



*SAP FI/CO – A Brief  
Introduction &  
Outline*

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## **SAP FINANCE & CONTROLS: A BRIEF INTRODUCTION & OUTLINE**

In today's world of innovation through Information Technology, SAP is truly a dynamic package by which one can integrate, diversify, and streamline their work-processes with multi-dimensional compatibility.

SAP – “Systems, Applications, and Products in Data Processing” – was founded in 1972 with its headquarters in Walldorf, Germany.

For those who are in the Finance/Accounting Profession who wish to delve into a creative and interactive scenario by which they can apply their hands-on experience & expertise to another level of fantastic intellectual stimulation, SAP FI/CO Implementation & Configuration is truly the ultimate. Their expertise will render them to very swiftly master its technical configuration – for the concepts are all part of every Finance/Accounting Professional's innate thought-process – and - the SAP modules follow a thorough schematic pattern by which all functionalities & technicalities are logically laid-out.

SAP Financial Accounting (FI) is an important core module where in live-time, the financial processing transactions are all captured to provide the basis via which data is drawn for external reporting. This SAP FI Module is integrated with many parallel modules that enable a company to unify processes that may have needed the utilization of many software packages.

Other Modules of SAP that commonly find a role of integration with FI are (but not limited to) Material Management (MM), Sales & Distribution (SD), Human Resources (HR), Product Planning (PP), Controlling (CO), etc. Amongst these CO – Controlling is another major focus for those coming from the Finance/Accounting/Auditing/Budgeting and Financial Reporting/Analysis Backgrounds/Professions.

SAP FI: There are many sub-modules that streamline and specialize in each aspect of the Financial Accounting Processes:

AA – Asset Accounting

AP – Accounts Payable

AR – Accounts Receivable

BL – Bank Accounting

FM – Funds Management

GL – General Ledger Accounting

LC – Legal Consolidations

SL – Special Purpose Ledger

TM – Travel Management

Out of the above, FI-AR, FI-AP, & FI-AA are the three sub-modules that send simultaneous postings to FI-GL.

Now, the new SAP GL – integrates many streamlined processes to be unified more closely to further alleviate any duplication of live-time tasks. This New General Ledger Accounting in mySAP ERP has some dynamic advantages in comparison to the classic General Ledger Accounting (as used in SAP R/3 Enterprise Version) – such as the ability to run real-time reconciliation between Management Accounting (CO) and Financial Accounting (FI) – i.e. – there is a real-time integration with Controlling. Previously time-consuming reconciliations are hence now rendered obsolete. The new SAP GL further allows the management of multiple ledgers within the General Ledger Accounting Module itself. This creates the scope for portraying parallel accounting scenarios within the SAP System.

Controlling (CO) is the term by which SAP refers to “Managerial Accounting”. The Organizational Elements in CO are Operating Concern, Controlling Area, and Cost Centers. Hence, the SAP CO Module helps management by providing reports on cost centers, profit centers, contribution margins, profitability, etc. It focuses on internal users, in contrast to FI – which focuses on data drawn for external reporting. The transactions posted in FI are transferred to CO for cost accounting processing, analytical reporting, and audit-controlling spectrums.

There can be either a one-to-one relationship or there can be one-to-many relationship between Controlling Areas Verses Company Codes. Hence, CO becomes the governing module that oversees the consolidation of costing data whereby management can derive their perspectives for analysis.

The SAP Controlling (CO) Module’s Components are:

- Cost Element Accounting
- Cost Controlling
- Cost Center Accounting
- Internal Orders
- Activity-Based Costing
- Product Cost Controlling
- Profitability Analysis
- Profit Center Accounting

Some methodologies that are unique in their structural concepts are – for example – CO PA & PCA. PA refers to Profitability Analysis that derives from how profitable your market-segments are on their external sides. EC-PCA refers to Profit Center Accounting that produces the analysis that portrays how your internal ‘profit centers’ are functioning in terms of their profitability. To further expand the potential, we also have CO-PC in SAP – which streamlines Product Cost Controlling.

CO-PA supports two forms of Profitability Analysis: Costing-based & Account-based.

Costing-Based Profitability Analysis groups costs and revenue according to value fields and costing-based evaluation approaches. Both of these may be defined by the client. It provides the client with a complete short-term profitability reporting capability at all times.

Account-Based Profitability Analysis is organized in accounts using an account-based valuation process. Its use of cost and revenue elements gives it a distinguishing characteristic. This provides the client with a profitability report that is permanently reconciled with financial accounting.

Hence, Profitability Analysis (CO-PA), alongside Profit Center Accounting (EC-PCA), is one of the application components of Profitability Analysis.

The SAP Control (CO) Module is integrated with FI, AA, SD, PP, and HR. While FI is the main source for data for CO, the others such as SD, MDD, and PP have many integration points with CO. Revenue postings in FI will result in postings in CO-PA & EC-PCA. The HR Module also generates various types of costs to CO. In addition, Planned HR Costs can be passed on to CO as well for CO planning purposes.

Above is a brief outline and write-up about the dynamics of SAP FI/CO. It would be well worthwhile for Finance/Accounting Professionals to explore the depths of this innovative software for the enrichment of their career spectrum.