

SAP ERP MM 6.0

Rajesh Sharma

SAP Certified Consultant

Activate Manager (SAP Activate-05)
ERP Sourcing & Procurement 6.0,
SAP S/4 HANA Sourcing & Procurement,
SAP EWM 9.5



SAP ERP



**Cost Center
&
Profit Center**

Topics

- **What is Cost Center?**
- **Why a Cost Center is required?**
- **How create a Cost Center?**
- **How create a Cost Center Group?**
- **What is Profit Center?**
- **Why Profit Center is required?**
- **How create Profit Center?**
- **How create Profit Center Group?**

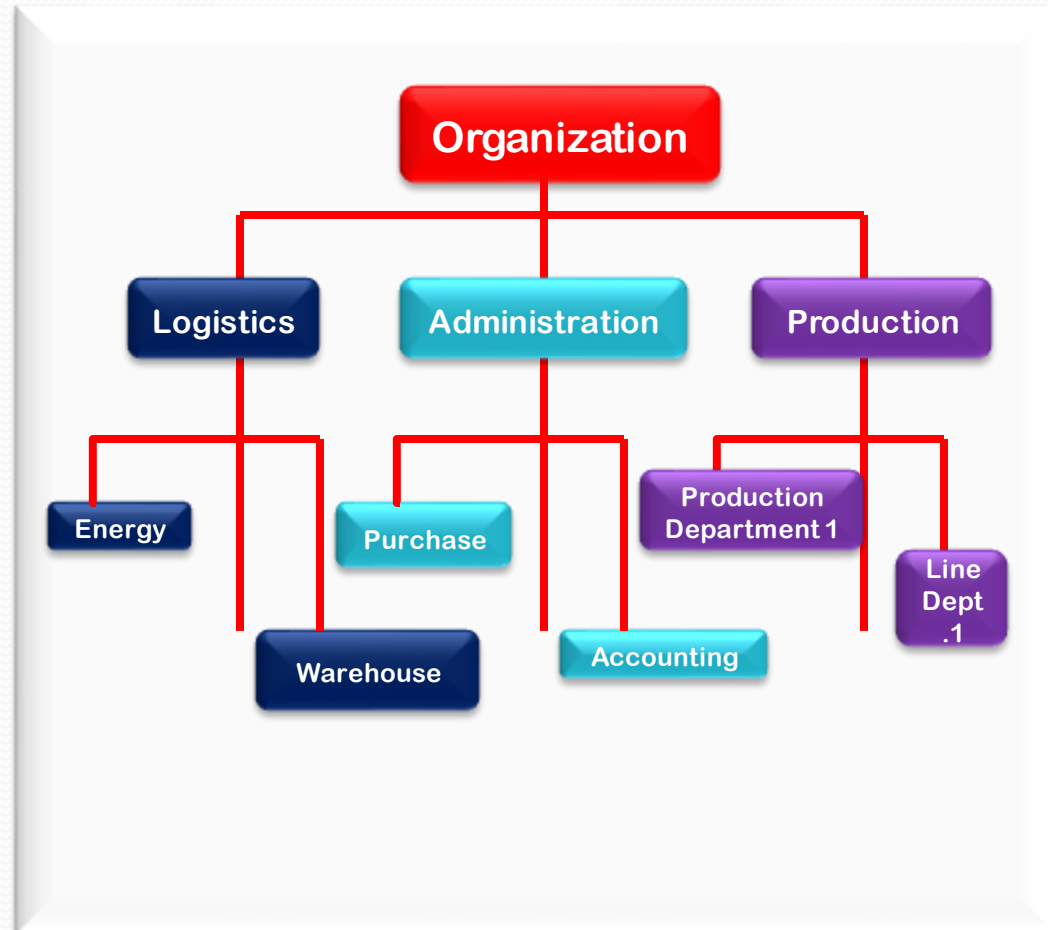
What is Cost Center

A cost center is defined as a component in an organization that adds to the cost and indirectly adds to the profit of the organization. Examples include Marketing and Customer Service. A company can classify a business unit as follows:

- Profit Center
- Cost Center
- Investment Center

An organization can be classified as cost center because cost is easy to measure.

Cost Center Hierarchy look as follows shown in figure



Why a Cost Center required?

A cost center is a location where the costs are incurred. It can be setup based on areas of responsibility, functional requirements, allocation criteria, geographical locations or activities or services provided. Its purposes is to provide cost related information in Overhead Cost Accounting for which cost centers are grouped into units of decision making, control and responsibility. To map this structure, Cost Center is placed in cost center standard hierarchy.

How Create a Cost center?

To create a Cost Center T-Code is
KS01-Create, KS02-Change, KS03-
Display

Path is as follows:

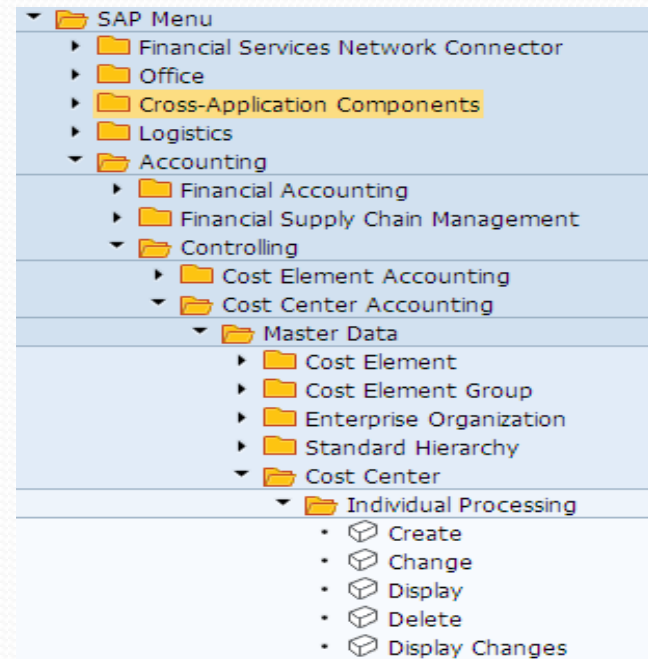
SAP Easy Access Screen → SAP
Menu → Accounting → Controlling →
Cost Center Accounting → Master
Data → Cost Center

Next screen

- Enter the new cost center number
- Enter the validity dates of new cost center

Optional – in reference section

- In the cost center field you can enter a reference cost center if the details are similar to new cost center.
- In the controlling area, you can enter the reference cost center's controlling area



Create Cost Center: Initial Screen

Master Data

Controlling Area	2019		
Cost Center	R3		
Valid From	26.08.2019	to	31.12.9999

Reference

Cost center	
Controlling Area	

Click on Master Data Enter
 The Name, Description,
 Cost Center category,
 Person Responsible,
 Hierarchy area the
 Company code
 Currency, profit center
 Control Tab appropriate
 Indicator Click on save

Create Cost Center: Indicators

Drilldown

Cost Center: R3 Finance R3
 Controlling Area: 2019 Raj Oil Co
 Valid From: 26.08.2019 to 31.12.9999

Basic data | Control | Templates | Address | Communication | History

Record Quantity

Lock

Actual primary costs Act. secondary costs Actual revenues
 Plan primary costs Plan secondary costs Plan revenues

Commitment update

Create Cost Center: Basic Screen

Drilldown

Cost Center: R3
 Controlling Area: 2019 Raj Oil Co
 Valid From: 26.08.2019 to 31.12.9999

Basic data | Control | Templates | Address | Communication | History

Names

Name: Finance R3
 Description: FINANCE R3 2019

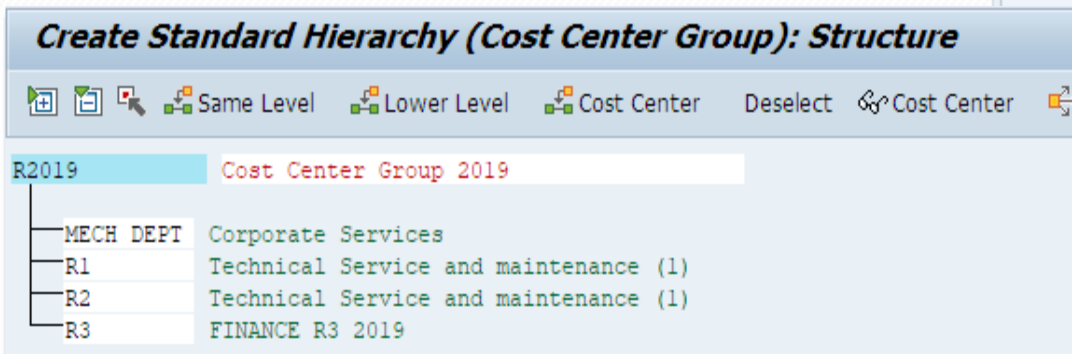
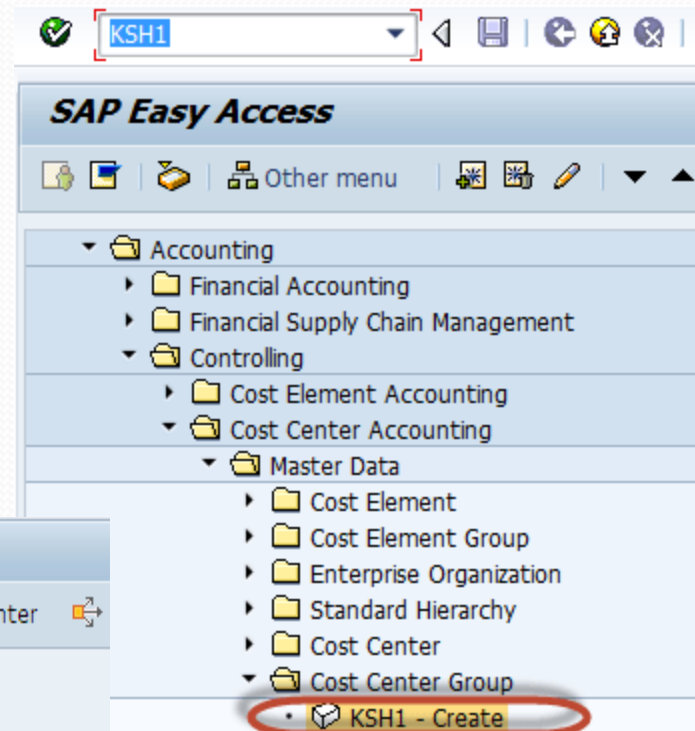
Basic data

User Responsible:
 Person Responsible: Controller
 Department: Finance
 Cost Center Category:
 Hierarchy area: 2019
 Business Area:
 Functional Area: Imp. expenses(not in P&L)
 Currency: EUR
 Profit Center: 1010

Cost center has been created

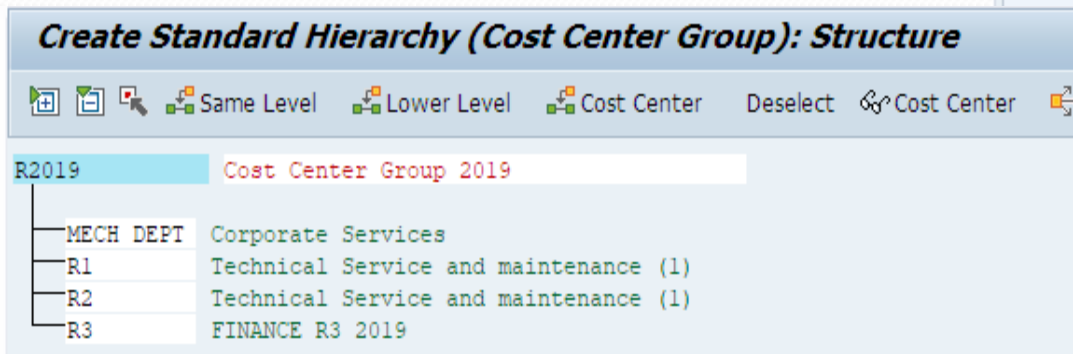
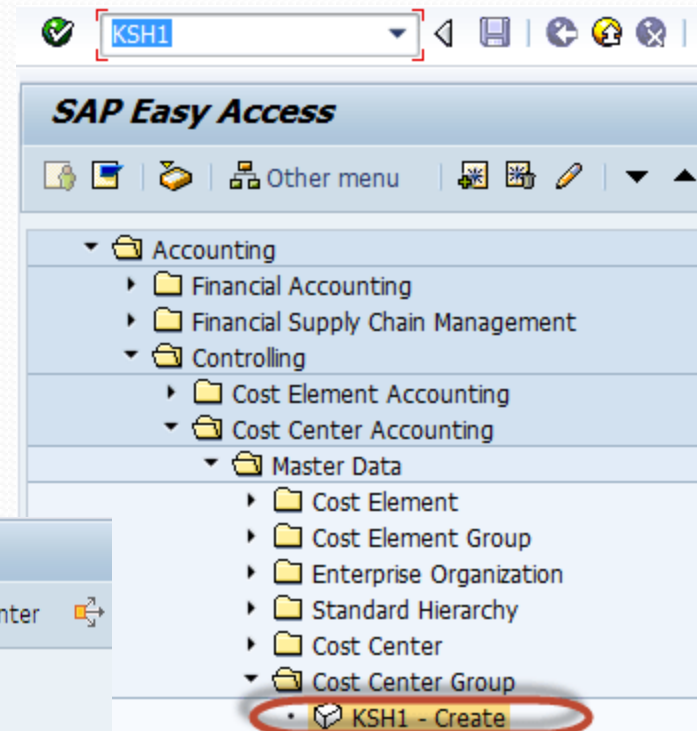
How Create a Cost center group?

Click on Master Data Enter
The Name, Description,
Cost Center category,
Person Responsible,
Hierarchy area the
Company code
Currency, profit center
Control Tab appropriate
Indicator Click on save



What is Profit Center?

A Profit Center is an organizational unit in accounting that reflects a management-oriented structure of the organization for the purpose of internal control. You can analyze operating results for profit centers using either the cost-of-sales or the period of accounting approach



Why a Profit Center is required?

The Primary objective of Profit Center is to represent an independent organizational sub unit that operates practically independently in the market, bears responsibility for its own costs and revenue, and can be expanded to become an investment center or can be treated as a Company within a company. The profit center approach embodies the increasing reestablishment between internal and external accounting, functioning as a connecting link between two accounting concepts.

Profit Center Accounting help in answering the Questions as follows:

1. How much is the revenue?
2. How much is the cost of goods manufacturing?
3. How much is the contribution margin?
4. How much is the administrative and sales costs?
5. How much is the operating profit?

Return On Investment (ROI), Economic Value Added (EVA), and cash flow analysis are possible at profit center level.

How Create a Profit Center?

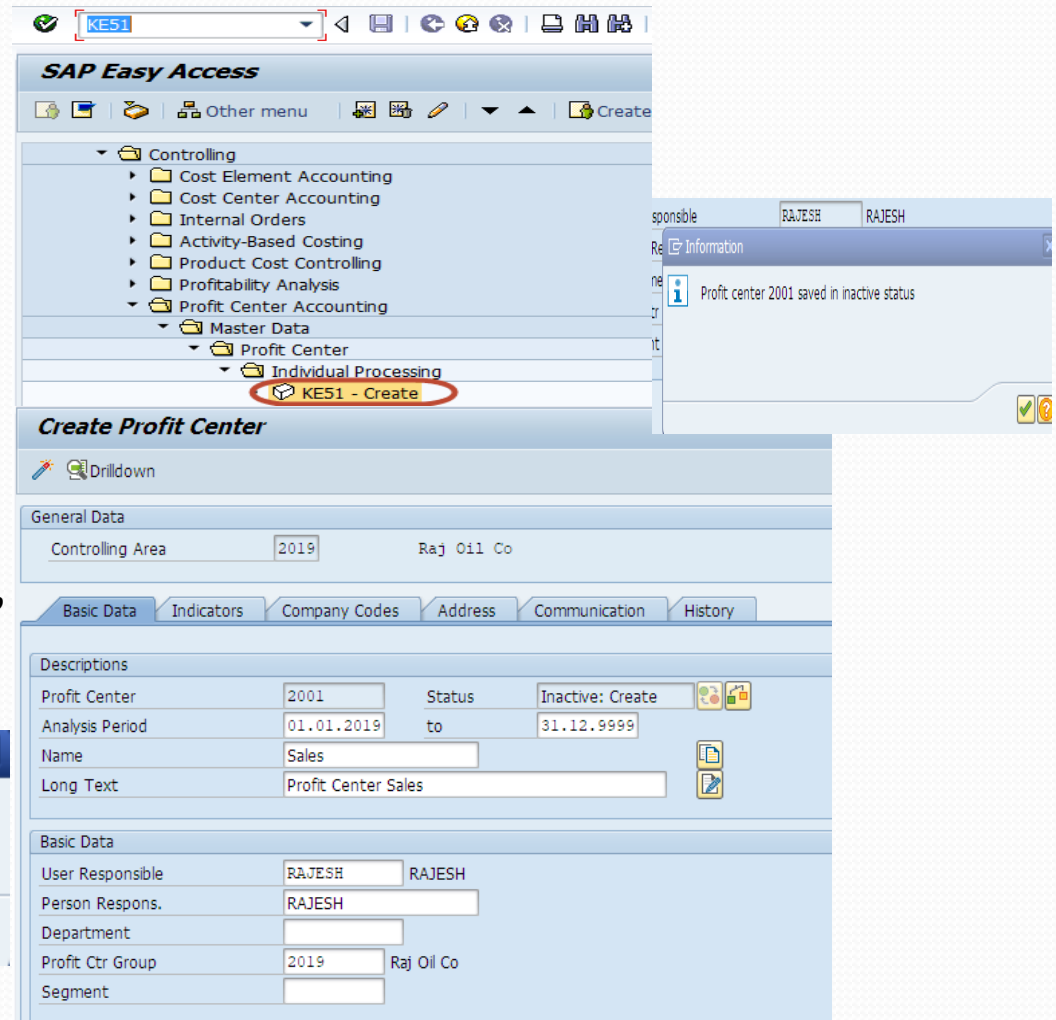
To create a profit center
T-Code: KE51-Create,
KE52-Change, KE53-Display
Menu Path
SAP Easy Screen → Financial Accounting → Controlling → Profit Center Accounting → Profit Center → Individual Processing → KE51-Create
Next screen enter your controlling area company code,
Next screen enter all required entry, click on save



Set Controlling Area

Controlling Area

Buttons: [Save] [Cancel] [OK]



SAP Easy Access

Controlling

- Cost Element Accounting
- Cost Center Accounting
- Internal Orders
- Activity-Based Costing
- Product Cost Controlling
- Profitability Analysis
- Profit Center Accounting
 - Master Data
 - Profit Center
 - Individual Processing
 - KE51 - Create**

Create Profit Center

General Data

Controlling Area: 2019 Raj Oil Co

Basic Data | Indicators | Company Codes | Address | Communication | History

Descriptions

Profit Center	2001	Status	Inactive: Create
Analysis Period	01.01.2019	to	31.12.9999
Name	Sales		
Long Text	Profit Center Sales		

Basic Data

User Responsible	RAJESH	RAJESH
Person Respons.	RAJESH	
Department		
Profit Ctr Group	2019	Raj Oil Co
Segment		

Information: Profit center 2001 saved in inactive status

Click on Icon near drill down
message display on the screen

Profit center 2001 has been created

Message No. KM012

How Create a Profit Center Group?

T-code – KCH1

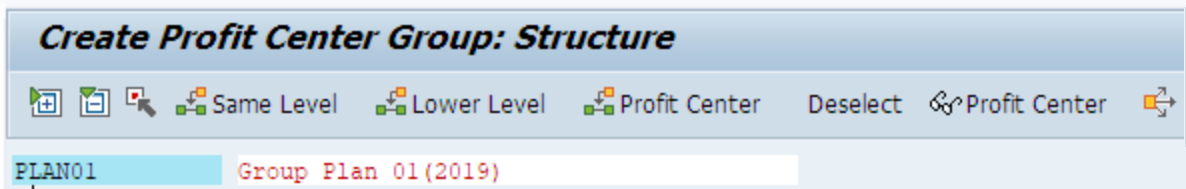
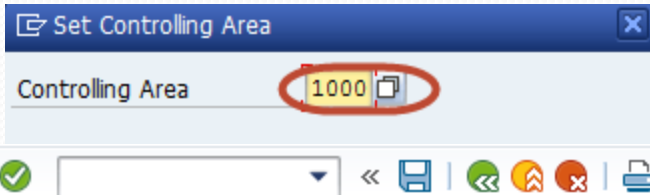
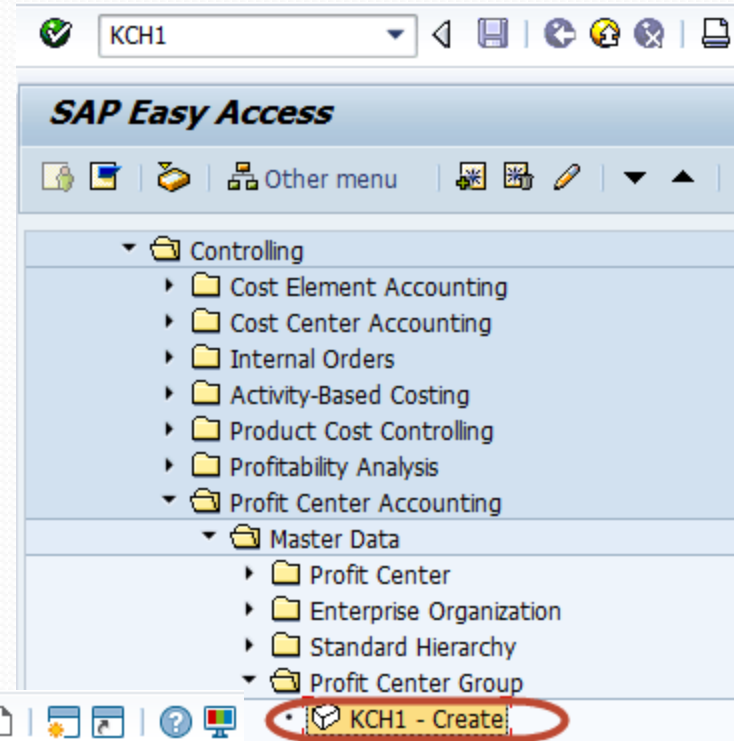
SAP Easy Screen→

Accounting→ Controlling→

Profit Center Accounting→

**Master Data→ Profit Center
group→ KCH1-Create, Next**

**screen enter controlling area,
next screen, enter group name
press enter then enter
description click on save**



The changes have been saved

Message No. OH058



Thank You