

Reading Sample

This sample chapter describes vendor master data, from general information like address and certifications to purchasing and accounting-specific details. It also provides real-world business examples to demonstrate the importance and use of accurate vendor master data.



"Vendor Master Data"



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The Authors

Martin Murray, Jawad Akhtar

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The vendor master is as important to the accounting staff as it is to those in purchasing. The vendor's relationship with any company is twofold: negotiating price and supplying material through purchasing, and invoicing and receiving payment through accounts payable.

6 Vendor Master Data

The vendor master is a collection of data that fully describes the vendor's relationship with the company. The vendor normally will have an initial relationship with the purchasing department. Purchasing may have selected the vendor through its response to a request for quotation (RFQ) or because it's the sole vendor for a required material. However, before a vendor is authorized, the accounting department will ensure that the information it requires is available and satisfactory.

Just as a material master record isn't complete until all relevant departments have entered their data, the vendor master isn't complete until both the accounting and purchasing departments have entered their information.

The vendor master can be created using three transactions, each of them giving different views of the data to be entered for the vendor:

- ▶ Transaction XK01: Create Vendor Centrally (Section 6.1)
- ▶ Transaction FK01: Create Vendor via Accounting (Section 6.2)
- ▶ Transaction MK01: Create Vendor via Purchasing (Section 6.3)

6.1 General Data

Transaction XK01 enables accounting users to enter the ACCOUNT GROUP for the vendor and either the COMPANY CODE or PURCHASING ORGANIZATION, or both as shown in Figure 6.1. The vendor number may need to be entered if the account group is defined as allowing only external number assignment.

The vendor master can be created by referencing an existing vendor. To do this, use the REFERENCE section below the ACCOUNT GROUP field. This can be an efficient

method of creating vendors that may have the same or similar data. The following sections will lead you through the screens for this process.

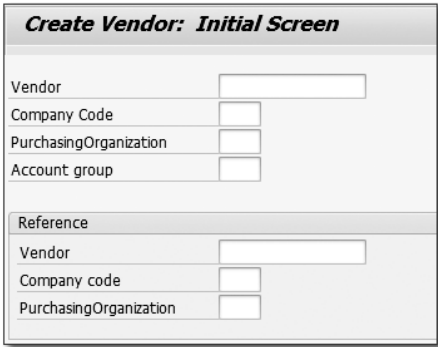


Figure 6.1 Entry Screen for Transaction XK01, Create Vendor

6.1.1 Address Screen

The initial screen of the vendor master is the CHANGE VENDOR: ADDRESS screen, shown in Figure 6.2. The information to be entered includes the vendor's NAME and address and communications data, including TELEPHONE, FAX, and EMAIL.

Title

This is the title for the vendor. If it's a company, then select the COMPANY option; otherwise, select the appropriate salutation. The titles for the business address forms can be configured in the IMG via the navigation path, IMG • FLEXIBLE REAL ESTATE MANAGEMENT • ADDRESS MANAGEMENT • MAINTAIN TEXTS FOR FORM OF ADDRESS.

Name

The NAME of the vendor should be consistent to avoid duplicate vendor entries. The purchasing department should create a template to follow so that the vendor name always appears the same way as it's entered into the vendor master. This will benefit the purchasing users during vendor searches.

Search Terms

The search term is used to find vendors. The entry of data into the SEARCH TERM 1/2 field can be structured so that purchasing users can easily remember the

criteria for this type of search. For example, the policy may be to enter a search term that is the first five characters of the vendor name plus the two-letter country code for the vendor's country location. For these criteria, the search term for Smith Brothers of London, England, is "SMITHGB", and the code for Lakshmi Machine of Coimbatore, India, is "LAKSHIN". There is no case sensitivity for this field.

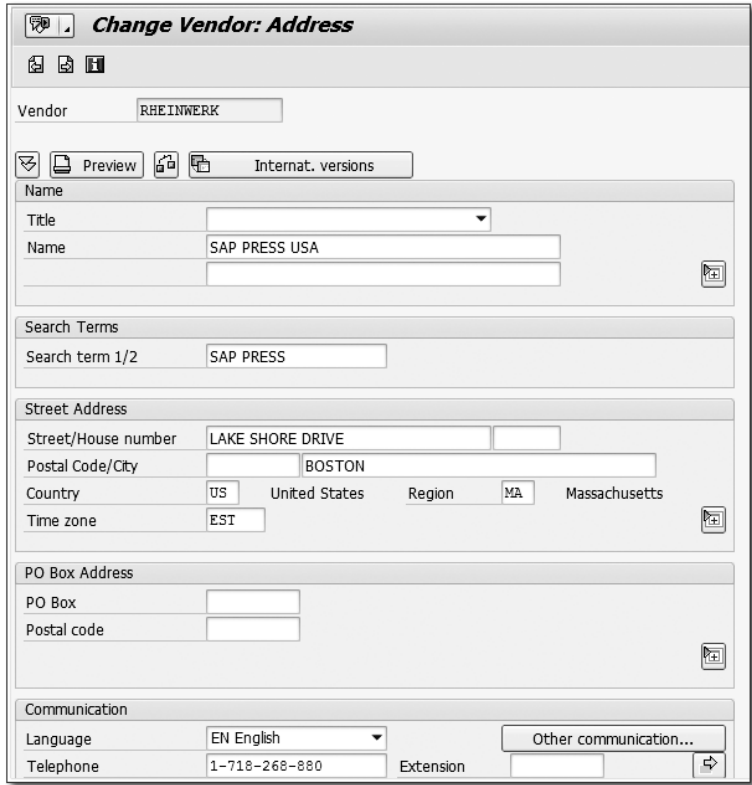


Figure 6.2 Create Vendor: Address Screen for the Vendor Master

Street Address

The STREET/HOUSE NUMBER field is the address of the vendor. The COUNTRY, REGION, and POSTAL CODE/CITY are used to calculate the tax jurisdiction code. If connected to an external tax system, such as Vertex or Taxware, the transaction may validate the address information that you enter to ensure that a valid tax jurisdiction code is obtained.

PO Box Address

Many companies use post-office boxes, and these fields allow that information to be added to the vendor master.

Communication

The COMMUNICATION fields should be kept up to date, especially because fax numbers and email addresses change at the vendor regularly.

6.1.2 Control Screen

The CREATE VENDOR: CONTROL screen shown in Figure 6.3 allows the accounting user to enter some general tax information and reference data.

Create Vendor: Control

Tax categories

VendorRHEINWERK SAP PRESS USA BOSTON

Account control

Customer

Authorization

Trading Partner

Corporate Group

Tax information

Tax Number 1

Tax number type

Tax Number 2

Tax type

Tax Number 3

Tax Number 4

Fiscal address

Soc. Ins. Code

Tax Jur.

VAT Reg. No.

Rep's Name

Type of Busines

Tax office

Type of Industr

Tax Number

Equalizatn tax

Natural Person

Sales/pur.tax

Tax Split

Soc.insurance

Other...

Reference data

Location no. 1

Location no. 2

Check digit

Cred.info no.

Last ext.review

Industry

SCAC

Car.freight grp

ServAgntProcGrp

Transport.zone

Stat.gr.service

POD-relevant

Actual QM sys.

QM system to

Figure 6.3 Vendor Master Control Screen Allowing Tax Information Entries

Customer

This CUSTOMER field allows the purchasing user to enter the customer number for the vendor, if the vendor is both a vendor and a customer of the company. For example, a paper-pulping company may be a vendor for paper products to a particleboard manufacturer but also may be a customer for scrap particleboard that it can use in pulp creation.

Trading Partner

If the vendor is part of an independent company that has been designated in Financials (FI) for consolidation purposes, then it's possible to enter that company in this field as a trading partner. The companies are configured as internal trading partners in FI. The navigation path is IMG • ENTERPRISE STRUCTURE • DEFINITION • FINANCIAL ACCOUNTING • DEFINE COMPANY.

Corporate Group

The CORPORATE GROUP key is used to combine vendors to enhance the search capability. The group key is a 10-character string and isn't configured. Therefore, a policy for entering a group key must be established before any vendor entry commences.

For example, a user might create a group key based on the characters having meaning. This could be defined as the following:

- ▶ Characters 1 and 2: Country of vendor
- ▶ Characters 3 and 4: Industry code
- ▶ Characters 5 through 7: Minority indicator
- ▶ Character 8: ABC indicator
- ▶ Characters 9 and 10: Shipping conditions

Tax Number 1 and 2

These fields allow the accounting user to enter the tax identification number, or numbers, of the vendor. In the United States, this is the Employer Identification Number (EIN), or Social Security number (SSN), if the vendor is an individual. In France, this field is the SIRET number; in Spain, the NIF number; and so on for various countries.

Tax Type

The TAX TYPE can be assigned to the vendor to identify its position regarding sales- and use-tax responsibility.

Jurisdiction Code

The tax jurisdiction code is either determined in SAP by the information entered in the ADDRESS field or referenced from an external tax package, such as Vertex or Taxware. The tax jurisdiction code is valid only to vendors in the United States.

Country-Specific Tax Fields

Some of the fields on the vendor master control screen are specific to certain countries:

- ▶ TAX NUMBER TYPE
Specific to Argentina.
- ▶ EQUALIZATN TAX
Specific to Spain.
- ▶ SOLE PROPRIETR
Specific to 11 countries, including Italy, Peru, and Mexico.
- ▶ SALES/PUR. TAX
Specific to countries that levy value-added tax (VAT).
- ▶ VAT REG. NO.
The VAT number for the vendor, which is important in EU countries.
- ▶ FISCAL ADDRESS
Specific to Italy.

Global Location Number

In the CREATE VENDOR: CONTROL screen, the option is to enter the 13-digit global location number (GLN) of the vendor. In SAP, the number is divided into three fields, LOCATION NO. 1, LOCATION NO. 2, and CHECK DIGIT in the REFERENCE DATA section. The GLN is issued to a company to identify a legal, functional, or physical location within a business or organizational entity. GLNs are governed by strict rules to guarantee that each one is unique worldwide. The identification of locations by GLN is required for an efficient flow of goods and information between

trading partners through electronic data interchange (EDI) messages, payment slips, and so on. The GLN is often found as a bar code on documents.

Industry Key

The INDUSTRY key is another grouping to allow similar vendors to be grouped by industry. This field can also be found in customer master records. The INDUSTRY key can be configured using the navigation path, IMG • SALES AND DISTRIBUTION • BUSINESS PARTNERS • MARKETING • DEFINE INDUSTRY SECTOR FOR CUSTOMERS.

Standard Carrier Alpha Code

The National Motor Freight Traffic Association (NMFTA) in the United States maintains the Standard Carrier Alpha Code (SCAC). The NMFTA is a nonprofit membership organization with more than 1,000 motor-carrier members, regulated by the US Department of Transportation's Surface Transportation Board and various state and federal agencies.

The SCAC code is a four-letter string used to uniquely identify a shipping carrier. The SCAC code is frequently used in EDI, on the 856 Advance Ship Notice, the 850 Purchase Order, and all motor, rail, and water-carrier transactions where carrier identification is required. SCAC codes are mandatory when doing business with US government agencies.

Certain groups of SCAC codes are reserved for specific purposes:

- ▶ Codes ending with the letter U are reserved for the identification of freight containers.
- ▶ Codes ending with the letter X are reserved for the identification of privately owned railroad cars.
- ▶ Codes ending with the letter Z are reserved for the identification of truck chassis and trailers used in intermodal service.

Forwarding Agent Freight Group

This forward agent freight group key, identified in Figure 6.3 as CAR.FREIGHT GRP, is assigned to the forwarding agent to group together forwarding agents. For example, the company's transportation department may decide to group its freight forwarders by mode of transport. Therefore, the transportation staff could

configure three freight groups: rail, road, and shipping. The freight groups are part of the determination of freight costs. The configuration for freight groups can be found via the navigation path, IMG • LOGISTICS EXECUTION • TRANSPORTATION • BASIC TRANSPORTATION FUNCTIONS • MAINTAIN FREIGHT CODE SETS AND FREIGHT CODES • DEFINE FORWARDING AGENT – FREIGHT GROUPS.

Service-Agent Procedure Group

The freight costs can be calculated as part of the pricing procedure. To calculate the correct freight costs, the service-agent procedure group (SERVAGNTPROCGRP) has a range of forwarding agents assigned to it. The service-agent procedure group is then assigned to a pricing procedure to calculate freight costs. The group can be configured using the navigation path, IMG • LOGISTICS EXECUTION • TRANSPORTATION • SHIPPING COSTS • PRICING • PRICING CONTROL • DEFINE AND ASSIGN PRICING PROCEDURES • DEFINE SERVICE AGENT PROCEDURE GROUP.

Vendor's Quality Management System

Many government agencies require that the Quality Management (QM) systems used by a vendor meet certain levels of verification. These verifications are the level of certification of the system, that is, ISO 9001, ISO 9002, and so on. The verification levels can be configured in Transaction OQB7 or via the navigation path, IMG • QUALITY MANAGEMENT • QM IN LOGISTICS • QM IN PROCUREMENT • DEFINE QM SYSTEMS.

QM System Valid-To Date

The QM SYSTEM TO date field is the expiry date of the certification of the vendor's QM system. For example, a company that has an ISO 9001:2000 certification has to renew it every three years according to ISO certification regulations.

External Manufacturer Code Name or Number

This field can be used to hold a number or reference for the vendor but isn't the vendor number. For example, this field could be used to enter a nickname for a company; SCT may be entered as a shortened version of Southwark Clapton and Thomas. The field allows up to 10 characters.

6.1.3 Payment Transactions

The CREATE VENDOR: PAYMENT TRANSACTIONS screen, shown in Figure 6.4, allows the accounting department to add information on the bank details of the vendor and the payment instructions.

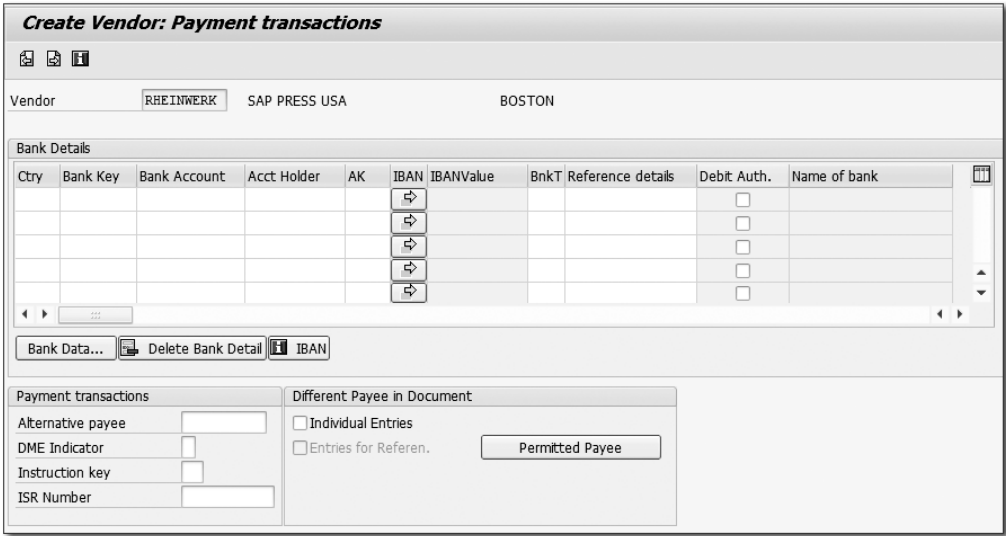


Figure 6.4 Create Vendor: Payment Transaction Screen of the Vendor Master

Bank Details

The BANK DETAILS section allows the entry of the following bank details of the vendor. More than one bank account can be added for each vendor.

- ▶ CTRY (country)
Enter the country where the vendor's bank is located.
- ▶ BANK KEY
The bank key can be selected from the matchcode with the country code entered. The bank key can be entered as the bank routing number (US), the bank sort code (GB), or other country-specific bank identification. The bank key isn't entered through configuration but can be created in FI via Transaction FI01. All details for the bank can be created within that transaction. After entering the BANK KEY in the CREATE VENDOR: PAYMENT TRANSACTIONS screen, you can see the relevant bank details by clicking on the BANK DATA button beneath the BANK DETAILS table.

- ▶ **BANK ACCOUNT**
The field allows the accounting department to enter the bank account number for the vendor at the bank. The BANK ACCOUNT field can be entered up to 18 characters in length.
- ▶ **ACCT HOLDER**
If the bank account isn't in the name of the vendor or the vendor company, then the account holder of the bank account can be entered in this field. This field can accommodate a name of up to 60 characters.
- ▶ **AK (bank control key)**
The AK field is specific to each country. In some countries, there is no information to enter; in others, such as France, Spain, Japan, and the United States, the field is used. In the United States, the field content should be "01" for a checking account and "02" for a savings account. Check with your accounting department to ensure that the correct information is entered into the field for the given country.
- ▶ **IBAN (International Bank Account Number)**
The IBAN was designed because of growing pressure to improve the efficiency of cross-border payments in Europe with respect to cost, speed, and quality. Such improvements required easier validation of foreign bank account numbers. The IBAN design provided a standard method to enable the cross-border account number formats to be recognized and validated. The IBAN is additional information put on the front of the national account number format of each country:
 - ▶ Check digits and a single simple algorithm perform validation. The algorithm covers the whole IBAN and ensures that individual digits aren't transposed.
 - ▶ Recognition is in two parts. The IBAN commences with the ISO 3166 two-letter country code. It's therefore easy to recognize the country in which the account is held. Within the national account identifier part of the IBAN, the ISO standard requires that the bank be unambiguously identified.
 - ▶ The length of the IBAN isn't standard across countries. The length can range from 28 characters in Hungary and Cyprus to only 15 characters in Norway.
- ▶ **BNKT (partner bank type)**
If the vendor has more than one bank account, then this field allows the accounting user to specify in what sequence the accounts are used by entering a value in this key field. This value can then be used in the line-item payments.

- ▶ **REFERENCE DETAILS (reference specifications for bank details)**
This field can be used in countries where additional information or authorization is needed. This information is normally required in Norway and the United Kingdom.
- ▶ **DEBIT AUTH.**
This field denotes the code of the debiting authority.
- ▶ **NAME OF BANK**
This field is enable user to maintain the name of the bank involved in the payment.

Payment Transactions

The PAYMENT TRANSACTIONS section contains the following fields:

- ▶ **ALTERNATIVE PAYEE**
This field can be used to enter another vendor number to whom the automatic payments are made. The alternative payee may be needed if the vendor's bank accounts have been frozen.
- ▶ **DME INDICATOR**
This key is only used for data medium exchange (DME) in Germany. The DME engine enables a company to define file formats that meet the requirements of their financial institution. As there is no standard set, each country can have different formats, and the DME allows SAP to read an incoming file that isn't in the correct country format.
- ▶ **INSTRUCTION KEY**
For DME, this field controls which statements are given to the banks during the payment order. This is used in Germany, Spain, Norway, Japan, and other countries, as well as for the SWIFT format.

SWIFT

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a financial industry-owned cooperative. It supplies secure, standardized messaging services and interface software to more than 7,800 financial institutions in more than 200 countries. Many institutions use the MT-103 Single Customer Credit Transfer customer transfer format for one-off credit transfers and repetitive instructions, such as lease payments.

► ISR NUMBER

The ISR number is a special payment procedure of the Swiss Postal Service that is only relevant within Switzerland. Inpayment slip with reference number (ISR) is an electronic debtor service that allows the customer to bill open invoices in Swiss Francs (CHF) and Euros (EUR) in a simple manner and to quickly post incoming payments.

The next section shows the accounting information that can be added for the vendor master record using Transaction FK01.

6.2 Accounting Information

Transaction FK01 enables the accounting users to enter the account code for the vendor and the company code. The vendor number may need to be entered if the account group is defined as only allowing external number assignment. The CREATE VENDOR: ACCOUNTING INFORMATION ACCOUNTING screen is shown in Figure 6.5.

Create Vendor: Accounting information Accounting

Vendor

RHEINWERK

SAP PRESS USA

BOSTON

Company Code

3000

BestRun USA

Accounting information

Recon. account

196300

Sort key

Head office

Subsidy indic.

Authorization

Cash mgmnt group

A1

Domestic

Minority indic.

Release group

Certificatn date

Interest calculation

Interest indic.

Last key date

Interest cycle

Last interest run

Withholding tax

W. Tax Code

Exemption number

WH Tax Country

Valid until

Recipient type

Exmpt.authority

Reference data

Prev.acct no.

Personnel number

Default data for tax reports

Activity Code

Distr. Type

Figure 6.5 Accounting Screen for Transaction FK01, Create Vendor

In this section we will discuss maintaining accounting information, payments, and correspondence details.

6.2.1 Accounting Information

The CREATE VENDOR: ACCOUNTING INFORMATION ACCOUNTING screen allows the accounting department to enter relevant data about accounting, interest calculation, and withholding tax as it relates to this vendor within the given company code.

Reconciliation Account

The reconciliation account (RECON. ACCOUNT) is an individual General Ledger (GL) account. A reconciliation account is recorded in line-item detail in the subledger and summarized in the GL. The detailed information entered into the reconciliation account is all line-item data from the vendor account. These reconciliation accounts in the subledger are important and must be maintained for vendors, for customers, and for asset accounts.

The reconciliation in the GL is at the summary level and is used to reconcile against the vendor account at the total level. However, the subledger can be used to identify line-item data if necessary.

A reconciliation account can be created using Transaction FS01. When creating a reconciliation account, remember that the account must be a balance sheet account, the account group must be selected as a reconciliation account, and the RECON. ACCOUNT field must be entered as vendor.

Sort Key

The SORT KEY allows the user to select a sort for the allocation field. The system sorts the document line items based on the key entered in the allocation field. Therefore, if the user selects the SORT KEY 008, then the sort of the line items will be by the allocation 008, which is by cost center.

Head Office

This field allows an entry of a vendor number, which represents the head office or master account for this vendor. Payments are made from the head office

account, whereas purchase orders (POs), deliveries, or invoices are posted to the branch account.

Authorization Group

The AUTHORIZATION group is a way of increasing security on certain objects. Entering an authorization group in this field restricts access to the object to those users who have this authorization group in their SAP profiles.

Cash Management Group

In the Cash Management functionality, it's possible to allocate vendors to a planning group. This planning group helps the cash-management department have better information to produce or plan the company's cash forecast.

Release Group

The release-approval group can be defined and configured to allow only those in the group to be able to "release for payment." The RELEASE GROUP can be configured via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • RELEASE FOR PAYMENT • DEFINE RELEASE APPROVAL GROUPS FOR RELEASE FOR PAYMENT.

Minority Indicator

The MINORITY INDIC. field is only relevant for implementations in the United States. Configuration is required to enter the relevant information because there are no predefined fields in SAP. Many companies are asked by federal and local officials to report on the level of minority vendors supplying material to them.

Virginia Polytechnic Institute's Purchasing Guidelines (2004) describes a minority vendor as the following:

. . . a business that is owned and controlled by one or more socially and economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or background, or other similar cause. A minority-owned business is at least 51% owned and controlled by one or more such disadvantaged persons. Additionally, the management and daily business operations must be controlled by one or more such individuals. Minority means any African American,

Hispanic American, Native American, or Alaskan American, Asian, or a person of Pacific Island descent who is either a citizen of the United States or a permanent resident.

To configure the MINORITY INDIC. field, use the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • VENDOR ACCOUNTS • MASTER DATA • PREPARATIONS FOR CREATING VENDOR MASTER DATA • DEFINE MINORITY INDICATORS.

Certification Date for Minority Vendors

The certification expiration date for the minority vendor field is only relevant for implementations in the United States. The certification for a minority vendor has an expiration date. This is required to be entered for the US government.

Interest Calculation Indicator

If this account is suitable for automatic interest, then an interest calculation indicator must be selected. These interest calculations can be configured by the accounting department via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • INTEREST CALCULATION • INTEREST CALCULATION GLOBAL SETTING • DEFINE INTEREST CALCULATION TYPES.

Interest Cycle

This field allows the accounting department to select a period that specifies when the interest calculation is run for this vendor. The period can range from monthly to yearly.

Withholding Tax Code

Withholding tax generally refers to an income tax on foreign vendors from country B and applies to those that aren't resident in country A but derive incomes from profits, interest, rentals, royalties, and other incomes from sources in country A. The company from country A will be the withholding agent. An income tax of a certain percentage will be withheld on such incomes by the company from country A, which should turn the amount of taxes on each payment over to

the local state treasury and submit a withholding income tax return to the local tax authority.

Withholding Tax Country Key

This field can be used in some countries that require this additional country key to calculate or report on withholding tax.

Vendor Recipient Type

In the United States, Form 1042 is the annual taxable return used by withholding agents to report tax withheld on US source income paid to certain nonresident individuals and corporations. The withholding agent issues a Form 1042S, "Foreign Person's US Source Income Subject to Withholding." The 1042 requires that a recipient type be entered. That two-digit code can be configured into SAP. Some examples of this code are 01 (individuals), 02 (corporations), 06 (foreign governments), 11 (US branch treated as a US person), and so on.

The RECIPIENT TYPE field is also used in Spain for similar reporting. The RECIPIENT TYPE field can be configured via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • VENDOR ACCOUNTS • MASTER DATA • PREPARATIONS FOR CREATING VENDOR MASTER DATA • CHECK SETTINGS FOR WITHHOLDING TAX • MAINTAIN TYPES OF RECIPIENT.

Exemption Number

If a vendor is exempt from withholding tax and has an exemption certificate, then that number should be entered on the vendor master record.

Validity Date for Exemption

The exemption certificate has an expiration date that should be entered in the VALID UNTIL field. Often, the certificate is extended, so the date of expiry should be updated when necessary.

Exemption Authority

On the IRS form 1042S, a code is required for explaining why there is no withholding tax. This code can be configured into SAP and entered on the vendor

master. Examples of this code are 01 (income effectively connected with a US trade or business), 03 (income isn't from US sources), and 07 (withholding foreign partnership).

Previous Account Number

This field can be used if the vendor master has been renumbered, or you want to store the legacy vendor number.

Personnel Number

If a vendor is also an employee, then this field will accommodate the employee's personnel number.

6.2.2 Payment Transactions

The screen shown in Figure 6.6 allows the accounting user to add vendor information on the automatic payment transaction, such as PAYMENT METHODS, ALTERNAT.PAYEE, and HOUSE BANK, and payment data, such as PAYT TERMS and TOLERANCE GROUP.

Figure 6.6 Payment Transactions Accounting Screen for Transaction FK01, Create Vendor

Payment Terms

The payment terms are defined to allow the vendor to offer cash discounts and favorable payment periods to the company. In many accounts payable departments, before e-commerce came along, the rule was to pay the vendor as close as possible to the last day of the agreed payment period to maximize the day's payables and keep the cash within the company. However, over the past 10 years, vendors have been offering incentives to companies for fast payment, and purchasing departments have responded by implementing best practices for paying vendors as soon as the invoice arrives, or sooner.

The PAYT TERMS on the vendor master record are entered by the accounting department and are configured if the payment terms aren't found on the system. The payment terms can be configured via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • INCOMING INVOICES/CREDIT MEMOS • MAINTAIN TERMS OF PAYMENT.

Tolerance Group

A tolerance is a percentage or a value that is the limit to which an event can deviate. For example, a tolerance of 10% on a line item that is expected to be delivered with 100 units will allow a delivery of 109, which is under the 10% tolerance. A delivery of 111 won't be allowed because it's over the 10% tolerance. A tolerance group is a set of tolerances that are configured and assigned to a vendor if necessary. Each tolerance group is defined for a unique company code as shown in Figure 6.7.

The TOLERANCE GROUP can be configured in Transaction OBA3 or via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • OPEN ITEM CLEARING • CLEARING DIFFERENCES • DEFINE TOLERANCES FOR CUSTOMERS/VENDORS.

Check Flag for Double Invoices

This indicator should be set if the accounting department wants the system to check for double or duplicate invoices when they are entered.

Change View "Customer/Vendor Tolerances": Details

New Entries

Company Code

3000

BestRun USA

New York

Currency

USD

Tolerance group

3000

Specifications for Clearing Transactions

Grace days due date

5

Cash Discount Terms Displayed

0

Arrears Base Date

Permitted Payment Differences

	Amount	Percent	Adjust Discount By
Gain	999.00	10.0 %	2.00
Loss	5.00	0.5 %	2.00

Permitted Payment Differences for Automatic Write-Off (Function Code AD)

	Amount	Percent
Rev.		%
Expense		%

Specifications for Posting Residual Items from Payment Differences

☒ Payment Term from Invoice

Fixed payment term

☒ Only grant partial cash disc

Dunning key

Tolerances for Payment Advices

	Amount	Percent
Outst.receiv.from		%
Outst.payable from		%

Figure 6.7 Data to Be Entered for a Tolerance Group

Check Cashing Time

The value of the check-cashing time is used in Cash Management to calculate the cash outflow. The entry in this field can be calculated by analysis of the issue-to-cash date and an average used.

Payment Methods

The payment method entered here is used if there is no payment method entered in the line item. The options for this field can be configured via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND

ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • OUTGOING PAYMENTS • AUTOMATIC OUTGOING PAYMENTS • PAYMENT METHOD • SET UP PAYMENT METHODS PER COUNTRY FOR PAYMENT TRANSACTIONS.

Payment Block

The accounting department can enter a PAYMENT BLOCK on the vendor master that will prevent any open items from being paid. The payment block keys are defined in configuration via Transaction OB27 or via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • OUTGOING PAYMENTS • OUTGOING PAYMENTS GLOBAL SETTINGS • PAYMENT BLOCK REASONS • DEFINE PAYMENT BLOCK REASONS.

House Bank

The HOUSE BANK can be entered if the same bank is always used. This field negates the configuration on the bank selection screen. The house bank is defined as a business partner that represents a bank through which a company can process its own internal transactions.

Individual Payment Indicator

If this indicator is set, then every item is paid individually rather than having the items combined and paid. Some vendors require that items are individually paid and not combined with other line items on the invoice.

Bill of Exchange Limit

A bill of exchange is a contract entitling an exporter to receive immediate payment in the local currency for goods that will be shipped elsewhere. Time elapses between payment in one currency and repayment in another, so the interest rate will also be brought into the transaction. The accounting department will determine whether the vendor requires a bill of exchange limit.

Payment Advice by EDI

If this indicator is set, then all payment advices to this vendor should be sent via EDI.

6.2.3 Correspondence Screen

The CREATE VENDOR: CORRESPONDENCE ACCOUNTING screen, shown in Figure 6.8, allows the entry of data for dunning and correspondence. Dunning is a system-generated reminder to let the vendor know they need to submit invoices for the delivered goods or services rendered.

Figure 6.8 Screen for Entering Correspondence and Dunning Information

Dunning Procedure

Normally dunning involves sending reminder letters to customers for payment. However, in this case, dunning relates to reminding vendors to deliver the material from the POs.

The DUNN.PROCEDURE field can be selected to reflect how the dunning should be carried out for this vendor. The dunning procedure can be configured in Transaction FBMP or via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • DUNNING • DUNNING PROCEDURE • DEFINE DUNNING PROCEDURES.

Dunning Block

If a DUNNING BLOCK is selected, then the vendor isn't selected for the dunning run. The DUNNING BLOCK can be entered at any time. The DUNNING BLOCK can be defined via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • BUSINESS TRANSACTIONS • DUNNING • BASIC SETTINGS FOR DUNNING • DEFINE DUNNING BLOCK REASONS.

Dunning Recipient

This field should be completed if the vendor isn't the recipient of the dunning notices. If the correspondence should go to a central office or production site, then that vendor number should be entered.

Legal Dunning Procedure

If the dunning procedure that has been undertaken against a vendor hasn't been successful, then there is the option of legal dunning. Attorneys can carry this out, and documents can be produced through the SAP system. A separate form should be identified for this legal-dunning procedure.

The LEGAL DUNN.PROC. field allows entry of the date when legal dunning procedures began.

Last Dunned

This is simply the date on which the vendor was last sent a dunning document.

Dunning Level

This field indicates how many times the vendor has been dunned. This field is updated when a new dunning notice is sent.

Dunning Clerk

The dunning clerk is the person in the accounting department who is responsible for the dunning of this vendor. A two-character field identifies the dunning clerk. This DUNNING CLERK field is configured via the navigation path, IMG • FINANCIAL ACCOUNTING • ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE • VENDOR ACCOUNTS •

MASTER DATA • PREPARATIONS FOR CREATING VENDOR MASTER DATA • DEFINE ACCOUNTING CLERKS.

Account Statement Indicator

This indicator allows the accounting department to define when the vendor will receive its periodic statements. The vendor may receive them weekly, monthly, or yearly.

Accounting Clerk

The ACCTG CLERK field uses the same lookup table as the dunning clerk. The accounting clerk doesn't necessarily have to be the same as the dunning clerk. However, if the DUNNING CLERK field isn't entered, then the dunning clerk is assumed to be the same as the accounting clerk.

Account with Vendor

If known, the account number that the vendor uses to identify the company should be entered here. It's often found on the vendor's invoice.

Vendor Clerk Information

The last fields on this screen relate to information concerning the person at the vendor who has been assigned to manage the day-to-day operations between your company and your vendor.

6.3 Purchasing Data

The purchasing data for the vendor can be entered via Transaction MK01. Figure 6.9 shows the purchasing information to be entered in the vendor master. Some of the fields on the PURCHASING DATA screens have already been discussed in Section 6.1 and Section 6.2.

The purchasing information is divided into a number of sections, discussed further in subsequent sections. Figure 6.9 shows the condition data and sales data.

Vendor

RHEINWERK

SAP PRESS USA

BOSTON

Purchasing Org.

3000

PurchOrg US

Conditions

Order currency

USD

American Dollar

Terms of paymnt

Incoterms

Minimum order value

Schema Group, Vendor

Standard procedure vendor

Pricing Date Control

No Control

Order optim.rest.

Sales data

Salesperson

Telephone

Acc. with vendor

Figure 6.9 First Part of the Purchasing Information Screen of the Vendor Master Using Transaction MK01

6.3.1 Conditions

The conditions data includes the ORDER CURRENCY, TERMS OF PAYMNT, and other related purchase information used in POs.

Order Currency

The ORDER CURRENCY to be used on POs with this vendor can be entered here. The currency is usually that of the vendor's country or that of the purchasing department.

Incoterms

INCOTERMS make international trade easier and help vendors and customers in different countries understand each other. Incoterms are standard trade definitions used in international contracts. The International Chamber of Commerce (ICC) based in Paris, France, devised these. The latest version is Incoterms 2010 which has been translated into 31 languages.

The 11 Incoterms, as shown in Table 6.1, are divided into two groups:

- ▶ Any mode of transport for arrival or departure (Group 1)
- ▶ Sea and inland waterway transport only (Group 2)

Group	Incoterm	Long Name	Location
1	EXW	Ex Works	Named place
1	DAP	Delivered at Place	Destination
1	DAT	Delivered at Terminal	Destination
1	DDP	Delivery Duty Paid	Destination
1	CIP	Carriage, Insurance Paid	Destination
1	CPT	Carriage Paid To	Destination
1	FCA	Free Carrier	Named place
2	CFR	Cost and Freight	Port of destination
2	CIF	Cost, Insurance, Freight	Port of destination
2	FAS	Free Alongside Ship	Port of destination
2	FOB	Free on Board	Port of destination

Table 6.1 Incoterms 2010

Vendor Schema Group

The calculation schema is used to determine the pricing procedure for the vendor with relation to purchasing documents. The schema group can be configured via the navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • CONDITIONS • DEFINE PRICE DETERMINATION PROCESS • DEFINE SCHEMA GROUP.

Pricing Date Control

The PRICING DATE CONTROL is used to determine the date on which the pricing determination will take place. For example, if the purchasing department decided to select the PO date, then the new price is calculated at the creation of the PO with the vendor.

Order Optimum Restrictions

This field allows a user to enter a key for PO-based load building. The field identifies whether a vendor is included in optimized load building or whether the target values are to be taken into account in optimized load building.

6.3.2 Sales Data

The SALES DATA refers to the sales department person at the vendor who deals with your company. Most vendors will have a contract person whose information should be entered in this section.

Salesperson

This is the name of the person at the vendor who is the contact for the purchases from your company. This can either be the salesperson or sales clerk.

Telephone

This is the vendor's telephone contact number and is used when a PO is created.

Account with Vendor

This is the customer number that the vendor uses for your company. This can be found on documentation from the vendor. Figure 6.10 shows the CONTROL DATA, DEFAULT DATA MATERIAL, and SERVICE DATA sections.

Control data

☐ GR-Based Inv. Verif.

☐ AutoEvalGRSetmt Del.

☐ AutoEvalGRSetmt Ret

☐ Acknowledgment Reqd

☐ Automatic purchase order

☐ Subsequent settlement

☐ Subseq. sett. index

☐ B.vol.comp./ag.nec.

☐ Doc. index active

☐ Returns vendor

☐ Srv.-Based Inv. Ver.

ABC indicator

ModeOfTrnsprt-Border

Office of entry

Sort criterion

PROACT control prof.

☐ Revaluation allowed

☐ Grant discount in kind

☐ Relevant for Price Det. (Vendor Hierarchy)

☐ Relevant for agency business

Shipping Conditions

☐ RMA Required

By VSR sequence number

Default data material

Purchasing group

Planned deliv. time

Confirmation Control

Unit of measure grp

Rounding Profile

Service data

Price marking agreed

Rack-jobbing service agreed

Order entry by vendor

Serv. level

Figure 6.10 Second Part of the Purchasing Information Screen of the Vendor Master Using Transaction MK01

6.3.3 Control Data

The control data for the vendor is made up of a number of indicators that are used in procurement functionality.

Goods Receipt-Based Invoice Verification

Setting the GR-BASED INV. VERIF. indicator allows the system to perform Invoice Verification based on the goods receipt amounts. Invoice Verification involves the three-way matching of the PO, goods receipt, and the invoice to ensure that the totals are correct and the invoice can be paid.

Automatic Evaluated Receipt Settlement

The Evaluated Receipt Settlement (ERS) agreement (AUTOEVALGRSETMT DEL.) is created between the vendor and the purchasing department. The agreement allows the purchasing department to send payments for the goods received at the time those materials are posted into stock. The vendor won't send an invoice for the material sent. This method of ERS, sometimes called a two-way match, is designated a best practice by many purchasing experts.

Acknowledgement Required

This indicator determines whether the vendor is supposed to send an acknowledgement that it has received the order. This can be sent via EDI.

Automatic Purchase Order

If a purchase requisition has been created and assigned to this vendor, then an automatic PO can be created if this indicator is set. This reduces work for the purchasing department.

Subsequent Settlement

The vendor may offer some kind of incentive to the purchasing department to purchase more material. This may take two forms. One may be an instant reduction in price—a promotional price—for a given period. The second incentive may take the form of the subsequent settlement. This is an agreement between the

vendor and the purchasing department under which, depending on how much material is purchased, a rebate is offered at the end of an agreed period.

For example, an office supply vendor agrees to give a 10% rebate for the total amount of purchases over a three-month period. This may have a provision that the total amount of purchases must be more than 50% greater than for the same period in the previous year. If the purchases are in excess of the 50%, then the subsequent settlement with the vendor takes place at the end of the period. The vendor gives a 10% rebate on all of the purchases over that period.

Business-Volume Comparison/Agreement Necessary

If the B.VOL.COMP./AG.NEC indicator is set, data must be compared between the vendor and the purchasing department before any subsequent settlement is posted. In the example of the office supply vendor, the agreement may depend on the comparison of the files from both parties.

Document Index Active

The document index is a way of automatically adjusting the purchasing documents if the conditions change.

Service-Based Invoice Verification

Some vendors provide services, and the work performed is entered using service-entry sheets. If the SRV.-BASED INV. VER. indicator is set, the acceptance is carried out at the level of the service-entry sheet.

ABC Indicator

The ABC INDICATOR is used for many objects in SAP. The ABC indicator for vendors relates to the amount of sales the vendor does with the company. The ABC INDICATOR is manually entered.

Mode of Transport for Foreign Trade

The MODEOFTRNSPRT-BORDER indicator is used if the vendor is involved in foreign trade. The mode of transport is defined for each country; this field determines how the vendor transports material. The field can be configured via the

navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • FOREIGN TRADE/CUSTOMS • TRANSPORTATION DATA • DEFINE MODES OF TRANSPORT.

Office of Entry

The OFFICE OF ENTRY field defines where the material purchased from this vendor will enter the country or leave in the case of a return. The office of entry is the customs office and is configured via the navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • FOREIGN TRADE/CUSTOMS • TRANSPORTATION DATA • DEFINE CUSTOMS OFFICES.

Sort Criterion

This field allows the purchasing department to sort the delivery items from the vendor in a specific manner. The default is by vendor subrange (VSR), but the sort can be by material number, material group, or EAN.

Grant Discount in Kind

A vendor is labeled as granting discount in kind when that vendor offers materials to the purchasing department free of charge as an incentive to purchase.

Relevant for Price Determination for Vendor Hierarchy

If the vendor master record represents a node in a customer hierarchy, the pricing indicator determines whether the node is relevant for pricing. If you're maintaining the vendor master record for a customer hierarchy node and want to create pricing condition records for the node, this indicator must be set.

6.3.4 Default Data Material

This section of vendor data includes the defaults that are used in purchasing processes and documents. These fields include the PURCHASING GROUP who deals with the vendor, the PLANNED DELIV. TIME, and the CONFIRMATION CONTROL key.

Purchasing Group

The PURCHASING GROUP that most often deals with this vendor can be entered. The purchasing group can be associated with one or more vendors.

Planned Delivery Time

This is the average time it takes for a material to be delivered from this vendor. If the vendor supplies many materials, then this field may not be useful if the delivery time differs for each material the vendor supplies. In such cases, it makes sense to maintain planned delivery time in a purchasing information record that we'll cover in Chapter 7.

Confirmation Control Key

A CONFIRMATION CONTROL key can be entered that determines which confirmation categories are expected from a PO item. The CONFIRMATION CONTROL key defines the confirmation sequence that is expected from the vendor. The confirmation sequence specifies the order in which the individual confirmations defined in a CONFIRMATION CONTROL key are expected and which confirmation categories are to be automatically monitored. For example, the CONFIRMATION CONTROL key 0001 can be configured to expect an order acknowledgement and a shipping notification.

The CONFIRMATION CONTROL key is configured in the IMG via the navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • CONFIRMATIONS • SET UP CONFIRMATION CONTROL.

Unit of Measure Group

The UNIT OF MEASURE GRP is entered to define the allowed units of measure, those defined as part of the unit of measure group. This should be entered when the rounding profile is used.

The unit of measure group is configured in the IMG via the navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • ORDER OPTIMIZING • QUANTITY OPTIMIZING AND ALLOWED LOGISTICS UNITS OF MEASURE • UNIT OF MEASURE GROUPS.

Rounding Profile

The ROUNDING PROFILE can be entered that determines how the material quantity is rounded to optimize the order. The rounding profile reviews and rounds the quantity depending on the threshold value in the profile.

The ROUNDING PROFILE is configured in the IMG via the navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • ORDER OPTIMIZING • QUANTITY

OPTIMIZING AND ALLOWED LOGISTICS UNITS OF MEASURE • UNIT OF MEASURE ROUNDING RULES.

6.3.5 Service Data

The SERVICE DATA section describes a number of fields related to retail companies and load building.

Price Marking Agreement

The vendor and customer enter into a price marking agreement. The vendor will apply price labels to the materials prior to shipping to the customer.

Rack-Jobbing Service Agreement

Retail companies use this field. If the indicator is set, then the vendor will be responsible for stock planning/replenishment and for filling the shelves at the retail outlet.

Order Entry by Vendor

When this indicator is set, the vendor is responsible for entering the PO. The order can be created in the background as a result of an EDI order confirmation received from the vendor.

Vendor Service Level

This field is used for automatic PO-based load building. If the service level drops below the desired value, SAP will attempt to order an entire load of goods for this vendor.

6.3.6 Partner Functions

The CREATE VENDOR: PARTNER FUNCTIONS screen shown in Figure 6.11 allows the purchasing user to define the relationships between the vendor and the company. A vendor can vary in size from a sole proprietor to the largest multinational company. To best describe the vendor's various operations, partner functionality can be described. The partner functions are used for both customers and vendors.

Create Vendor: Partner functions

Different Data

Partner address

Delete line

Vendor

RHEINWERK

SAP PRESS USA

BOSTON

Purchasing Org.

3000

PurchOrg US

Partner Functions

Partner function	Name	Number	Name	DP
VN	Vendor	RHEINWERK	SAP PRESS USA	<input type="checkbox"/>
				<input type="checkbox"/>

Figure 6.11 Partner Functions for the Vendor Master Using Transaction MK01

Table 6.2 provides a selection of the available vendor partner codes.

Partner Code	Description
AZ	Alternative payment recipient
CA	Contract address
CP	Contact person
ER	Employee responsible
GS	Goods supplier
OA	Ordering address
PI	Invoice presented by
VN	Vendor

Table 6.2 List of Partner Functions

Basically, the PARTNER FUNCTION allows the purchasing department to determine what function the vendor performs within the larger vendor organization. For example, a multinational auto parts manufacturer may supply material to your company, so you've created a vendor number (VN) for them. However, the address to which you send the POs may be a separate address in a separate division of the manufacturer's business. Therefore, you create a vendor number for the ordering address (OA), and that record is entered into the PARTNER FUNCTION screen for the VN VENDOR.

Further, there may be a separate contact address (CA) for a vendor that supplies the invoices (PI), and an alternative payee (AZ). All of these can be created and entered into the PARTNER FUNCTIONS screen of the VN partner.

The partner functions are assigned to the vendor account groups. For example, the vendor account group 0001 may have different partner functions from the vendor account group LIEF.

The partner function can be defined in configuration via the navigation path, IMG • MATERIALS MANAGEMENT • PURCHASING • VENDOR MASTER • VENDOR HIER-ARCHY • DEFINE PARTNER DETERMINATION.

6.4 Business Examples: Vendor Master Data

This chapter shows that the vendor master is a collection of data that describes the vendor's relationship with the company. Just as the material master record isn't complete until all relevant departments have entered their data, the vendor master isn't complete until both the accounting and purchasing departments have entered their information.

6.4.1 General Data

When vendor information is loaded in SAP ERP, there are a number of areas that need to be entered that are equally important. The general data reflects information such as name, address, tax data, and bank details. Specific accounting data, such as payment transactions and dunning, can be entered separately. The third area of the vendor master is the purchasing data where incoterms and partner information are entered.

When a company decides to load the vendor master into SAP, there are a number of ways this can be done. If a company has a small number of vendors, the information can be manually loaded into SAP. It's normal for SAP to require more data than legacy systems, and there is usually a team to review the existing data and add to it where necessary. For companies with large numbers of suppliers, the task to load these into SAP will usually be automated, and new vendor data is added where necessary.

If companies load their vendors into SAP without first performing some kind of vendor rationalization, they can end up loading a lot of inaccurate and out-of-date information.

For example, a multinational chemical company reviewed its vendor files on a number of legacy systems and found that a large percentage of the data was

inconsistent and inaccurate. To reduce the amount of inaccurate data loaded on to the new SAP ERP system, the company decided to run pilot projects in the United States and Germany to find out more about the supplier data. In the United States, the project team found that there were a number of problems with the data, including multiple duplicate vendor records for the same supplier, inaccurate addresses, inaccurate fax numbers, vendors that no longer were in business, vendors that no longer supplied products to the company, and inaccuracies with pricing and contracts.

In the United States, the pilot found only 12% of records to contain no inaccuracies, while in Germany the percentage was slightly higher at 17%. Based on this information, the company created project teams in each of the countries that were part of the first SAP ERP phase to rationalize the vendor master records and correct inaccuracies.

6.4.2 Purchasing Data

The vendor master record has a number of fields that are specifically concerned with purchasing. These include condition data such as order currency and incoterms, and control data, such as the indicators for goods receipt Invoice Verification, ERS, and subsequent settlement.

Most vendors offer some kind of discount as an incentive to their customers. The incentives usually include discounts for larger purchases, but as suppliers are having a more difficult time with bank financing, more vendors are offering their customers a discount for paying their invoices before the date determined in the payment terms. This discount may only reflect a 1% or 2% discount, but on larger purchases, this can be significant. Of course, companies have to weigh the advantages of paying early against the ability to pay early. In some instances, paying early isn't always possible.

Another incentive offered by vendors is the subsequent settlement, which allows a one-time rebate or periodic settlement if certain conditions are met, such as a certain volume of materials purchased or amount spent.

For example, a metal fabrication company agreed with its supplier of stainless steel coils that if the company spent more than \$40,000 on 0.105-inch stainless steel coils per month, the vendor would rebate 3% of the total monthly spend.

This agreement is annotated in the vendor master, and the system updates the relevant values and calculates the conditions at the end of the month to determine the rebate.

6.5 Summary

This chapter thoroughly discussed the vendor master file. There are different ways to enter vendor data, and both the purchasing department and the accounting department play a role in this important task. Having the correct vendor information entered is important when material needs to be ordered quickly and correctly. Any errors in the vendor master file can be costly if material can't be sourced in a timely fashion and shipments are delayed to customers. This chapter has provided all of the tools you need to work with the purchasing department in understanding their needs when SAP is implemented.

Chapter 7 examines the purchasing information data as it relates to the specific information that can be available for a vendor and a material. Contracts with vendors may have special provisions for certain materials, for example, in the number of delivery days or pricing conditions.

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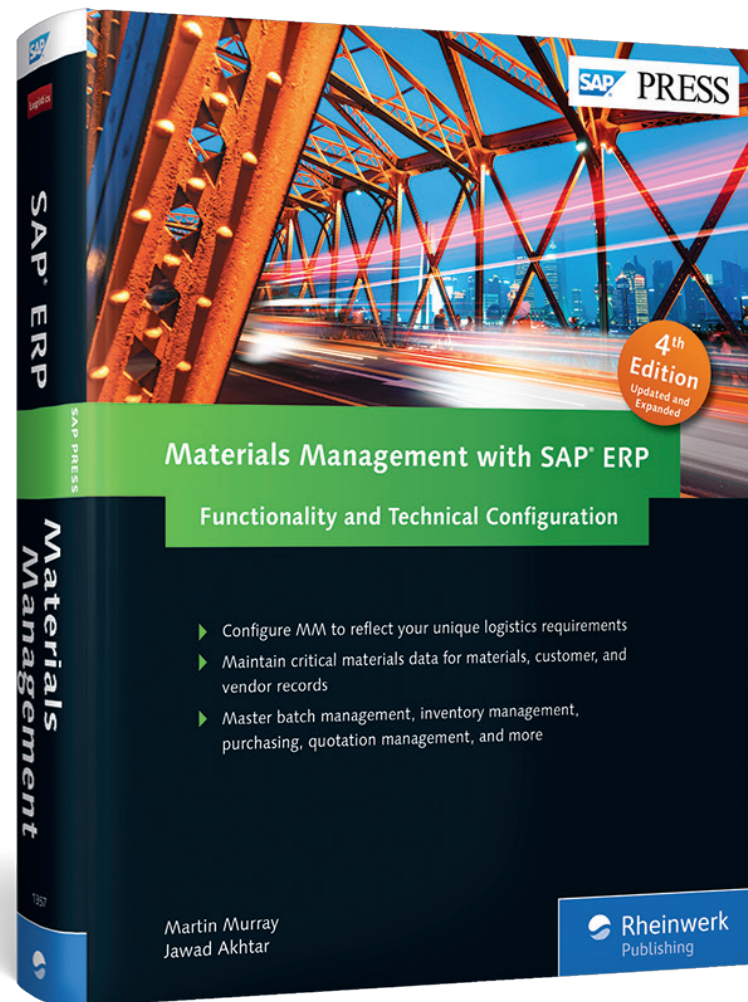
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Martin Murray was a respected Logistics consultant and worked with IBM for more than 15 years. He joined the computer industry upon his graduation from Middlesex University in 1986. In 1991, he began working with SAP R/2 in the materials management area for a London-based multinational beverage company, and in 1994 he moved to the United States to work as an SAP R/3 consultant.



Jawad Akhtar works as the SAP Leader for Business Sales and Delivery at IBM Pakistan. He earned a chemical engineering degree from Missouri University of Science and Technology (USA) in 1996. He has more than 18 years of professional experience and has completed several large-scale SAP implementations and rollout lifecycles. He has led large teams in his roles as an SAP integration manager and SAP project manager, and has also been proactively involved in business development and solution architect roles. He is the technical adviser to SAP Experts and is a prolific contributor to SearchSAP, where he shares his views on logistics, supply chain management (SCM), product lifecycle management (PLM), and project management.

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