

OTC Credit Management



Lesson Objectives

- SD Credit Management
 - Credit Management Benefits
 - Integration with SD and FI
 - Centralized Credit Management
 - Credit Control Area
 - Different Type of Credit Checks
 - Credit Group for Customers
 - Customer Credit Master
 - Manage Business Partner
 - Manage Credit Decisions – SD Documents
 - Manage Customer Line Items
 - List Billing Documents



Credit Management



Introduction to Credit Management Concept

A time period can be defined in SAP within which a customer is supposed to pay his accounts. This time period is defined via the "payment term" defined in the Customer Master Record.

- ❑ SAP has developed a complex credit management solution that enables the maintenance of set credit limits per Customer as well as the system responses in case of credit limit is exceeded
- ❑ Customer credit limits are maintained individually in Credit Control Area wise by Finance Management

Credit Management Benefits



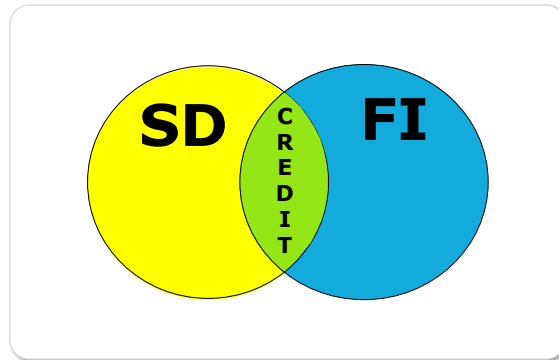
- ❑ Credit Management enables you to minimize the credit risk by specifying a specific credit limit for the customers
- ❑ A credit limit check can be carried out when sales documents are created or changed
- ❑ Benefits of credit management:
 - Reduce risk of bad debt
 - Focus on reliable and profitable customers
 - Faster credit-worthiness check
 - Accelerate the process of checking a customer credit limit
 - Identify the overall credit risk of your company



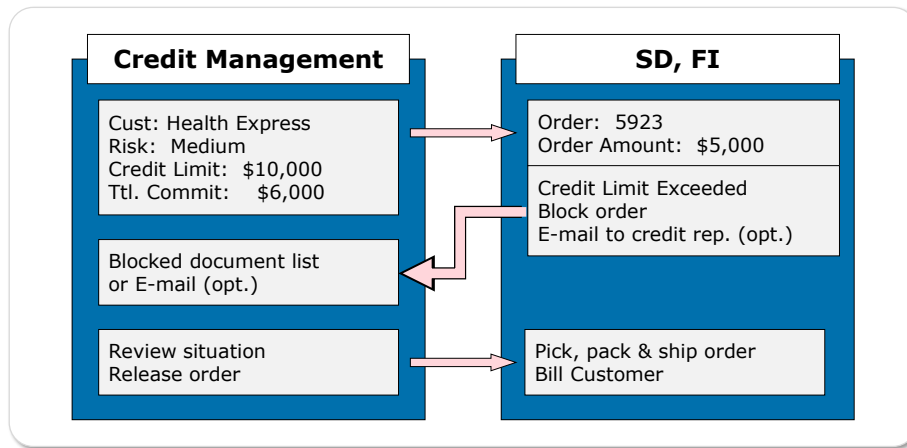


Integration with SD and FI

Credit Management is a cross-functional activity between SD and FI

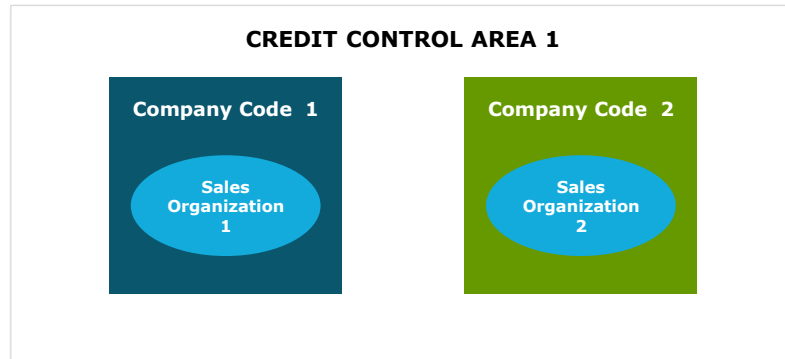


Integration with SD and FI



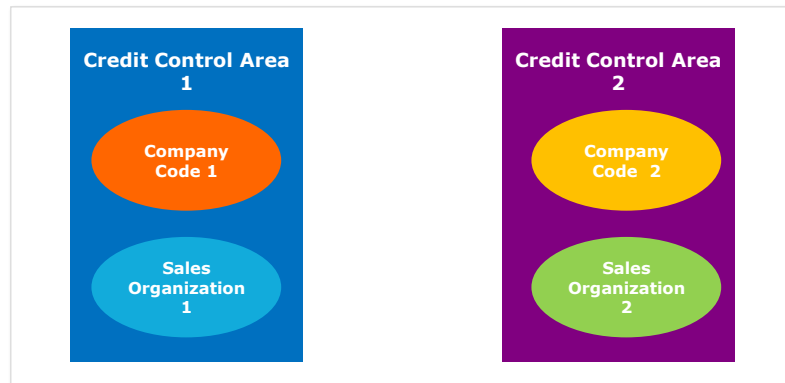
Credit control (blocks) can be applied at order entry, delivery creation or goods issue.

Centralized Credit Management



If your credit management is centralized, you can combine your company codes in one credit control area. Credit management then regards the customer as valid for all company codes. In the following graphic, the customer has a business relationship to two company codes that are combined in one credit control area:

Decentralized Credit Management



**If your credit policy requires decentralized credit management, you can define credit data for your customer for each company code. In the graphic above, the customer has a business relationship with two company codes:
You define a currency for each credit control area. The relationship between credit control area, company code, sales organization and currency is illustrated in the above graphic:**

Credit Exposure Covers



- ❑ **Open Order Value:** The value of all sales order items which have not yet delivered
- ❑ **Open Delivery Value:** The value of all delivery items which are not yet billed
- ❑ **Open Billing Value:** The value of all billing items which are not yet transferred to Accounting
- ❑ **Open Items:** The value of billed items which are transferred to accounting (receivables)

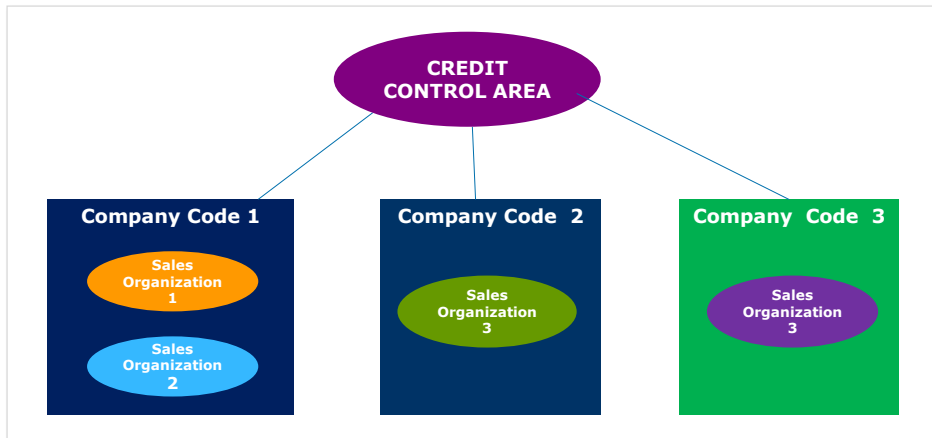


Credit Control Area



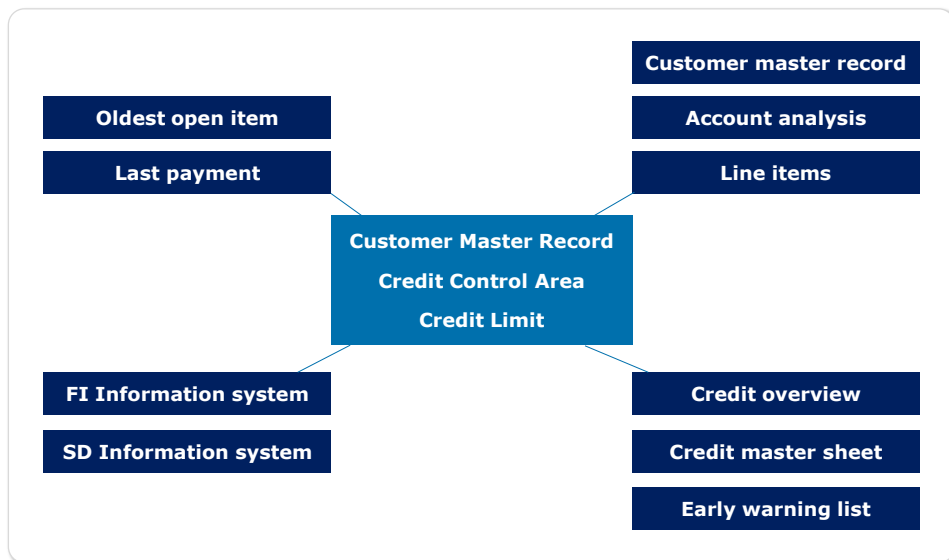
- ❑ The Credit Control Area is an Organizational Unit that specifies and check a credit limit for customers
- ❑ A credit control area can include one or more company codes. It is not possible to assign a company code to more than one credit control area. Within credit control area the credit limits must be specified in the same currency
- ❑ Credit and Risk management takes place in the credit control area
- ❑ For centralized credit management, you can define one credit control area for all your company codes
- ❑ For decentralized credit management, you can define credit control area for each company code
- ❑ In the credit control area configuration important fields are currency, update group, risk category and credit limit

Credit Control Area



SAP Definition: Credit Control Area is an Organizational Unit that represents the area where Customer Credit is awarded and monitored. This Organizational Unit either be a single or several Company Codes, if Credit Control is performed across several Company Codes.

Sources of Information in Credit Management

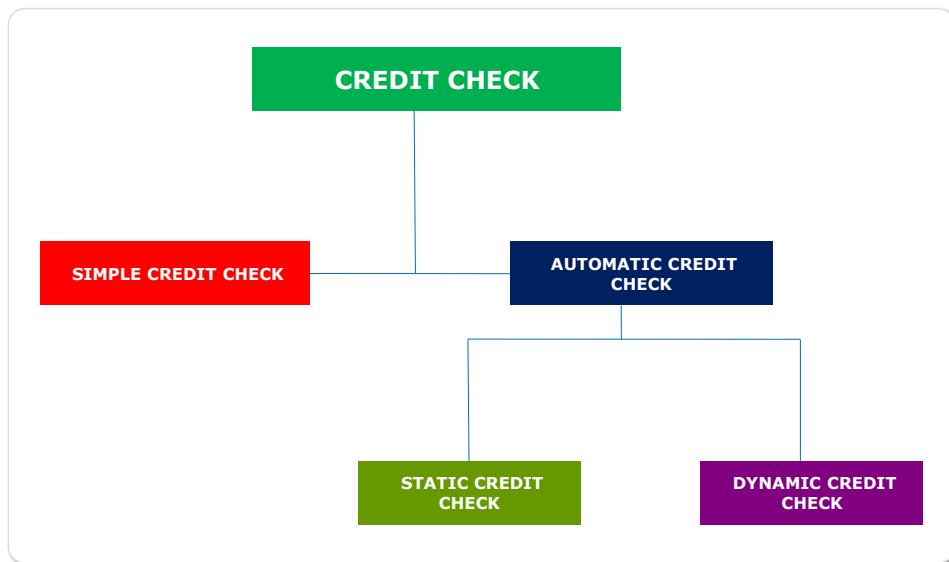


Credit Control Area



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Different Type of Credit Checks



Simple Credit Check



- ❑ A **simple credit** checks can be carried out when sales documents are created and changed
- ❑ The check is carried out within one **Credit control area**
- ❑ When changing a document, the check is repeated if changes regarding quantity or value are made
- ❑ A sales document belongs to one credit control area depending on the allocation of the sales organization to a company code. The SAP system checks the credit limit which was granted to the customer in this credit control area
- ❑ During the check, the SAP system totals the receivables, the open item from special G/L transactions and the net value of the sales order for every item of a sales document. The total is compared with the credit limit. If the limit is exceeded, the system responds in the way defined by you in the configuration menu

Simple Credit Check



A credit check occurs in three places

1. Sales Order
2. Delivery
3. Goods Issue

The response can be either

1. Error
2. Warning
3. Delivery Block

Automatic Credit Check

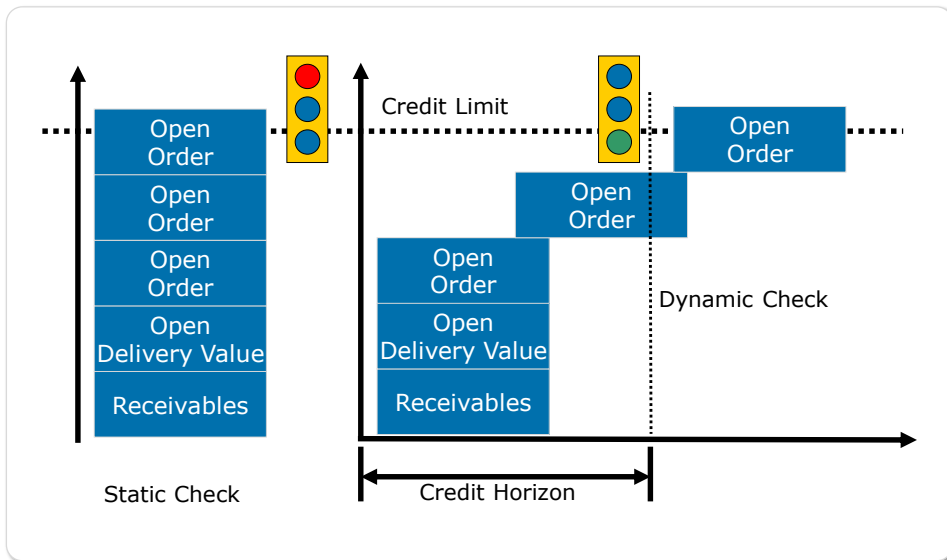


- ❑ Credit checks can be configured differently for different document types and different customer groups
- ❑ This one is required because all customers are not the same, some can be trusted and some cannot be trusted again different credit policies should be applicable
- ❑ In simple credit check the checking is similar for all customers and documents in the credit control area
- ❑ In automatic credit check, to create different credit controls with different combinations are created by the combination of credit control area + credit group + risk category
- ❑ In automatic credit check there are two types credit checks available
- ❑ Static Credit Limit check
- ❑ Dynamic Credit Limit Check with Credit Horizon
- ❑ **Static Credit Limit check**
- ❑ **Dynamic Credit Limit Check with Credit Horizon**

You can define a credit check for any valid combination of the following data:

- ❑ Credit control area
- ❑ Risk category
- ❑ Document credit group

Static vs. Dynamic Credit Check



Static Credit Limit Check



- ❑ The customer's credit exposure may not exceed the established credit limit. The credit exposure is the total combined value of the following documents:
 - Open orders
 - Open deliveries
 - Open billing documents
 - Open items (accounts receivable)
- ❑ The open order value is the value of the order items which have not yet been delivered
- ❑ The open delivery value is the value of the delivery items which have not yet been invoiced
- ❑ The open invoice value is the value of the billing document items which have not yet been forwarded to accounting
- ❑ The open items represent documents that have been forwarded to accounting but not yet settled by the customer

Static Credit Limit Check



Open Orders

Open Deliveries

Open Billing Documents

Open Items
(Accounts Receivable)

The customer's credit exposure may not exceed the established credit limit. The credit exposure is the total combined value of open sales orders + open deliveries + open billing documents + open items

Dynamic Credit Limit Check with Credit Horizon

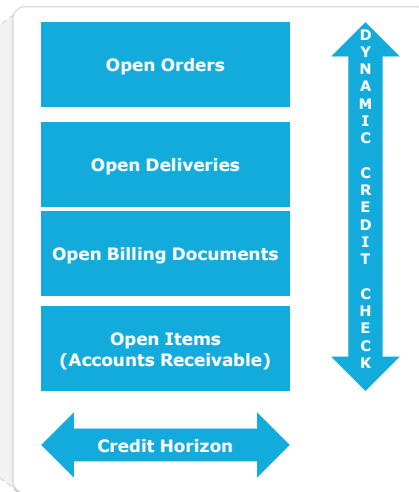


- ❑ The customer's credit exposure is split into a static part; open items, open billing, and delivery values (see above), and a dynamic part, the open order value
- ❑ The open order value includes all undelivered or only partially delivered orders
- ❑ The value is calculated on the shipping date and stored in an information structure according to a time period that you specify (days, weeks, or months)
- ❑ When you define the credit check, you can then specify a particular horizon date in the future (for example: 10 days or 2 months, depending on the periods you specify)
- ❑ For the purposes of evaluating credit, you want the system to ignore all open orders that are due for delivery after the horizon date
- ❑ The sum of the static and dynamic parts of the check may not exceed the credit limit

Dynamic Credit Limit Check with Credit Horizon



- ❑ Combined total value of open deliveries open billing documents open items open sales orders for a specified horizon
- ❑ In dynamic credit check a particular horizon time range in the future is specified (for example: 10 days or 2 months, depending on the periods you specify). All open orders that are due for delivery after the horizon date are ignored





SAP Definition

- ❑ The credit group groups together different business transactions which should be dealt with in the same manner with regard to the credit check
- ❑ You enter the credit groups when you configure the sales document types for credit management and define the automatic credit check
- ❑ Default settings

The following credit groups are contained in the standard SAP System

- ❑ 01 - Credit group for sales order
- ❑ 02 - Credit group for delivery
- ❑ 03 - Credit group for goods issue

Credit Limits for Groups of Customers



Customers can be grouped together into customer groups on the basis of criteria (for example, by country). This customer group can be used as a basis for processing or evaluating the accounts within it.

Transaction Code: FD 32

Customer Credit Master



- ❑ We can assign various credit settings in relation to Customer Master Record here is the Customer Credit Master is divided into five views
- ❑ Overview: The credit settings in relation to the Customer including is
 - Credit Limit
 - Credit Exposure
 - % Credit Limit Used
 - Payment Data
 - Risk Category
- ❑ Address: As in the customer master record
- ❑ Central Data: Shows the total credit limit the customer can receive across all credit control areas as well as the maximum limit the customer can receive in one credit control area
- ❑ Current credit limit assigned
- ❑ Maximum individual credit limit
- ❑ Last information
- ❑ Maximum individual credit limit
- ❑ Total amount, individual limit, currency

Customer Credit Master



- ❑ Status: Shows the customer's actual individual details in a particular credit control area
 - Credit Limit
 - Credit Exposure
 - % Credit Limit Used
 - Risk Category
- ❑ Whether the customer is blocked due to credit or not
- ❑ Payment History: Payments made by the customer in a particular credit control area where a company code assigned

OTC Credit Management



Fiori Apps

Manage Business Partner

Manage Credit Decisions

Manage Customer Line Items

List Billing documents

SD Basic Functions-Concept



Manage Business Partner

Manage Business Partner - Credit Profile



The screenshot shows the SAP Business Partner Credit Profile management interface. The title bar indicates 'Display Organization: 10004, role SAP Credit Management'. The main area is divided into several tabs: 'Address Overview', 'Identification', 'Control', 'Payment Transactions', 'Status', 'Credit Profile', and 'Creditworthiness Data'. The 'Credit Profile' tab is selected, and a dashed orange box highlights the 'Credit Profile' and 'Creditworthiness Data' sections. Four yellow callout boxes with numbered instructions are overlaid on the interface:

- 1. Select BP role from DDL (points to the 'Business Partner' dropdown menu)
- 2. Select Address Tab and Enter Address Details (points to the 'Address Overview' tab)
- 3. Select Credit Profile and Enter Credit Details (points to the 'Credit Profile' tab)
- 4. Select Credit Worthiness data and enter all information (points to the 'Creditworthiness Data' tab)

The interface also includes a 'Search Terms' section with a search bar containing 'COMPANY', and a 'Standard Address' section with a 'Print Preview' button. The 'Street Address' section shows fields for 'Street/Postcode number', 'Postal Code/City', 'Country', and 'Region'.

Manage Business Partner - Credit Profile



Change Organization: 10004 role SAP Credit Management

Locator On/Off Person Organization Group Open BP Switch Between Display and Change Check Credit Segment Data Relationships Settings Services for Object More v Exit

Business Partner: 10004 S Company for 1000 CC / New York NY 10020

Change in BP role: SAP Credit Management (defined)

Address Address Overview Identification Control Payment Transactions Status **Credit Profile** Creditworthiness Data

Scoring

Rules: Rule for New Business Customers Score for Business Customers

Score: 22 Valid To: 31.12.2025 Changed On: 21.03.2019

Risk Class: Low Default Risk Calculated: High Default Risk Changed On: 21.11.2019

Check Risk: 03 Credit Limit Check Only (Dynamic) Credit Limit Check Only (Dynamic)

Credit Group: 2 Small/Medium Customer

External Credit Information

Rating Procedure	Allowed	Rating	Term	Default	Notes	Based On	ID number	Text
<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>							

9. Change Message Reflected

11. Successfully Change Information Saved

10. Click "Save" Button

5. Select BP Role

6. Select Credit Profile Tab

7. Select Credit Profile Tab

8. Select Credit Profile Tab

Risk class has been changed View Details

Changes have been saved

Manage Business Partner - Credit Profile



Change Organization: 10004, role SAP Credit Management

Locator On/Off Person Organization Group Open BP Switch Between Display and Change Check Credit Segment Data Relationship Settings Services for Object More v Exit

Worklist Find Business Partner: 10004 By: Number Business Partner: 10004 Months: 120 Start

Address Address Overview Identification Control Payment Transactions Status Credit Profile Creditworthiness Data

Creditworthiness Data

Credit Standing: 12 - Full Limit

Dr.Cred.Stand: 21.01.2019

Stat.Cred.Stand: None

Cred.Stand.Text:

Rating:

At Risk: ☐ Date of at risk:

Bankruptcy Proceed: ☐ Bankruptcy Pr. Date:

Foreclosure: ☐ Date of foreclosure:

Status of Leg. Proc: ☐ No Legal Actions Taken

Date of Legal Proc:

13. Select Credit Segment Data TAB

14. Select Credit Standing

15. Click "Save" Button

16. Successfully Change Information Saved

Changes have been saved

Save Enter Cancel

Manage Business Partner - Credit Profile



The screenshot shows the SAP S/4HANA Credit Management interface for a Business Partner. The interface includes a top navigation bar with tabs like 'Locator On/Off', 'Person', 'Organization', 'Group', 'Open BP', 'Switch Between Display and Change', 'Check', 'General Data', 'Relationships', 'Settings', 'Services for Object', and 'More'. The main area is divided into several sections: 'Find' (with 'Business Partner' and 'By: Number' filters), 'Description' (showing 'S Company for 1000 CC / New York NY 10020'), 'Credit Limit and Control' (selected), 'Payment Behavior Key Figures', and 'KPI Payment Behavior'. The 'Credit Limit and Control' section contains a 'Credit Limit' table with columns for 'Limit', 'Currency', and 'Valid To'. The table shows a limit of 1,00 EUR, valid to 31.12.2019. Below the table, there are fields for 'Credit Exposure: 0.00', 'Utilization %: 0.0', 'Cr. Expos. Max: 0.00', 'Utilization %: 0.0', 'Credit Horizon: 21.04.2019', and 'Credit Horizon: 90'. A 'save' button is located at the bottom right. A status bar at the bottom left indicates 'Changes have been saved'.

17. Select Credit Limit and Control Tab

18. Select Limit Defined Radio Button

19. Specify Limit

20. Click "save" Button

21. Successfully Change information Saved

SD Basic Functions-Concept



Manage Credit Decisions – SD Documents

Manage Credit Decisions - SD Documents



6. Select "Check" Box

7. Click "Save" Button

P.St.	Hj	Cre	Doc	Doc.Cat.	SDOrg.	DChl	Div	Cred.	Acct	Name 1	City	CTR	Address	Created on	Created by	Name of the orderer	Phone 1	Cred	Crs
			1	C	1000	10								27.12.2018	TRADNEM5_STR		4304180		

8. Successfully Document Released

Document: Output

Document	Output
1	has been released

SD Basic Functions-Concept



Manage Customer Line Items

Manage Customer Line Items



Customer Line Item Display

K

<

>

X

Display Document

Change document

Mass change

Display check information

Account master data

Correction request

More

Customer

10022

Company Code

1000

Name

Customer -1000

City

NY

St	Assignment	DocumentNo	Typ	Doc..Date	S	DO	Local Crncy Amt	LCurr	Clrng doc.	Text
<input type="checkbox"/>	<input checked="" type="checkbox"/>	90000329	RV	01.05.2020	<input checked="" type="checkbox"/>		100,00	USD		
<input type="checkbox"/>	<input checked="" type="checkbox"/>	90000330	RV	01.06.2020	<input checked="" type="checkbox"/>		100,00	USD		
<input type="checkbox"/>	<input checked="" type="checkbox"/>	90000331	RV	01.07.2020	<input checked="" type="checkbox"/>		100,00	USD		
<input type="checkbox"/>	<input checked="" type="checkbox"/>	90000332	RV	01.08.2020	<input checked="" type="checkbox"/>		100,00	USD		
<input type="checkbox"/>	<input checked="" type="checkbox"/>	90000338	RV	21.01.2020	<input checked="" type="checkbox"/>		910,00	USD		
<input type="checkbox"/>	<input checked="" type="checkbox"/>	90000339	RV	21.01.2020	<input checked="" type="checkbox"/>		910,00	USD		
<input type="checkbox"/>	<input checked="" type="checkbox"/>	1800000284	DR	01.04.2019	<input checked="" type="checkbox"/>		5.001,00	USD		Test
							10.388,00	USD		
** Account 10022							10.388,00	USD		

SD Basic Functions-Concept



List Billing Documents

List Billing Documents



Invoice List 90000020 (LR) Display: Invoice List Items Overview

Change Partner Conditions Output Accounting Log Services for Object More Exit

Payer: 10000 US Customer 1000

Billing Date: 12.03.2019

Invoice List: 90000020

Net Value: 10.000,00 USD

Tax Amount: 0,00

Fact. Discount: 0,00

Discount Tax: 0,00

Total Amount: 10.000,00

Conditions Output

All Invoice List Items

Item	Bil. Doc.	Sold-To Party	Name	Gross Amount	Net Value	Tax Amount	Fact. Discount	Discount Tax
1	90000014	10000	US Customer 1000	5.000,00	5.000,00	0,00	0,00	0,00
2	90000015	10000	US Customer 1000	5.000,00	5.000,00	0,00	0,00	0,00



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