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.

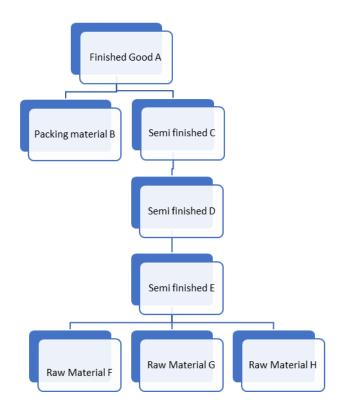
The following 2 options are available for price determination indicator in the material master (accounting view):-

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
		11
Finished Goods A	100	↑ ↑
Packing material B	5	
	5	10
Semi finished Goods C	90	↑ ··•
Semi finished Goods D	80	
Semi finished Goods E	70	
Raw Material F	30	
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 \rightarrow Tools \rightarrow Customizing \rightarrow IMG \rightarrow SPRO - Execute Project \rightarrow

ଝିଂSAP 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.

1. Material Ledger

1.1 Assign Currency Types and Define Material Ledger Types

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

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

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We update currency type 10 and 30

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1.2 Assign Material Ledger Types to Valuation Area

SAP Customizing Implementation Guide \rightarrow Controlling \rightarrow Product Cost Controlling \rightarrow Actual Costing/Material Ledger \rightarrow 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

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Click on 国

1.3 Activate Material Ledger for Valuation Areas

SAP Customizing Implementation Guide \rightarrow Controlling \rightarrow Product Cost Controlling \rightarrow Actual Costing/Material Ledger \rightarrow 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.

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Activities	
Pe Name of Activity	
Check Material Ledger Settings	^
Activate Material Ledger	-
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Perform the activities in the specified order	
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We can check the material ledger settings

Activate Material Ledger Double click <u>Table View Edit Goto Selection Utilities System Help</u> 🖉 🔍 – 🔍 🕄 😓 🗞 😓 🖓 👘 🖓 🔛 – 🐨 Change View "Activation of Material Ledger": Overview 🦻 🖙 🖪 🖪 🖓 Valuation Area Company Code Ma... Status ML Act. Price Deter. Price Det. Binding i
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Assign Price determination indicator 3 (Single/Multi level) and activate ML $\ensuremath{\mathsf{Act}}$



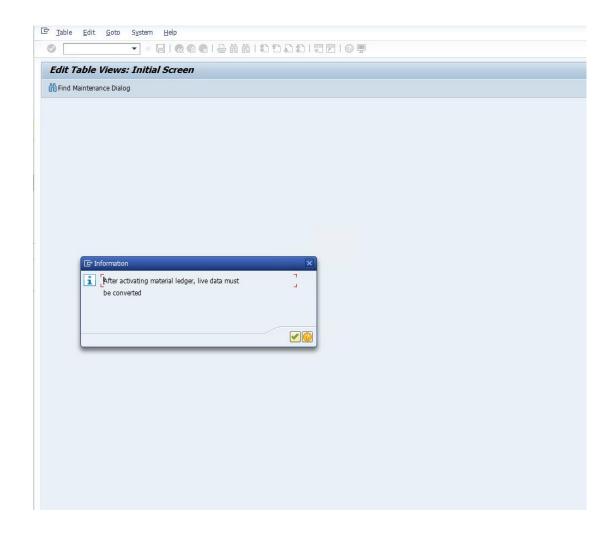
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3 Single-/Multilevel									

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

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1.4 Maintain Number Ranges for Material Ledger Documents

SAP Customizing Implementation Guide \rightarrow Controlling \rightarrow Product Cost Controlling \rightarrow Actual Costing/Material Ledger \rightarrow 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.

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Double Click Number Ranges for Material Ledger Documents

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UP	Element Without Text
ML closing	2
AL	Element Without Text
CL	Element Without Text
ML price cha	nge 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
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Double Click Maintain Financial Accounting Document Types

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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.

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Double click Accounting Document Number Ranges

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1.5 Configure Dynamic Price Changes

SAP Customizing Implementation Guide \rightarrow Controlling \rightarrow Product Cost Controlling \rightarrow Actual Costing/Material Ledger \rightarrow 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.

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ValA CoCd Price Release 6603 6600

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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 \rightarrow Controlling \rightarrow Product Cost Controlling \rightarrow Actual Costing/Material Ledger \rightarrow Material Update \rightarrow 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

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