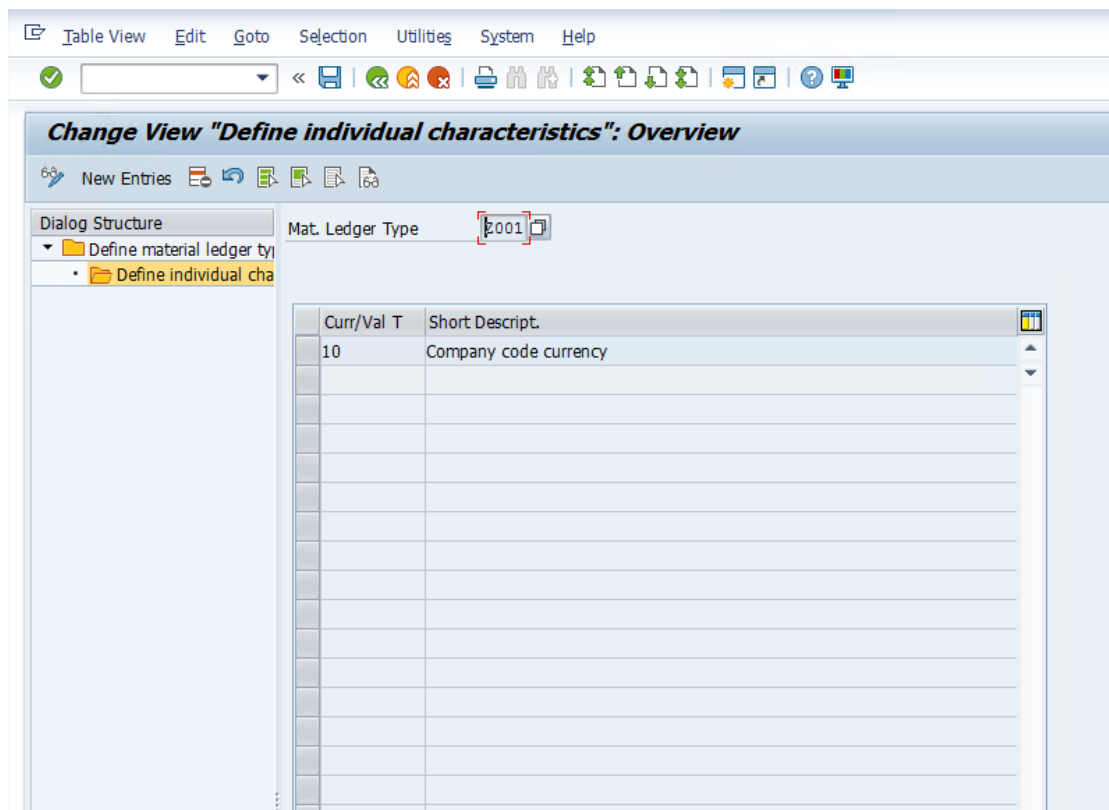
Click on **New Entries**

Update the following:-
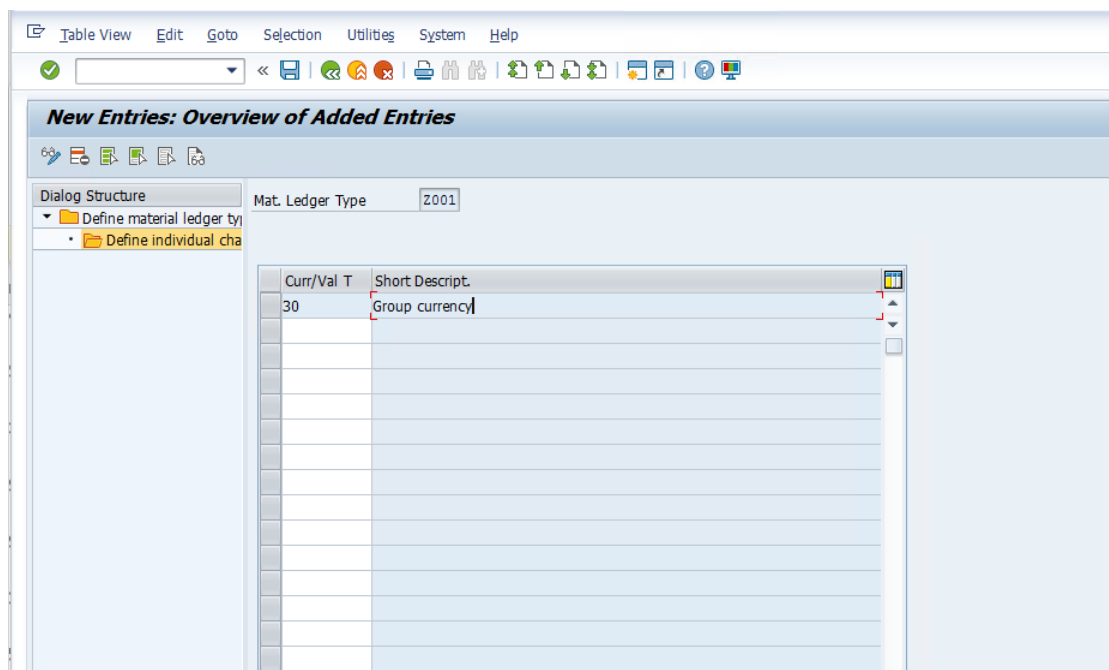
Click on 💾

Click ⟪
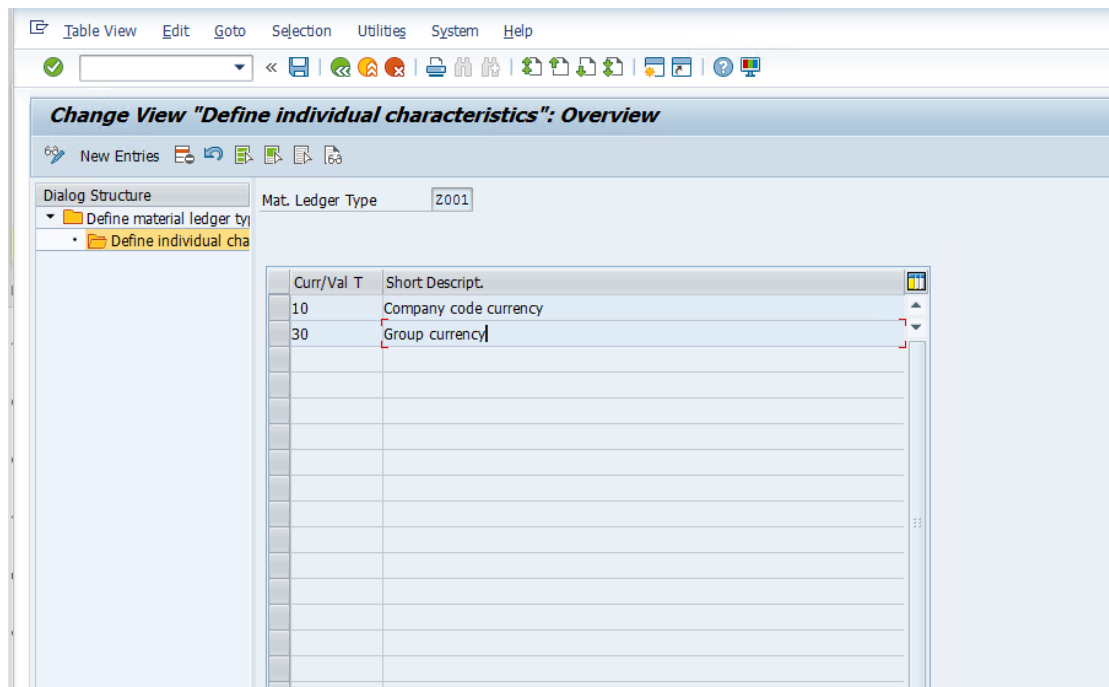
1.2 Assign Material Ledger Types to Valuation Area

SAP Customizing Implementation Guide → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Assign Material Ledger Types to Valuation Area
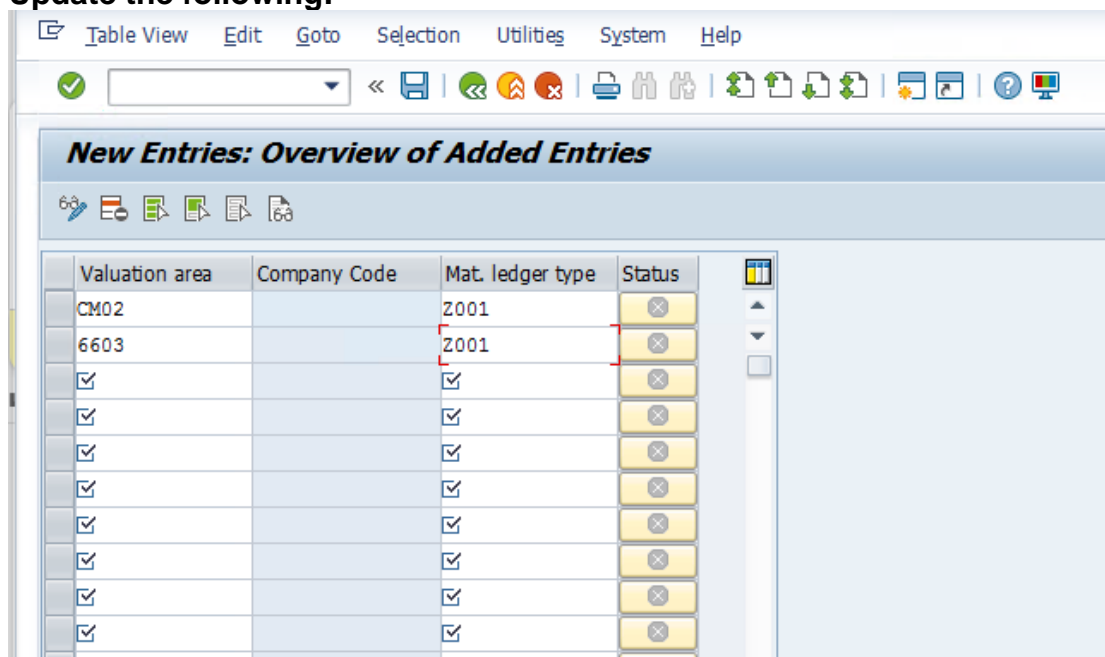
Here we assign material ledger type to valuation areas.

We can only assign one material ledger type to each valuation area.
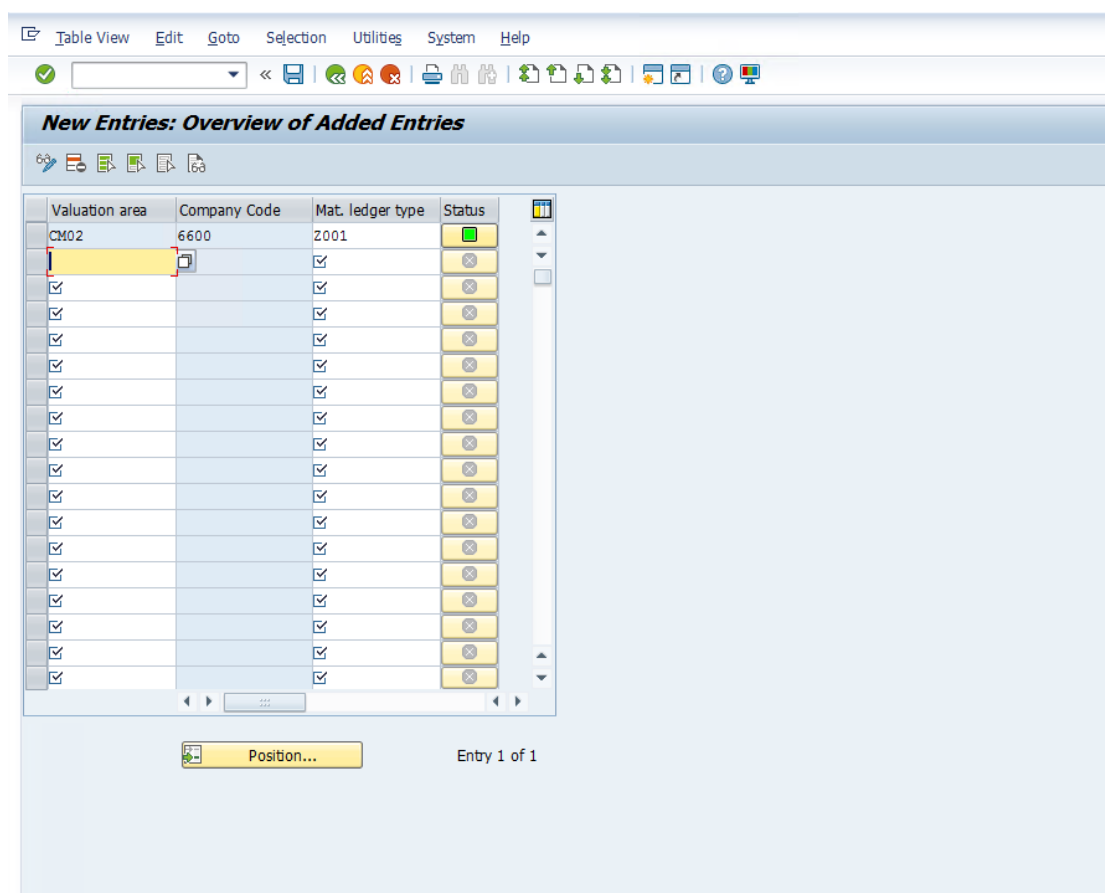
We can assign same material ledger type to several valuation areas.

Click on **New Entries**

Update the following:-

Valuation area	Company Code	Mat. ledger type	Status
CM02		Z001	⊗
6603		Z001	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
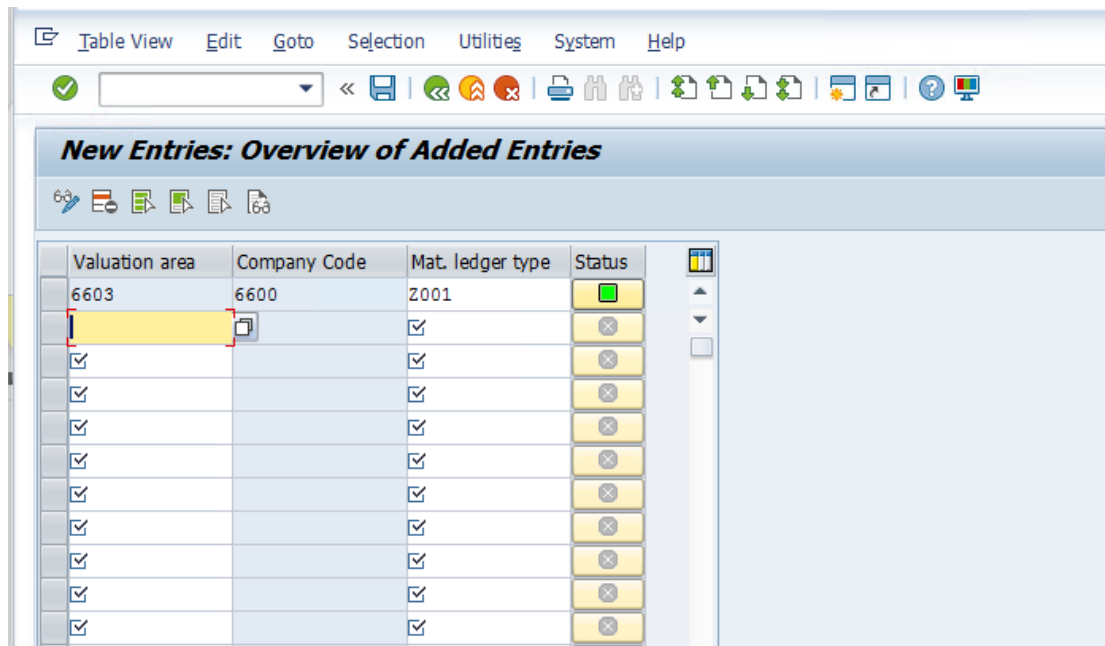
Press enter

Valuation area	Company Code	Mat. ledger type	Status
CM02	6600	Z001	🟩
		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗
☑		☑	⊗

Position...   Entry 1 of 1

Click on

1.3 Activate Material Ledger for Valuation Areas

SAP Customizing Implementation Guide → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Activate Material Ledger for Valuation Areas

Here we activate the material ledger for one or more valuation areas.

Note : We can only deactivate the material ledger for a valuation area if no material movement data exists in that valuation area.

We can check the material ledger settings

Double click Activate Material Ledger

Assign Price determination indicator 3 (Single/Multi level) and activate ML Act

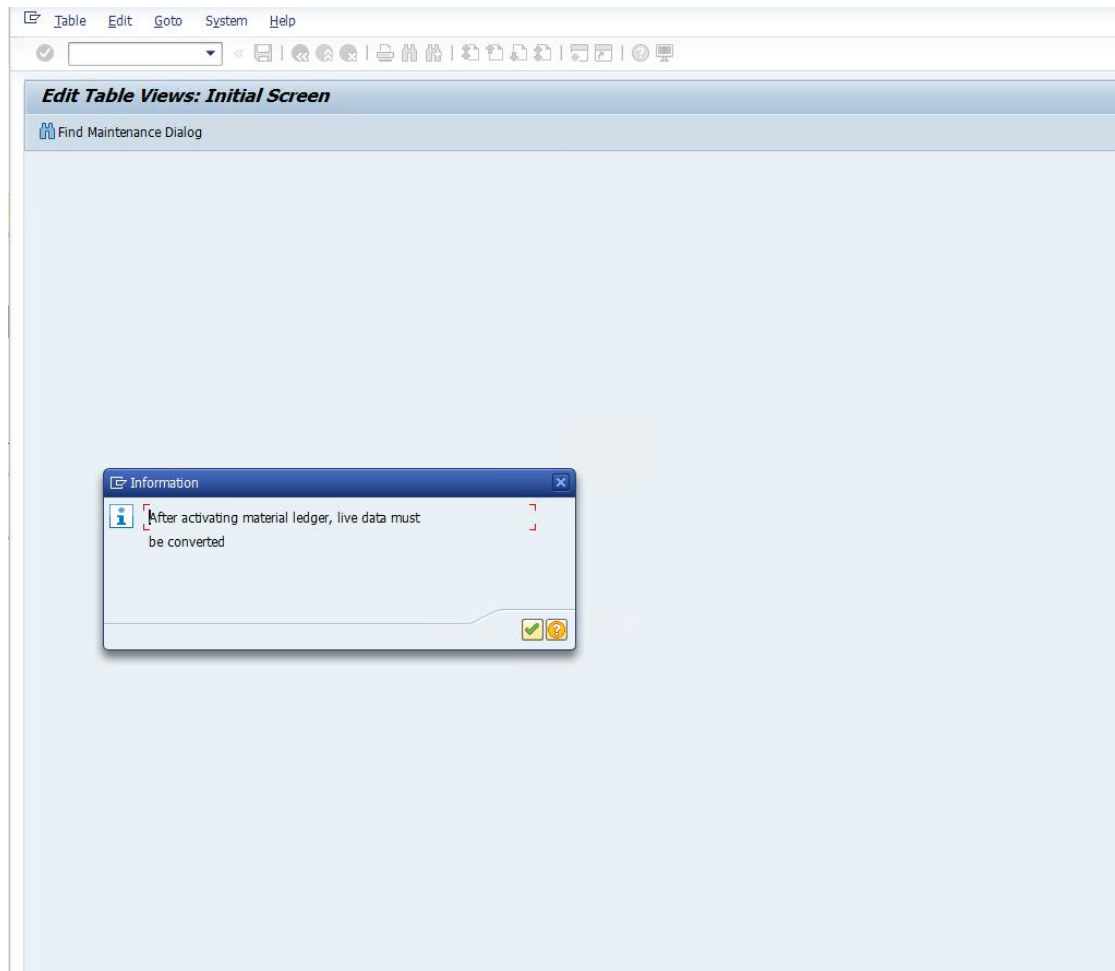

Similarly Assign Price determination indicator 3 (Single/Multi level) and activate ML Act to valuation area 6603

Click on ![save icon]

1.4 Maintain Number Ranges for Material Ledger Documents

SAP Customizing Implementation Guide → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Maintain Number Ranges for Material Ledger Documents

A material ledger document must be clearly identified in the system. This is achieved by saving each transaction in the material ledger under a unique number.
Groups exist for material ledger documents per transaction type in the standard setup.
Material ledger update (Group 01)
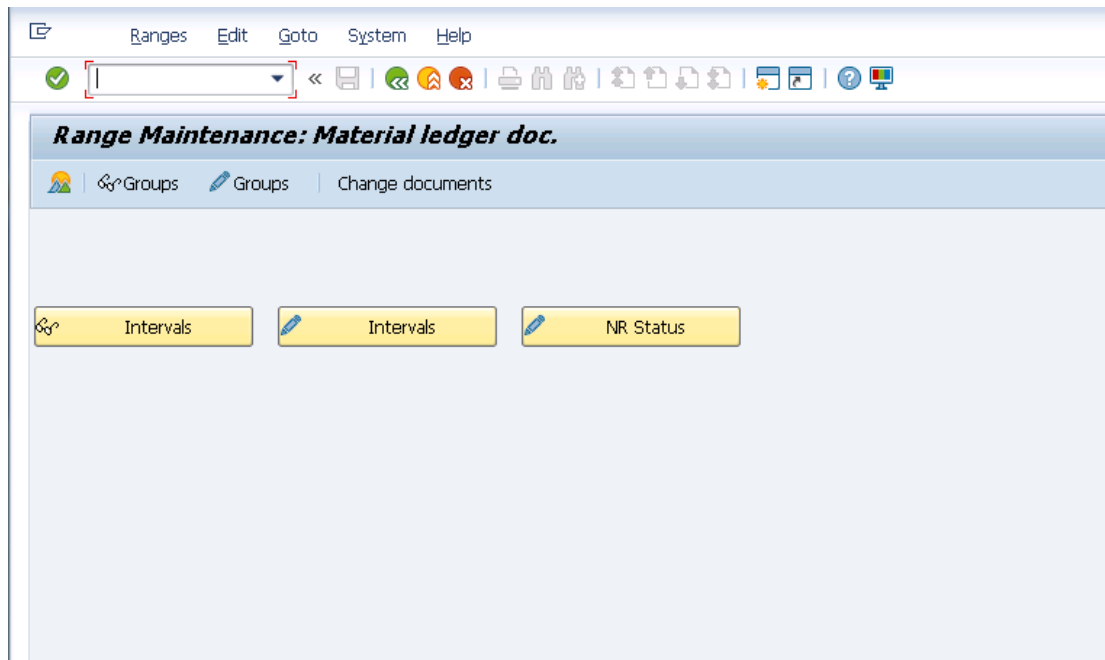Material ledger closing (Group 02)
Material ledger price changes (Group 03)

Single-level material ledger settlement (Group 04)
Multi-level material ledger settlement (Group 05)
Material ledger repair (Group 06)

Each group is assigned to a number range
It is normally not necessary to create new groups.

Double Click Number Ranges for Material Ledger Documents

Click on

Range Maintenance: Material ledger doc.

Group text	
Element	Element text
Non-Assigned Elements	
MY	Element Without Text
ML update	1.........
UP	Element Without Text
ML closing	2.........
AL	Element Without Text
CL	Element Without Text
ML price change	3.........
MA	Element Without Text
PC	Element Without Text
ML Pricing (One-Step), DUV	4.........
RC	Element Without Text
ST	Element Without Text
ML Pricing (Multi-Step/ WIP)	5.........
MS	Element Without Text
WP	Element Without Text
WQ	Element Without Text
ML repair	6.........
RE	Element Without Text
ML Closing Cum	70000.....
CC	Element Without Text

Click

Click on

Maintain Intervals: Material ledger doc.

No	Year	From No.	To Number	NR Status	Ext
01	9999	1000000000	1999999999	0	☐
02	9999	2000000000	2999999999	0	☐
03	9999	3000000000	3999999999	3000000079	☐
04	9999	4000000000	4999999999	0	☐
05	9999	5000000000	5999999999	0	☐
06	9999	6000000000	6999999999	0	☐
07	9999	7000000000	7999999999	0	☐

Click ⟪ twice

Double Click Maintain Financial Accounting Document Types

Type	Description	
KP	Account Maintenance	
KR	Vendor Invoice	
KZ	Vendor Payment	
M1	MCA Journal	
M2	FX Swap	
M3	P&L Lock	
M4	P&L Close	
M5	P&L Transformation	
M6	FX Valuation	
M7	MAR & Restatement	
M8	IFX Correction	
M9	Reversal	
MD	Data Load	
ML	ML Settlement	
OB	Opening Balance	
PR	Price Change	
RA	Sub.Cred.Memo Stlmt	
RB	Reserve for Bad Debt	
RC	CASHJOURNAL REVERSAL	
RE	Invoice - Gross	
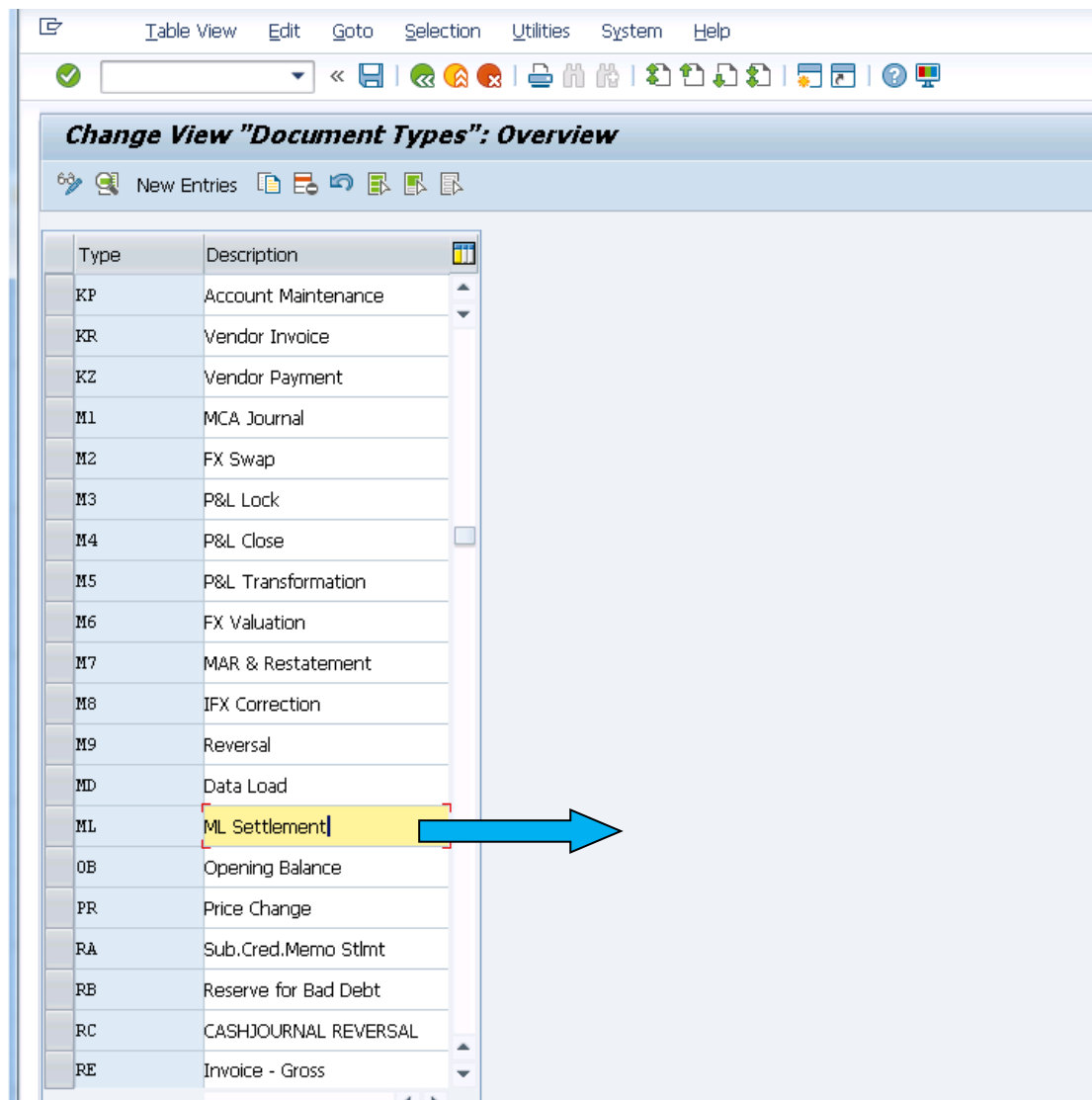
Document type **ML** is reserved for material ledger documents in the standard system. Ensure that it is maintained. Further the number range that begins with 47 is reserved for material ledger documents in the standard system.

Double Click   ML   ML Settlement

Change View "Document Types": Details

New Entries

Document Type ML ML Settlement

Properties

Number range: 47 [Number range information]

Reverse DocumentType: [ ]

Authorization Group: [ ]

Account types allowed

- [ ] Assets
- [ ] Customer
- [ ] Vendor
- [x] Material
- [x] G/L account

Special usage

- [ ] Btch input only

Control data

- [ ] Net document type
- [ ] Cust/vend check
- [ ] Negative Postings Permitted
- [ ] Inter-company postgs
- [ ] Enter trading partner

Default values

Ex.rate type for forgn crncy docs: [ ]

Required during document entry

- [ ] Reference number
- [ ] Document header text

Joint venture

Debit Rec.Indic: [ ]

Rec.Ind. Credit: [ ]

No reversal document type is assigned.

Click [icon] twice

Double click Accounting Document Number Ranges

Click

Check that **number range 47** is maintained in **Accounting.**

1.5 Configure Dynamic Price Changes

SAP Customizing Implementation Guide → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Configure Dynamic Price Changes

Here we can specify in each valuation area that a planned price is activated as the valuation price upon the first goods movement in a new posting period as long as the validity date of the planned price has been reached.
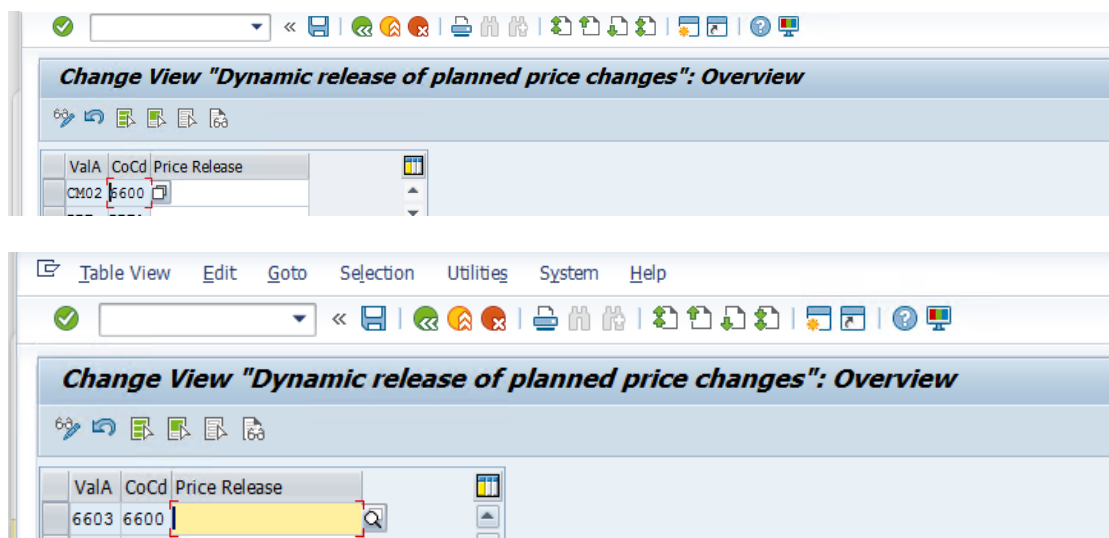
The planned prices are handled by the system with the following priority:

Marked standard cost estimates
Future valuation prices

In the standard system, dynamic price release is not active.

We will not activate it

Please note that this transport to be done in the Production system only after the cutover is over in production to avoid the undesired valuation effects. Store this customizing in a separate transport request.

Price Release	Short Descript.
	Dynamic price release is not active
1	Dynamic price release is active

2. Material Update

2.1 Define Movement Type Groups of Material Ledger

SAP Customizing Implementation Guide → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Material Update → Define Movement Type Groups of Material Ledger

Here we can define movement type groups for the Material Ledger so that we can then assign selected material movements to different categories. The standard setup contains no movement type groups for the material ledger.

We will create a new movement type group as ZL

Click on New Entries

Update the following:-

We will select 2 revaluation of GL account and CO account assignment