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Topic: 1

Zagros Drumworks Sets Up Production Order Costing

Business Context

Manufacturer Profile

Zagros Drumworks manufactures 210-litre steel shipping drums at a plant in Basra, Iraq, and runs its cost and management accounting on SAP S/4HANA Cloud Private Edition through the SAP Fiori launchpad. The drums are a standardized product made repeatedly to stock, and at the start of the new period a controlling analyst was asked to set up how the drum line's manufacturing cost is collected. The plant leadership wants to see the actual cost of each manufacturing run so that the price they carry for finished drums can be checked against what production really consumed.

Costing Approach

The analyst decided to control the drum line with manufacturing orders, so each production run collects its own material and activity costs as the shop floor confirms work. Manufacturing overhead is loaded onto the orders through a costing sheet during the period-end routine, and finished drums are received into stock against the orders. Planning values for the line are prepared in SAP Analytics Cloud, while the operational cost postings flow into the controlling ledger as production is confirmed.

Production Activity

Through the month the shop floor confirmed operations against several drum orders, and goods receipts were posted as completed drums moved into the warehouse. The analyst noticed that most

orders carried a debit balance, since the value of the confirmed material and labour sat higher than the credit posted when the finished drums were received. A few orders had been fully delivered by the last working day, while others were still part-way through their runs when the month ended.

Overhead Review

When the analyst reviewed one group of orders, the expected manufacturing overhead had not appeared on them even though the operations were confirmed and the goods receipts looked complete. The material and activity costs were present, but the overhead line was absent, and the period-end steps for the line had not yet been started for the month.

Month-End Preparation

With the first period-end close for the drum line approaching, the team began debating how to handle the orders. One view was to settle every order immediately, including the runs still open on the floor, so the close deadline could be met on time. A colleague also suggested keying a manual journal entry to move one completed order's balance across, arguing it would make the report read correctly for the month with less effort.

Result Expectations

The plant manager expects the cost of each delivered drum, and the difference from plan, to be visible once the month is closed. The controller wants every order balance to be handled in the correct order and cleared properly before the line's results are released, so that the finished-drum cost the business relies on reflects what the orders actually consumed.

Your assignment

You are the controlling analyst at a steel-drum manufacturer running SAP S/4HANA Cloud Private Edition. The drum line is a standardized make-to-stock product controlled with manufacturing orders. Your task is to set up and reason about how each production run's cost is collected, how overhead and the mid-period balance are read, and how the orders are taken through period-end closing so that each delivered drum's cost and variance are correct before results are released. Work within standard configuration and observe correct close sequencing

1. CHALLENGE 1 — Selecting the Cost Object for Repetitive Drum Production

- Confirm the cost object that collects the cost of each individual drum production run to stock.
- Determine what preliminary costing on the order provides before the run begins.
- Distinguish run-level cost collection from responsibility-area cost collection on a cost center.

CHECKPOINTS

- Each production run's actual material, activity, and overhead can be read against a planned cost.
- A planned cost of the run exists before confirmations begin, to compare actuals against later.

2. CHALLENGE 2 — Applying Overhead and Reading the Order Balance

- Explain what a debit balance on an order represents during the period before closing.
- Identify the period-end step that loads manufacturing overhead onto the orders.
- Separate the collected order balance from the drum's variance, which is determined later.

CHECKPOINTS

- The mid-period balance is understood as collected cost not yet relieved, not a final variance.
- A missing overhead line is traced to the pending period-end overhead step, not to the confirmations.

3. CHALLENGE 3 — Closing Manufacturing Orders at Period-End

- Apply the correct period-end treatment to an order that is not yet fully delivered.
- Confirm that a fully delivered order has its variance calculated and is then settled.
- Choose settlement over a manual journal to relieve a completed order's balance.

CHECKPOINTS

- An open order's cost is carried as work in process; a delivered order's cost becomes a variance and is settled.
- After settlement the order balance is cleared and its cost has reached the receivers correctly.

Question: 1

CHALLENGE 1 — Selecting the Cost Object for Repetitive Drum Production

The drum is a standardized product made repeatedly to stock, and the analyst wants each run's actual cost visible.

Which cost object approach should the analyst use to collect the cost of each drum production run?

- A. Collect the cost on the drum cost center so the plant's responsibility area carries each run's spend.
- B. Collect the cost by period on a product cost collector so runs are grouped into one continuous object.
- C. Collect the cost by order on manufacturing orders so each production run carries its own cost.
- D. Collect the cost on an internal order so each run's spend is tracked against an approved budget.

Answer: C

Explanation:

Controlling the standardized drums with manufacturing orders collects material, activity, and overhead on each individual run, giving the run-level actual cost the plant asked to see. It also enables work in process, variance, and settlement to be handled per order at period-end.

Question: 2

CHALLENGE 1 — Selecting the Cost Object for Repetitive Drum Production

A colleague proposes posting all drum manufacturing cost straight to the drum cost center instead of to the orders.

What is the main drawback of collecting the cost only on the cost center?

- A. The cost center shows the line's total spend but not each run's cost, so run-level work in process and variance cannot be read.
- B. The cost center cannot receive primary postings from production, so the material and activity cost would have nowhere to be collected.
- C. The cost center would block the goods receipt of finished drums, so completed drums could not be moved into stock.
- D. The cost center would apply overhead twice to the drums, so the standard drum cost would be overstated for the period.

Answer: A

Explanation:

A cost center captures the drum line's ongoing responsibility-area cost as a whole, so per-run cost, work in process, and variance would be invisible. That defeats the plant's requirement to see what each individual production run consumed.

Question: 3

CHALLENGE 1 — Selecting the Cost Object for Repetitive Drum Production

Before a run starts, the analyst wants a planned figure to compare later actual cost against. What does preliminary costing on the production order provide?

- A. It releases the order to the shop floor so confirmations can be posted against the run.
- B. It posts the finished drums into stock at a provisional price until the actual cost is known.
- C. It settles the order's early costs to stock so the balance starts each run at zero.
- D. It provides a planned cost of the run from its components as a target for later variance.

Answer: D

Explanation:

Preliminary costing produces the planned cost of the order from its bill of material and routing before production begins, giving a target that actual cost is measured against at period-end. That comparison is what later drives the run's variance.

Question: 4**CHALLENGE 2 — Applying Overhead and Reading the Order Balance**

Mid-period, most drum orders show a debit balance because confirmed material and activity exceed the credit from finished-drum receipts.

Before period-end, what does this debit balance on an order represent?

- A. A posting error, since a correctly running order should always net to zero as drums are received.
- B. The cost collected on the order that has not yet been relieved by period-end closing.
- C. The variance of the run, since the difference from plan is already fixed once drums are received.
- D. The work in process figure, since the balance is the capitalized value of the open order already.

Answer: B

Explanation:

During the period an order gathers actual material and activity cost and is credited as finished drums are received, so a remaining debit is simply collected cost not yet relieved. Overhead, work in process, variance, and settlement are applied later in the period-end routine.

Question: 5**CHALLENGE 2 — Applying Overhead and Reading the Order Balance**

One group of orders shows material and activity cost but no manufacturing overhead, even though operations were confirmed.

Where should the analyst look first to explain the missing overhead?

- A. The bill of material of the drum, since a missing component would remove the overhead from the run.
- B. The goods receipt postings, since overhead is added to the order at the moment the drums are received.

- C. The period-end routine, since the actual overhead step that loads it onto the orders has not been run.
- D. The confirmations, since overhead is posted directly by the shop floor each time an operation is confirmed.

Answer: C

Explanation:

Manufacturing overhead is applied through the period-end overhead step using the costing sheet, not at confirmation, so overhead absent while material and activity are present points to that step not yet being run. Running the period-end overhead calculation loads the missing overhead onto the orders.

Question: 6

CHALLENGE 2 — Applying Overhead and Reading the Order Balance

A team member points to an order's debit balance and reads it as the drum run's variance. Why is that a misreading?

- A. The balance is the cost collected against deliveries, while variance is determined at final delivery.
- B. The balance is the planned cost of the run, while variance is only the material portion of that plan.
- C. The balance is the work in process already settled, while variance stays open until the next period closes.
- D. The balance is the overhead applied to the order, while variance covers only the labour consumed on the run.

Answer: A

Explanation:

The order balance is collected actual cost net of the credit for finished drums, whereas the variance is calculated only at period-end when the run is finally delivered. Reading the raw balance as variance treats an in-progress figure as a final result.

Question: 7

CHALLENGE 3 — Closing Manufacturing Orders at Period-End

Some drum orders are still open on the floor at month-end, and the team is under pressure to finish the close on time.

How should period-end closing treat an order that is not yet fully delivered?

- A. Settle the open order now so its balance clears and the close deadline is met for the period.
- B. Move the open order's balance to the next period so this month's close shows no cost for the run.
- C. Reverse the confirmations on the open order so it carries no balance into the period-end close.
- D. Calculate work in process for the open order so its collected cost is carried at close.

Answer: D

Explanation:

An order that is not yet fully delivered has its cost carried as work in process at period-end, capitalizing the value of the unfinished run. Settlement and variance come only once the order is finally delivered, so work in process is the correct treatment while it is open.

Question: 8

CHALLENGE 3 — Closing Manufacturing Orders at Period-End

Several drum orders were fully delivered during the month, and the controller wants their cost handled correctly at close.

What best confirms a fully delivered order has been closed correctly?

- A. Its finished drums were received into stock, so the delivery alone confirms the order's cost is fully closed.
- B. Its variance was calculated on final delivery and the order was then settled, leaving its balance cleared.
- C. Its overhead was applied during the period, so the presence of overhead confirms the order is fully closed.
- D. Its planned cost matches its actual cost exactly, so a zero difference confirms nothing more is needed.

Answer: B

Explanation:

For a delivered order, period-end calculates the variance against plan and then settlement clears the order to its receivers, leaving a zero balance. That completed sequence, not the delivery alone, confirms the order is correctly closed.

Question: 9

CHALLENGE 3 — Closing Manufacturing Orders at Period-End

A colleague proposes keying a manual journal to move one completed order's balance, rather than running settlement.

Why is running settlement the better action than a manual journal?

- A. Settlement clears the order to its receivers per its rule, while a manual journal leaves the order uncleared and its cost outside the controlling flow.
- B. Settlement runs faster than a manual journal for a single order, while a manual journal would need approval before the balance could be moved this period.
- C. Settlement posts the balance to the drum cost center, while a manual journal can only reach the general ledger and never the responsibility area.
- D. Settlement records the balance as a fresh commitment on the order, while a manual journal releases the commitment before the run is confirmed.

Answer: A

Explanation:

Settlement relieves the order to its defined receivers under its settlement rule, clearing the order balance and keeping the cost within the controlling flow with a proper audit trail. A manual journal moves an amount without relieving the order, so the order stays uncleared and the controlling objects are not updated.

Topic: 2

Neretva Flatware: Reallocating the Maintenance Workshop's Cost to the Production Lines

Business Context

Neretva Flatware is a stainless-steel cutlery manufacturer in Mostar, Bosnia and Herzegovina, producing forks, knives, and spoons for hotel and catering distributors across the region. The company runs a single plant with two production lines — a pressing line that stamps the blanks and a polishing line that finishes them — and manages its cost and management accounting on SAP S/4HANA Cloud Private Edition. A small controlling team supports the plant manager, who is judged on the cost of each production line.

System Landscape

Day-to-day plant costs are collected on a set of cost centers, and the team works through the SAP Fiori launchpad. Alongside the two production line cost centers, a shared maintenance workshop cost center gathers the plant's repair labour, spare parts, and small tools. The workshop serves both production lines but makes no product of its own. Master data was set up during the recent go-live, and the team is still settling into the monthly rhythm of postings and close.

Service Setup

The maintenance workshop exists so its cost can be gathered in one place and then passed on to the lines that use it. During the period, repair labour and spare-part invoices posted to the workshop cost center as the pressing and polishing lines called on it. The controller set up a periodic allocation cycle that would move the workshop's cost onto the two production lines each period, splitting it by the maintenance hours each line consumed.

Period Postings

Through the period, primary costs posted from financial accounting and logistics — repair labour, spare parts, and tools — landed on the workshop cost center as expected, while direct materials and line labour posted to the two production line cost centers. Maintenance hours for the pressing and polishing lines were recorded so a fair split of the workshop's cost could be made at close.

Close Review

When the controller opened the cost center report before close, the maintenance workshop still carried its full balance for the period, and the pressing and polishing lines each showed less cost than expected. The workshop's repair and spare-part cost had not reached the two lines, even though the allocation cycle for it had been set up. A colleague suggested simply keying a manual journal to move the workshop balance across so the report would read correctly for the month.

Controller's Expectations

The plant controller wants the workshop's cost to reach the two production lines it serves for the period, the workshop cost center to be relieved of the cost it collected, and a clear check that the reallocation is complete before each line's result is released to the plant manager.

Your assignment

You are a controlling analyst at a cutlery plant running SAP S/4HANA Cloud Private Edition. A shared maintenance workshop cost center collects the plant's repair labour, spare parts, and tools and must pass that cost to the two production lines it serves. You are expected to choose how the workshop's cost is reallocated, run the period-end allocation so the workshop is relieved, and confirm the reallocation is complete before results go to the plant manager. Work only with functions available through the SAP Fiori launchpad and refer to functions by name. Do not assume any specific transaction code, application identifier, or configuration-step name

1. CHALLENGE 1 — Choosing How to Reallocate the Shared Workshop's Cost

- Reallocate the maintenance workshop's collected cost to the two production lines it serves through a periodic allocation cycle, not through a manual financial journal.
- Treat the reallocation as a secondary allocation that moves cost between cost centers within management accounting, from the workshop as sender to the lines as receivers.
- Split the workshop's cost across the pressing and polishing lines on a basis that reflects each line's use, such as its recorded maintenance hours.
- Be prepared to explain why a periodic allocation cycle on a usage basis is the right method rather than an equal or arbitrary split.

CHECKPOINTS

- Confirm the workshop is treated as a service cost center whose cost is passed to the lines it serves.
- Confirm the reallocation is a secondary allocation between cost centers, not a fresh external expense.
- Confirm the split basis reflects each line's use of the workshop.

2. CHALLENGE 2 — Running the Period-End Allocation So the Workshop Is Relieved

- Execute the workshop's allocation cycle for the period so its cost is reallocated to the two production lines on the defined basis.
- Recognise that defining the cycle is not enough; the workshop's cost stays on it until the cycle is actually run.
- When tempted by a manual journal to save time at close, prefer running the cycle that relieves the sender and charges the receivers.
- Be prepared to explain why the workshop still carried its full balance after the close was run.

CHECKPOINTS

- Confirm the allocation cycle was executed for the period, not merely defined.
- Confirm running the cycle relieves the workshop and charges the two lines on the defined basis.
- Confirm the reason for the outstanding balance is an unrun cycle, not a lock or a commitment.

3. CHALLENGE 3 — Verifying the Workshop Is Cleared and the Lines Carry the Cost

- Confirm the workshop cost center shows a nil balance after the cycle is run and the two lines carry its cost split on the defined basis.
- Understand that the workshop cost center stays active and collects its own costs again next period; the allocation only relieves this period's balance.
- Re-run the cost center report and confirm each line's result is complete before it is released.
- Hold the results until the reallocation is confirmed complete rather than release an understated line.

CHECKPOINTS

- Confirm the workshop is relieved and the two lines carry its cost on the defined basis.
- Confirm the workshop cost center remains active for the next period.
- Confirm each line's result is complete before release.

Question: 10

CHALLENGE 1 — Choosing How to Reallocate the Shared Workshop's Cost

The maintenance workshop's costs sit on its own cost center, and the controller must decide how to pass them to the two production lines it serves each period.

What is the appropriate way to move the workshop's cost onto the production cost centers it serves?

A. Post a manual financial journal each period that moves the workshop's balance onto the two lines, because a direct journal is the simplest way to reflect a shared service.

- B. Leave the cost on the workshop cost center and report it on its own, because a service cost center is not meant to pass its cost to the lines that it serves.
- C. Run a periodic allocation cycle that reallocates the workshop's cost to the two lines on a usage basis, because that is how a service cost center's cost reaches its receivers.
- D. Raise an internal order for the workshop and settle its balance to the two lines, because settlement is how a cost center's ongoing cost is passed to the receivers it serves.

Answer: C

Explanation:

A service cost center such as the maintenance workshop passes its collected cost to the cost centers it serves through a periodic allocation cycle, which reallocates the cost on a defined basis.

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