

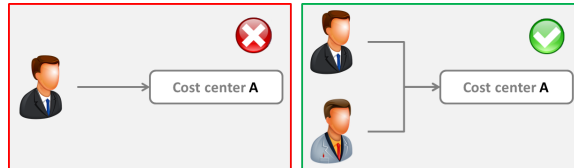
# Costing Key Principles - PF1

[ [Cost center - Creation Rules](#) ] [ [Cost allocation - Rule](#) ] [ [Pricing - Rule](#) ] [ [Payroll expenses allocation](#) ] [ [Reporting assessment - rule](#) ] [ [Intercos - cycles](#) ] [ [Technical cost center usage](#) ] [ [Statistical key figures usage](#) ] [ [Working File 3](#) ]

## Cost center - Creation Rules

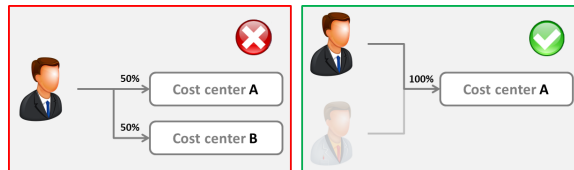
### Rule 1

It is not allowed to create a cost center for less than two employees



### Rule 2

An employee is assigned to one cost center only



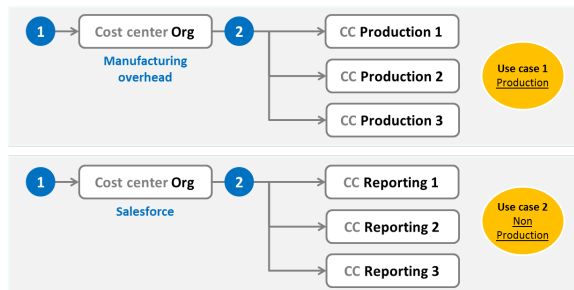
### Rule 3

Threshold of minimum amount per year of primary expense.

## Cost allocation - Rule

Recommendation: minimize the number of CC allocation

- For Production costs: allocation between organizational CC and another organizational CC
- For non Production costs: allocation from organizational CC to reporting CC



### Exception

- Utilities
- Insurance (IAS 19)
- R&I: allocation from CC to WBS
- Intercos: from organizational CC to organizational CC other company

### General rule:

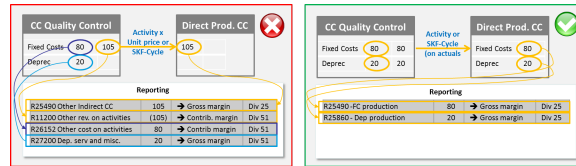
- All type of expenses - different than Manufacturing Costs (Indirect/Direct) and R&I - go directly to BFC (at different reporting cost center) and to only 1 BFC heading.



## Pricing - Rule

### General rule:

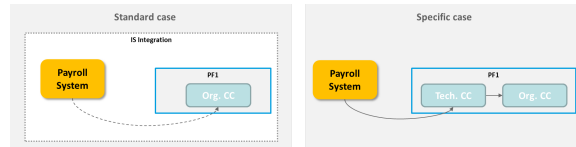
- “No pricing” rule: allocations between organizational cost center, within the same legal entity (same GBU normally, but could be also between 2 GBUs) should be done at cost.



## Payroll expenses allocation

### General rule:

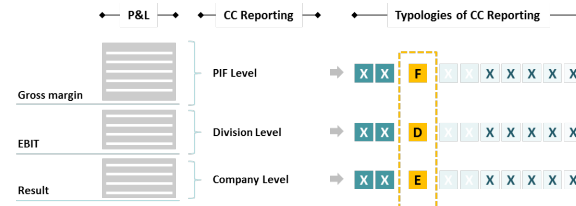
- Payroll expenses shouldn't be posted to technical cost center if HR/Payroll system is integrated.
- An employee is assigned to only one cost center



## Reporting assessment - rule

General rule: A minimum level of detail is required for assessment to reporting cost center:

- For gross margin => Cost center reporting at “PIF” Level (see codification below)
- Below gross margin => Cost center reporting at “Division” level (see codification below)
- Below EBIT => Cost center reporting at “Company” level (see codification below)



## Intercos - cycles

### General rules:

#### 1. For GBU cross charge

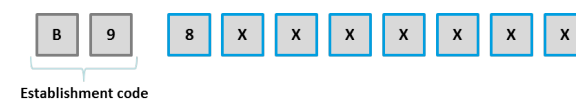
- Change the cycle usage: evolution from actual amounts to planned amount
  - Objective: anticipate the launch of cycles (from D2 to D-1) and reduce problems in D4
- Create and standard cost center for Cross charge (in order to align to method of CBS)

#### 2. For CBS

- Create a specific Cost Section (160) for SBS invoicing

## Technical cost center usage

Technical Cost Center can be used for the following cases:



- Use case 1: to centralize primary costs for corporate needs (e.g.: Insurance, IAS 19...)

- Use case 2: to post costs not directly linked to the organizational structure (e.g.: other non recurring expenses)
- Use case 3: to collect the result of income miscellaneous (e.g.: sales of scrap...)
- Use case 4: if the organization cost is not defined in the Cost Section narrative

**Reminder: in all cases, the request has to be approved by the Central Costing Expert after approved the request by GBU.**

## Statistical key figures usage

Definition: "Statistical key figures" provide information on non-monetary data such as the number of employees, number of machines, capacity usage, market information...and can be used for internal cost allocations.

Recommendation: minimize the usage of SKF or avoid it (if possible)

2 conditions are identified to use the "Statistical key figures"

- Volumes of target CC
- High frequency (e.g.: every month) of update

## Working File 3

**i Overview of Working file 3**  
[Working File 3](#)

All the companies harmonized in Sympa Model after a period of 2-3 months where some adjustment are done;

**i** Controllers should have access to their WF3. If you do not have; please request it

- Each year by the end of October you will be requested to review your allocation keys by RCOM. And this will be part of an Internal Control.



- Request Cycles changes with [Costing forms](#)
- Review of the roles and transactions access by the users has been done in January-16.

[Cycles PF1 - Example](#)

[Cycles - codification PF1](#)

Expand to see the last version of the cycle model in Gdrive: