

How to Create Primary Cost Elements in SAP

What is Primary cost element in SAP?

In SAP, Primary cost elements are cost elements whose costs originate outside of controlling area. primary cost element is other way called a general ledger (G/L) in SAP finance accounting module. The creation of G/L account is mandatory for creation primary cost elements in SAP.

Before you define primary cost element or revenue cost elements in [SAP](#), you need to create G/L accounting in the chart of accounts. The General ledger accounts are converted to primary cost elements by assigning primary cost element category.

Cost element category determines the nature of cost element in SAP controlling. The important cost element category are

1. Primary Cost Element/ Cost reducing revenues : – This category will be used for maintaining all the expenses accounts related to product.
2. Revenue: – This cost element category will be used for maintaining direct or indirect revenue accounts. For e.g. Sales revenue.
3. Sales Deduction: – This cost element category will be used for maintaining all the sales related expenditure accounts. For e.g. sales deduction, sales discounts, etc.
4. Settlement: – This category will be used for the settlement of costs from SAP CO object to SAP FI object. CO – CO = Internal settlement, CO – FI = External settlement.

Once the transaction data was posted into cost elements, these primary cost elements category can not be changed in controlling area.

Create the following G/L accounts for cost elements

400101	Salaries account
400300	Rent account

How to create primary cost elements in SAP Controlling

The cost elements can be created in two ways i.e.

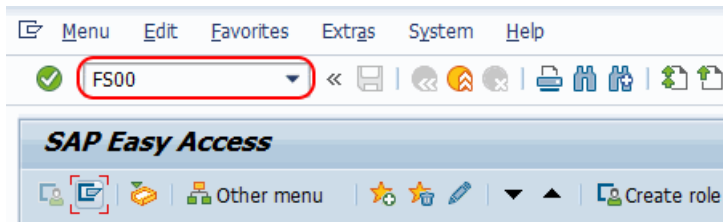
1. Manual Creation of Cost Elements
2. Automatic creation of cost elements

Manual Creation of Cost Elements

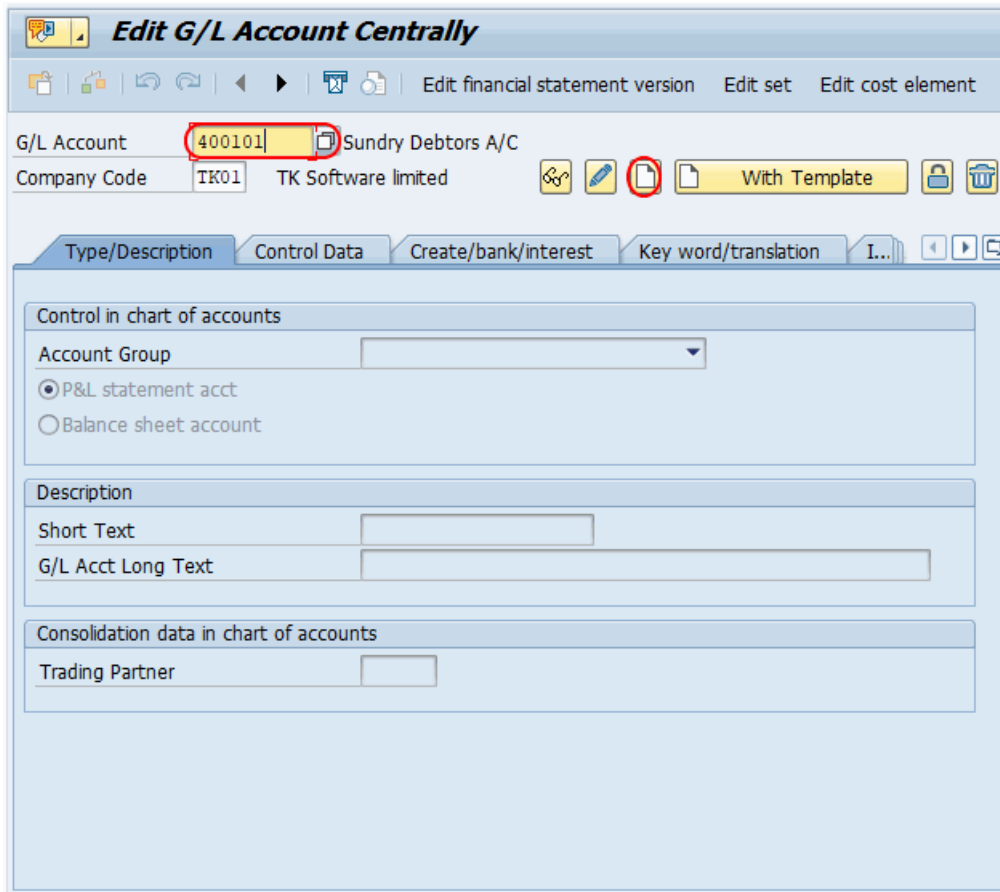
Creation of primary cost elements includes the following steps

Creation of primary cost elements at FI area – GL Master creation

Enter SAP transaction code FS00 in the SAP command field and enter.



On next screen, enter general ledger account as “400101”, company code as “TK01” and click on create button for creation of new G/L account for primary customer element.



Update the following details.

- Choose Account group and account type.
- Update short text and long text as “salaries account”.
- Click on create/bank/interest and updated field status group field as G004 (cost accounts).
- Then click edit cost element button for creation of cost element.

Create G/L Account Centrally

G/L Account: 400101
 Company Code: TK01 TK Software limited

Type/Description Control Data Create/bank/interest Key word/translation I...

Control in chart of accounts

Account Group: Personnel Cost

☒ P&L statement acct
☐ Balance sheet account

Description

Short Text: 400101 Salaries acct
 G/L Acct Long Text: 400101 Salaries Accounting

Consolidation data in chart of accounts

Trading Partner:

Creation of primary cost element at CO area

On create cost element: initial screen update the following details.

- Valid from date: – 01.06.2017
- Valid to date : – 31.12.9999 (date update automatically)
- Press enter to continue.

Create Cost Element: Initial Screen

Master Data

Cost Element: 400101
 Valid From: 01.04.2017 to 31.12.9999

Reference

Cost Element:
 Controlling Area:

On create cost element : basic screen, select cost element category as 1 (Primary cost/ cost reducing revenues).

Create Cost Element: Basic Screen

Cost Element: 400101 400101 Salaries acct

Controlling Area: TK01 Controlling Area for TK01

Valid From: 01.04.2017 to: 31.12.9999

Basic Data Indicators Default Acct Assgnmt History

Names

Name: 400101 Salaries acct

Description: 400101 Salaries Accounting

Basic Data

CElem category: 1 Primary costs/cost-reducing revenues

Attribute mix:

Functional Area: Imp. expenses(not in P&L)

Click on save button and save the configured details. You get a message as “Cost element has been created”.

Similarly create rent 400300 G/L account and cost element account for Rent account.

SAP CO

- ▮ [SAP CO Tutorial](#)

Basic SAP CO Settings

- ▮ [Maintain controlling area](#)
- ▮ [Assign Company code to controlling area](#)
- ▮ [Define number range interval for SAP co documents](#)
- ▮ [Maintain Versions](#)

SAP CO Cost Center Accounting

- ▮ [What is SAP Cost center accounting](#)
- ▮ [Create Cost center](#)
- ▮ [What is cost element accounting](#)
- ▮ [Create primart cost elements](#)
- ▮ [Create cost element group](#)
- ▮ [Create secondary cost elements in SAP](#)
- ▮ [Activate cost center accounting](#)
- ▮ [Define cost center categories](#)
- ▮ [Define cost center standard hierarchy](#)

SAP CO Profit Center Accounting

- ▮ [Create dummy profit center](#)
- ▮ [Define profit center group](#)
- ▮ [Maintain Profit center standard hierarchy](#)

SAP CO cost element Accounting

SAP CO Internal Orders

SAP CO Profitability Analysis

SAP CO Reports, Tables

SAP TCodes

- ▮ [SAP TCodes](#)
- ▮ [SAP CO TCodes](#)