

Using Results Analysis to Get the Most Out of the PS Module

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SAP Managers face tough ROI questions on each project initiative. When there's an unused piece of R/3 functionality that can offer an immediate cost savings, it deserves some serious attention. PS expert Sam Stinnett has uncovered one such piece of functionality. In this well-illustrated white paper, Sam guides us through use of the PS and CO modules for "Results Analysis." Appropriately used, Results Analysis allows SAP users to calculate Revenue and Cost of Sales for customer projects and automate the month-end closing cycle, providing a quick return on investment sure to please even the most budget-conscious CIO.

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Project Profitability: Using Results Analysis to Get the Most Out of the PS Module

There are currently 15 standard valuation methods, and several user exits within these methods to accommodate most specific business requirements. For example, RA Customer Enhancement 1 allows the customer to modify the standard Results Analysis functions. This is appropriate when the customer method deviates only slightly from the standard methods. The corresponding method is selected in Customizing. The program reads the data, calculates the values according to the selected standard method, branches to the customer enhancement, performs the individual calculations programmed by the customer, returns, and saves the data. This is a user exit, so all customer programming will remain intact during a SAP upgrade.

The Cost-Based POC Method for Projects allows you to calculate revenues affecting net income, based on the percentage of costs incurred on the project. This method assists with the matching principle of accounting: to match revenue recognized with costs incurred. This method will also calculate 'Unbilled Revenues,' or, as SAP refers to them, 'Revenue in Excess of Billings.' It will also calculate 'Revenue Surplus' when the project has billed more revenue than it has actually earned based on the Cost-Based POC method.

The SAP Modules used within this example are: Project System (PS), Profitability Analysis (CO-PA), integration with Finance and Controlling (FI/CO), and Sales and Distribution (SD).

CALCULATION of POC = Actual Cost / Planned Cost

Cost of Sales always equals the actual cost incurred.

Calculated Revenue = POC * Planned Revenue

This scenario we're examining assumes that the Sales Order is assigned to the top level WBS Billing Element, and that all costs are planned and charged at the PS Network level.

If the actual revenue billed to the customer is less than the calculated revenue determined by RA, then the system will create an accounting entry for "Unbilled Revenues." If the actual revenue billed to the customer is greater than the RA calculated revenue, then the system will create an accounting entry for "Revenue Surplus," debit the income statement, and credit the balance sheet with this revenue reserve.

White paper Example Data:

Results Analysis Example	A-000052
WBS for A52	A-000052
Network for A52	2000181
Produced Material	2000181 0010
Milestone for activity 0010	11
1102 INIT PRH 12'L, 24W 3-6 (2nd Mat)	0001 S705014499
Labor	2000181 0020
Milestone for activity 0020	12
Travel	2000181 0040
Milestone for activity 0040	13
Purchased Material	2000181 0050

This is a Simple Project (Project # A-000052) with a single Billing WBS element and one Network with four activities. There are milestones included in the project for Milestone Billing purposes for the integration between SD and PS. The billing WBS has a Results Analysis key defined on it, and a settlement rule to Profitability Analysis. Please note that the Network Activities do not

settle up the hierarchy because they have a settlement profile that doesn't allow settlement. The only settlement and Results Analysis calculations occur on the billing WBS element. All charges from lower levels in the PS structure are determined during the RA calculation. This settlement



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scenario can be automated with the transaction CJB2 “Generate Settlement Rules: WBS Elements” which will create the settlement rules for the WBS and Network, and also place the RA Key on the WBS element. There is configuration required to achieve this result, but this periodic process will definitely simplify month end settlement. Note that in this white paper, I perform “individual transactions,” but most SAP transactions also have a counterpart “collective transaction” that will execute multiple projects at a time.

In our example, the SD Sales Order has Planned Revenue of \$200,000 and the network activities have Planned Cost of \$120,000.

There is a Planned Contribution Margin of \$80,000 or 40%.

Object	Plan. rev.--Total	Plan Costs--T...	Planned CM--...	Plan CM %--T...	Plan. rev.--Pre...	Plan Costs--P...
PRJ A-000052 Results Analysis Exa	200,000-	120,000	80,000-	40.0	0	0
WBS A-00(WBS for A52	200,000-	120,000	80,000-	40.0	0	0
NWA 2 Produced Material	0	110	110	x/0	0	0
NWA 2 Labor	0	10,000	10,000	x/0	0	0
NWA 2 Travel	0	77,690	77,690	x/0	0	0
NWA 2 Purchased Material	0	32,200	32,200	x/0	0	0
Result	200,000-	120,000	80,000-	40.0	0	0