

ACTUAL PAYROLL COST ALLOCATION

A new approach to post cost allocation on an actual basis (both time and amount)

Market Impetus for Actual Cost Allocation



The organizational structures and processes of governments and corporation agencies have been put under the microscope due to tight budgets and the growing demands of citizens and share holders who demand high accuracy in the reporting of revenues and expenditures. Payroll is a major area government agencies often spend more than 50% of their budgets.

Traditionally, cost allocation between departments within an organization was handled using standard costing.

However there is a growing demand for costs to be calculated on an actual basis, and not just in terms of time, but also the dollars associated with it. This demand is very high especially in the public sector Grants Management environment where sponsors of Grants are not ready to pay cost on a plan price. They demand actual price and hours to reimburse the Grantee.

Our teams with expertise in public sector SAP consulting and ABAP development are developing a product that can work as add-on that fits into existing implementation of standard SAP public sector and provide solution to calculate cost to be allocated on an actual basis, both time and dollar.

Standard SAP solution offers 'Activity Type' cost allocations where the hours are 'actual' but the prices taken from a standard or manual plan price.

Standard SAP Solution Limitations



The standard SAP solution offers a solution to transfer to controlling (CAT7) before payroll is calculated. This results in actual hours but only a plan/standard rate. Since the actual is calculated from Payroll after time transfer to controlling, there is a limitation to calculating actual rate. This allows for the option to report variance and do

adjustments from thereon, but limits the option to post only plan cost on an actual basis.

Standard SAP solution offers cost allocation at a plan price on actual hours performed. Otherwise, a direct payroll posting on the performing cost object would be necessary as part of the CATS setting.

Customers needed a solution to do cost allocation between requesting and performing cost objects on an actual cost and time basis to avoid variances and other hassles .

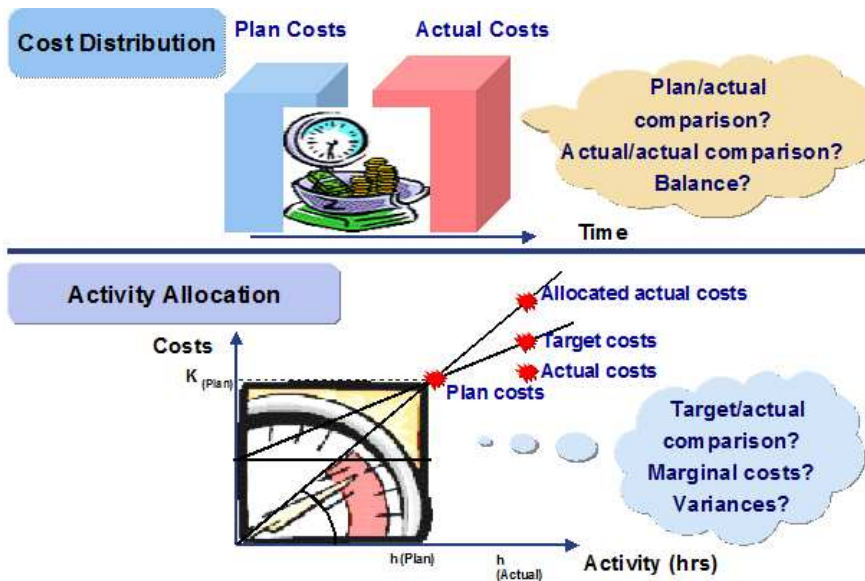
Standard SAP solution T accounts

Cost allocation (Transfer from CATS to CO):

Secondary Cost Element	
Project/WBS or Internal Order or Cost Center	\$
Home Cost Center	\$

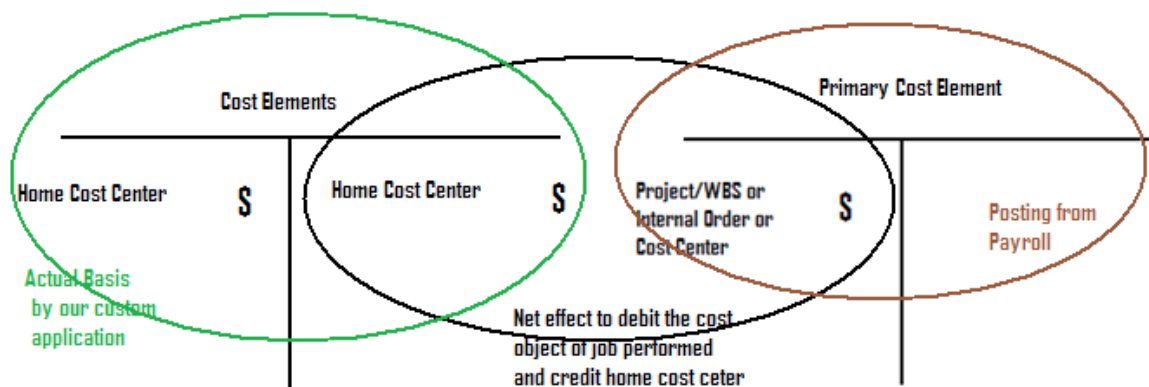
Payroll posting:

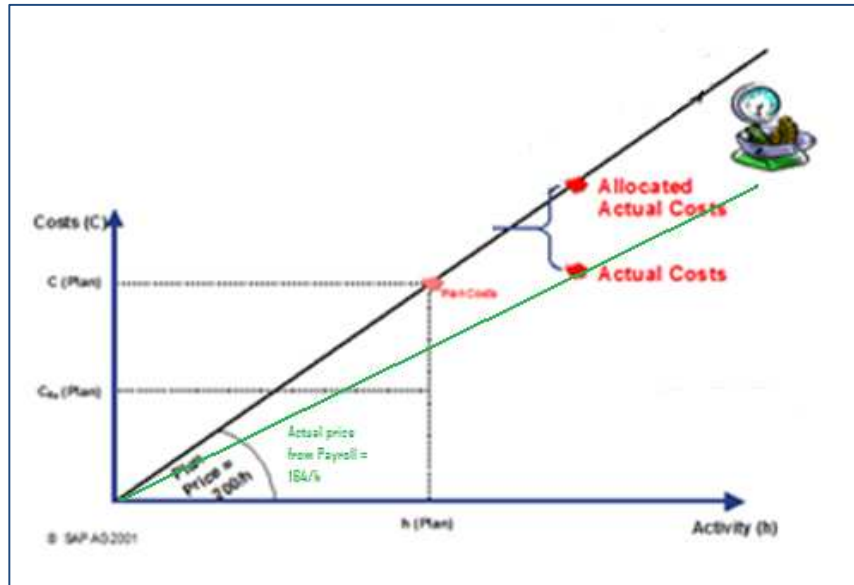
Primary Cost Element	
Home Cost Center	\$



Standard SAP Solution Limitations

The solution that Exponentia is developing is capable of posting allocation on an actual basis, both time and cost associated. This solution fits into standard implemented landscape but doesn't break any existing architecture (since it works as an add-on independent component). It would still depend on standard Payroll cluster results such as C1 & WPBP clusters to post allocation on an actual basis.





Its key advantages include:

- Cost effective, robust, online & real time solution
- Fits into existing architecture
- Cost allocation on an actual basis, both cost and time
- Real time reports
- Uses payroll cluster as source for posting, so no discrepancies of calculation actual cost
- Developed by experienced consultants and developers who are in the industry for more than 10 years.
- Capabilities to report allocated cost either in primary or secondary cost elements.

SAP is registered trademark of SAP AG in Germany and in several other countries all over the world. Data contained in this document serves informational purposes only.