ESPRESSO TUTORIALS

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Material Valuation and the Material Ledger in SAP® S/4HANA

- Valuation in parallel currencies with and without transfer pricing
- Defining currencies and using them with the material ledger
- Valuation using standard cost, moving average cost, and actual cost
- Balance sheet valuation methods

Table of Contents

Introduction **7**

1 Introduction to inventory valuation **9**
1.1 The material ledger and S/4HANA 9
1.2 The universal journal 19
1.3 Currencies 20
1.4 Inventory valuation in S/4HANA 42

2 Valuation in parallel currencies **51**
2.1 Parallel currency valuation scenario 51
2.2 Configuration for parallel currencies 53
2.3 Material master settings 56
2.4 Goods movements and parallel valuation 58
2.5 Analysis tools 67

3 Valuation using transfer prices **77**
3.1 Transfer pricing scenario 77
3.2 Configuring for transfer pricing 77
3.3 Inventory valuation and analysis 89
3.4 Profit center valuation 92

4 Valuation at actual cost **107**
4.1 Actual costing scenario 107
4.2 The problem with standard prices 107
4.3 The problem with moving average prices 109
4.4 The actual costing solution 111
4.5 Actual costing configuration 111
4.6 Material ledger documents 139
4.7 Executing the costing run 144
4.8 Analyzing the results 169
4.9 Other actual costing functionality 181

5 Balance sheet valuation 197
5.1 Scenario using balance sheet valuation 197
5.2 Balance sheet valuation configuration 197
5.3 Material setup 206
5.4 Actual costs with balance sheet valuation 208
5.5 Analyzing the results 223

A The Author 227

B Index 228

C Disclaimer 234

2 Valuation in parallel currencies

The primary function of the material ledger in S/4HANA is to be the vehicle for maintaining inventory valuation in multiple currencies. Corporations that conduct business in multiple countries need to be able to view inventory values both in local currency and in other currencies, according to corporate requirements. The material ledger allows for inventory to be represented in three different currencies simultaneously.

2.1 Parallel currency valuation scenario

Let's look at an example company—Universal Writing Utensils, which is based in Belgium. Group currency for the S/4HANA client is set to EUR. The company also has plants in the United States and Mexico, and wants to be able to view inventory for the North American operations in USD, as well as in EUR. In addition, the Mexican plant needs valuation in the local country currency, MXN (Mexican pesos). Universal Writing Utensils does not want to implement actual costing for these plants.

Two global companies have been defined: K101 for Europe and K102 for North America (see Figure 2.1).

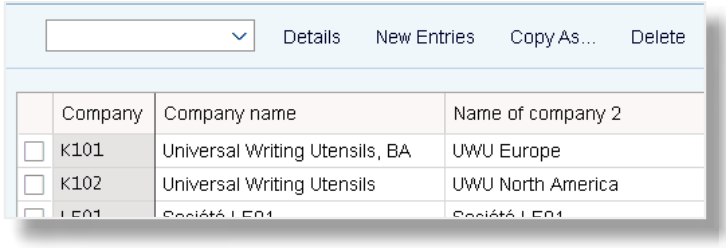

Figure 2.1: Universal Writing Utensils companies

Companies are configured under menu path Enterprise Structure • Definition • Financial Accounting • Define Company. Figure 2.2 shows the details of the North American company, K102, which uses USD as the company currency (currency type 60).

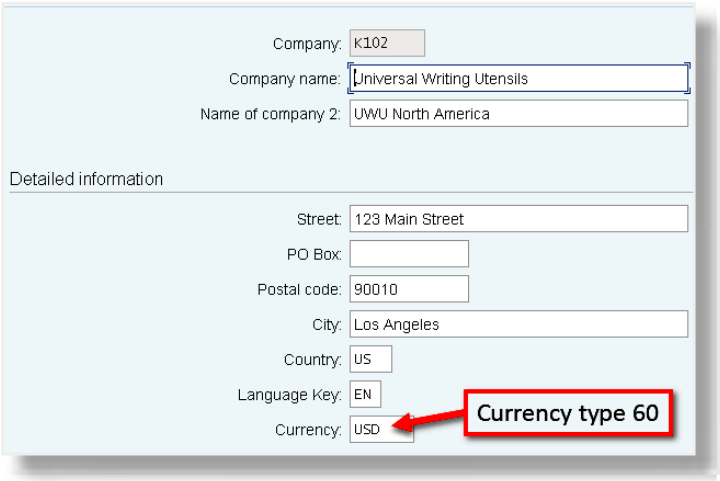

Figure 2.2: Definition of company K102

Three company codes have been set up using menu path Enterprise Structure • Definition • Financial Accounting • Edit, Copy, Delete, Check Company Code: K101 for Belgium, K102 for the United States, and K103 for Mexico (see Figure 2.3).

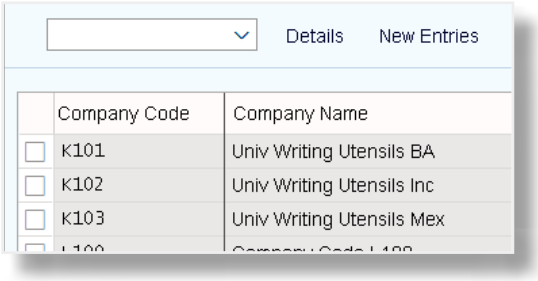

Figure 2.3: Company codes for Universal Writing Utensils

Company codes are assigned to companies via menu path Enterprise Structure • Assignment • Financial Accounting • Assign Company Code to Company. Figure 2.4 shows company codes K102 and K103 assigned to company K102.

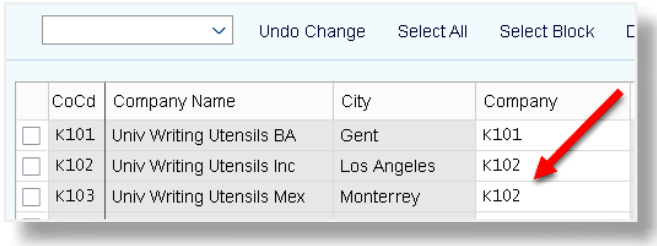

Figure 2.4: Assigning company codes to companies

2.2 Configuration for parallel currencies

Basic material ledger configuration is covered in Sections 1.1.1 and 1.1.2. The required currency types should be selected prior to defining the company code; trying to change them at a later date is a difficult task requiring conversions and probable loss of historical data, assuming it can be done at all. For this scenario, all the currency types use the legal valuation view. The currency types are assigned by company code to the required financial ledgers and are then assigned to the valuation area as part of the material ledger setting for that valuation area.

2.2.1 Ledger settings

For a currency type to be eligible for use as a material ledger currency, it must be assigned to the company code/ledger combination in transaction FINSC_LEDGER. After selecting the ledger in the Ledger folder, click on the Company Code Settings for the Ledger folder. Figure 2.5 shows the currency definition for company code K103 in the leading ledger 0L. Local Curr. Type is automatically generated from the company code definition, and Global Curr. Type comes from the configuration of the controlling area to which company code K103 is assigned. Local currency type is mandatory for the material ledger. The other material ledger currency types must come from the global currency type and the eight other freely defined currency types.

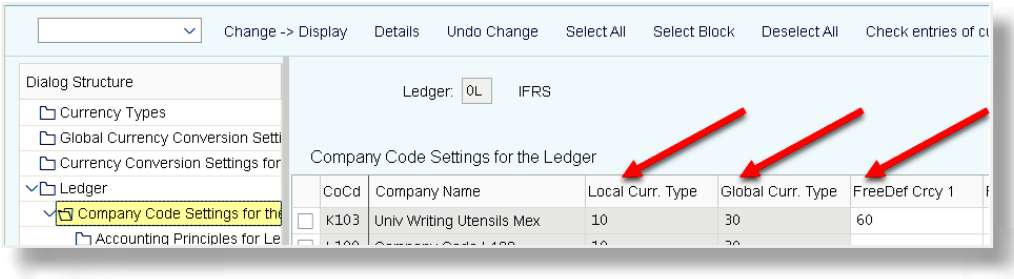

Figure 2.5: Defining currency types for ledger and company code

Figure 2.5 shows currency type 60 assigned as one of the freely defined currencies, as required by the scenario. Other currency types can be assigned, but only three can be used by the material ledger.

2.2.2 Currency settings

The currencies to be used by materials in the plant or valuation area are determined by the configuration of the material ledger type. Transaction OMX2 shows the material ledger type definition for type UWU1 (see Figure 2.6).

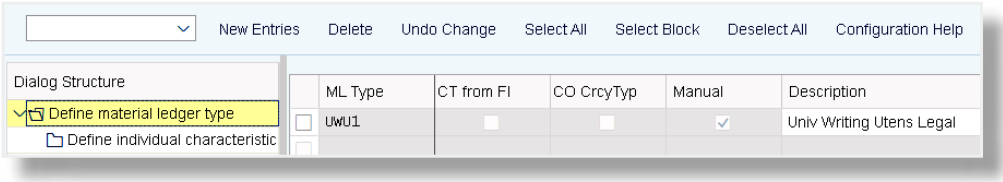

Figure 2.6: Configuring the material ledger type

Click on the Define individual characteristics folder to display the currency types assigned to the material ledger type (see Figure 2.7). Currency type 10 is automatically assigned when the material ledger type is created. Up to two more currencies can be defined, but they must be one of the allowed currency types for the material ledger (this list is covered in Section 1.1.2). Only currency types valid for the material ledger can be selected. User-defined currency types are not allowed.

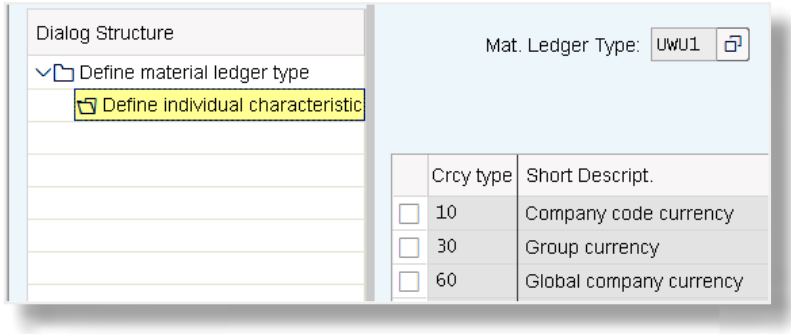

Figure 2.7: Assigning currency types to material ledger type

When a new plant or valuation area is created, the material ledger type is assigned to the plant by using transaction OMX3 (see Figure 2.8). The assignment is valid only if the following are true:

- the currency types are valid material ledger currency types
- the currency types are assigned to the company code for the leading ledger in FINSC_LEDGER

Note that other currency types can be assigned to the company code/ledger combination but cannot be used for inventory valuation purposes.

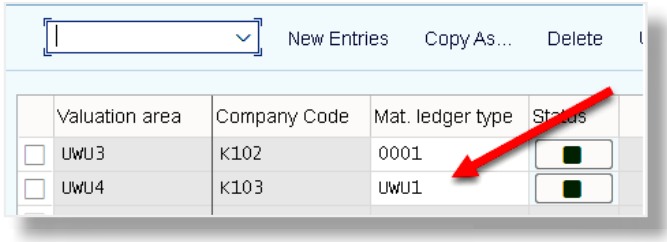

Figure 2.8: Assigning material ledger type to valuation area

2.2.3 Plant activation

The final configuration is made by using transaction OMX1 to enable the material ledger for the valuation area. Once enabled, it cannot easily be disabled again in a production client. This should only be done in a development or test client, because disabling deletes historical material ledger data.

B Index

A

Account determination
general configuration 123
posting keys 126
posting rules 125
valuation modifier 127
Activity Consumption Analysis report 180
price determination structure 180
price history 180
Actual cost component split
activation 121
manual update 193
Actual costing 45, 46, 111
activation 120
alternative valuation run 50
configuration 111
cumulative inventory 111
inventory categories 111
material status 176
Actual costing difference category
Not Allocated 156, 182
Not Distributed 154, 182
Actual costing run 140, 144
background processing 148
costing levels 152
creation 144
Mark Prices step 144, 167
Post Closing step 144, 157
Preparation step 144, 149
price determination cycles 156
revaluate consumption 158
revaluate material 157
Selection step 144, 147
Settlement step 144, 152
unlocking a step 149
Asset Accounting 192
AVR 183
alternative activity rate 190
create with run reference 221
creation 184
General Data section 184
LIFO valuation 215
Mark Prices step 188
processing steps 188
run reference 218

B

Backflushing 193
Balance sheet valuation 47
actual costing run 222
AVR 215
configuration 197
key figure schemes 203
valuation alternatives 205
Business functions
FIN_CO_COGM 50, 191, 219
LOG_MM_SIT 182

C

Company 33
Company code 33
assign ledger currency types 53
assign to company 52
configuration 52
Currency 27
balance transaction 21, 22
controlling object 21
freely defined 21
global 21, 22
local 20, 22
transaction 21, 22

Currency and valuation profile 13, 78, 92
activation 83
assign to controlling area 80
configuration 78
Currency conversions 39
basis for conversion 40
company code-specific 39
global 39
Currency type 22, 27
assignment 23
BSEG currencies 23
CO currencies 24
company code (10) 29
consolidation unit (C0) 37
controlling area (20) 30
controlling object (70) 33
conversion level 28
definition 28
document currency (00) 29
financial management area (A0) 36
global company (60) 33, 51
group (30) 30
hard (40) 31
index-based (50) 32
ledger (80) 34
material ledger currencies 24
operating concern (B0) 36
profit center invoice (90) 35
user-defined 39

D

Determination of lowest value 47, 208
document types 202
movement types 202
raw material values 214
Distribution of consumption differences 122, 193
Dynamic price changes 119

E

Exchange rate
company code-specific setting for currency type 61
currency type setting 61
global setting for currency type 61
moving average price 60
reference currency 60
standard price 59

F

FIFO 47
activation 208
calculations 212
define relevant movement types 199
define valuation level 198
enable FIFO valuation 197
FIFO variant 203
method 199
price update 213
process receipts 212
valuation area assignment 201
Fiori apps
Actvity Consumption Analysis 180
Change Actual Cost Components 194
Change Price Determination 57, 136
Edit Actual Costing Runs 144, 184, 218, 221
Edit Alternative Valuation Runs 183, 218
Highest Inventory Value 179
Material Costs and Inventory Values 178
Material Inventory Values Balance Summary 75, 90
Material Ledger Documents 142
Material Ledger Startup 16, 136

Material Price Analysis 68, 169, 190, 223
Material Value Flow Monitor 182
Period Status 177
Release Material Cost Estimates 88
Trial Balance Report 20
WIP at Actual 179

G

General modifier code 124
Goods movements
moving average issue prices 65, 67
moving average price 60
standard price 59

I

Intercompany actual costing 181
Inventory valuation
parallel currencies 45
split valuation 44
Inventory value
update using price control S 59

L

Ledgers
currency type assignment 41, 80
LIFO 48
activation 206
calculation 208
create new layer 209
define relevant movement types 199
define valuation level 198
enable LIFO valuation 197
layer versions 201
method 199
pools 209
valuation area assignment 201

M

Material ledger activation 15, 84
default price determination 118
price determination binding 16, 56, 119
valuation area/plant 56
Material ledger document 11, 140
number ranges 11
Material ledger type 13
currency type assignment 13, 24, 54
currency types 14
multiple valuation approaches/ transfer prices 82
valuation area assignment 55, 83
Material master
Accounting 1 19, 56, 68, 162
Accounting 2 206, 223
Costing 2 223
LIFO/FIFO relevant 206
material ledger active setting 56
material price analysis 68
per unit price 63
price control setting 57
price determination setting 57
Material Price Analysis report 68, 90, 114, 154, 156, 164
accounting documents 71, 165
actual cost component split 171, 174
closing document 165
cumulative inventory 172
currency type selection 70
for AVRs 190
Header section 170
LIFO valuation 216
manual change actual CCS 196
material ledger document 71, 174
price determination structure 169, 171
price history view 69
prices and inventory values 70

source document 72
special stock 69
valuated quantity structure 170, 175
Material update structure
assignment to valuation area 118
definition 115
Movement type group
assignment 114
change consumption account determination 113
definition 113
Moving average price 109
Multilevel differences 144
Multiple valuation approaches/ transfer prices 77
controlling versions 81
product costing setup 85

O

Order settlement 142

P

Parallel cost of goods manufactured 191
Parallel valuation of COGM 50
Periodic unit price 111
Price control 43
S (standard) 43, 46
V (moving average) 43
Price determination
default setting for plant 56
single-/multilevel (3) 16, 56, 57, 118, 136, 169
transaction-based (2) 16, 19, 56, 57, 118, 136, 169
Prices and Inventory Values report 73, 178
set currency 74
Price variance 107
Product costing
cost component view 102
costing type 85, 99
costing variant 85, 99
marking 88
released cost estimate 88
transfer price cost component 101
transfer price variant assignment 100
Profit center accounting 92
condition access sequences 95
pricing conditions 93
pricing procedures 93, 96
transfer price variants 97
Profit center valuation view
account assignments for goods movements 104
account assignments for production variances 105
clearing accounts 105
exluding movement types 106

S

Single-level differences 141, 144
Standard price 107
Stock coverage
actual costing 111, 154
moving average price 109

T

Tables
ACDOCA 20, 21
BSEG 23
T169A 124, 132
Transaction/event key 123, 158
BSX 128, 133, 160, 166, 167
COC 113, 114, 130
GBB with AUI modifier 134
GBB with VAX modifier 114, 130

KDM 134
KDM with PNL modifier 134
KDM with PSL modifier 134
KDV 130
LKW 128, 133, 167
PRA 135
PRL 134
PRM 135
PRV 130
PRY 128, 131, 133, 160, 166
PRY with PNL modifier 129
PRY with PPL modifier 129
PRY with PSL modifier 130
UMB 131, 160
UMY (custom key) 132
WPA 135
WPM 135

Transactions (configuration)
0KE5 35, 92
0KEK 104
3KEL 105
8KEM 78
8KEN 91, 105
8KEP 83
8KEQ 80
8KEZ 93, 96
CXM1 37
FINSC_LEDGER 20, 23, 27, 38, 39, 41, 53, 60, 61, 80
KEA0 36
OBYC 123, 131
OF01 35
OF18 36
OKKI 85, 99
OKKN 85, 99
OKTZ 101
OKYD 100
OMW3 201
OMW4 199
OMWD 127
OMWE 197
OMWI 202
OMWJ 202
OMWL 198
OMWN 131
OMWP 199
OMWR 202
OMWT 201
OMX0 114
OMX1 55, 84, 118
OMX2 24, 54, 82
OMX3 55, 83
OMX7 113
OMX8 118
OMX9 117
OX02 29
OX15 33
OY01 31, 32
SCC4 30
SFW5 50

Transactions (costing run)
CKMLCP 144, 184, 218
CKMLCPAVR 183, 218

Transactions (determination of lowest value)
MRN0 214
MRN1 214
MRN2 214
MRN3 214

Transactions (FIFO)
CKMLBB_AGGREGATE 212
CKMLBB_FIFO_CALCULAT 212
CKMLBB_PERIODS_LIST 212
CKMLBB_PRICES_CHANGE 213
CKMLBB_PRICES_LIST 212
MRF4 208

Transactions (financial)
FAGL_FCV 40

Transactions (initialization)
CKMADJUST 138
CKMM 57, 119, 136
CKMSTART 16, 84, 121, 135

FCML4H_STARTUP 121
Transactions (LIFO)
MRL1 209
MRL2 209
MRL6 206
MRL9 208
Transactions (maintenance)
AKE5 96
AKE6 96
CKMCCC 194
Transactions (product costing)
CK24 88
Transactions (report)
CKM3 68, 156, 169, 190, 223
CKM3N 68, 156, 169
CKMB 142
CKMQLS 175
CKMTOPSTOCKVAL 179
CKMVFM 182
COMLWIPDISP 179
ML4HVFM 182
S_ALR_87013180 177
S_ALR_87013181 178
S_P99_41000062 73, 178
Transfer pricing 46

U

Universal journal 19
Account-based CO-PA 19
Asset Accounting 19
cost elements 20
General Ledger 19
Margin Analysis 20
Material Ledger 19
Overhead Cost Controlling 19

V

Valuation approach 26
Valuation area 12
grouping code 127
making material ledger productive 16, 84
material ledger type 15
Valuation view 25, 46
group 26
legal 26
Parallel Cost of Goods Manufactured 27
profit center 26, 92
user-defined currency type 39
Value flow monitor 182
Value strings 124, 132

W

WIP at actual costs 123