Cost of sales versus Profit Center Accounting Example

- One product, sales price 180, standard cost 100.
- The current period, one product is made and sold, one is still in WIP.
- Primary costs are posted to cost centers, cost centers charge to production orders.
- The following postings are made:
  1. Revenue posting from SD.
  2. Cogs posting from SD.
  3. Settlement of production order variance to FI/CO-PA.
  4. Month end assessment of cost center variances.
  5. Month end assessment of M,A and T cost.

Financial reporting: COPA/FI-SL

Marketing	
x	x
balance: 10	

Admin	
x	x
20	

Technology	
x	x
30	

Prod Cctr A	
Pr C 50	Act 44
	Var 6

Prod Cctr B	
Pr C 60	Act 62
Var 2	

Prod order 1	
RM 50	
Pr A 22	
Pr B 31	Stock 100
	Var 3

Prod order 2	
RM 50	
Pr A 22	
Pr B 31	WIP 103

Revenue(1)	180 (A)
COGS(2)	100 (A)
Prod.order variance(3)	3 (M)
Prod.cctr variance(4)	4 (M)
M(5)	10 (M)
A(5)	20 (M)
T(5)	30 (M)
Profit	13

Pr C = Primary Costs
Act = Activity allocation
RM= Raw Mat. consumption
Pr A,B = allocated from
production cost center A,B
(A)= automatic direct posting
(M)= month end posting

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Alternative P&L reporting

Standard FI income statement

Revenue		180	
COGS	100		
MAT costs (split by prime elements)	60		
Production costs (same)	210		Profit = 13
Factory output		206	
Production order variance	3		
	373	386	

Income statement in CO-PCA

Revenue	180
Primary production costs (split by prime element)	210
MAT costs (same)	60
Changes in WIP/Finished goods inventory	103 -/-
Profit	13