



Financial Management Modernization Initiative (FMMI)

FMMI 205 – Cost Management Overview





Course Navigation Guide

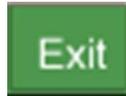


Before you get started, review some of the commonly used navigation buttons you will encounter when taking this course.

Use the following buttons to navigate through this course:



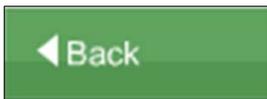
Menu – Click **Menu** to navigate to a specific page within the module



Exit – Use the **Exit** button to leave the course



Continue – Click **Continue** on Checkpoint introduction pages to begin a checkpoint



Back – Click **Back** to return to the previous page



Next – Click **Next** to proceed to the next page



Learning checkpoint option – Select the best option and click **Submit**



Submit – Click the **Submit** button after making a selection in the checkpoint



Course Outline



- **Introduction Module**
- Module 1 – Cost Management Process Overview
- Module 2 – Cost Management Master Data Sub-Process
- Module 3 – Cost Allocation Sub-Process
- Module 4 – Project Settlement Sub-Process
- Course Summary
- Course Evaluation



Welcome to FMMI Cost Management Overview



- The Cost Management Overview course will provide you an introduction to the process, coordination, and information needed to understand the Cost Management process in FMMI. The course introduces you to:
 - End-to-End Cost Management process
 - Key Terminology
 - FMMI User Roles and their responsibilities
 - Cost Management touchpoints with other areas





Course Objectives



After completing this course, you will be able to:

- Explain key Cost Management terminology and business concepts
- Explain the high-level Cost Management process and sub-processes
 - Cost Management Master Data Sub-Process
 - Cost Allocation Sub-Process
 - Project Settlement Sub-Process
- Explain the FMMI roles required to perform the Cost Management process
- Explain how other business areas interact with the Cost Management process
- Provide examples of the FMMI standard reports





Introduction Module Overview



Before you get started with the course modules, review the next slides. The next slides include:

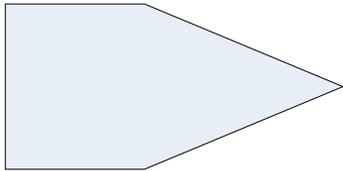
- Business Process Flow Reference Guide
- Review of the FMMI Curriculum
- Review of the content covered in FMMI 101 – Introduction to FMMI



Business Process Flow Reference Guide



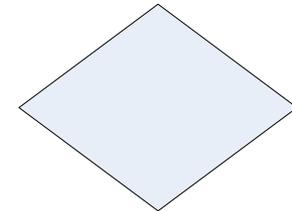
Throughout this course you will encounter various diagrams describing FMMI business processes. Before you get started, review the following shapes. These shapes represent the types of activities performed in the FMMI processes.



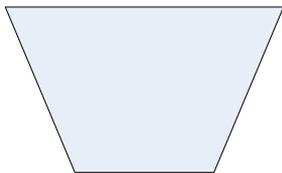
Trigger – Indicates the start of a process or sub-process



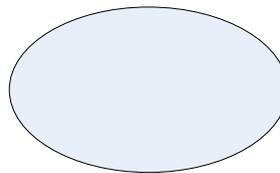
Activity – Single activity step occurring within FMMI



Decision Point – Represents a split in the process



Offline Activity – Activities occurring outside FMMI



Process – Represents an entire sub-process



End Point – Represents the conclusion of the process



Introduction to FMMI (100 Level) Review



As a prerequisite to the 200 Level courses, you participated in the FMMI 101 - Introduction to FMMI course. FMMI 101 provided a high-level overview of the FMMI project, changes and impacts of the implementation, and benefits of the new system.

After completing the 100 Level course, you learned to:

- Summarize the FMMI program objectives
- Explain the benefits and advantages FMMI provides
- Describe an Enterprise Resource Planning (ERP) solution and the benefits it provides USDA
- Explain new business processes and concepts
- Explain the key implementation timeline and milestones
- Explain what organizations are impacted by each release of FMMI

The 200 Level Process Overview courses takes a step further and provides you a high-level overview of FMMI's new terminology and business processes.

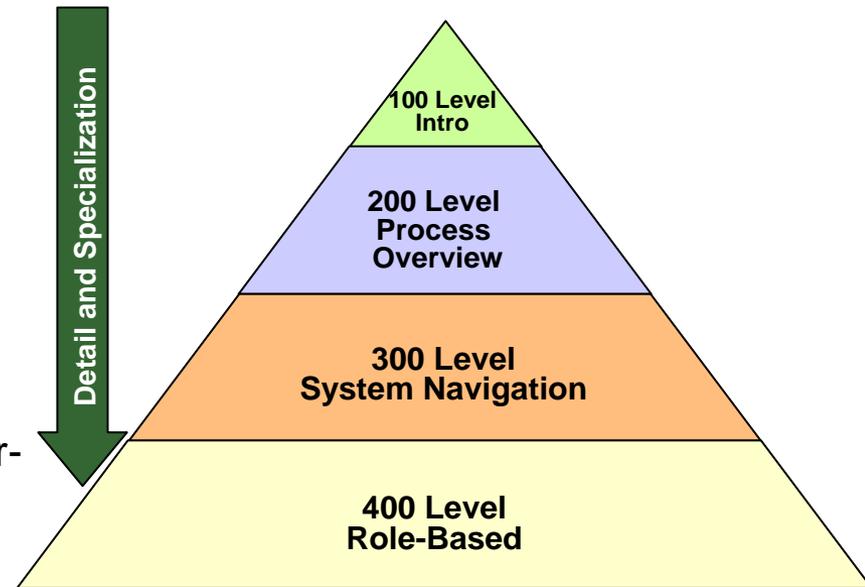


Your Curriculum



The FMMI Training curriculum outlines the training required for FMMI User Roles. The training courses provide an understanding of the FMMI program and application(s) and the USDA financial processes.

- **Introduction to FMMI (100 Level)**
 - Overview of the FMMI project
 - Instructor-led course, delivered in an auditorium or via teleconference
- **Process Overview (200 Level)**
 - High-level view of USDA's core financial business processes
 - Web-based course, delivered via AgLearn Learning Management System
- **System Navigation (300 Level)**
 - Hands-on practice navigating the FMMI system
 - Instructor-led course, delivered in a computer-based classroom
- **Role-Based (400 Level)**
 - Hands-on training and detailed introductions on how to process transactions in the FMMI system
 - Instructor-led course, delivered in a computer-based classroom





Module Completion



Congratulations! You have completed the introduction module. The next few modules provide you an overview of the Cost Management process in FMMI.

Select the **Exit** button to leave this module and return to the course menu.





Course Outline



- Introduction Module
- **Module 1 – Cost Management Process Overview**
- Module 2 – Cost Management Master Data Sub-Process
- Module 3 – Cost Allocation Sub-Process
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Welcome to Module 1: Cost Management Process Overview



- This module will provide you an overview of Cost Management Process
- Proceed to each new page by clicking the **Next** button when you have finished reading the content on a page
- To view a full list of the topics covered in this module, click the **Menu** button on the top right corner of the course
- When you are finished with the Module, click **Exit** to mark the module complete and return to AgLearn





Objectives



After completing this module, you will be able to:

- Explain the process flow of Cost Management business activities
- Explain the key Cost Management terminology and business concepts
- Describe purpose and use of FMMI user roles in the Cost Management process
- Explain the interactions between the Cost Management process and other business areas within FMMI
- Provide examples of the FMMI standard reports





Key Terminology



Review the following terms and definitions before beginning the Cost Management Overview module:

- **Cost** = Revenue and expense associated with materials and services used to produce a program or activity
- **Cost Accounting** = Part of management accounting which establishes budget and actual cost of operations, processes, departments or product and the analysis of variances, profitability or social use of funds
- **Cost Management** = The process whereby companies use cost accounting to report or control internally the various costs of doing business
- **Management Accounting** = Provides organizations with the basis to make informed business decisions that will allow them to be better equipped in their management and control functions



FMMI Financial Process Flow

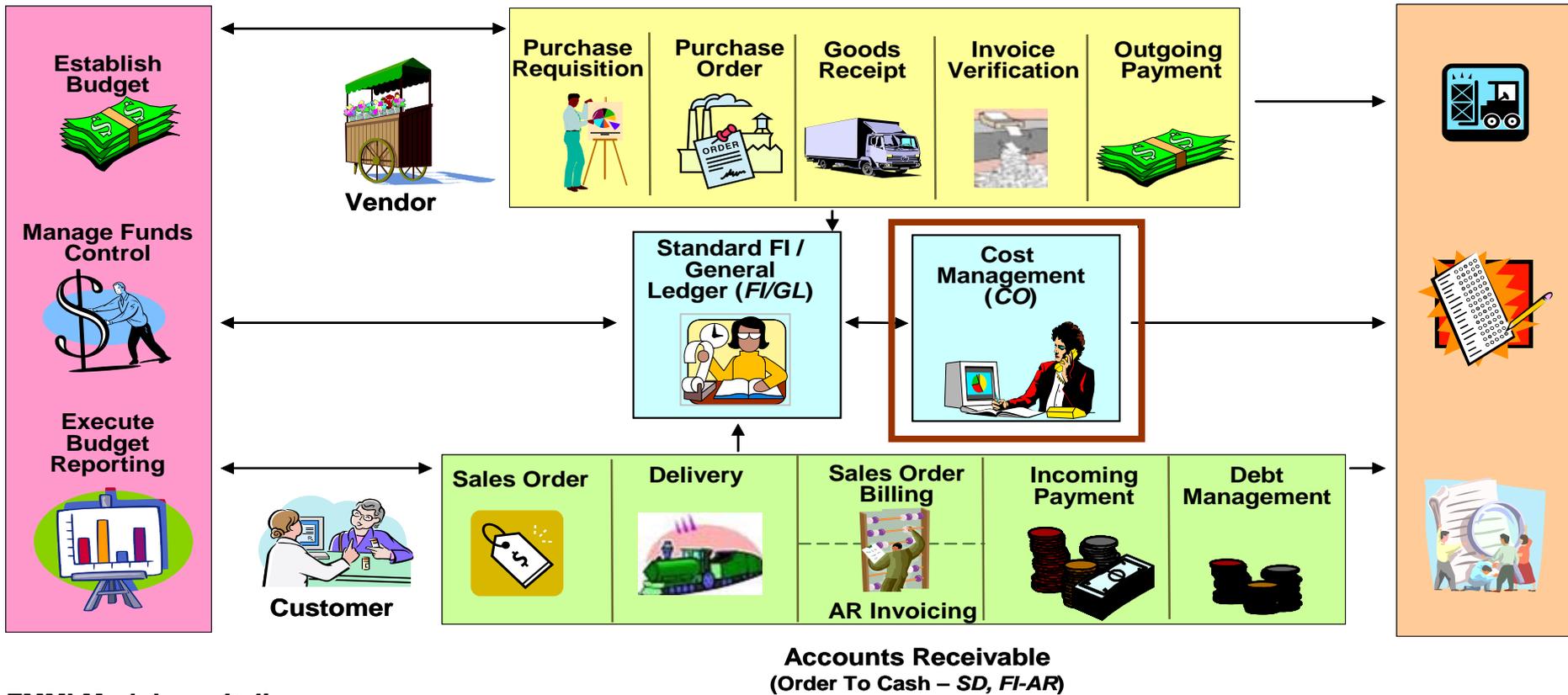


This process flow illustrates the FMMI Financial end-to-end process. The highlighted area illustrates where Cost Management fits in the entire process.

Funds Management (FM)

Purchasing and Accounts Payable (Procure to Pay - MM, FI-AP)

Reporting

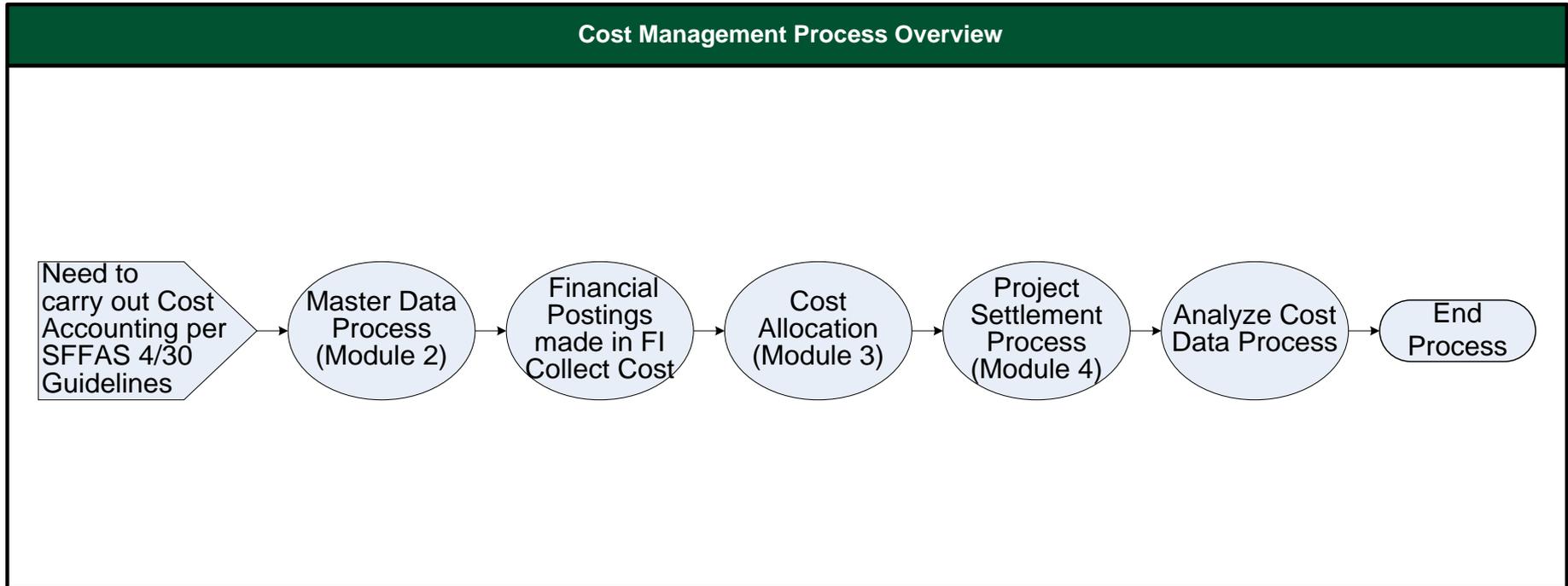




Business Process Flow



This process flow outlines the key activities related to the end-to-end Cost Management process:



Each oval process step corresponds to a module in this course



Key Business Concepts



The following business concepts pertain to the Cost Management process:

- Cost Management is the business area within FMMI that enables cost planning, analysis, measurement, and reporting to be done
- Cost Management master data is aligned to budget elements to reflect the cost collected in the FI Module
- The cost allocation process and the project settlement process allow for the redistribution and reassignment of expenses associated with the unit where they are budgeted
- The analyze cost data process allows for the analysis of cost data with Enterprise Central Component (ECC) reporting



FMMI User Roles



- Role Alignment is the process of defining FMMI User Roles required to obtain system access to perform the FMMI business processes
- Once roles are the defined, FMMI users are aligned to the them
- Proper role definition and alignment:
 - Ensures that the people have access to perform the tasks needed to achieve FMMI business benefits
 - Ensures proper segregation of duties
 - Ensures FMMI users receive proper training
- An individual user may be assigned one or more FMMI roles based on their responsibilities
- FMMI user roles are explained further in the upcoming modules





Cost Management



Cost Management enables USDA to execute the following activities:

- Monitor and control expenditures and revenues
- Distribute expenses collected in cost objects to other cost objects in designated organization structures that are responsible for these costs
- Supports billing of customers for all distributed costs incurred on work breakdown structure elements
- Monitor cost against billing rates
- Provide timely cost information for resource planning and analysis activities

Cost Management requires USDA employees to work together in managing and using resources to optimize performance and results. It focuses on efficient and effective Government and is driven by law, regulation, and policy, to meet the needs of the many stakeholders of USDA.



Cost Management: Push for Effective Government



Legislation requires USDA to measure costs and tie performance to resources

- Legislative Mandates
 - Chief Financial Officers Act (1990)
 - Government Performance Results Act (1993)
 - Federal Financial Management Improvement Act (1996)
- Other Mandates
 - Statement of Federal Financial Accounting Standards
 - The Financial Systems Integration Office (FSIO) Requirements





Cost Management: Legislative Mandates



The Chief Financial Officers Act (1990)

- Contains several provisions related to managerial cost accounting, one of which states that an agency's Chief Financial Officer should develop and maintain an integrated accounting and financial management system that provides for the development and reporting of cost information
- This information allows program managers to assess how well their organizations and programs are doing in meeting their strategic goals and objectives



Cost Management: Legislative Mandates Continued



The Government Performance Results Act (1993)

- Requires federal agencies to develop five-year strategic plans and annual performance plans beginning with fiscal year 1999
- Report annually on actual performance compared to goals
- Cost accounting information will aid agencies in evaluating and reporting planned performance measures with actual results





Cost Management: Legislative Mandates Continued



The Federal Financial Management Improvement Act (1996)

- States that agencies must incorporate accounting standards and reporting objectives established for the federal government into their financial management systems so that all the assets, liabilities, revenues, and expenses of the programs and activities of the federal government can be consistently and accurately recorded, monitored, and uniformly reported throughout the federal government





Cost Management: Other Requirements



Statement of Federal Financial Accounting Standards, *Managerial Cost Accounting Concepts and Standards for the Federal Government*

- Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities
- The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice





Importance and Role of Cost Management



- Cost information is an essential component of any well managed, cost effective organization
- Managerial cost accounting assists federal agencies as they strive to achieve cost effective mission performance and provide full accountability for taxpayer resources
- Managerial cost accounting practices are recognized as a valuable tool in aiding federal agencies' efforts to demonstrate accountability in
 - Financial accounting
 - Budgeting (allocating resources)
 - Managing programs
- Cost Management enables the effective trade-off of decisions to achieve the best possible use of limited resources



Cost Management Today vs. Tomorrow



Historical financial practices in the Federal Government are focused primarily on managing budgets, which rarely relate expenditures to outputs

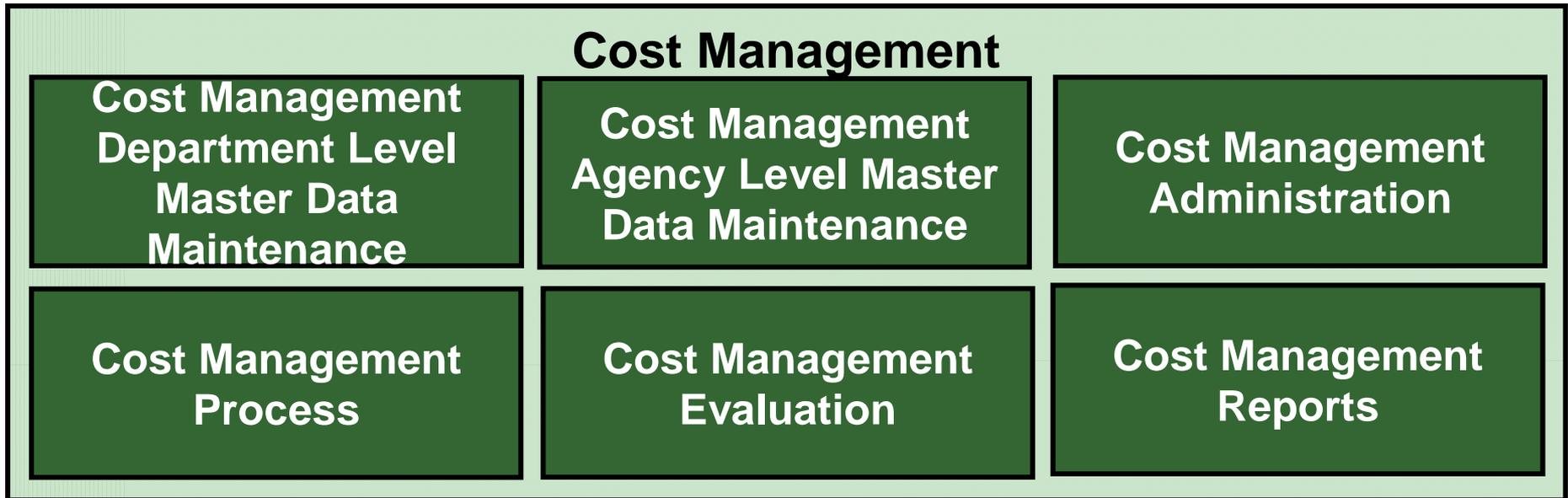
- USDA is changing its business practices to rely on Cost Management information for all decision making
- In this new strategic environment, decision makers must ask themselves critical questions, such as
 - What capabilities are my agency responsible for producing, and what are all of the costs?
 - What are all of the key cost drivers?
 - What can I do to reduce direct and indirect cost?
 - How can I use cost information to make better decisions?
 - Do I have all of the cost information needed to make the correct decisions?



Cost Management in FMMI Portal



In the FMMI Portal, the Cost Management process consists of six areas based on system access roles. Some Cost Management transactions require the use of multiple areas





Cost Management Department Level Master Data



In the FMMI Portal, the Cost Management Department Level Master Data process consists of three business activities based on system

Cost Management Department Level Master Data

**Create & Maintain
Primary/ Secondary
Cost Element**

**Create & Maintain
Cost Center**

**Create & Maintain
Cost Center Standard
Hierarchy**



Cost Management Agency Level Master Data



In the FMMI Portal, the Cost Management Agency Level Master Data area consists of six business activities based on system access roles

Cost Management Agency Level Master Data

**Create & Maintain
Statistical Key
Figures**

**Create & Maintain
Activity Types**

**Create & Maintain
Project settlement
rules**

**Create & Maintain
Project**

**Create & Maintain
Work breakdown
structures**

**Create & Maintain
Assessment Cycle**



Cost Management Administration



In the FMMI Portal, the Cost Management Administration area consists of three business activities based on system access roles

Cost Management Administration

**Execute
Assessment Cycle**

**Execute Activity
Allocation**

**Execute Project
Settlement**



Cost Management Process



In the FMMI Portal, the Cost Management Process area consists of two business activities based on system access roles

Cost Management Process

**Manage Statistical
Key Figure Data**

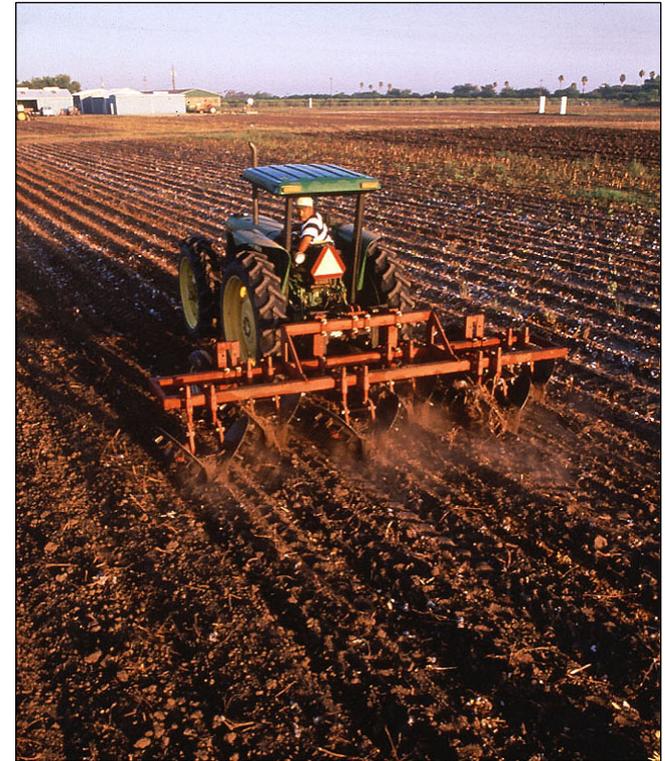
**Manage Activity
Type Data**



Touchpoints



- Touchpoints are those instances where one process, sub-process or activity interacts with another process, sub-process or activity
- Cost Management interacts with the following processes:
 - Funds Management
 - Accounts Receivable
 - Accounts Payable
 - Purchasing
 - General Ledger
 - Periodic Processing





FMMI Reporting



FMMI provides users with much needed information by utilizing reports. Listed below are some examples of reports available in FMMI:

- Master Data Report on Cost Centers
- CO Documents Actual Costs Report
- Costs Line Items Report
- Actual/Plan/Variance Report on Cost Centers
- Range Cost Centers
- Plan/Actual/Variance Report on Projects
- Actual Project Cost Per Month, Current Fiscal Year Report
- Actual Aggregated Project Costs Report
- Structure Overview Report
- Project Structure Overview Report

Later FMMI courses provide a more exhaustive list and more detailed information about reporting.



Learning Checkpoint Question and Answer (Q&A)



- The questions on the following pages will test your understanding of key concepts in this module
- While there is no minimum passing score, ensure you have a strong understanding of each concept before continuing
- If you answer the questions incorrectly, please be sure to reference the course if you need more explanation about key concepts
- At anytime you can review information from this module by clicking **Menu** and selecting a page from the **Menu** pop-up.





Learning Checkpoint Question and Answer (Q&A)



1. **True/False:** The Cost Management process covers both cost associated with Reimbursable Agreements and the tracking of expenses used to set fee rates. *(True)*

2. **Multiple Choice:** In the FMMI Portal, the Cost Management Administration area consists of all of the following business activities EXCEPT
 - a. Create & Maintain Project
 - b. Create & Maintain Statistical Key Figure
 - c. Execute Assessment Cycle
 - d. ***Create & Maintain Cost Center***



Learning Checkpoint Question and Answer (Q&A)



3. **Multiple Choice:** In the FMMI Portal, the Cost Management Process area consists of the following business activities based on system access roles
 - a. Create & maintain cost center standard hierarchy
 - b. Execute activity allocation
 - c. ***Manage statistical key figures***
 - d. Execute project settlement

4. **Multiple Choice:** In the FMMI Portal, the Cost Management Agency Level Master Data area consists of nine business activities including all of the following EXCEPT
 - a. ***Create & maintain cost center***
 - b. Create & maintain assessment cycle
 - c. Create & maintain statistical key figures
 - d. Create & maintain WBS



Learning Checkpoint Question and Answer (Q&A)



- 5. Multiple Choice:** The Cost Management process interacts with all of the following process areas.
- a. Funds Management and Purchasing
 - b. General Ledger and Accounts Payable
 - c. General Ledger and Periodic Processing
 - d. ***All of the above***



Module Summary



In this module, you have learned to:

- Explain the process flow of Cost Management business activities
- Explain the key Cost Management terminology and business concepts
- Describe purpose and use of FMMI user roles in the Cost Management process
- Explain the interactions between the Cost Management process and other business areas within FMMI
- Provide examples of the FMMI standard reports





Module Completion



Congratulations! You have completed Module 1 – Cost Management Overview. The next module provides you an overview of the Cost Management Master Data sub-process.

Select the **Exit** button to leave this module and return to the course menu.





Course Outline



- Introduction Module
- Module 1 – Cost Management Process Overview
- **Module 2 – Cost Management Master Data Sub-Process**
- Module 3 – Cost Allocation Sub-Process
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Welcome to Module 2: Cost Management Master Data Sub- Process



- This module will provide you an overview of Cost Management Master Data Sub-Process
- Proceed to each new page by clicking the **Next** button when you have finished reading the content on a page
- To view a full list of the topics covered in this module, click the **Menu** button on the top right corner of the course
- When you are finished with the Module, click **Exit** to mark the module complete and return to AgLearn





Objectives



After completing this module, you will be able to:

- Explain the process flow of Cost Management Master Data business activities
- Explain the key Cost Master Data terminology and business concepts
- Describe the FMMI roles associated with the Department Level Cost Management Data sub-process
- Describe the FMMI roles associated with the Agency Level Cost Management Data sub-process
- Explain the interactions between the Cost Master Data sub-process and other business areas within FMMI





Key Terminology



Review the following terms and definitions before beginning the Cost Management Master Data Sub-Process module:

- **Activity Type** = A form of productive output by a cost center
- **Assessment Cycle** = A cycle that describes to FMMI how the costs incurred for the sender cost object are allocated to receiver cost objects
- **Cost Center** = An organizational cost object that consumes collects, allocates, controls, reports, and plans costs
- **Cost Center Standard Hierarchy** = A mandatory tool for reporting operating costs in FMMI for USDA. When creating cost objects, users are automatically prompted to create the hierarchy through parent and child objects
- **Group** = A tool that enables users to set up alternative hierarchies. Groups roll up costs for reporting purposes and allow certain transactions to be performed on an entire group of cost objects at once



Key Terminology Continued



- **Master Data** = Data that describes the information about the people, places, things and organizational units that are involved in running the business
- **Primary Cost Element** = The basis for cost accounting; enables the user to display costs for each of the US SGL accounts that have a corresponding cost element
- **Secondary Cost Element** = A cost element used for internal activities within the Cost Management process area, such as allocations
- **Statistical Key Figure** = A measurable value applicable to cost centers or work breakdown structures
- **Transaction Data** = Data that is processed through a system rather than the structure of the system itself. A single business event such as a purchase requisition or a request for payment creates transactional data



Key Terminology Continued



- **Project** = A summary of certain business processes within an organization with a defined beginning and ending point
- **Project Settlement Rule** = A rule that describes to FMMI how the costs incurred for the cost object (project or work breakdown structure) are charged to other cost objects and/or General Ledger accounts
- **Work Breakdown Structure (WBS)** = A cost object representing a project that support directs charge and cost allocation for financial, procurement, and reimbursable processes. There is a one-to-one relationship with a funded program
- **Work Breakdown Structure (WBS) Element** = An individual cost carrying element within Cost Management



Cost Management Transactional Data



Cost Management does not generate any new transactional data, rather it reflects a collection of costs and expenses from transactions executed in other modules. Once the costs are collected through the various cost management master data, users can distribute, measure, and report on these costs according to the business requirements

- Execute the distribution of the cost based upon elements and models created through master data
- Measure the costs for accurate representation of expenses incurred
- Report on these costs according to business requirements



Cost Management Master Data



Cost Management master data describes information about the people, places, things and organizational units involved in running an organization

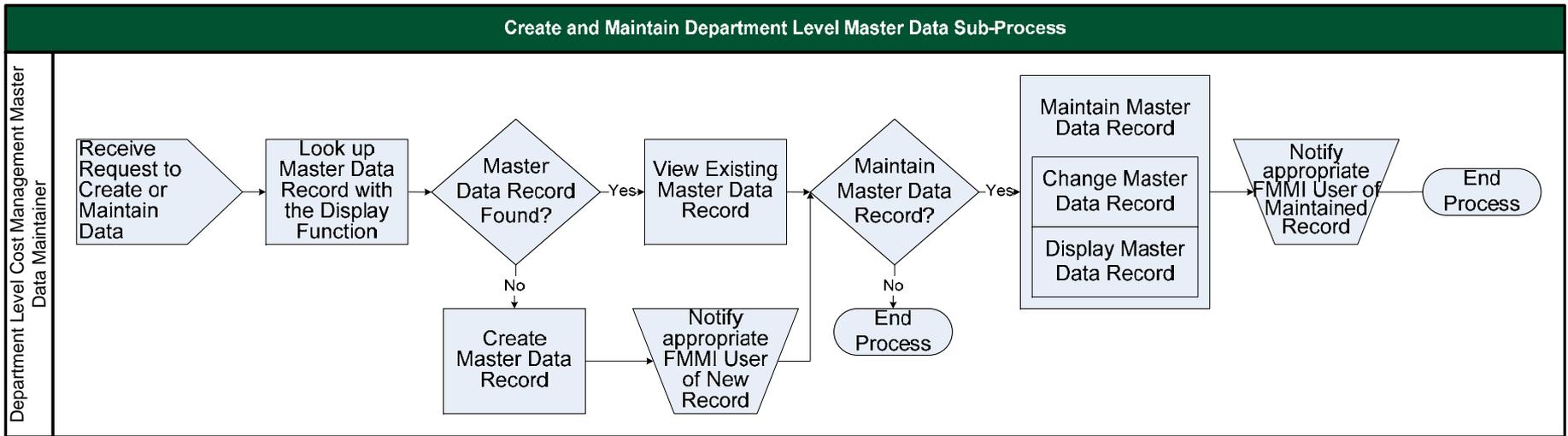
- Includes various cost objects to support the collection and measurement of cost for products, services, and organizations across USDA
- Acts as the structure around all transactions performed in the FMMI system - it would be impossible to operate FMMI without master data
- Ensures that costs are correct and will be recorded to the right place



Business Process Flow



This process flow outlines the key activities related to the Department Level Cost Management Master Data sub-process:





Business Concepts



The following business concepts pertain to the Department Level Cost Management Master Data sub-process:

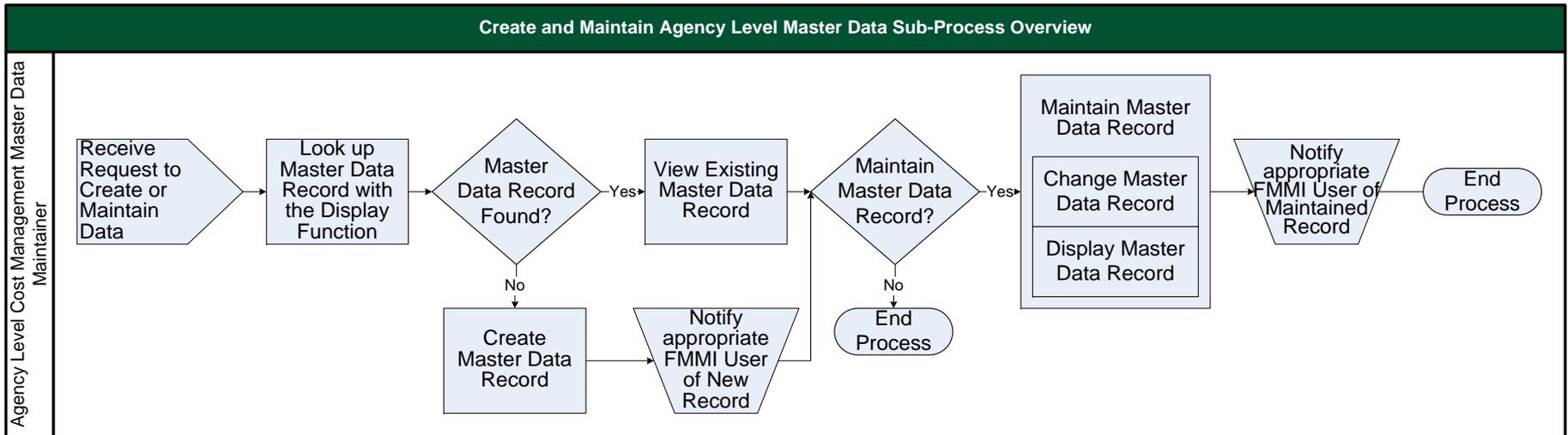
- The Department Cost Management Master Data Maintainer creates and maintains master data records as necessary
 - Creates and maintains primary and secondary cost elements
 - Creates and maintains cost centers
 - Creates and maintains cost center hierarchy
- The Department Cost Management Master Data Maintainer notifies the appropriate FMMI user of the new or changed records
 - Notifies requestor of the creation and maintenance of department level master data
 - Notifies the General Ledger Master Data Maintainer of the creation and maintenance of a primary cost element
 - Notifies the Funds Management Master Data Maintainer of the creation and maintenance of a cost center standard hierarchy



Business Process Flow



This process flow outlines the key activities related to the Agency Level Cost Management Master Data sub-process:





Business Concepts



The following business concepts pertain to the Agency Cost Management Master Data Maintainer Data sub-process:

- The Agency Cost Management Master Data Maintainer creates and maintains master data records as necessary
 - Creates and maintains projects
 - Creates and maintains project settlement rules
 - Creates and maintains WBS elements
 - Creates and maintains statistical key figures
 - Creates and maintains activity types
 - Creates and maintains assessment cycles
- The Agency Cost Management Master Data Maintainer notifies the appropriate FMMI user of the new or maintained records
 - Notifies requestor of the creation and maintenance of agency level master data
 - Notifies the Funds Management Administrator of the creation and maintenance of a work breakdown structure



FMMI User Roles



The FMMI Cost Management Master Data sub-process includes the following roles:

Role Name	Definition
Department Cost Management Master Data Maintainer	<ul style="list-style-type: none">■ Create and Maintain Primary and Secondary Cost Element■ Create and Maintain Cost Center■ Create and Maintain Cost Center Standard Hierarchy





FMMI User Roles Continued



Role Name	Definition
Agency Cost Management Master Data Maintainer	<ul style="list-style-type: none">■ Create and Maintain Statistical Key Figure■ Create and Maintain Activity Types■ Create and Maintain Project Settlement Rules■ Create and Maintain Project■ Create and Maintain Work Breakdown Structure■ Create and Maintain Assessment Cycle



Department Level Master Data



Department level master data includes the following:

Department Level Master Data

**Primary/
Secondary Cost
Elements**

Cost Center

**Cost Center
Standard
Hierarchy**



Cost Elements



There are two types of cost elements: primary cost elements and secondary cost elements

Primary Cost Elements

- Primary cost elements are elements within Cost Management linked to expense and revenue accounts in General Ledger
- Costs post directly to primary cost elements
- FMMI automatically creates primary cost elements

Secondary Cost Elements

- Secondary cost elements are elements within Cost Management with no corresponding General Ledger account
- Secondary cost elements track the internal movement of cost within Cost Management
- FMMI Users manually create secondary cost elements



Cost Center



Cost centers are organizational cost objects that consume collect, allocate, control, report, and plans cost

- Cost centers are organizational units in a controlling area representing a clearly delimited location where costs occur
- Cost centers reflect the organizational structure
- Cost centers meet unique cost information requirements such as tracking cost for an agency office or section
 - Example: division or branch within an agency of USDA





Cost Center Standard Hierarchy



The cost center standard hierarchy represents an agency's organization or division structure where cost centers are collected and grouped together for reporting purposes and to create a relationship between the various cost centers that exist within a controlling area

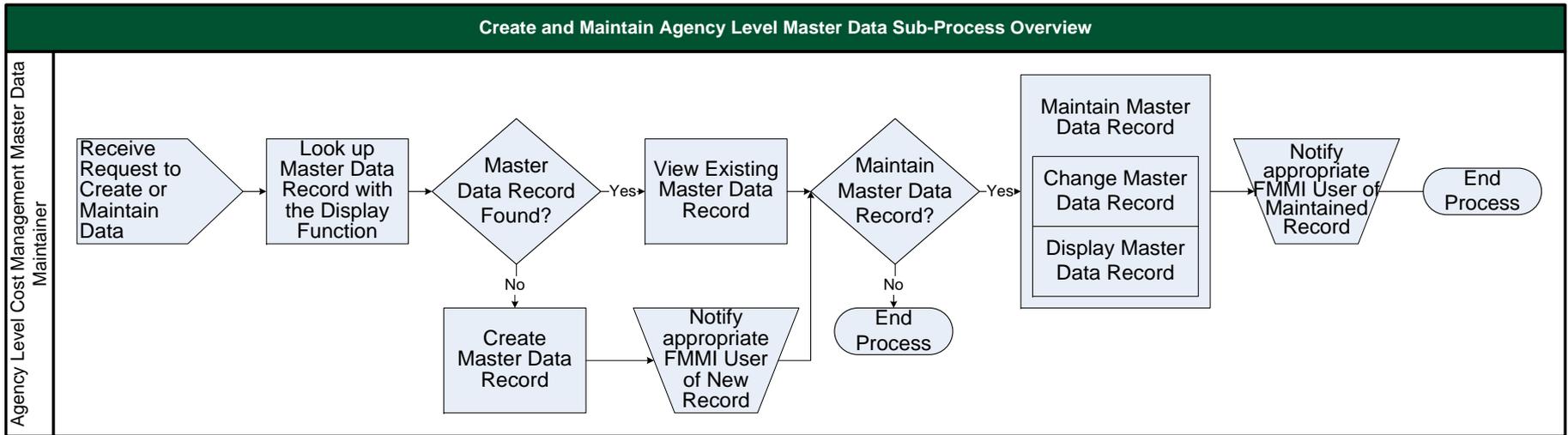




Business Process Flow



This process flow outlines the key activities related to the Agency Level Cost Management Master Data sub-process:





Business Concepts



The following business concepts pertain to the Agency Cost Management Master Data Maintainer Data sub-process:

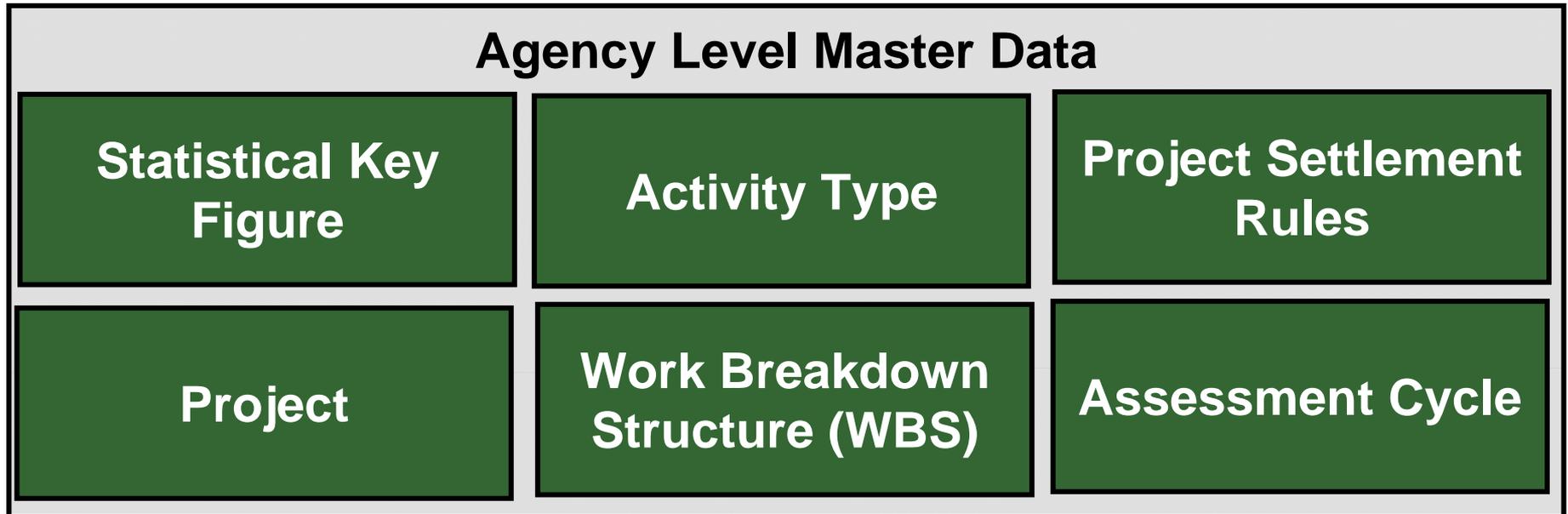
- The Agency Cost Management Master Data Maintainer creates and maintains master data records as necessary
 - Creates and maintains projects
 - Creates and maintains project settlement rules
 - Creates and maintains WBS elements
 - Creates and maintains statistical key figures
 - Creates and maintains activity types
 - Creates and maintains assessment cycles
- The Agency Cost Management Master Data Maintainer notifies the appropriate FMMI user of the new or maintained records
 - Notifies requestor of the creation and maintenance of agency level master data
 - Notifies the Funds Management Administrator of the creation and maintenance of a work breakdown structure



Agency Level Master Data



Agency level master data includes the following:





Statistical Key Figure



Statistical key figures define some measurable value applicable to cost centers or work breakdown structures

- Use statistical key figures as the basis for internal allocations, such as assessments
- Allocate cost from a pool of costs to individual area(s) of costs using statistical key figures
- Statistical key figures represent amounts or quantities
 - Example:
 - Number of employees
 - Telephones in an agency
 - Computers in an agency
 - Number of square feet in a building



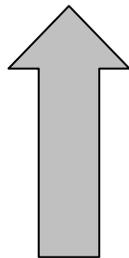
Activity Type



Activity types represent some form of productive output by a cost center

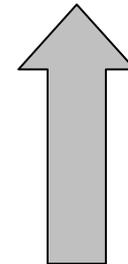
- Activity Types have *capacity* and a *unit of measure*
 - Example:
 - Service hours
 - Computer repair hours

Labor



Capacity

Hours



Unit of Measure



Statistical Key Figure vs. Activity Type



Statistical Key Figure

Activity Types

Features

Non-financial amounts or quantity

Type of service or maintenance valued at a specific rate

Examples:

Pounds produced, number of employees, square feet

Maintenance labor, engineering labor, yard labor

Allocation use:

- May be used as the basis for an assessment
- A value must be assigned to each receiver cost center

- Used as the basis for activity allocations
- A rate must be assigned to the activity performed by the sender cost center

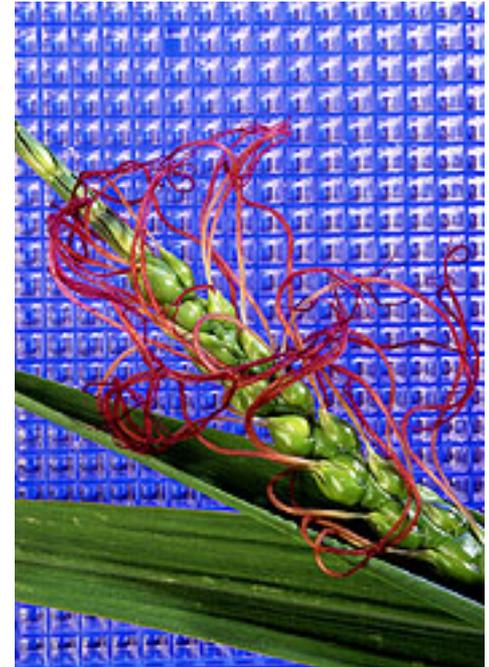


Project



A project is a framework for a business undertaking with a fixed goal to achieve with given resources. Distinguish a project by the uniqueness of its conditions such as dates and organizational information.

- Project characteristics:
 - Has a clear goal
 - Is restricted by time due to a defined beginning and a defined ending
 - Is characterized by its uniqueness and newness
 - Is complex and cannot be carried out without a structural outline
 - Has defined costs and a defined budget based on the tasks involved
 - Is carried out within a project-related organization





Project Types



There are three types of projects in FMMI:

1. Reimbursable Project

- Type of project which is based on interagency agreements
- When the agency receiving the service is billed and the WBS is the key element in the sales order use a reimbursable project

2. Capital Project

- Type of project which is used to collect costs associated with the following asset classes
 - Real property
 - Personal property (plant property)
 - Internal use software

3. Expense Project

- Type of project which is used to collect or track expenses for all other projects other than reimbursable or capital projects



Work Breakdown Structure (WBS)



A work breakdown structure (WBS) models the work to be performed in a project. It is organized in a hierarchical structure.

- WBS characteristics:
 - Chargeable object (account assignment is possible)
 - Specific beginning and ending dates
 - Serves as primary building block for project structure





Project Settlement Rules



Project settlement rules describe to FMMI how the costs incurred for the cost object (project or work breakdown structure) are charged to other cost objects and/or General Ledger accounts





Cost Assessment Cycle



The cost assessment cycle allocates costs from sender cost objects to receiver cost objects

Sender Value	How should FMMI calculate credit to sender?
---------------------	---

Receiver Tracing Factor	How should FMMI divide debit among receivers?
--------------------------------	---

Overhead Costs

Salary: X
Supplies: Y
Power: Z
Total: \$6000

Credit: \$6000

Secondary Cost Element:
Overhead costs

Cost Center 1

Debit \$4000

Cost Center 2

Debit \$2000



Touchpoints



The following table outlines the key touchpoints between the Cost Management Master Data sub-process and other business areas within FMFI.

Process	Touchpoint
Accounts Receivable – Sales Order and Billing	<ul style="list-style-type: none"> ■ Sales Order Processor may reference a WBS element when creating a sales order ■ Resource related billing references a WBS element when collecting cost against a sales order
Funds Management – Create and Maintain Funds Management Master Data	<ul style="list-style-type: none"> ■ Synchronization of Fund Management master data and Cost Management master data creation activities may need to occur because Funds Management and Cost Management’s master data is closely intertwined
General Ledger – General Ledger Postings	<ul style="list-style-type: none"> ■ General Ledger Processor may reference a primary cost element and a cost object when the expenses or revenues are posted to the General Ledger Account



Touchpoints Continued



The following table outlines the key touchpoints between the Cost Management Master Data sub-process and other business areas within FMMI.

Process	Touchpoint
Purchasing – Create & Maintain Purchase Requisition	<ul style="list-style-type: none">■ The Purchase Requisition Processor may reference a WBS element when creating a purchase requisition
Purchasing – Create & Maintain Purchase Order	<ul style="list-style-type: none">■ The Purchase Order Processor may reference a WBS element when creating a purchase order



Learning Checkpoint Question and Answer (Q&A)



- The questions on the following pages will test your understanding of key concepts in this module
- While there is no minimum passing score, ensure you have a strong understanding of each concept before continuing
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Learning Checkpoint Question and Answer (Q&A)



1. **True/False:** Cost Centers, objects that consume, collect, allocate, control, report and plan costs are created at the Agency Level.
(False)

2. **Multiple Choice:** Which of the following is NOT a touchpoint of the Cost Management master data sub-process?
 - a. Create and maintain expense and revenue General Ledger accounts
 - b. Create & maintain funds management master data
 - c. ***Create & maintain customer master data***
 - d. Create & maintain purchase order



Learning Checkpoint Question and Answer (Q&A)



3. **Multiple Choice:** The following are project types used in FMFI:
 - a. Reimbursable Project
 - b. Capital Project
 - c. Expense Project
 - d. ***Billing Project***

4. **True/ False:** When using statistical key figures for allocation, a rate must be assigned to the activity performed by the sender cost center. ***(False)***

5. **True/ False:** Secondary cost elements track the internal movement of cost within Cost Management. ***(True)***



Module Summary



In this module, you have learned to:

- Explain the process flow of Cost Management Master Data business activities
- Explain the key Cost Master Data terminology and business concepts
- Describe the FMMI roles associated with the Department Cost Management Data sub-process
- Describe the creation and maintenance of Cost Management Master Data
- Explain the interactions between the Cost Master Data sub-process and other business areas within FMMI





Module Completion



Congratulations! You have completed Module 2 – Cost Management Master Data. The next module provides you an overview of the Cost Allocation Process.

Select the **Exit** button to leave this module and return to the course menu.





Course Outline



- Introduction Module
- Module 1 – Cost Management Process Overview
- Module 2 – Cost Management Master Data Sub-Process
- **Module 3 – Cost Allocation Sub-Process**
- Module 4 – Project Settlement Sub-Process
- Course Summary
- Course Evaluation



Welcome to Module 3: Cost Allocation Sub-Process



- This module will provide you an overview of Cost Allocation Sub-Process
- Proceed to each new page by clicking the **Next** button when you have finished reading the content on a page
- To view a full list of the topics covered in this module, click the **Menu** button on the top right corner of the course
- When you are finished with the Module, click **Exit** to mark the module complete and return to AgLearn





Objectives



After completing this module, you will be able to:

- Explain the process flow of Cost Allocation business activities
- Explain the key Cost Allocation terminology and business concepts
- Describe the FMMI roles associated with the Cost Allocation sub-process
- Describe the difference between the cost assessment cycle and activity allocation
- Explain the interactions between the Cost Allocation sub-process and other business areas within FMMI





Key Terminology



Review the following terms and definitions before beginning the assessment cycle sub-process module:

- **Activity Allocation** = A periodic process that determines the input of activity indirectly allocated from sender cost objects to receiver cost objects
- **Assessment Cycle** = A cycle used to periodically allocate costs from sender cost objects to receiver cost objects
- **Cost Allocation** = The process of assessing or distributing amounts from sender cost objects to receiver objects



Cost Allocation



The primary purpose of cost allocation is to distribute the expenses collected in cost objects to other cost objects in designated organization structures that are responsible for these costs

- For Example, distributes costs from one cost center to multiple cost centers
- From a Federal Government perspective, cost allocations are made to derive an equitable distribution of costs among authorized purposes
- Laws and regulations require the identification and assignment of all costs incurred for the services and functions of each agency or office





Cost Allocation in FMMI



There are two types of cost allocation in Cost Management:

- Assessment
 - A periodic process that allocates costs from sender cost objects to receiver cost objects
- Activity Allocation
 - A periodic process that determines the input of activity indirectly allocated from sender cost objects to receiver cost objects





Assessment vs. Activity Allocation



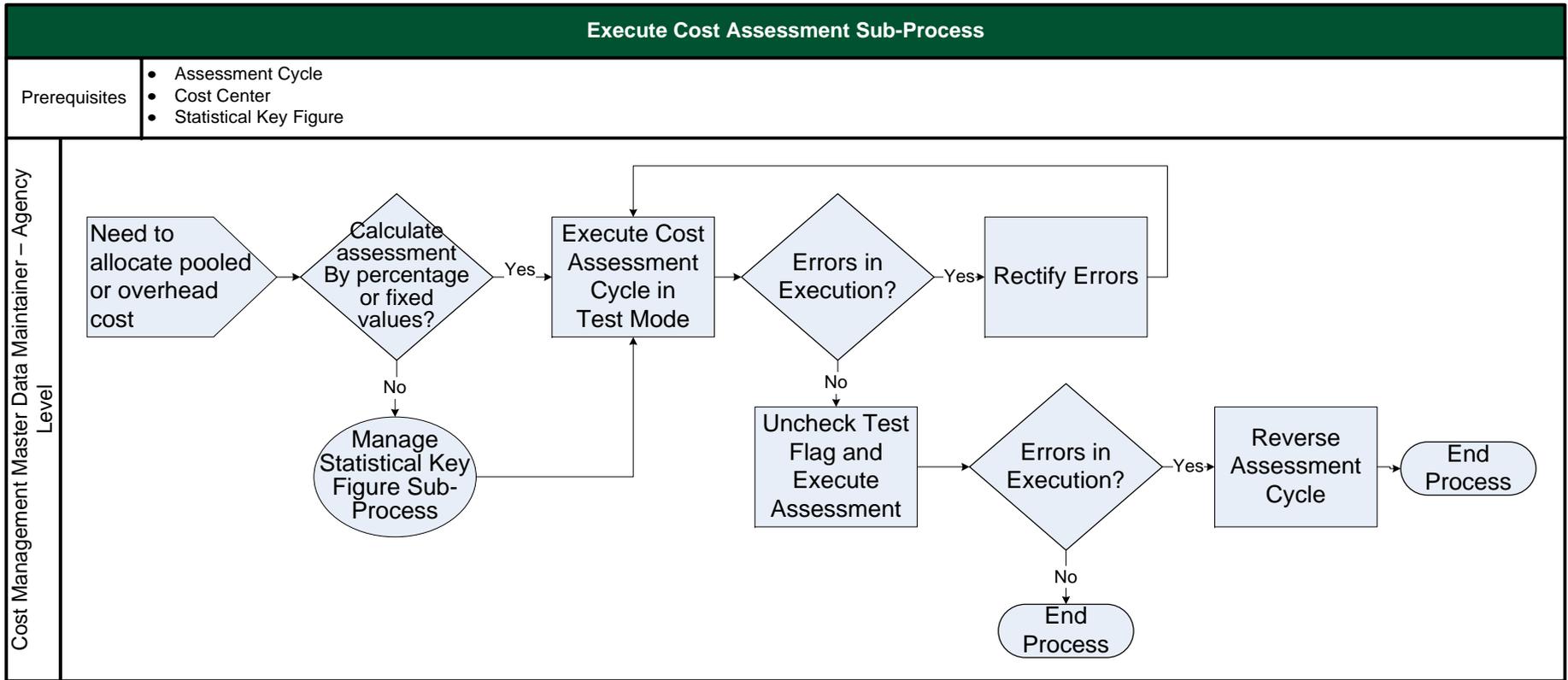
Assessment	Activity Allocation
FMMI calculates the allocation to each receiver based on:	
Statistical key figure, percentage or fixed amount	Activity type
Define allocation amounts on the receivers by:	
Secondary cost element	Secondary cost elements



Business Process Flow



This process flow outlines the key activities related to the Cost Assessment sub-process:





Key Business Concepts



The following business concepts pertain to the Cost Assessment sub-process:

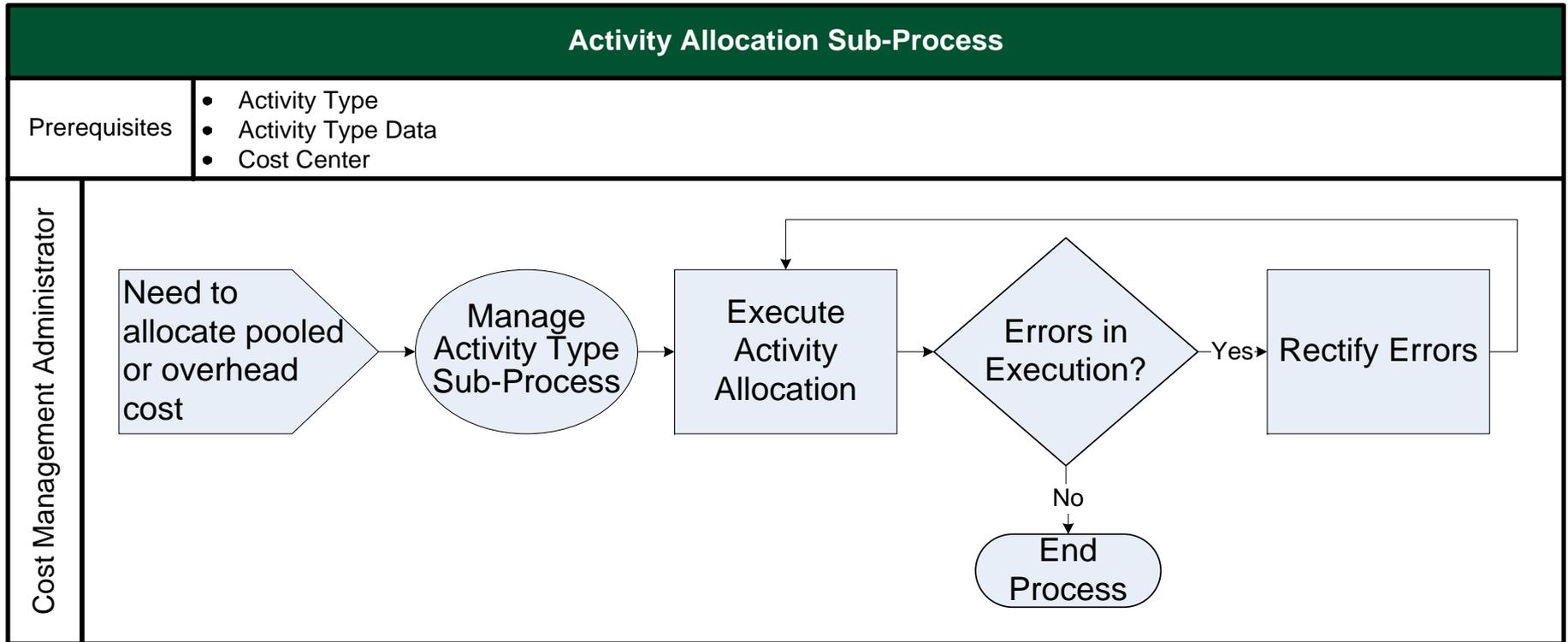
- Use assessment to periodically allocate costs from sender cost objects to receiver cost objects
- Determine if costs are allocated by percentage or statistical key figure
- When costs are allocated by statistical key figure, the Cost Management Processor manages the statistical key figure by populating the statistical key figure record with statistical key figure data
- The Cost Management Administrator runs the assessment cycle in test mode before running the actual assessment cycle
- If no errors are found the Cost Management Administrator runs the assessment cycle



Business Process Flow



This process flow outlines the key activities related to the Activity Allocation sub-process:





Key Business Concepts



The following business concepts pertain to the Activity Allocation Cycle sub-process:

- Use activity type allocation to determine the input of activity indirectly allocated from sender cost objects to receiver cost objects
- If there is a need to allocate pooled or overhead costs, the Cost Management Processor manages the activity type by populating the activity type record with activity type data
- The Cost Management Administrator runs the activity allocation



FMMI User Roles



The FMMI Cost Allocation sub-process includes the following roles:

Role Name	Definition
Cost Management Processor	<ul style="list-style-type: none">■ Manage Statistical Key Figure Data■ Manage Activity Type Data
Cost Management Administrator	<ul style="list-style-type: none">■ Execute Assessment Cycle■ Execute Activity Allocation





Manage Statistical Key Figure



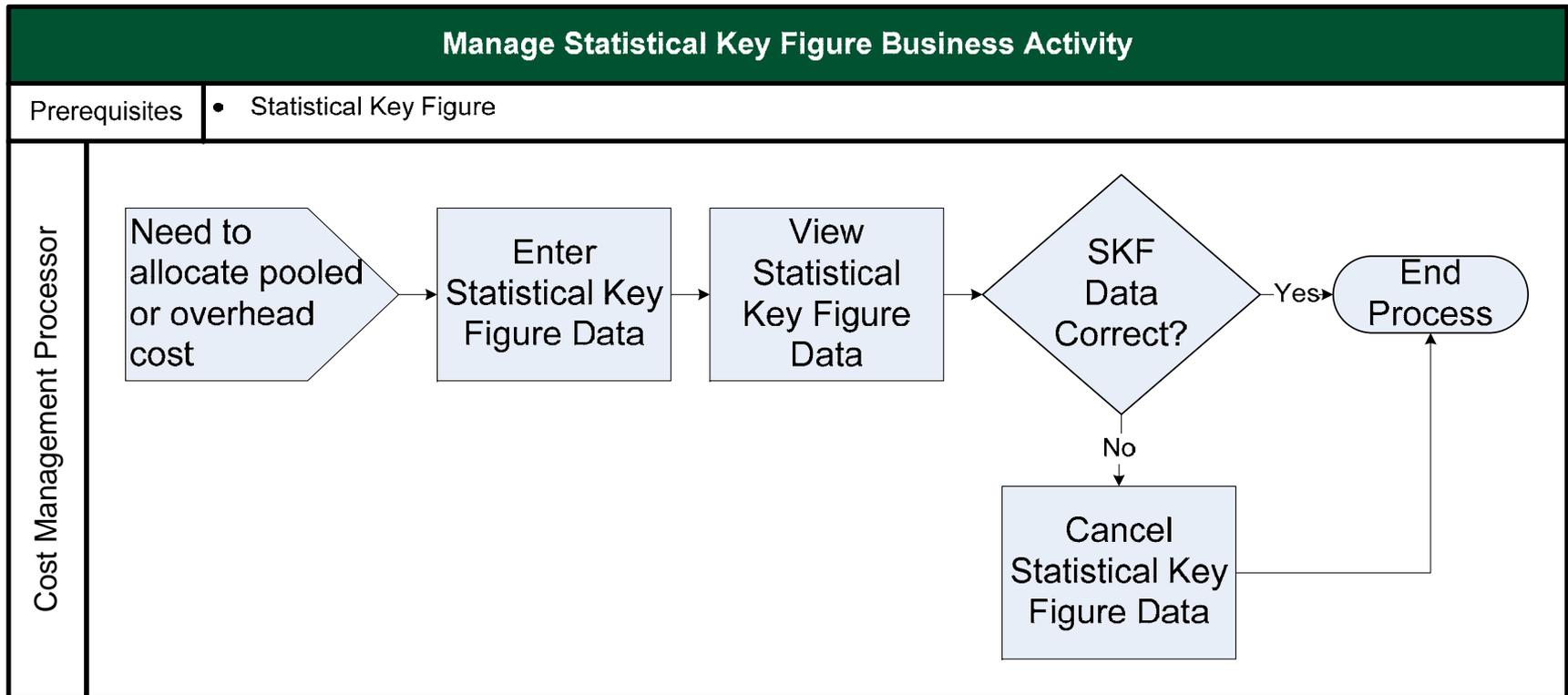
- The Agency Level Cost Management Master Data Maintainer creates statistical key figures as master data
- The Cost Management Processor manages statistical key figure records
- The management of statistical key figure records involves populating the statistical key figure master data with actual values
 - For Example:
 - 500 employees for an agency
 - 1700 telephones in an agency
 - 4300 computers in an agency
 - 14000 square feet in a building



Business Process Flow



This process flow outlines the key activities related to the Manage Statistical Key Figure business activity:





Key Business Concepts



The following business concepts pertain to the Manage Statistical Key Figure business activity:

- A statistical key figure is a tool that can be used as the basis for internal allocations, such as cost assessments
- If there is a need to allocate pooled or overhead costs, the Cost Management Processor will populate the statistical key figure record with statistical key figure data
- The Cost Management Processor cancels the statistical key figure data if changes to the statistical key figure data or deletion of the statistical key figure data needs to occur
- The Cost Management Administrator uses the statistical key figure record populated with statistical key figure data to execute the cost assessment cycle



Execute Assessment Cycle



- The assessment cycle is a method of internal cost allocation which is run periodically
- The Cost Management Administrator allocates the costs of a sender cost center to receiver cost objects (such as WBS elements and other cost centers) using an assessment cost element and on the basis of the rules defined by the user
- Cost assessments result in allocated costs, where the sender cost center is credited and the receiver object is debited



Manage Activity Type



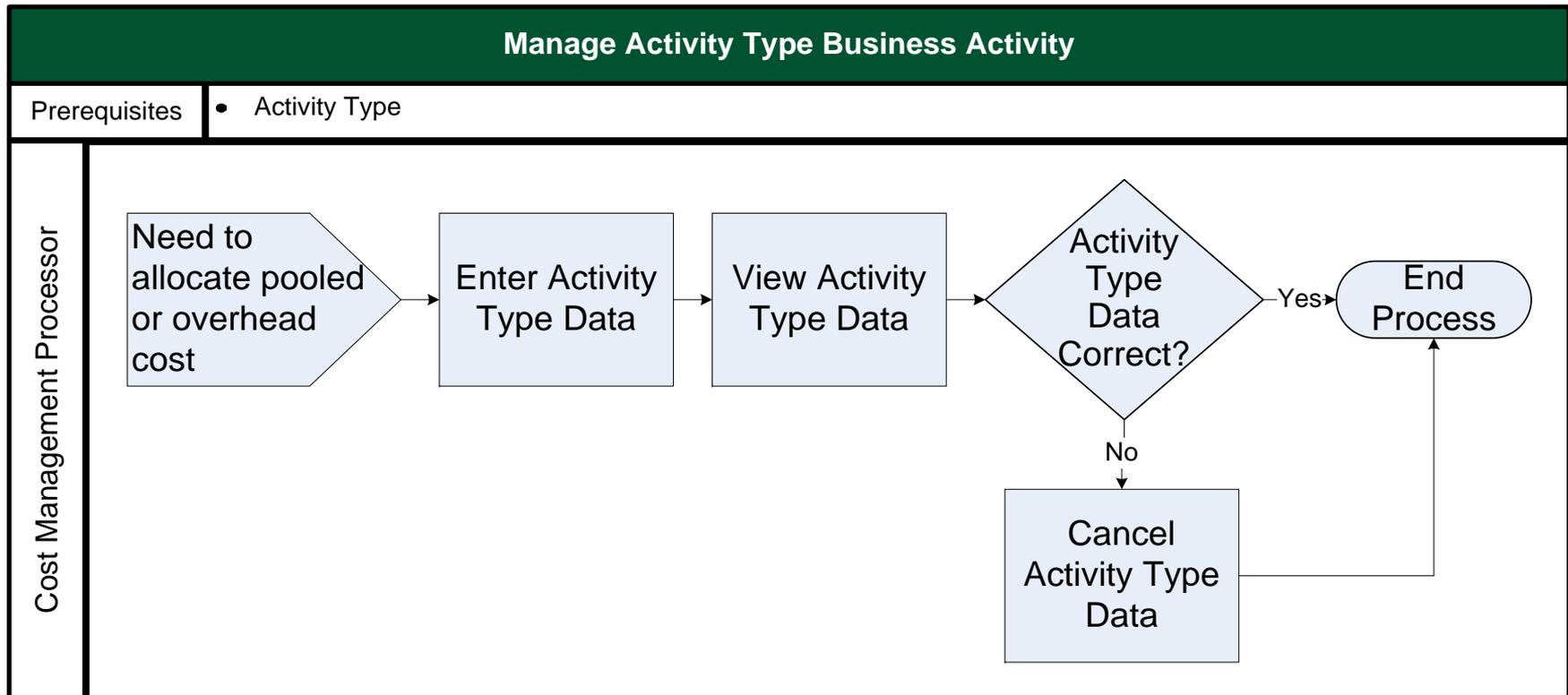
- The Agency Level Cost Management Master Data Maintainer creates an activity type as master data
- The Cost Management Processor manages activity type
- The management of activity type involves populating the activity type master data with actual values and activity rates
 - For Example:
 - 17 labor hours at \$10 per hour
 - 88 service hours at \$50 per hour
 - 167 computer repair hours at \$24 per hour



Business Process Flow



This process flow outlines the key activities related to manage activity type business activity:





Key Business Concepts



The following business concepts pertain to Manage Activity Type business activity:

- An activity type represents a form of productive output by a cost center
- If there is a need to allocate pooled or overhead costs, the Cost Management Processor will populate the activity type with activity type data
- The Cost Management Processor cancels the activity type data if changes to the activity type data or deletion of the activity type data needs to occur
- The Cost Management Administrator uses the activity type populated with activity type data to execute the activity allocation



Execute Activity Type Allocation



Activity type allocation is a method of internal cost allocation by which valuated activities (allocation bases) from cost centers can be assigned to cost receivers in accordance with the cause of the cost

- The activities or allocation bases represent the output of a cost center (such contracting hours)
- These outputs are represented in the activity types
- The activity types are valuated with prices that are either specified by the user manually or calculated by the system automatically by means of iterative activity price calculation
- In internal activity allocation, the activity produced by the cost center is multiplied by the activity price
- Activity allocation results in allocated costs, where the sender cost center is credited with this amount and the receiver object is debited



Execute Activity Type Allocation Continued

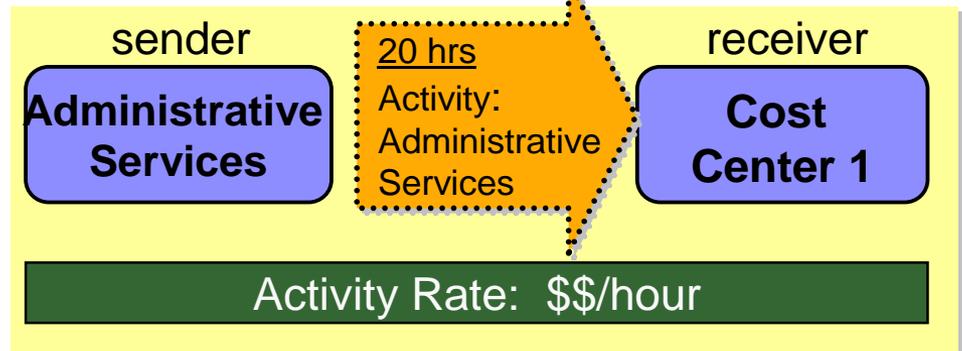
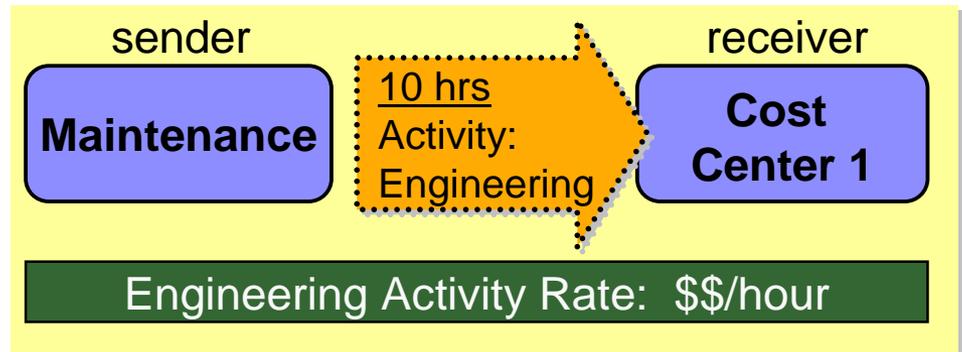


The activity allocation process determines the input of activity indirectly allocated from sender cost objects to receiver cost objects

- Allocate maintenance labor and overhead to receiver cost objects via activity types

Activity Type

- Administrative services
- Engineering hours
- Labor hours
- Building services





Touchpoints



The following table outlines the key touchpoints between the Cost Allocation sub-process and other business areas within FMMI.

Process	Touchpoint
Accounts Receivable – Create Billing Document	<ul style="list-style-type: none">■ The Billing Processor creates a bill based on the results of the cost allocation process to a WBS
Accounts Payable – Enter FI Invoice	<ul style="list-style-type: none">■ The Invoice Processor creates a FI invoice based on the results of the cost allocation process



Learning Checkpoint Question and Answer (Q&A)



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Learning Checkpoint Question and Answer (Q&A)



1. **True/False:** Statistical Key Figures are used to allocate costs from sender cost objects to receiver cost objects and have quantities and units of measure? **(False)**

2. **Multiple Choice:** _____ is a cost object that represents a group of resources within a cost center. These resources have capacity and a unit of measure such as : labor hours, service hours, square footage, etc.
 - a. **Activity Types**
 - b. Internal Orders
 - c. Cost and Revenue Elements
 - d. Statistical Key Figures



Module Summary



In this module, you have learned to:

- Explain the process flow of Cost Allocation business activities
- Explain the key Cost Allocation terminology and business concepts
- Describe the FMMI roles associated with the Cost Allocation sub-process
- Describe the difference between the cost assessment cycle and activity allocation
- Explain the interactions between the Cost Allocation sub-process and other business areas within FMMI





Module Completion



Congratulations! You have completed Module 3 – Cost Allocation Sub-Process. The next module provides you an overview of the Project Settlement sub-process.

Select the **Exit** button to leave this module and return to the course menu.





Course Outline



- Introduction Module
- Module 1 – Cost Management Process Overview
- Module 2 – Cost Management Master Data Sub-Process
- Module 3 – Cost Allocation Preparation Sub-Process
- **Module 4 – Project Settlement Sub-Process**
- Course Summary
- Course Evaluation



Welcome to Module 4: Project Settlement Sub-Process



- This module will provide you an overview of Project Settlement sub-process
- Proceed to each new page by clicking the **Next** button when you have finished reading the content on a page
- To view a full list of the topics covered in this module, click the **Menu** button on the top right corner of the course
- When you are finished with the Module, click **Exit** to mark the module complete and return to AgLearn





Objectives



After completing this module, you will be able to:

- Explain the process flow of Project Settlement business activities
- Explain the key Project Settlement terminology and business concepts
- Describe the FMMI roles associated with the Project Settlement sub-process
- Describe the execution of Project Settlement
- Explain the Project Settlement process as it relates to the Cost Management process
- Explain Project Settlement sub-process and other business areas within FMMI





Key Terminology



Review the following terms and definitions before beginning the Project Settlement Sub-Process module:

- **Project Settlement** = The process of settling costs posted on projects' WBS elements to other WBS elements, cost centers, or General Ledger accounts based on specific settlement rules



Project Settlement



- Settle costs posted on projects' WBS elements to other WBS elements, cost centers, or General Ledger accounts based on specific settlement rules
- Establish settlement rules on the WBS elements prior to the execution of settlement

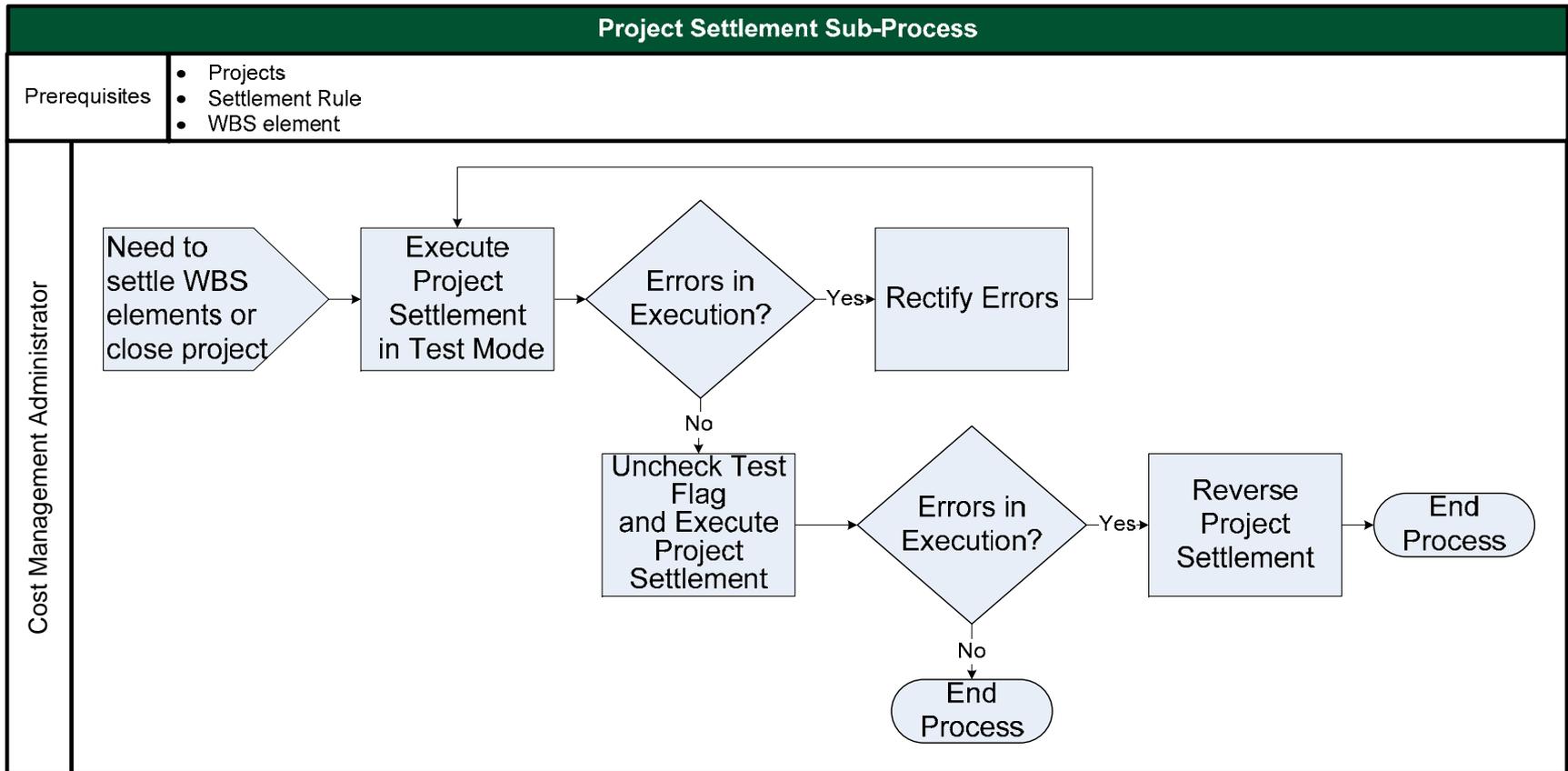




Business Process Flow



This process flow outlines the key activities related to Project Settlement sub-process:





Key Business Concepts



The following business concepts pertain to execute project settlement sub-process:

- Project settlement settles costs posted on work breakdown structure elements to other objects in FMMI based on settlement rules
- The Agency Level Master Data Maintainer creates the Project Settlement Rules
- Arrange settlement in sequence to coordinate the movement of costs from WBS to other receivers
- The Cost Management Administrator executes project settlement using the project settlement rules



FMMI User Roles



The FMMI Project Settlement sub-process includes the following roles:

Role Name	Definition
Cost Management Administrator	■ Execute Project Settlement
Cost Management Evaluator	■ Display Project Settlement





Touchpoints



The following table outlines the key touchpoints between the project settlement sub-process and other business areas within FMMI.

Process	Touchpoint
General Ledger – Create & Maintain GL Accounts	<ul style="list-style-type: none">■ For capital projects, when the WBS is settled the costs are transferred to a work in process account and monitored by the General Ledger Master Data Maintainer



Learning Checkpoint Question and Answer (Q&A)



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Learning Checkpoint Question and Answer (Q&A)



1. **True/False:** Project settlement settles costs posted on projects, work breakdown structure elements, cost centers to based on specific settlement rules (**False**)

2. **Multiple Choice:** Prior the execution of project settlement the following are required:
 - a. Settlement rules
 - b. Project
 - c. WBS
 - d. **Cost Center**



Learning Checkpoint Question and Answer (Q&A)



3. **True/False:** Project settlement will be executed by the Agency Level Cost Management Master Data Maintainer (**False**)

4. **Multiple Choice:** The project settlement sub-process has a touchpoint with the following process areas:
 - a. General Ledger
 - b. Accounts Receivable
 - c. **Both A and B**
 - d. None of the above



Module Summary



In this module, you have learned to:

- Explain the process flow of Project Settlement business activities
- Explain the key Project Settlement terminology and business concepts
- Describe the FMMI roles associated with the Project Settlement sub-process
- Describe the execution of Project Settlement
- Project Settlement sub-process and other business areas within FMMI





Module Completion



Congratulations! You have completed Module 4 - Project Settlement Sub-Process. The next module provides you a summary of the course.

Select the **Exit** button to leave this module and return to the course menu.





Course Outline



- Introduction Module
- Module 1 – Cost Management Process Overview
- Module 2 – Cost Management Master Data Sub-Process
- Module 3 – Cost Allocation Sub-Process
- Module 4 – Project Settlement Sub-Process
- **Course Summary**
- Course Evaluation



Course Summary



In this course, you have learned to:

- Explain the process flow of Cost Management business activities
- Explain the key Cost Management terminology and business concepts
- Describe purpose and use of FMMI user roles in the Cost Management process
- Explain the interactions between the Cost Management process and other business areas within FMMI
- Provide examples of the FMMI standard reports





Course Completion



Congratulations, you have completed :

FMMI 205 – Cost Management Overview

To ensure that your FMMI training curriculum is updated and you receive credit for completing the course, please click the link below to complete the course completion form.

[Course Completion](#)





Course Outline



- Introduction Module
- Module 1 – Cost Management Process Overview
- Module 2 – Cost Management Master Data Sub-Process
- Module 3 – Cost Allocation Preparation Sub-Process
- Module 4 – Assessment Cycle Sub-Process
- Module 5 – Activity Allocation Sub-Process
- Course Summary
- **Course Evaluation**



Course Evaluation



- In our efforts to continuously improve FMMI Training, please complete the course evaluation
- The FMMI team uses the results of evaluations to determine the overall effectiveness of the training program and to identify improvements for future sessions
 - Your answers will remain confidential but you may also provide your name if desired
- The evaluation can be accessed at the following link:

[Course Survey](#)

