According to SAP, a Costing Sheet is “a definition of how values posted in the SAP System are calculated.” For LAUSD, Costing Sheets are a set of rules applied to Internal Order (IO) master data to define:

1) The Overhead (OH) recovery/ies the IO will participate in, i.e. Non-Productive Overhead only versus Non-Productive and Indirect Overhead;
2) The types of expenditures (based on Cost Element) that should receive Overhead;
3) The specific Overhead rates that should be applied; and,
4) The Cost Assignments that should be used by the postings.

For procedures on how to view Costing Sheets in SAP, please refer to the following Job Aid in the BASE Training Center website:

Display Costing Sheet Attributes

The following are the basic “parts” of a Costing Sheet:

1. Procedure
2. Row
3. Base
4. Overhead Rate
5. Description (applies to either the Base or Overhead rate attribute)
6. From/To Rows
7. Credit
I. Procedure
A “Procedure” is the high level identifier of Costing Sheets. Within LAUSD, we use Procedures to identify the Responsible Section (Section) and Overhead recoveries. For example:

“139303” = Section 1393 + Non-Productive and Indirect Overhead (03)
“139304” = Section 1393 + Non-Productive Overhead Only (04)

Note:
Non-Productive Overhead refers to the portion of the Section’s Non-Productive Cost that will be ratably allocated to the Internal Order (IO). Non-Productive Cost refers to Non-Productive time, e.g. illness, vacation, that charged against the Section. All Internal Orders receive Non-Productive Overhead.

Indirect Overhead refers to the portion of the Section’s Indirect Cost that will be ratably allocated to the Internal Order. Indirect Cost refers to cost not directly attributable to the Internal Order such as supervisor and support staff’s salaries. An Internal Order’s participation in Indirect Cost recoveries may be dependent on the LAUSD Program/Functional Area used.

The Costing Sheet suffix, e.g. 03 & 04, can change. However, this is a rare occurrence and will happen only if there is a major change that requires new Costing Sheet structures.

II. Row
A “Row” serves as an index and placeholder for various rules in the Costing Sheet. It is also used to tie various rules together. For example:

1. Row 10 is used to define the Base (ZX01) or Primary Cost Elements to be considered for Overhead calculation
2. Row 50 defines the Overhead rules that should apply to the Base (ZX01) in Row 10.

![Display View "Costing sheet rows": Overview](image)
III. Base

The “Base” is a list of Primary Cost Elements (Cost Elements) that would be considered in the Overhead recoveries. Essentially, if there is an expenditure in a Cost Element included in the Base, this amount would be considered for that particular Overhead recovery calculation. For example, Base “ZX01” has the following Cost Elements listed:

![Change View "Base": Overview](image)

It would mean then that, if this Costing Sheet is applied to an IO and that IO has expenditures in Cost Element 220001, the total period cost in Cost Element 220001 would be the base against which Overhead would be calculated.

IV. Overhead Rate

The “Overhead Rate” defines the following:

1. The Validity period of the rate
2. The type of Overhead (Actual versus Planned)
3. The Internal Order Type the rate applies to
4. The recovery rate stated as a percentage
V. Description
The Description is the name of either the Base or the Overhead Rate attribute. For example:

Base ZX01’s Description is “LB Class Supp Sals” (abbreviated) or Labor – Classified Support Salaries. It describes the Cost Elements contained in the Base.

VI. From/To Rows
As mentioned earlier, “Rows” can be used to tie various rules together. Typically, the “Base” rows are paired with the “Overhead Rate” rows. The goal is to define which expenditures will be considered in the Overhead recovery using the rules stated in the “Overhead Rate” row. In the example in Section II, the Overhead rules in Row 50 apply to the Base (Cost Elements) in Row 10.
VII. Credit

“Credit” defines the Account Assignments to be used for the “Credit” side of the Overhead recovery postings. Recall that with GAAP (Generally Accepted Accounting Principles), we use the “Double Entry” system to record postings, i.e. Debit and Credit lines. Hence, a typical recovery posting would show two lines:

Dr. Direct Internal Order
Cr. Overhead Recovery Internal Order

“Credit” defines the Internal Order, Cost Element, Fund, and Functional Area to be used on the Credit Overhead posting. From Section VI, Row 50, Overhead Rate ZM01, From/To Row 10, the Credit key is “ZM01”. The “Credit” posting Account Assignments are shown in detail below:

VIII. Putting Everything Together

Say for example that we have the following IO with the given Costing Sheet:

(The Costing Sheet Description will be shown in the IO as in the screenshot above. The Costing Sheet Description and other attributes will be shown in better detail in transaction S_ALR_87005104-Display Costing Sheets.)

Given LAUSD’s naming convention, we can infer that Costing Sheet “146003” is for Section 1460 and that it is for both Non-Productive and Indirect Cost (suffix “03”).
Transaction **KOB1-Order**: Line Items shows that there are expenditures in Labor, Fringe Benefits, Materials, and, Mileage Cost Elements:

Based on the expenditures above, we will now try to trace the steps that SAP would take to calculate Overhead for Labor. The process would be the same for Fringe Benefits and Materials. Please note that there is no Overhead recovery on Cost Elements in the 5000 Cost Element series.

Going to our Costing Sheet, we will see that Labor Bases are in Rows 10 through 40.

**NOTE:**
There are multiple rows of Labor Cost Element groupings due to compliance reasons. Based on the California School Accounting Manual (CSAM), Classified employee labor can be reported into five major Object Codes. However, LAUSD employees who work on Job Cost can typically be classified into only four major Object Codes (highlighted below).

Hence, for our Labor Bases, we have four Rows. Also, while the CSAM Object Codes only have four characters, the California Department of Education (CDE) does allow Local Educational Agencies (LEAs) latitude to further define these. LAUSD uses a two-digit suffix for this purpose. The format would then be, XXXXYY where X = CSAM Object Code, and Y = LAUSD definition.

For example:

220001 (LAUSD GL/Cost Element) = 2200 (CSAM-Classified Support Salaries) + 01 (LAUSD-M&O Regular Salaries)
CSAM Procedure 330 – Object Classification

List of Object Codes

(Inherited codes are optional; if used, they must be reported to CDE.)

<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000-7999</td>
<td>EXPENDITURES AND OTHER FINANCING USES</td>
</tr>
<tr>
<td>1000-7499</td>
<td>Expenditures</td>
</tr>
<tr>
<td>1000-1999</td>
<td>Certified Personnel Salaries</td>
</tr>
<tr>
<td>1100</td>
<td>Certified Teachers’ Salaries</td>
</tr>
<tr>
<td>1200</td>
<td>Certified Pupil Support Salaries</td>
</tr>
<tr>
<td>1300</td>
<td>Certified Supervisors’ and Administrators’ Salaries</td>
</tr>
<tr>
<td>1900</td>
<td>Other Certified Salaries</td>
</tr>
</tbody>
</table>

2000-2099 | Classified Personnel Salaries

2100 | Classified Instructional Salaries

2200 | Classified Support Salaries

2300 | Classified Supervisors’ and Administrators’ Salaries

2400 | Clerical, Technical, and Office Staff Salaries

2500 | Other Classified Salaries

To verify which Row and Base 220001 is included in, we drill down into the Rows. For this example, we will drill down into the first row: Row 10, Base ZX01.

In the succeeding screen, we will confirm that Cost Element 220001 is included in Row 10, Base ZX01.
We will then look for the corresponding Overhead Rate row/s where Row 10 is mentioned in the From/To Rows. Because our Costing Sheet indicates that there are calculations for both Non-Productive and Indirect Overhead, we can expect to find Row 10 in two instances in the From/To Rows.

### Non-Productive Overhead

![Non-Productive Overhead](image1)

### Indirect Overhead

![Indirect Overhead](image2)
Now that we’ve found the Base (Row 10) and its corresponding Non-Productive and Indirect Overhead Rate rows (Rows 50 and 570), we can drill down into the Overhead Rate rows to find out what Overhead Rates apply and which Account Assignments are used for the Credit side of the Overhead recovery posting.

Non-Productive Rate
Row 50

Note that there are two different Overhead Types: 1 and 2. 1 is Overhead for Actual postings; 2 is Overhead for Planned amounts. Currently, the latter is not being used at LAUSD.

Non-Productive Credit
Anatomy of a Costing Sheet

Indirect Rate
Row 570

Change View "Overhead rate": Overview

Indirect Credit

Change View "Costing sheet rows": Overview
If SAP were to calculate Overhead recoveries for IO 808000064648, we could expect the following:

Non-Productive Overhead Calculation

Cost Element 220001 has a $243.66 posting (Base cost, also known as Direct Cost). This amount will be the basis for Overhead recovery calculation. So if, the Non-Productive recovery rate is 19.6%, using the formula below, the Non-Productive Overhead would be $47.76.

\[ \text{Base Cost} \times \text{Overhead Rate} = \text{Overhead Recovery Amount} \]

\[ 243.66 \times 0.196 = 47.76 \]
Indirect Overhead Calculation

Using the same amount in Cost Element 220001, $243.66, and an Indirect recovery rate of 31.0%, the Indirect Overhead would be $75.53.

\[
\text{Base Cost} \times \text{Overhead Rate} = \text{Overhead Recovery Amount} \\
$243.66 \times 0.3100 = $75.53
\]
Overhead Amounts as Calculated by SAP

Note that the Overhead amounts are posted using Secondary Cost Elements specific to Overhead recoveries. Note also that the Account Assignments defined in Credit are the ones used by SAP to post the Overhead recoveries.

KOB1

Period Direct and Overhead postings are shown.

You should now be able to explain Costing Sheet attributes and how they translate into Overhead postings.

For additional Costing literature, please visit The BASE Training Center.
## Appendix

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
<th>Source</th>
<th>Reference</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>elements and origins to which overhead is to be applied.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDE</td>
<td>California Department of Education</td>
<td>CDE</td>
<td></td>
<td><a href="http://www.cde.ca.gov/index.asp">http://www.cde.ca.gov/index.asp</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit</td>
<td>A credit is an accounting entry that either increases a liability or equity</td>
<td>Accounting Tools</td>
<td>Accounting Tools. (n.d.). Debits and Credits. Retrieved January 25, 2017,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>account, or decreases an asset or expense account. It is positioned to the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>right in an accounting entry.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>procedures, as well as guidance in implementing those policies and</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Debit

A debit is an accounting entry that either increases an asset or expense account, or decreases a liability or equity account. It is positioned to the left in an accounting entry.

### Accounting Tools


### Double Entry system

Each account will have a debit (left side) and a credit (right side) and that recording a transaction will affect at least two accounts, one being debited and the other being credited, with the total of the debit(s) being equal to the total of the credit(s).

Double-entry accounting uses the following rules on how the accounts are affected by debit and credit entries:

1. Assets and deferred outflows of resources are increased by debits and decreased by credits.
2. Liabilities, deferred inflows of resources, and fund balance are increased by credits and decreased by debits.
3. Revenues are increased by credits and decreased by debits.
4. Expenditures (or expenses) are increased by debits and decreased by credits.

The difference between the debit and credit entries in an account is that account’s balance. Asset, deferred outflow of resources, and expenditure accounts normally have debit balances, while liability, deferred inflow of resources, fund balance, and revenue accounts normally have credit balances. The total of the debit balances must equal the total of the credit balances in a particular set of accounts at any point in time.

### CSAM


### From/To Rows

Identify Base Rows for Overhead calculation

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>From/To Rows</td>
<td>Identify Base Rows for Overhead calculation</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Functional Area</td>
<td>Structures that identify and classify financial transactions by overall purpose, objective, function, and/or mission. LAUSD’s Functional Area contains the SACS Goal, SACS Function, and LAUSD Program.</td>
</tr>
<tr>
<td>GL Account</td>
<td>Represent the categories or classifications of assets, liabilities, fund equity, revenues, and expenses at the lowest level of detail necessary for internal and external reporting. LAUSD uses a six-digit GL Account based on the four digit SACS Object.</td>
</tr>
<tr>
<td>Indirect Overhead</td>
<td>Indirect Costs are related to supervisory and support costs that cannot be directly attributed to a job. These costs are distributed to participating Internal Orders for each responsible section as Indirect Overhead.</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Non-productive Overhead</td>
<td>Non-productive Costs are related to absences and labor that are not attributable to serving students and staff directly. These costs are distributed to participating Internal Orders for each responsible section as Non-productive Overhead.</td>
</tr>
<tr>
<td>Overhead Cost</td>
<td>&quot;Overhead is those costs required to run a business, but which cannot be directly attributed to any specific business activity, product, or service… Overhead is…necessary, since it provides critical support…”</td>
</tr>
<tr>
<td>Procedure</td>
<td>A “Procedure” is the high level identifier of Costing Sheets. Within LAUSD, we use Procedures to identify the Responsible Section and Overhead recoveries.</td>
</tr>
<tr>
<td>Responsible Section</td>
<td>The section or office associated with the Internal Order number.</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
</tbody>
</table>