

# SAP Profitability & Performance Management:

## How to optimize your global tax position, reduce risk, and increase profits

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Head of Americas Presales  
msg global solutions, Inc.



Las Vegas

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2024

**SAP**insider



# Transfer Pricing

## In This Session

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- What is **SAP Profitability and Performance Management**?
- Get up and running with robust standard content and out-of-the box reporting and analytics.
- Integrate the solution with SAP or non-SAP data sources and adopt any transfer pricing methodology.
- How to leverage the solution far beyond your transfer pricing business user.

# What We'll Cover

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- Call to action
- What does Operational Transfer Pricing (OTP) mean to you?
- Industry challenges
- How SAP Profitability and Performance Management (PaPM) can help improve decision-making
- Customer success story
- SAP Profitability and Performance Management (PaPM) sample content for transfer pricing
- Wrap-up



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# Call to Action

According to Steven C. Wrappe, Senior Tax Partner, Grant Thornton LLP,  
**“The total costs of Transfer Pricing disputes: Higher than you think...Transfer pricing is the largest tax issue for multinationals, both in absolute size and in proportion to other tax issues.”**

According to KPMG Global Transfer Pricing Services,  
**“Transfer pricing is at the core of international trade within multinationals... it’s important to stay current with transfer pricing rules worldwide while keeping pace with global BEPS developments.”**

## Top Transfer Pricing Use Cases 2022

IRS says Microsoft owes \$28.9 billion in back taxes for 2004 to 2013 plus penalties and interest based on the way Microsoft allocated profits among countries and jurisdictions...

IRS

McDonalds’ agreed to pay €1.25 billion (\$1.31 billion) to the French tax authorities following an investigation into its transfer pricing arrangements...  
Chief prosecutor Jean-Francois Bohnert called the €1.25 billion sum “a genuine punishment”.

Int’l Tax Review (ITR)

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# What does Operational Transfer Pricing mean to you?

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- **Revenue and cost transfer** between intermediates, licenses, and services and products between legal entities in compliance with tax authorities
- **Optimize effective tax** rate across jurisdictions
- Top-down/bottom-up profit / **tax rate target setting**
- **Stay current** with transfer pricing rules worldwide and **be nimble** to adjust your global supply chain strategy
- Maintain good **documentation for tax audits**



# Who is Impacted

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Any multi-national organization that transacts in **Goods or Services** between its own **Legal Entities** and with **External Customers** across multiple tax jurisdictions

## Typical industry groups most effected:

- Discrete Manufacturing
- Food Manufacturing and Distribution
- Pharmaceutical Manufacturing and Distribution
- Technology or Telecommunications
- Media and Entertainment



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# Typical Industry Challenges

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- **Rapidly changing** business landscape
- **Lack of transparency** into business operations
- **Non-standardization** of calculations
- **Error prone**, manually intensive spreadsheet processes
- Custom developed solution **key person risk**
- **Poor risk management** and controls
- **Poor documentation** for tax audits
- Finding the **right solution**



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# How can SAP Profitability and Performance Management help improve decision-making?

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- **Powerful modeling and calculation engine**
- **Integration with SAP and Non-SAP data sources**
- **Agile data model**
- **Standardized templates, rules, functions, calculations**
- **Out of the box standard reporting and analytics**
- **Full auditability and traceability**
- **What-if analysis and simulation**



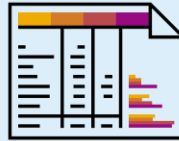
# SAP Profitability and Performance Management

## One application for multiple use cases



### Corp Tax Compliance & Reporting (CIT) [ERP and S/4HANA integrated]

Preconfigured corporate & deferred tax calculation & liability mgmt. Current & deferred tax calculation. Native integration with S/4HANA and ERP Data. Automated tax postings in S/4 from PaPM



### Global Transfer Pricing & Tax Optimization

Tax compliant revenue, cost transfer for intermediates, licenses, services and products between legal entities (OECD & BEPS guidelines). Optimize effective tax rate across jurisdictions. Top-down | bottom-up target setting.



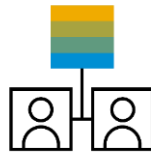
### 2023 OECD Global Tax Requirements (BEPS2.0)

Multi National Enterprises with over \$750 MM of global revenue have to pay their fair share of tax wherever they operate. Minimum effective tax rate of 15% in every country in they operate. Requires a solution to support high performance calculation & robust and auditable reporting with detailed quantitative analysis and summary reports to reduce compliance burden.



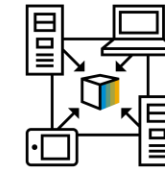
### Profitability and Cost Management [ERP and S/4HANA integrated]

Optimize profitability and cost on product & service, channel, customer, portfolio, SKU, BOM, instrument, transaction level including what-if analysis and simulation



### Agile Plan & Forecast Modeling

Run sophisticated driver-based, predictive and stochastic models. Integrate actual with plan to support forecast. Unlimited granularity & dimensionality. Driver & scenario-based planning. Round trip data integration (e.g. PaPM <=> SAC)



### IT Cost Management [ERP and S/4HANA integrated]

IT cost transparency (TBM), financial management and automated bill of IT, cross-charging of shared services



### Value Chain Sustainability mgt [ERP and S/4HANA integrated]

Optimize economic, environment, social impact of your products & services, incorporating gov't sanctioned protocols. Provide evidence of green activities to support tax incentives | reduce customer reputational risk.



### Product & Service Costing

BOM, SKU, component level costing, pricing, transparency. Raw materials, product mix, price / volume, COGS, variable margin & full PnL analysis and simulation. Vendor effectiveness - standard costing, PPV, FX variance.



### Merger & Acquisition Support

Quickly integrate, harmonize target's data, hierarches, COA, ..onto merged entities platforms. Simulate alternate organization structures for "best fit" setup, segmentation and reporting.



### Funds & Liquidity Transfer Pricing

Rate modeling, cashflow dynamics. FTP spread component | PnL by instrument, product, portfolio, customer, loan officer



### Process Mining

[ERP and S/4HANA integrated]

Process analysis to determine the real drivers: Order to Cash, Purchase to Pay, AR, AP, Warehouse Management, Production.

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# SAP Profitability and Performance Management

## Transfer Pricing Customer Success Story

Transfer pricing occurs for both domestic and international entities and ensures compliance with all intercompany agreements and regulatory requirements.

### Before SAP Profitability and Performance Management:

- Excel based calculation, linking of multiple files together
- Limited detailed reporting and transparency into results
- Time consuming and challenges to meet deadlines
- All calculations required manual review and validation

### After SAP Profitability and Performance Management:

- Improved processing time and calculations on high data volumes
- Fully integrated with internal systems (General Ledger, BPC, SAC)
- Full transparency to provide detailed reports and business analysis
- Full traceability with ability to follow result to original cost sources`

## AFLAC

**13 million insurance policies, 3,000 rules across a myriad of legal entities and cost and profit centers.**

***“Performance insights at your fingertips”***  
**– Manager US FP&A**

All information sourced from msg & AFLAC joint presentation at 2023 SAP FIONEER FSI conference in Boston, Mass.

# What We'll Cover

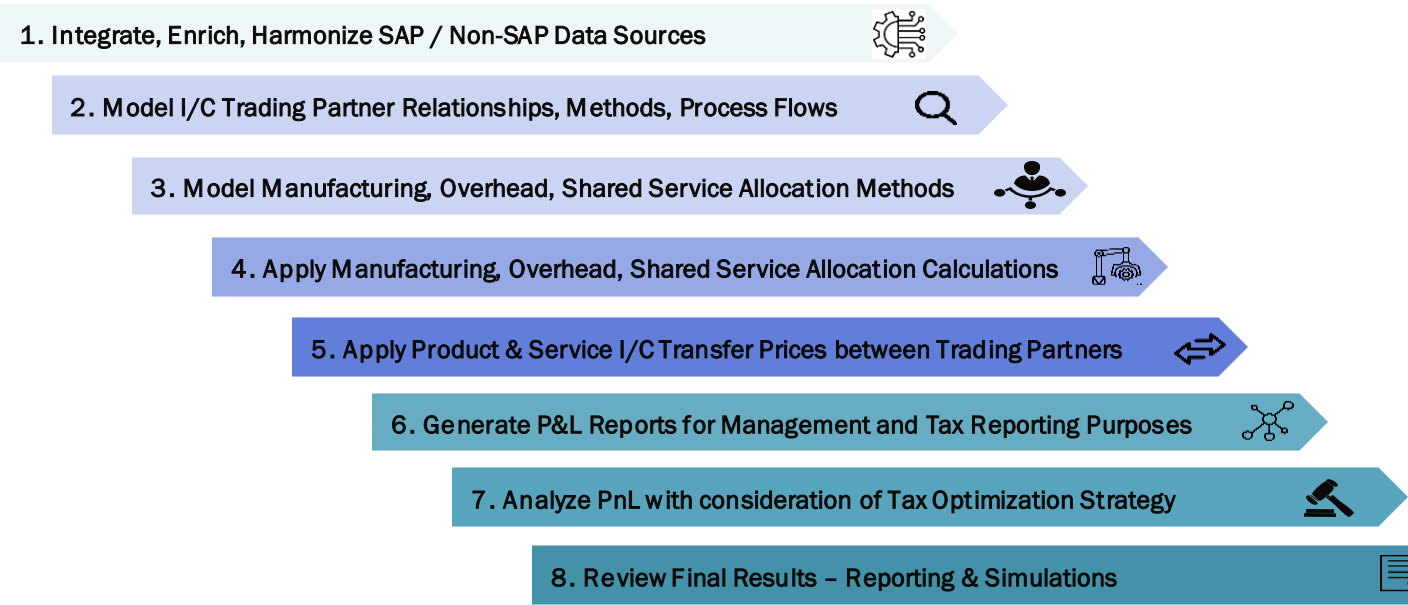
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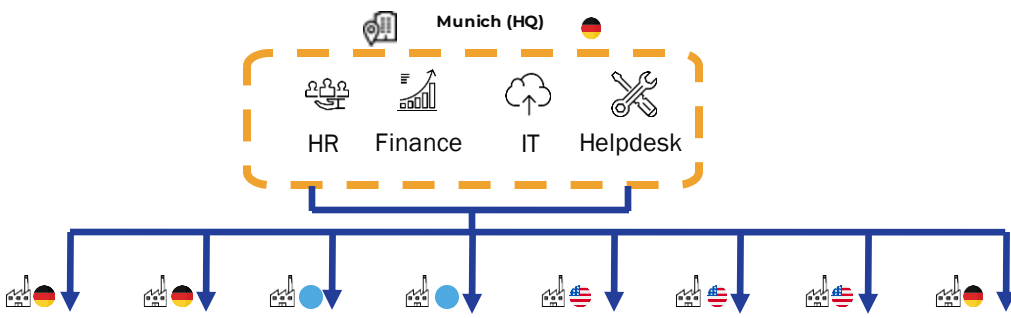


# SAP Profitability and Performance Management Transfer Pricing (Deployment Accelerator)

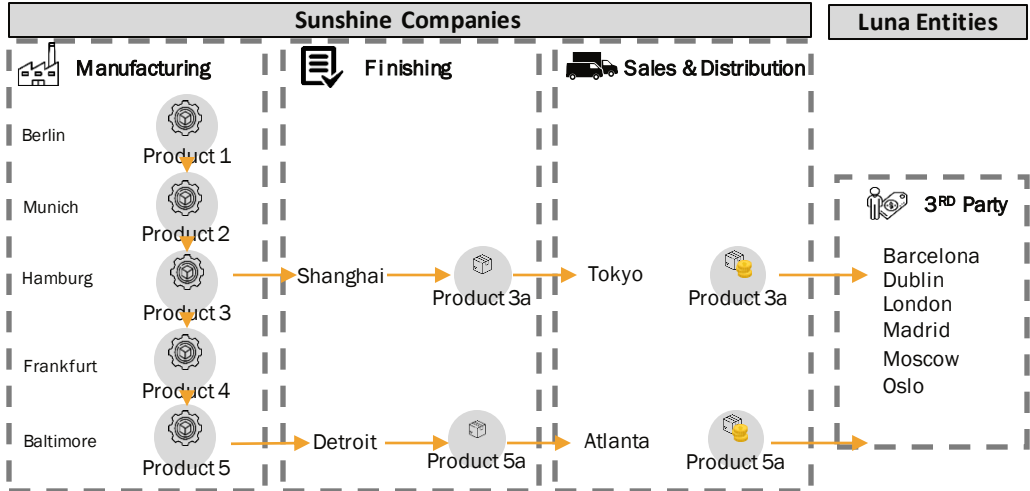
## Modeling Activity Process Flow



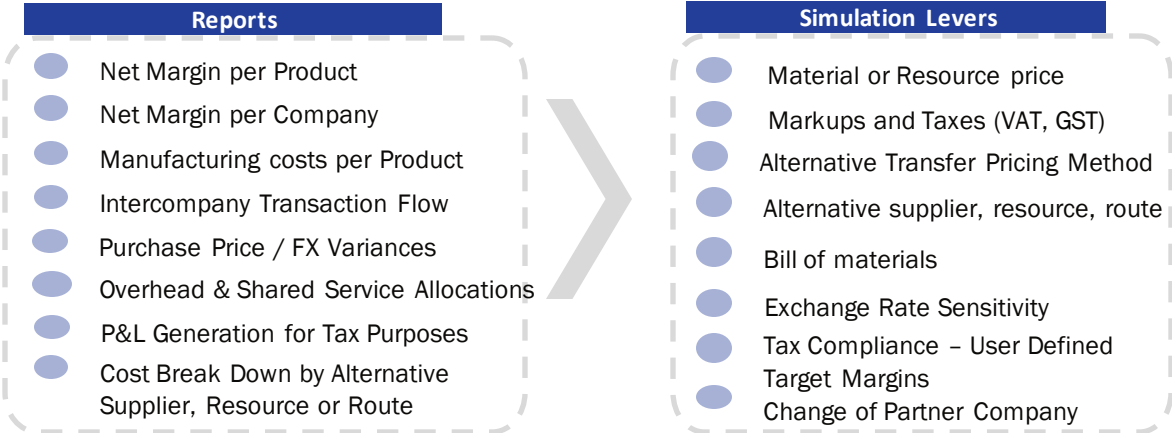
## Mfg, Shared Svcs Process Flow (OH Allocations)












## Supply Chain Transfer Routes and I/C Transfer Pricing Steering Table
















## Reporting & Simulation

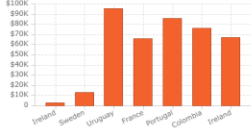


Environment Description	Environment	Version
 Value Chain Sustainability Management	SXC	0009
 Agile Plan and Forecast Modeling	SXF	0008
 Product and Service Costing (with Operational Transfer Pricing)	SKG	0010
 IT Cost Management	SXI	0008
 Process Mining on S/4 HANA	SXM	
 Profitability and Cost Management	SXP	0010
 PCM to PaPM Activity Based Costing	SXR	0001
 Simple Cost Allocation		
 Direct Tax Calculation		

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 Direct Tax Calculation		

Game of Choice		Performance >		Monthly Breakdown			
country	Game Name	Bought	Bank Balance	Rating	Total Winnings	Jan	
	▼	▼	▼	▼	▼	▼	
	Ireland	Chess	✓	\$2,397	**	\$569,571	\$38,031
	Sweden	Bul	✓	\$12,749	***	\$481,734	\$17,697
	Uruguay	Rithmomachy	✗	\$95,078		\$747,956	\$54,892
	France	Kalah	✗	\$65,506		\$605,384	\$81,081
	Portugal	Game of				\$600,036	\$73,947
	Colombia	Hare and				\$574,681	\$20,479
	Ireland	Sugoroku				\$651,234	\$44,446
	France	Nine Mar				\$497,221	\$32,411
	Malta	Blockade				\$622,755	\$82,948
	France	Patolli				\$727,405	\$93,514
	Italy	YINSH				\$563,168	\$34,466
	Greece	Downfall					
	Ireland	Gipf					

**Range Chart** ✕ ✕



Bank Balance

Country	Bank Balance
Ireland	\$100K
Sweden	\$100K
Uruguay	\$100K
France	\$100K
Portugal	\$100K
Colombia	\$100K
Ireland	\$100K

# Analysis

The screenshot displays the SAP Sustainability Reporting interface for Carbon Footprint analysis. The main header indicates the report is titled "SAP Profitability and Performance Management - DCC Sustainability What-if Simulation".

**Carbon Footprint from Cradle to Customer**

A carbon footprint at product level is a special application of the life cycle methodology that specifically focuses on GHG emissions, in order to track the emissions through manufacturing of precursor, a complete value sustainability assessment of the entire product life cycle with properly defined GHG emission scopes is created using the complete value chain. To help determine direct and indirect GHG emission sources, three scopes, namely scopes 1, 2 and 3, are defined for GHG according and reporting purposes.

Carbon Emission (kg CO <sub>2</sub> e)	Energy Consumption (MWh)	Carbon Intensity (g/kg €)	Carbon Taxes (EUR)
437.509.480.246	692.996.462.827	526.539	10.937.737.01

Scope 1 covers direct emissions from owned or controlled sources, whereas Scope 2 and 3 are both indirect emissions. Specifically, Scope 2 emission covers the generation of purchased energy, and Scope 3 emissions include all other indirect emissions that occur in a company's value chain. Relevant KPIs below are calculated in a way that an environmental, economic and social criteria are considered to be included. All money related KPIs are converted into US dollar amount.

**Carbon Flow**

The Carbon Flow diagram shows the flow of emissions from various sources (e.g., Energy, Materials, Transport) to different products (e.g., Bottles, Caps, Labels). The flow is color-coded by scope (Scope 1, 2, 3).

**Carbon Footprint of Delivery**

The Carbon Footprint of Delivery diagram shows the carbon footprint of different delivery methods (e.g., Air, Sea, Road, Rail) for different products (e.g., Bottles, Caps, Labels). The footprint is color-coded by scope (Scope 1, 2, 3).

**Process Selections**

- 1. SUPPLIER: Natural Gas
- 1. DMS: Energy Mix
- 1. BOTTLE: PET Bottle Type
- 1. DELIVERY: Delivery Method

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# **SAP Profitability and Performance Management Transfer Pricing Sample Content User Interface and Visualizations**

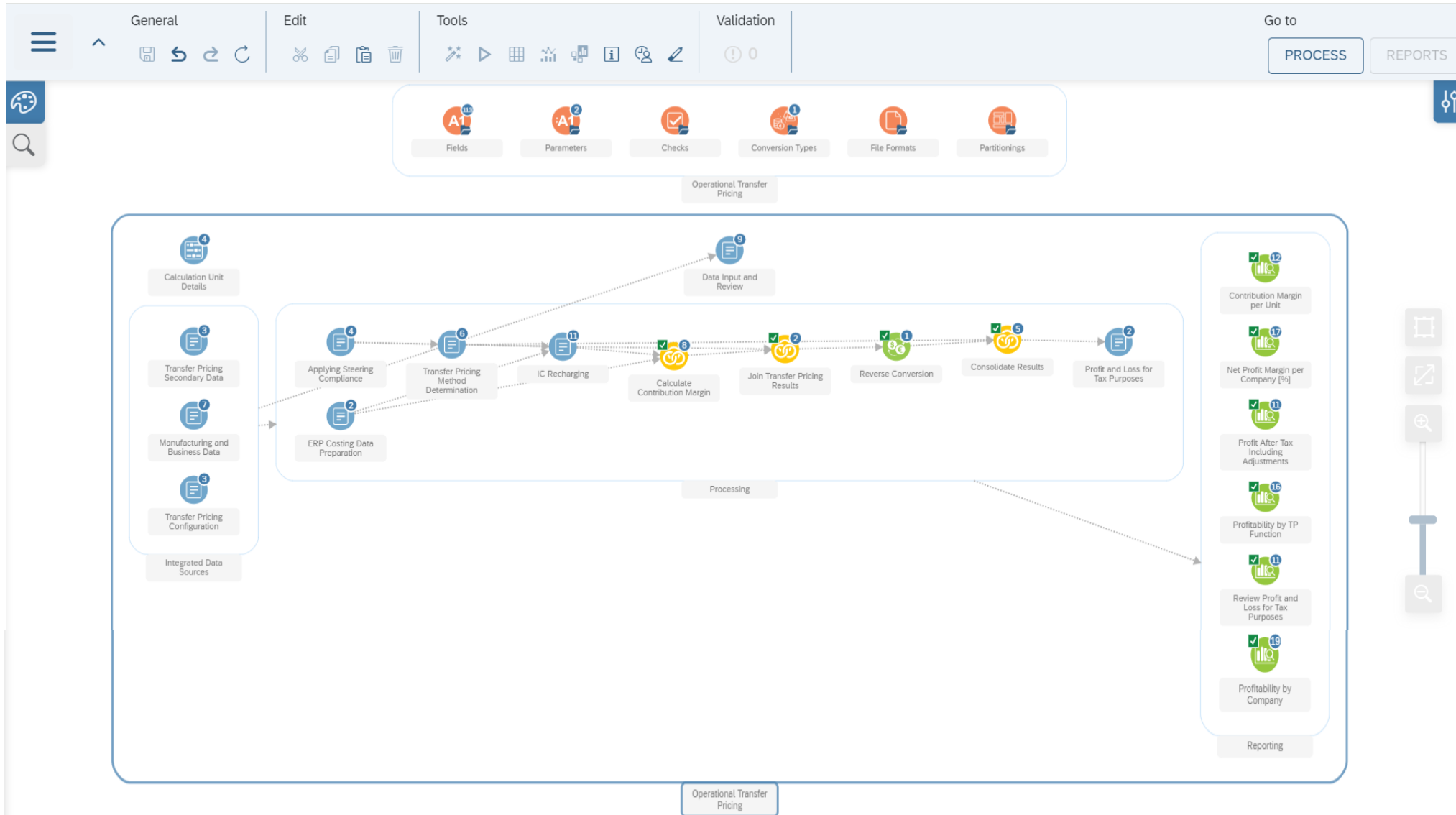
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- Graphical user interface
- Harmonize data across multiple sources
- Full auditability and traceability
- Standard templates, rules, functions, etc.
- Qualitative reporting dashboard
- What-if analysis and simulation
- Process orchestration and workflow
- Out of the box standard reporting and analytics



# Transfer Pricing Sample Content

*Accelerates your implementation*



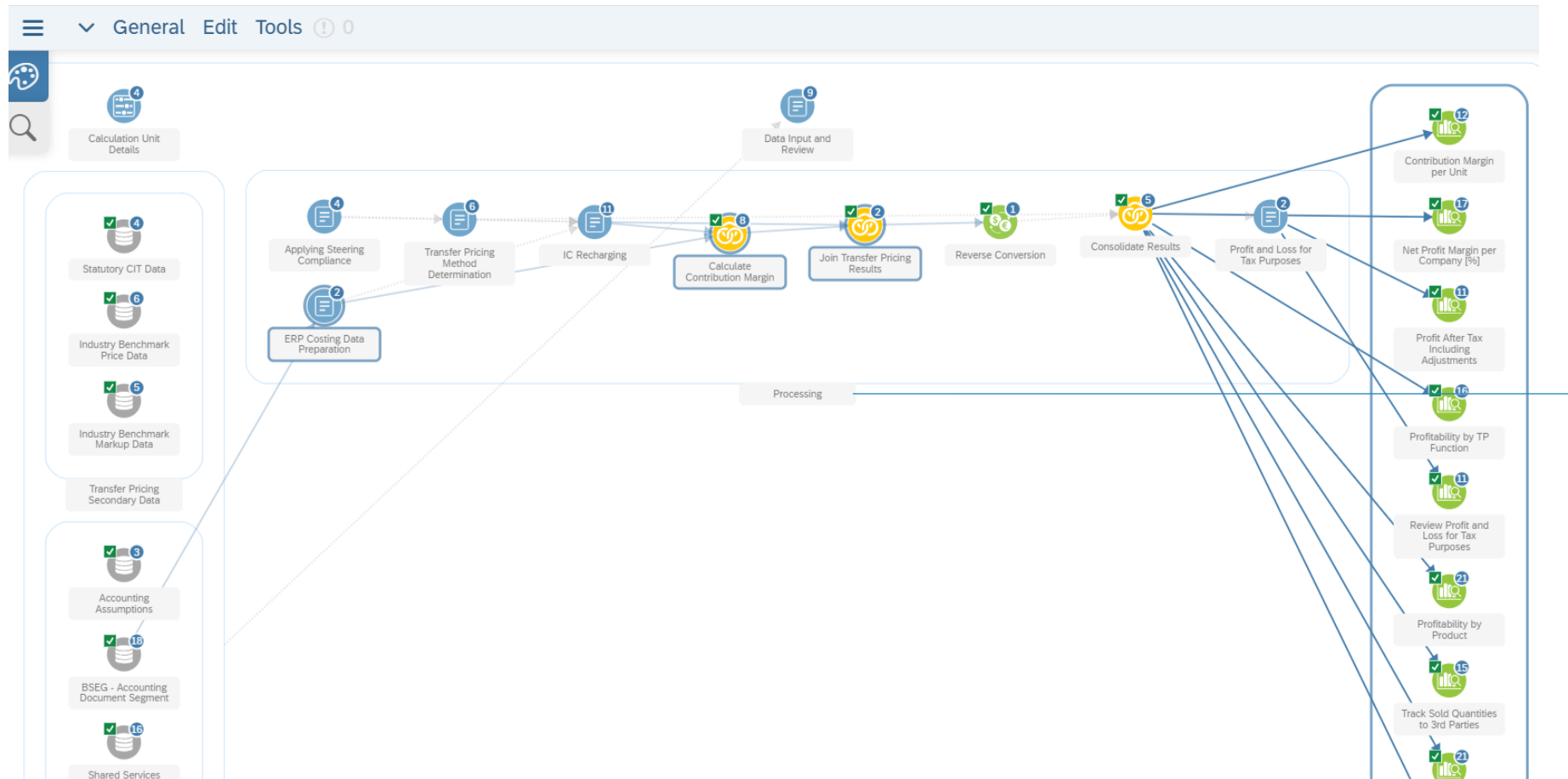
## Drag and Drop Graphical UI

- Source Tables and Inputs
- Financial and Non-Financial Data
- Merge and Harmonize Data Together
- Transfer Pricing Calculations
- Shared Service and OH Allocations
- Tax Optimization What-if Analysis and Simulation
- Reporting & Analysis

# Auditability and Traceability

## End-to-end modeling traceability

- Maintain written documentation
- Attach files



**Description**

Function \*

DSPRO

Description \*

Processing

Icon

Scale \*

1

Documentation

B I U H1 H2 H3

**Processing**

In this section the core functions of the model to execute the calculation are defined. In the process this execution happens, after the input data is reviewed and updated. It comprises the following functions:

1. Apply Steering Tables section contains management-oriented approach that is going to be applied in functions. After choosing routes, those configurations are applied in functions of the model to companies and partner companies during updating data inputs.
2. Prepare ERP Costing Data, which is used to calculate invoice amounts in transactional currency of Supplier, so the payment and accounting difference would reflect in currency changes cost or income.
3. Transfer Pricing Method Determination, which sets transfer pricing methods at any level in product hierarchy, at transfer pricing function, brand or product and service level.
4. IC Recharging, which holds functions for iterative recharging process defined by steps between Company and Partner Company.
5. Tax Compliance Adjustments for additional tax adjustments and comparison between actual and planned transfer pricing, besides Credit/Debit Notes Adjustments, invoice-based adjustments, at product and service level.
6. Reset Profit and Loss for Tax Purposes Comparison, which by defining two additional Profit and Loss for Tax Purposes offers the possibility to set calculated results equal to

# Functions, Formulas and Calculations

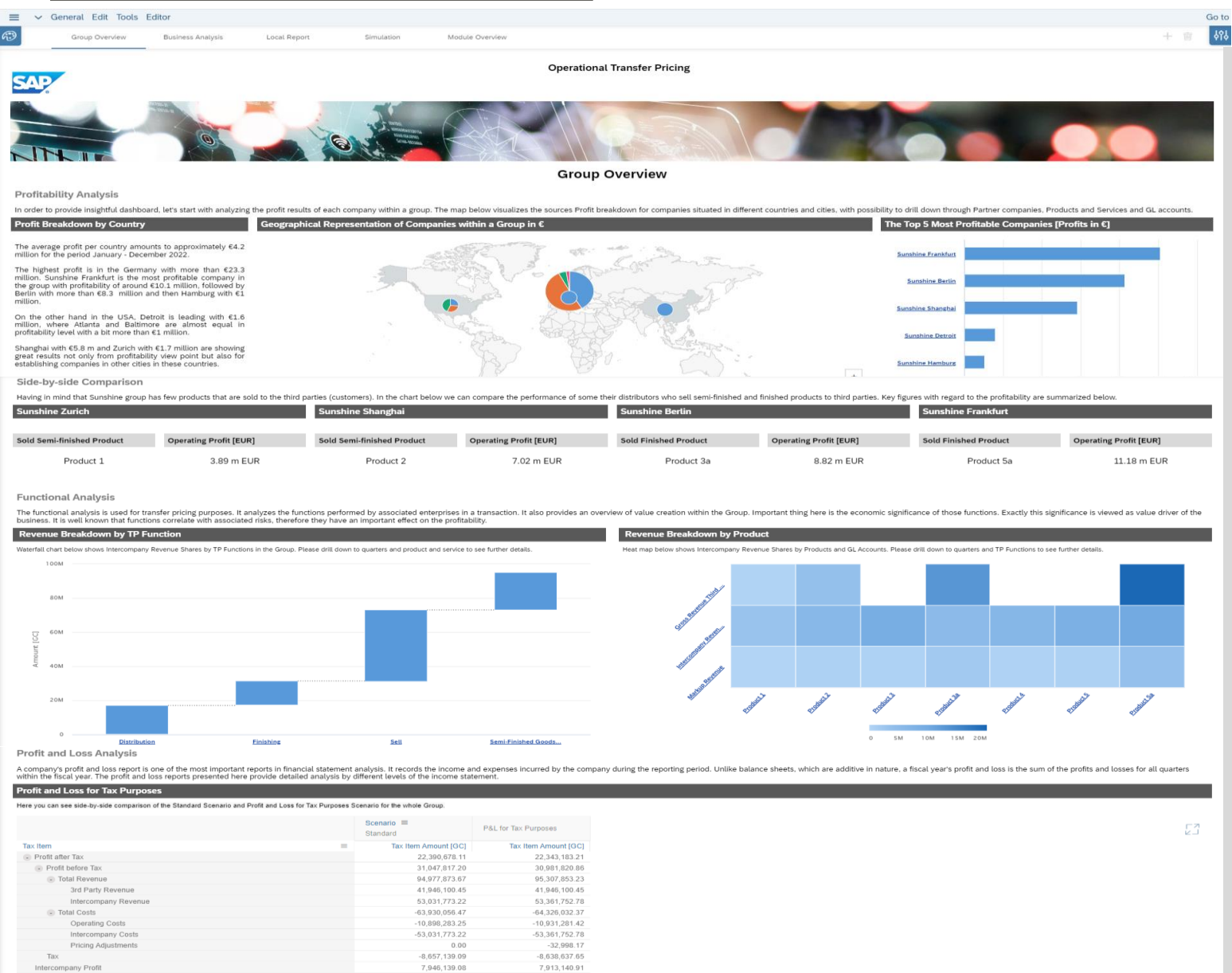
## Easy to use Calculation Functions

- **Simple Excel-like formulas**
- **Maintain Calculations in Excel Tables and Upload to PaPM**

The screenshot displays the SAP S/4HANA Cloud interface for configuring calculation rules. On the left, the 'Calculations' menu is visible. The main area shows the 'Calculation Rules' configuration screen, which includes a list of rules: Net Margin, Register, Markup, VAT, Removing Import and Export VAT, Duty Fee, and Difference Target vs Actual Amount. A blue arrow points from the 'Calculations' menu to the 'Calculation Rules' screen. Another blue arrow points from the 'Calculation Rules' screen to the 'Sheet' view. The 'Sheet' view shows a table with columns: Calculation Rule, Rule, Calculation Rule Description, Rule State, Scale, Selection CATYPE, Calculation Type Value Selection, Action AMT Amount [TC] Formula, Action QUA Quantity Formula, and Action Count Formula. The table contains 7 rows of rules.

Calculation Rule	Rule	Calculation Rule Description	Rule State	Scale	Selection CATYPE	Calculation Type Value Selection	Action AMT Amount [TC] Formula	Action QUA Quantity Formula	Action Count Formula
1	R0002	Net Margin	ACTIVE	1					
2	R0001	Register	ACTIVE	1		=REG;	AMT	QUA * QASS	CASE WHEN TPF = 'SELL' THEN 'GRR' ELSE GLAC END
3	R0003	Markup	ACTIVE	1		=MARKUP;	AMT*((AOM+I_MARKUP)/100)	0	AMTGC*((AOM+I_MARKUP)/100)
4	R0004	VAT	ACTIVE	1		=VAT;	CASE WHEN TPMETH='RM' THEN AMT*(1 - (AOM+I_MARKUP)/100)*VAT/100 ELSE AMT*(1 + (AOM+I_MARKUP)/100)*VAT/100 END	0	CASE WHEN TPMETH='RM' THEN AMT ELSE AMTGC*(1 + (AOM+I_MARKUP)/100) END
5	R0007	Removing Import and Export VAT	ACTIVE	1		=VAT;	CASE WHEN COU<>PCOU OR (COU=PCOU AND BR='SS') THEN 0 ELSE AMT END	0	CASE WHEN COU<>PCOU OR (COU=PCOU AND BR='SS') THEN 0 ELSE AMTGC END
6	R0005	Duty Fee	ACTIVE	1		=DUTY TAX;	AMT*(1 + (AOM+I_MARKUP)/100)*DF/100	0	AMTGC*(1 + (AOM+I_MARKUP)/100)*DF/100
7	R0006	Difference Target vs Actual Amount	ACTIVE	1					

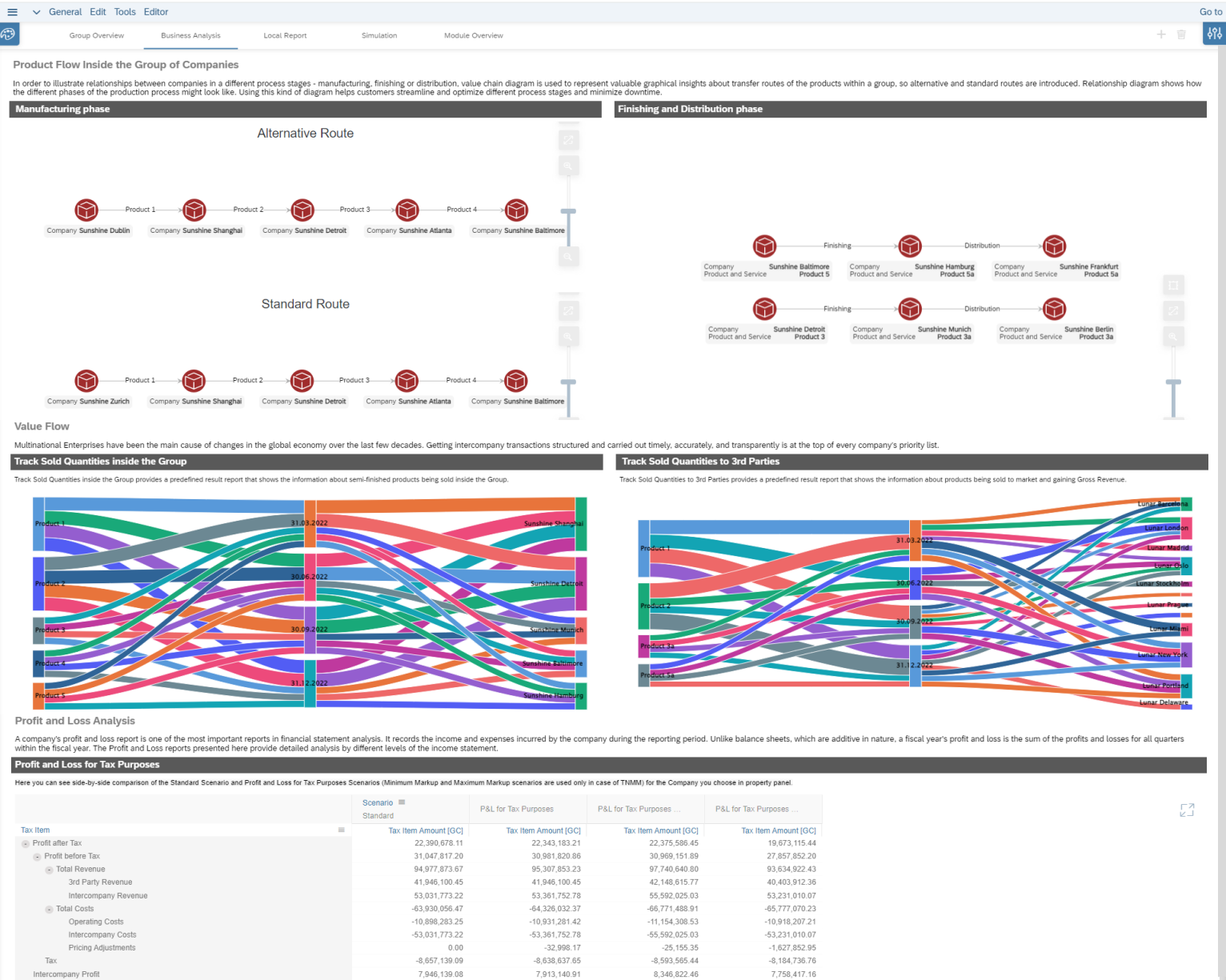
# Qualitative Reporting Dashboard



## Personalize Dashboards for any Type of User

- Group and/or Local Reporting Overview
- Profitability and Cost Analysis
- KPI's
- Transfer Pricing Breakdowns
- Multiple Visualization Options
  - Geo-thermal maps
  - Heat Maps
  - Value Chains
  - Bar and Pie Charts
  - Data Grids
- What-if Analysis and Simulation

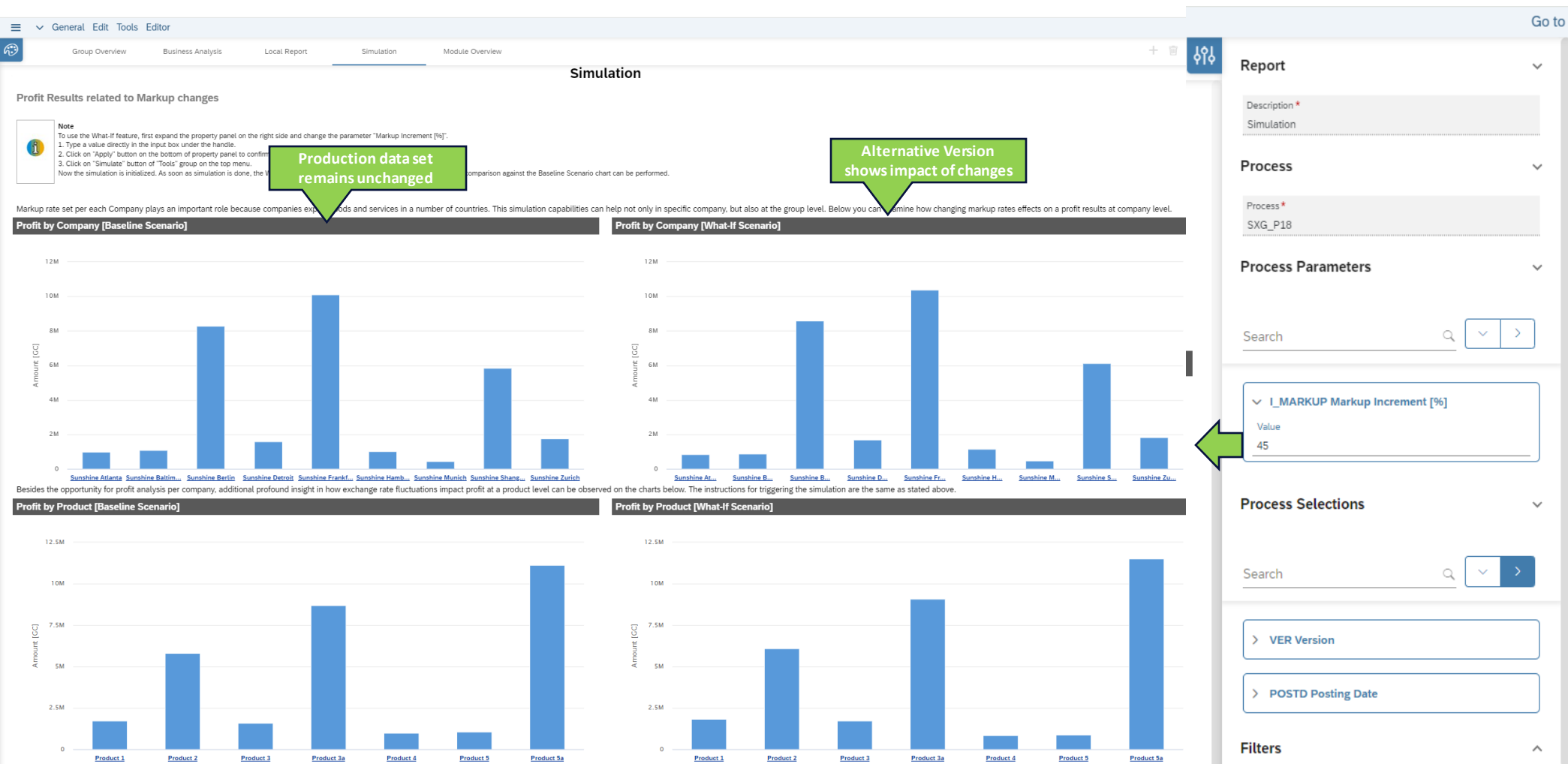
# Qualitative Reporting Dashboard Continued.....



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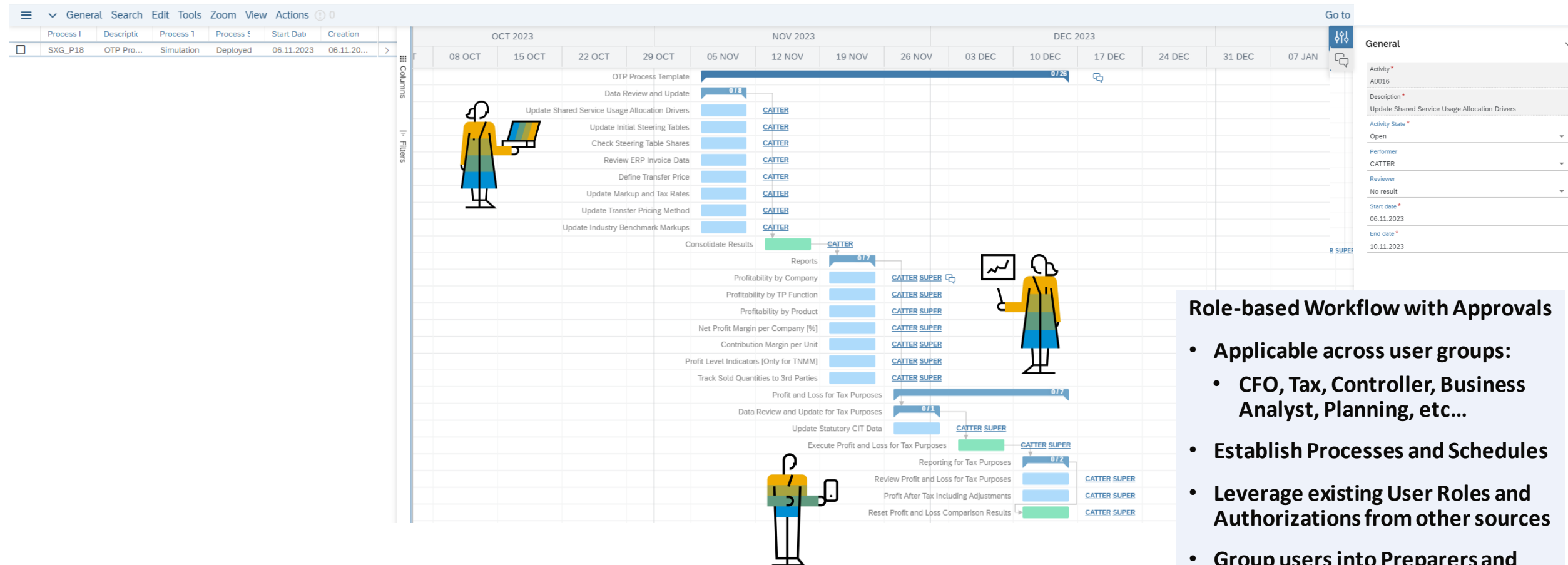
# What-If Analysis and Simulation



## Side-by-Side, Real-time Simulation on large data sets in High Speed

- Top-down or Bottom-up What-if Scenario Analysis
- Maintain multiple scenarios and macroeconomic factors (parameters) simultaneously
- Impact entire model or just a subset
- Perform Simulation in production without compromising data

# Process Orchestration and Workflow



## Role-based Workflow with Approvals

- Applicable across user groups:
  - CFO, Tax, Controller, Business Analyst, Planning, etc...
- Establish Processes and Schedules
- Leverage existing User Roles and Authorizations from other sources
- Group users into Preparers and Reviewers/Approvers
- Collaborative UI with Comments and Email Notifications

# Example Analytical Reports

## PNL for Tax Purposes

- Powerful Excel Pivot-table like reporting on Steroids
- Compare Standard Routes to Alternative Routes
  - Add or Remove Data Fields
  - Apply Filters
  - Download Reports (xls, csv)

Edit

Layout

Import & Export

Standard\*

		Company <div>☰</div> Sunshine Atlanta				Sunshine Baltimore			
		Scenario <div>☰</div> Standard	P&L for Tax Purposes	P&L for Tax Purposes M...	P&L for Tax Purposes M...	Standard	P&L for Tax Purposes	P&L for Tax Purposes M...	P&L for Tax Purposes M...
Route <div>☰</div>	Tax Item <div>☰</div>	Tax Item Amount [GC]	Tax Item Amount [GC]	Tax Item Amount [GC]	Tax Item Amount [GC]	Tax Item Amount	Tax Item Amount [GC]	Tax Item Amount [GC]	Tax Item Amount [GC]
Alternative Route	Profit after Tax	723,293.41	638,681.80	759,213.49	635,233.26	790,226.38	790,040.67	884,334.81	765,265.89
	Profit before Tax	974,920.35	877,771.71	1,016,474.52	873,878.38	1,065,138.66	1,064,925.44	1,173,619.05	1,036,573.77
	Total Revenue	6,928,718.04	6,928,718.04	7,277,002.25	6,932,768.40	9,178,090.74	9,178,090.74	9,617,171.10	9,168,687.60
	3rd Party Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Intercompany Revenue	6,928,718.04	6,928,718.04	7,277,002.25	6,932,768.40	9,178,090.74	9,178,090.74	9,617,171.10	9,168,687.60
	Total Costs	-5,953,797.69	-6,050,946.33	-6,260,527.73	-6,058,890.02	-8,112,952.08	-8,113,165.30	-8,443,552.05	-8,132,113.83
	Operating Costs	-1,086,903.97	-1,091,319.87	-1,116,581.70	-1,091,844.75	-1,180,844.69	-1,180,854.41	-1,215,698.93	-1,181,259.46
	Intercompany Costs	-4,866,893.72	-4,911,052.14	-5,163,671.11	-4,916,300.94	-6,932,107.39	-6,932,204.28	-7,280,649.84	-6,936,254.64
	Pricing Adjustments	0.00	-48,574.32	19,725.08	-50,744.33	0.00	-106.61	52,796.72	-14,599.73
	Tax	-251,626.94	-239,089.91	-257,261.03	-238,645.12	-274,912.28	-274,884.77	-289,284.24	-271,307.88
Standard Route	Intercompany Profit	974,920.35	926,346.03	996,749.44	924,622.71	1,065,138.66	1,065,032.05	1,120,822.33	1,051,173.50
	Profit after Tax	725,245.75	640,117.60	759,342.59	636,718.61	792,890.81	792,705.11	884,560.67	767,915.80
	Profit before Tax	977,551.89	879,810.17	1,016,654.36	875,991.61	1,068,730.03	1,068,516.81	1,173,921.32	1,040,169.47
	Total Revenue	6,964,174.48	6,964,174.48	7,280,070.20	6,969,623.40	9,220,684.20	9,220,684.20	9,620,841.90	9,212,892.55
	3rd Party Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Intercompany Revenue	6,964,174.48	6,964,174.48	7,280,070.20	6,969,623.40	9,220,684.20	9,220,684.20	9,620,841.90	9,212,892.55
	Total Costs	-5,986,622.59	-6,084,364.31	-6,263,415.84	-6,093,631.79	-8,151,954.17	-8,152,167.39	-8,446,920.58	-8,172,723.08
	Operating Costs	-1,089,888.06	-1,094,330.91	-1,116,842.74	-1,094,974.05	-1,184,390.34	-1,184,400.06	-1,216,005.73	-1,184,944.96
	Intercompany Costs	-4,896,734.53	-4,941,162.54	-5,166,281.41	-4,947,593.94	-6,967,563.83	-6,967,660.72	-7,283,717.79	-6,973,109.64
	Pricing Adjustments	0.00	-48,870.86	19,708.31	-51,063.80	0.00	-106.61	52,802.94	-14,668.48
	Tax	-252,306.14	-239,692.57	-257,311.77	-239,273.00	-275,839.22	-275,811.70	-289,360.65	-272,253.67
	Intercompany Profit	977,551.89	928,681.03	996,946.05	927,055.41	1,068,730.03	1,068,623.42	1,121,118.38	1,054,837.95

Pivot Table Panel

Search...

☐ Transfer Pricing Method

☒ Route

☒ Tax Item Amount [GC]

☒ Company

☐ Global Currency

☒ Tax Item

☐ Flag for Scenario

☒ Scenario

☐ Fiscal Year

☐ Product and Service

☐ Country / Region

Row Groups

Route

Tax Item

Values

Sum(Tax Item Amount [GC])

Column Labels

Company

Scenario

# Example Analytical Reports

## Contribution Margin per Unit

Powerful Excel Pivot-table like reporting on Steroids

- Compare Standard Routes to Alternative Routes
- Add or Remove Data Fields
- Apply Filters
- Download Reports (xls, csv)

<div><div><div>≡</div><div>^</div><div><div>↶</div><div>+</div><div>▼</div></div></div><div><div>Edit</div><div>Layout</div><div>Import &amp; Export</div></div><div><div>Standard* ▼</div><div><div>↑</div><div>↓</div><div>▼</div></div></div></div>							
Route	Posting Date	Product and Service	Transfer Pricing Function	Company	Partner Company	Contribution Margin per Unit	Contribution Margin per Unit [%]
Alternative Route	31.03.2022	Product 1	Semi-Finished Goods Manufacturing	Sunshine Dublin	Sunshine Shanghai	670.430	66.684
		Product 2	Semi-Finished Goods Manufacturing	Sunshine Shanghai	Sunshine Detroit	1,451.130	80.226
		Product 3	Finishing	Sunshine Detroit	Sunshine Munich	2,255.490	85.337
			Semi-Finished Goods Manufacturing	Sunshine Detroit	Sunshine Atlanta	2,255.490	85.337
		Product 3a	Distribution	Sunshine Munich	Sunshine Berlin	3,158.640	100.000
		Product 4	Semi-Finished Goods Manufacturing	Sunshine Atlanta	Sunshine Baltimore	3,448.100	91.394
		Product 5	Finishing	Sunshine Baltimore	Sunshine Hamburg	4,648.480	92.251
		Product 5a	Distribution	Sunshine Hamburg	Sunshine Frankfurt	6,116.810	100.000
Standard Route	31.03.2022	Product 1	Semi-Finished Goods Manufacturing	Sunshine Zurich	Sunshine Shanghai	681.190	67.037
		Product 2	Semi-Finished Goods Manufacturing	Sunshine Shanghai	Sunshine Detroit	1,463.200	80.357
		Product 3	Finishing	Sunshine Detroit	Sunshine Munich	2,269.700	85.415
			Semi-Finished Goods Manufacturing	Sunshine Detroit	Sunshine Atlanta	2,269.700	85.415
		Product 3a	Distribution	Sunshine Munich	Sunshine Berlin	3,175.530	100.000
		Product 4	Semi-Finished Goods Manufacturing	Sunshine Atlanta	Sunshine Baltimore	3,464.980	91.432
		Product 5	Finishing	Sunshine Baltimore	Sunshine Hamburg	4,668.760	92.282
		Product 5a	Distribution	Sunshine Hamburg	Sunshine Frankfurt	6,141.370	100.000

# Example Analytical Reports

## Profitability by Transfer Pricing Function

Powerful Excel Pivot-table like reporting on Steroids

- Compare Standard Routes to Alternative Routes
- Country-by-country Analysis

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				Country / Region ≡	China	Germany	Ireland	United States	
Route ≡	Transfer Pricing Function ≡	Brand ≡		Switzerland	Amount [GC]	Amount [GC]	Amount [GC]	Amount [GC]	Amount [GC]
Alternative Route	Distribution	Applicable to all brands		0.00	-11,800.00	-108,701.89	-82,815.34	0.00	
		Brand 2		0.00	0.00	-1,694,542.46	0.00	0.00	
	Finishing	Applicable to all brands		0.00	0.00	-55,787.93	0.00	0.00	
		Brand 2		0.00	0.00	-15,438,902.55	0.00	14,035,365.99	
	Sell	Brand 1		0.00	4,213,894.45	0.00	300,085.37	0.00	
		Brand 2		0.00	0.00	37,030,989.70	0.00	0.00	
	Semi-Finished Goods Manufac	Applicable to all brands		0.00	-1,204,018.56	0.00	-2,069,336.00	-2,049,601.98	
		Brand 1		0.00	2,766,787.24	0.00	3,400,028.55	-7,643,227.96	
		Brand 2		0.00	0.00	0.00	0.00	-692,871.79	
		Shared Services		0.00	28,833.27	0.00	-7,865.52	-24,765.78	
Standard Route	Distribution	Applicable to all brands		-82,815.34	-24,844.59	-108,701.89	0.00	0.00	
		Brand 2		0.00	0.00	-1,703,247.28	0.00	0.00	
	Finishing	Applicable to all brands		0.00	0.00	-55,787.93	0.00	0.00	
		Brand 2		0.00	0.00	-15,518,580.25	0.00	14,107,800.26	
	Sell	Brand 1		458,080.46	4,265,097.92	0.00	0.00	0.00	
		Brand 2		0.00	0.00	37,222,922.07	0.00	0.00	
	Semi-Finished Goods Manufac	Applicable to all brands		-2,069,336.00	-1,204,018.56	0.00	0.00	-2,049,601.98	
		Brand 1		3,444,709.02	2,768,337.84	0.00	0.00	-7,701,981.08	
		Brand 2		0.00	0.00	0.00	0.00	-696,417.44	
		Shared Services		-7,865.52	28,833.27	0.00	0.00	-24,765.78	

## Example Analytical Reports

### Purchase Price Variance Report by Product

Edit

Layout

Import & Export

Settings

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# What We'll Cover

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- Call to action
- What does Operational Transfer Pricing (OTP) mean to you?
- Industry challenges
- How SAP Profitability and Performance Management (PaPM) can help improve decision-making
- Customer success story
- SAP Profitability and Performance Management (PaPM) sample content for transfer pricing
- Wrap-up



# Where to Find More Information

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## **SAP Profitability and Performance Management**

<https://www.msg-global.com/sap-profitability-and-performance-management>

## **SAP Profitability and Performance Management**

[https://help.sap.com/docs/SAP\\_PROFITABILITY\\_PERFORMANCE\\_MANAGEMENT/9db9a49db52c406481cb8e24bd98a40d/6800097e837b4f53bca40d77215700b0.html](https://help.sap.com/docs/SAP_PROFITABILITY_PERFORMANCE_MANAGEMENT/9db9a49db52c406481cb8e24bd98a40d/6800097e837b4f53bca40d77215700b0.html)

## **SAP PaPM Transformation: Streamlining Transfer Pricing in Professional Services**

<https://community.sap.com/t5/financial-management-blogs-by-sap/sap-papm-transformation-streamlining-transfer-pricing-in-professional/ba-p/13575755>

## **SAP PaPM for Operational Transfer Pricing**

<https://kpmg.com/ch/en/blogs/home/posts/2023/02/sap-papm-for-operational-transfer-pricing.html>

# Key Points to Take Home

## SAP Profitability and Performance Management

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- How you can **get up and running quickly** with SAP's out of the box Sample Content Accelerator
- How you can **easily setup your models** to support all of transfer pricing analytics analytics
- How you can leverage SAP's solution to provide real-time insights, enabling you to **optimize your tax position**
- How you can **maintain good documentation** to support **IRS Tax Audits**
- How your comprehensive analytical solution can also **reduce risk and increase profits**
- How your transfer pricing solution can be a **gateway to Corporate Income Tax, GST and OECD BEPS2.0 compliance**



# Thank you

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growing SAP  
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worldwide.**

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# Additional Slides

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# Example Analytical Reports

## – Profit Before Tax, Tax Expense, After Tax Profit

<div><div><div>☰</div><div>^</div><div><div>✎</div><div>+</div><div>⌵</div></div></div><div>Layout</div><div>Standard* ⌵</div><div>Import &amp; Export</div><div><div>⬆</div><div>⬇</div><div>⌵</div></div></div>								
		Product & Service ☰			P3			
Company ☰	GL Account ☰	P1	Profit / Loss Before Income Taxes	Total Tax Expense	Profit After Taxes	Profit / Loss Before Income Taxes	Total Tax Expens	Profit After Taxes
Sunshine Berlin	General and Administration Co:		-129,600.000	0.000	-129,600.000	0.000	0.000	0.000
	Income Taxes		0.000	-108,667.505	-108,667.505	0.000	0.000	0.000
	Intercompany Costs		-90,720.000	0.000	-90,720.000	0.000	0.000	0.000
	Manufacturing COGS		-6,292,608.000	0.000	-6,292,608.000	0.000	0.000	0.000
	Markup Costs		-6,667.920	0.000	-6,667.920	0.000	0.000	0.000
	Miscellaneous Costs		-134,700.000	0.000	-134,700.000	0.000	0.000	0.000
	Rent		-96,000.000	0.000	-96,000.000	0.000	0.000	0.000
	Revenue (incl. Markups)		7,642,195.403	0.000	7,642,195.403	0.000	0.000	0.000
	Salaries		-254,400.000	0.000	-254,400.000	0.000	0.000	0.000
Sunshine Frankfurt	General and Administration Co:		0.000	0.000	0.000	0.000	0.000	0.000
	Income Taxes		0.000	0.000	0.000	0.000	0.000	0.000
	Intercompany Costs		0.000	0.000	0.000	0.000	0.000	0.000
	Manufacturing COGS		0.000	0.000	0.000	0.000	0.000	0.000
	Markup Costs		0.000	0.000	0.000	0.000	0.000	0.000
	Miscellaneous Costs		0.000	0.000	0.000	0.000	0.000	0.000
	Rent		0.000	0.000	0.000	0.000	0.000	0.000
	Revenue (incl. Markups)		0.000	0.000	0.000	0.000	0.000	0.000
	Salaries		0.000	0.000	0.000	0.000	0.000	0.000
Sunshine Hamburg	General and Administration Co:		0.000	0.000	0.000	-21,600.000	0.000	-21,600.000
	Income Taxes		0.000	0.000	0.000	0.000	-54,449.958	-54,449.958
	Intercompany Costs		0.000	0.000	0.000	-65,794.680	0.000	-65,794.680
	Manufacturing COGS		0.000	0.000	0.000	-2,799,360.000	0.000	-2,799,360.000

# Example Source Data Tables

## – Steering Table for Maintaining and Simulating Changes to I/C Trading Partner Relationships with Markup, VAT, Duty Free %'s

Markup, VAT and Duty Fee Rates

Data rows: 161

✔ No errors

	Version VER	Company COMP	Partner Company PCOMP	Scenario SCEN	Product & Service PROD	Markup MAR	Duty Fee DF	VAT VAT
1	V1	SUN_MUN	SUN_MUN		FIN	0,000	0,000	10,000
2	V1	SUN_MUN	SUN_BER		FIN	10,000	0,000	10,000
3	V1	SUN_MUN	SUN_TOK		FIN	10,000	0,000	10,000
4	V1	SUN_MUN	SUN_BAL		FIN	10,000	0,000	10,000
5	V1	SUN_MUN	SUN_DET		FIN	10,000	0,000	10,000
6	V1	SUN_MUN	SUN_ATL		FIN	10,000	0,000	10,000
7	V1	SUN_MUN	SUN_FRA		FIN	10,000	0,000	10,000
8	V1	SUN_MUN	SUN_SHG		FIN	10,000	0,000	10,000
9	V1	SUN_MUN	SUN_MUN	SCEN4	FIN	0,000	0,000	10,000
10	V1	SUN_MUN	SUN_BER	SCEN4	FIN	10,000	0,000	10,000
11	V1	SUN_MUN	SUN_TOK	SCEN4	FIN	10,000	0,000	10,000
12	V1	SUN_MUN	SUN_BAL	SCEN4	FIN	10,000	0,000	10,000
13	V1	SUN_MUN	SUN_DET	SCEN4	FIN	10,000	0,000	10,000
14	V1	SUN_MUN	SUN_ATL	SCEN4	FIN	10,000	0,000	10,000
15	V1	SUN_MUN	SUN_FRA	SCEN4	FIN	10,000	0,000	10,000
16	V1	SUN_MUN	SUN_SHG	SCEN4	FIN	10,000	0,000	10,000
17	V1	SUN_MUN	SUN_MUN		HD	0,000	0,000	10,000
18	V1	SUN_MUN	SUN_BER		HD	10,000	0,000	10,000
19	V1	SUN_MUN	SUN_TOK		HD	10,000	0,000	10,000
20	V1	SUN_MUN	SUN_BAL		HD	10,000	0,000	10,000
21	V1	SUN_MUN	SUN_DET		HD	10,000	0,000	10,000
22	V1	SUN_MUN	SUN_ATL		HD	10,000	0,000	10,000
23	V1	SUN_MUN	SUN_FRA		HD	10,000	0,000	10,000
24	V1	SUN_MUN	SUN_SHG		HD	10,000	0,000	10,000
25	V1	SUN_MUN	SUN_MUN	SCEN4	HD	0,000	0,000	10,000

# Example Source Data Tables

- Steering Table for Maintaining Transfer Pricing Methods (e.g. Cost Plus (CP), Retail Minus (RM))

TP Methods Configuration

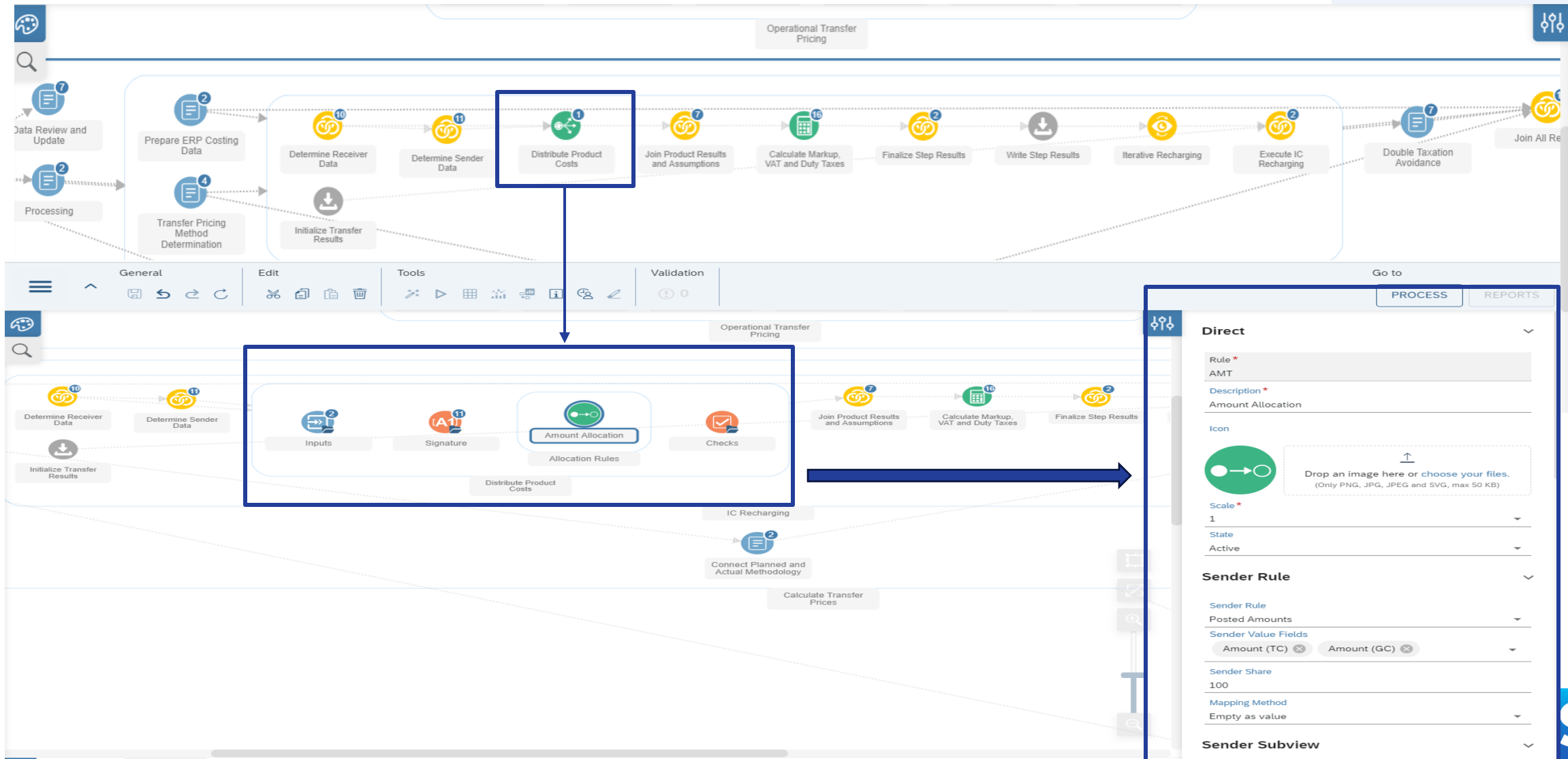
Data rows: 7✔ No errors

	Transfer Pricing Function TPF	Brand BR	Product & Service PROD	Transfer Pricing Method TPMETH	Active Flag ACTF
1	SFGMAN			CP	1
2	FIN			CP	1
3	DIS			CP	1
4	SELL			CP	1
5	SFGMAN	B1	P1	RM	0
6	SELL	B2	P5A	CP	1
7	SFGMAN	B1	P1	RM	1

# OH and Shared Service Allocations

Easy to use Calculation Functions

- Allocation Template



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  - “What We’ll Cover” slide and a divider between each section, “Wrap-up” section that includes a “Where to Find More Information” slide, “Key Points to Take Home” slide, and a “Thank you!” slide with your contact information.
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