Customer case

Reference case for Material Ledger

The customer has production activities in both Norway and Sweden, where Vision Management both places has supported the implementation of Material Ledger.

Before the implementation of Material Ledger the customer only used local currency for valuation - respectively, Norwegian and Swedish kroner. From the Group came a requirement for a more accurate reporting of stock values and reporting should be made in US dollars.

The customer chooses to implement Material Ledger to support this reporting requirement. This lead to all materials and material movements were recorded in both the local and group currency. This is due to all materials were evaluated in both currencies and from the time of the implementation all movements were calculated in both currencies.

Display Material BC10010 (Raw material ROH)

Additional Data | Org. Levels

| | Plant data / stor. 2 | Accounting 1 | Accounting 2 | Costing 1 |

Material BC10010 Cocoa
Plant BC11 Best Chocolate Plant 11

| Period 001/2011 | Period 012/2010 | Future costing run | Current costing run |

General Valuation Data

Total Stock	0	Base Unit	LB US pound
Division		Valuation Cat.	
Valuation Class	3000	☐ Valuated Un	
VC: Sale Ord. Stk		☑ ML act.	Mat. Price Analysis
Project Stock VC		Price Determ.	3 Single-/Multilevel

Prices and values

	Currency	USD	EUR
		Company code currency	Group currency
Standard Price		525.00	393.75
Per. unit price		525.00	393.75
Price Unit	100	100	
Prc. Ctrl	S	S	

As part of the implementation of Material Ledger an account is created for each material, where all the movements can be followed in details.

Material Price Analysis

Costing Cockpit | Set Costing Run

Material BC10010 Cocoa
Plant BC11 Best Chocolate Plant 11
Valuation Type
Sales Order Stock/Project Stock
Period/Year 1 2011 Period Status ⊗⊗⊗⊗ Quantities and Values Entered
Curr./Valuation Group currency EUR
View Company code currency
Group currency
Prices and Inventory Values

Category	Quantity	U	PrelimVal	Price diff	ExRt diff.	Price	Currency
☐ Beginning Inventory	0	LB	0.00	0.00	0.00	0.00	EUR
▽ ☐ Receipts	1,000	LB	3,937.50	187.50	0.00	412.50	EUR
▽ ⚠ Purchase order	1,000	LB	3,937.50	187.50	0.00	412.50	EUR
▤ 1000000610 GR goods receipt 4500018609/	1,000	LB	3,937.50	187.50	0.00	412.50	EUR
Cumulative Inventory	1,000	LB	3,937.50	187.50	0.00	412.50	EUR
☐ Consumption	0	LB	0.00	0.00	0.00	0.00	EUR
☐ Ending Inventory	1,000	LB	3,937.50	0.00	0.00	393.75	EUR

This will affect the lifecycle of the material – and in the future a number of the activities for the material will be carried out in both local and group currency, like the following:

- Calculation of standard cost estimates (where the materials and sub components according to the bill of material will be evaluated in both currencies.
- Use of the standard cost estimates (when a production order is created the cost estimate in both currencies will used).
- Purchasing to both production and stock.
- Consumption of stock material during production.
- Calculation of product variances.
- The final transfer of the produced material to the stock.

During the purchasing process any price differences will be calculated in both currencies which means that the currency difference related to price differences will be minimized. The production variance will be both calculated and posted in both currencies.

In the group reporting no currency valuation will take place, since the system has the correct value in both currencies when doing the reporting – the values of the stock is always correct in both currencies.

Actual Costing:
Due to the timeframe of the project the customer decided not to include Actual Costing (a part of Material Ledger) into the project, but postpone this part to a later stage.

Actual costing can be used to calculate the actual prices of the material. Material Ledger will collect all variances (price variances, production variances and reevaluation of activity prices) for the period and use these to calculate the actual prices of the materials, which will give a more correct reporting of the stocks and the future usages of the material.

Valuation views:

The customer has limited trade between the companies within the group, so the materials are only valuated according to one valuation view.

Material Ledger has the option of using up to 3 valuation views, which are the following:

- Legal view
  This mandatory view represents the sales value/price of goods or services transferred between legally independent member companies in the corporate group. These values are reflected in the individual financial statements of these companies.

- Group/corporate view
  In this optional view, goods and services are valued using the corporate cost value. For these prices, internal profits are eliminated from the legal view prices.

- Profit center view
  This is another optional view, in which negotiated prices can be used for transfer of goods and services between areas of responsibility (profit centers) and used to determine their internal profitability.

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Integration into S/4HANA Finance (previous SAP Simple Finance):

The usages of Material Ledger is fully supported by S/4HANA Finance. Technically Material Ledger is integrated as part the Universal Journal, that is implemented as part of S/4HANA Finance. All material ledger documents will be posted in real-time in the Universal Journal like all other transactions.
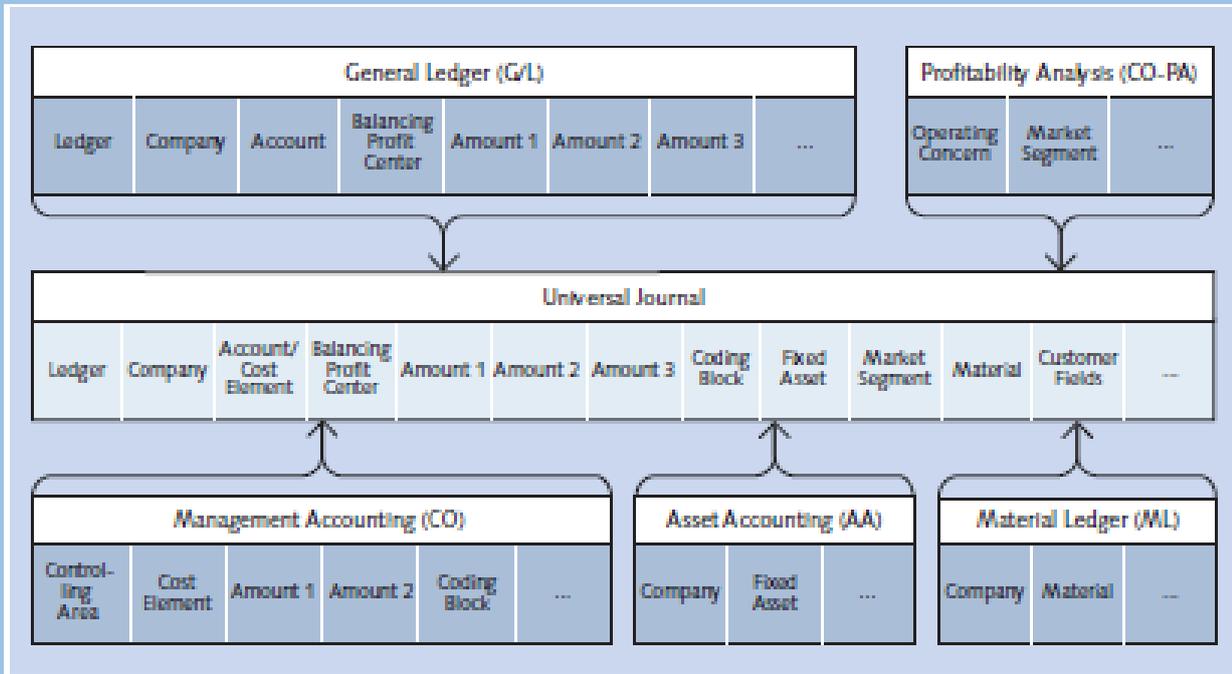
If S/4HANA Finances is activated on a system, where Material Ledger is active and being used there are standard migration programs for integrating Material Ledger documents into the Universal Journal.