Contracts and Scheduling Agreement

Lesson Objectives

- Overview of Outline Agreements
- Scheduling Agreement
- Contracts
  - Quantity Contracts
  - Value Contracts
  - Value Contract Types
- Assortment Module
- Group Master Contracts
- Service Contracts
- Contract Cancellation

Overview of Outline Agreements

Purpose

Purpose of Outline Agreements in SD

Agreements play an important role in nearly all business processes.

Customers and vendors agree on the goods to be provided under certain conditions and within a specific timeframe.

Agreements streamline business processes for both partners in a business relationship.

Uses

- Agreements aim at streamlining business processes of both customer and vendor.

- Agreements can be effectively used to improve the efficiency in the following business areas.

  - Reduce costs
  - Increase quality
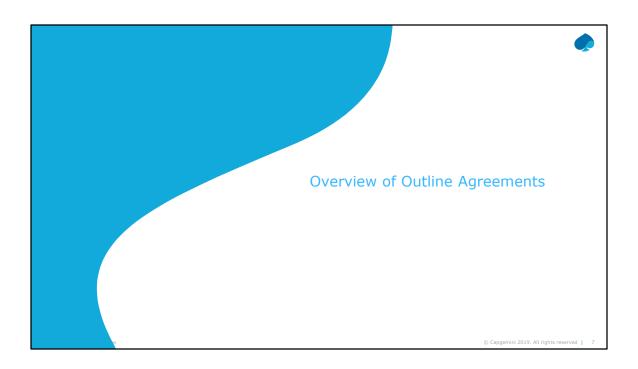 - Increase speed of delivery

Challenges

- How to meet specific pricing requirements in an agreements

- How to incorporate various date relevant requirements (start date, end date, billing date etc.)

- How confirm delivery date with assured quantities

- How to deal with returns in agreements

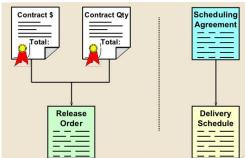- How to ensure the data transfer between transactions

Overview of Outline Agreements

Outline Agreements

- **Contracts** : Outline agreements with fixed quantity or value that a customer promises to order over a specified period of time, as well as the price involved. It requires a release order to make a delivery. Pricing (procedure and/or discounts) is copied to release order from the contract

- **Scheduling Agreements** : Outline agreements with determined schedule lines. A delivery note is created directly from the scheduling agreement (release order is not required)

Scheduling Agreement Definition

<u>Scheduling Agreement</u> : An outline agreement with the customer against which materials are procured at a series of predefined points in time over a certain period containing delivery quantities and dates.

- Usually a long term arrangement between two parties that outlines when a particular product/service is to be delivered – based on predetermined conditions and predetermined dates. The conditions are valid for a predefined period and predefined total purchase quantity

- Since a scheduling agreement contains delivery dates and quantities, a delivery note is created directly from the agreement.   Scheduling agreements are fulfilled by creating deliveries on the due date for the schedule lines. You must create your own schedule lines by entering the delivery dates requested by the customer. (via Schedule lines)

- The scheduling agreement is used as a basis for delivering a material. The customer sends in scheduling agreement releases, referred to as delivery schedules, at regular intervals to release a quantity of the material

Features

There are many settings for scheduling agreements, giving the component supplier the flexibility needed to create and control documents to meet a company's specific needs.

A variety of sales functions for:

- Engineering changes
- Packing proposals
- Open quantities
- Returns

A variety of functions in delivery schedules for:

- Intermediate documents (IDocs)
- Checks on incoming delivery schedules
- Requirements planning and delivery

Features

- Tolerance levels
- Analysis
- Year changes
- Cumulative quantities
- Special shipping, billing, and external agent functions
- Planning delivery schedule processing

Sales Contract

Definition: Contracts are agreements between the Customer and Vendor to supply materials/services for a specific price between a fixed period of time.

There are different types of contracts in SAP:

- ❑ Quantity Contract
- ❑ Value Contract
- ❑ Service Contract
- ❑ Master Contract

Quantity Contract

Definition: A quantity contract is an agreement to supply a fixed quantity over a period of time. Since the customer promises to buy the fixed quantity of goods/services, they will get a discounted price.

There are 2 primary reasons why quantity contracts are used:

- When Quantity is Limited – When the production quantities are limited in numbers, then customers are allocated a specific quantity by time -period (say a month, or a quarter) . And customers cannot place ad-hoc orders, but have to first sign a contract for a fixed quantity and always order via release orders that specifically refer to the contract

- When Vendors want to Lock-in Customer quantities – Some times to give deep discounts, sales folks require that customers commit to buying a fixed quantity over a time-period. This satisfies the sales figures

A customer submits a sales order to release products from the amount agreed in the quantity contract.

Value Contract

Definition:

- A value contract is very similar to a quantity contract – except that instead of a fixed quantity, the value of the contract is fixed

- A customer submits a sales order to release products from the value agreed in the contract

Service Contract

Definition:

- A service contract is normally created for service-oriented items. (Repairs, Maintenance, contracts, etc.)

- Follows a periodic billing plan

- No deliveries or sales order typically

For example, when you buy an internet connection from a internet provider, they are providing services to you for a fixed period – say 1 year or 6 months. And for providing those services, they charge you monthly. In this case, there are no release orders because in case of service since there are no logistics operations, directly the customers are invoiced with reference to the contract. In this case, the customer is charged $100 a month for 12 months with a total of $1200. The items in these types of contracts follow billing-plan. Repairs also follow service contract methodology.

Master Contract
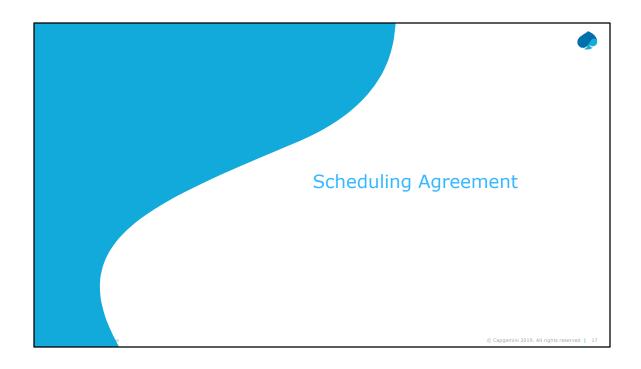
Definition: A master contract is used when a particular type of contract is created regularly for a customer and you want all the header data to be consistent across all of the contracts. Normally, the header data of a sales document contains data from the Customer master.

- In this type of contracts only header data is transferred not line item details

Scheduling Agreement

Scheduling Agreement

A scheduling agreement is an outline agreement between Company and Customer that is valid for a certain period of time. Scheduling agreements contain specific delivery dates in addition to target quantity and price information

Since a scheduling agreement contains delivery dates and quantities, a delivery note is created directly from the agreement.   Scheduling agreements are fulfilled by creating deliveries on the due date for the schedule lines. You must create your own schedule lines by entering the delivery dates requested by the customer. (via Schedule lines)

In the scheduling agreement, the other functions can be carried out as in the order.

Scheduling Agreement

You must create your own schedule lines by entering the delivery dates requested by the customer. To create delivery dates for an item, select the item and go to "Item>Schedule lines. If the system cannot confirm the quantity specified on a given date, a second schedule line with the confirmed quantity and date will be automatically created.

A new type of scheduling agreement, called a delivery order has been developed for component suppliers. It represents a pick-up sheet, which functions much like a JIT delivery schedule, except that the pickup sheet is not renewed. The customer transmits material release data informing the component supplier of needed materials and the date the forwarding agent will pick them up.

Why Scheduling Agreement ?

Scheduling agreements are very much useful in industries where materials are produced in accordance with expected demand.

Example:

Suppose in automobile industry a car manufacturer produces 1200 cars in a year.
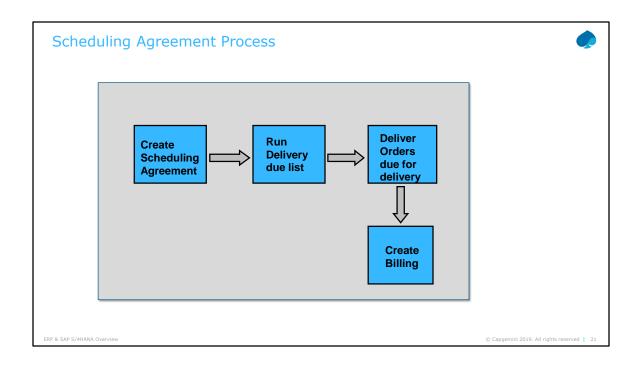
He on an average produces 100 per month.
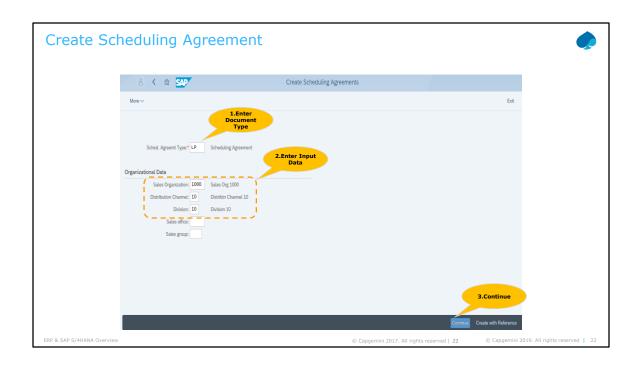
Suppose he requires radial tires from XXXX company, he need not place an order for the entire
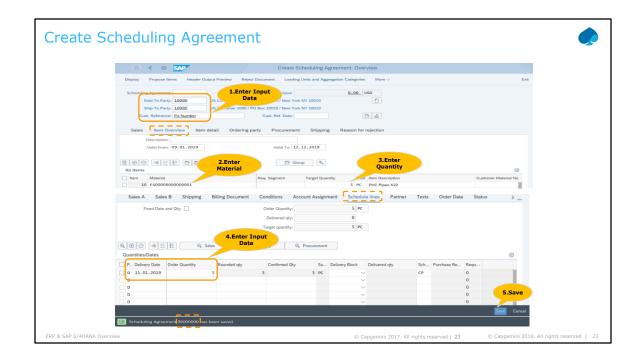
quantity he requires over an year.
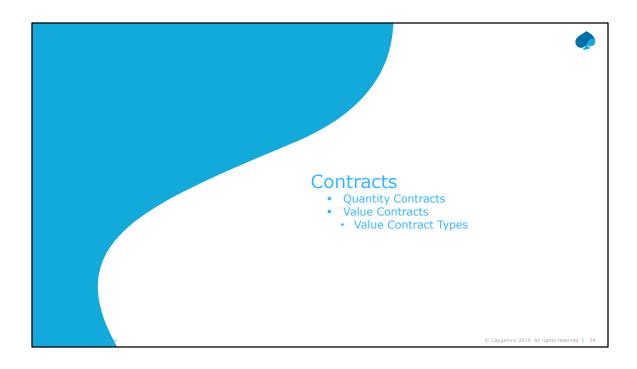
Instead the company enters into an scheduling agreement with XXXX company which ensures timely supply according to the need of production run.

Scheduling Agreement Process


```
┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│ Create       │ ──▶  │ Run          │ ──▶  │ Deliver      │
│ Scheduling   │      │ Delivery     │      │ Orders       │
│ Agreement    │      │ due list     │      │ due for      │
│              │      │              │      │ delivery     │
└──────────────┘      └──────────────┘      └──────────────┘
                                                    │
                                                    ▼
                                            ┌──────────────┐
                                            │ Create       │
                                            │ Billing      │
                                            │              │
                                            └──────────────┘
```

Create Scheduling Agreement

Create Scheduling Agreement

Contracts

- Quantity Contracts
- Value Contracts
  - Value Contract Types

Contracts

A contract is an agreement stating that your customer will

order a certain quantity of product from you within a given time frame.

A Contract is an outline agreement between Company and Customer that is valid for a certain period of time and contains an overall target quantity or value that a customer agrees to buy at a specific price over a certain period of time; however, it does not contain specific delivery dates (no schedule lines or delivery information.)

Contracts are of 4 types.

- Quantity contracts
- Value contracts
- Master contracts
- Service contracts

Quantity Contracts
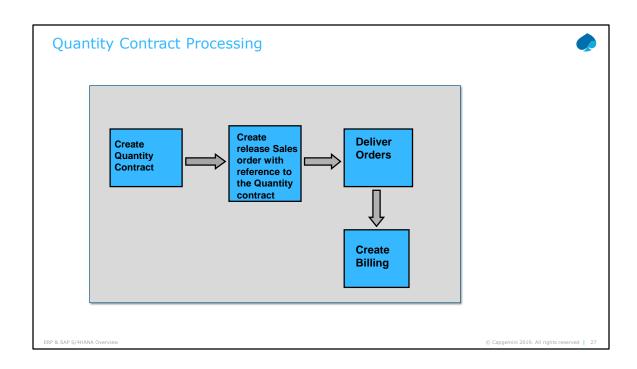
Quantity contracts are agreements between the customer and company to order specific quantities of a product within a set timeframe. The customer does not provide any information about delivery dates, only the start and end date of the contract. Quantity contracts are usually agreed to at discounts from totals if priced individually.

A quantity contract is fulfilled when the customer places orders against it in the contract period. These orders are known as release orders or 'call-offs'. However, they are standard orders that automatically reference the customer's quantity contract and reduce the remaining amount of product to be ordered under the contract.

If a customer can give delivery dates for the product, then it is preferable to use a scheduling agreement, instead of a quantity contract.

Quantity Contract Processing

```
┌──────────────┐        ┌──────────────────┐        ┌──────────────┐
│ Create       │   ➡    │ Create           │   ➡    │ Deliver      │
│ Quantity     │        │ release Sales    │        │ Orders       │
│ Contract     │        │ order with       │        │              │
│              │        │ reference to     │        │              │
│              │        │ the Quantity     │        │              │
│              │        │ contract         │        │              │
└──────────────┘        └──────────────────┘        └──────────────┘
                                                            │
                                                            ⬇
                                                     ┌──────────────┐
                                                     │ Create       │
                                                     │ Billing      │
                                                     │              │
                                                     └──────────────┘
```

Releasing The Quantity Contract
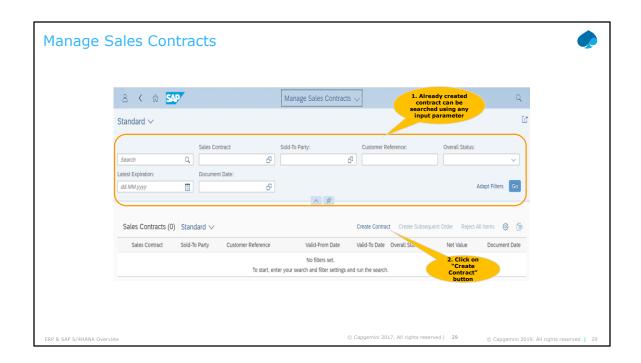
Release orders are created referencing the Quantity contract.
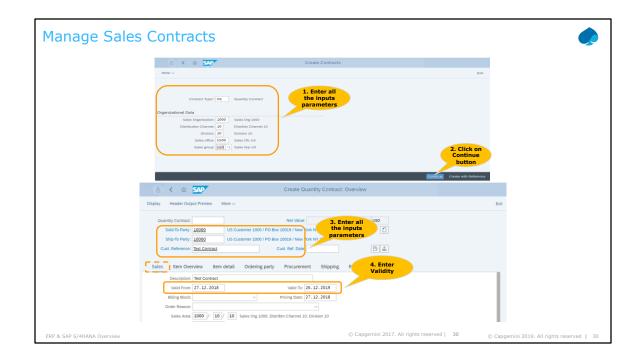
Release orders created update the quantity contract.
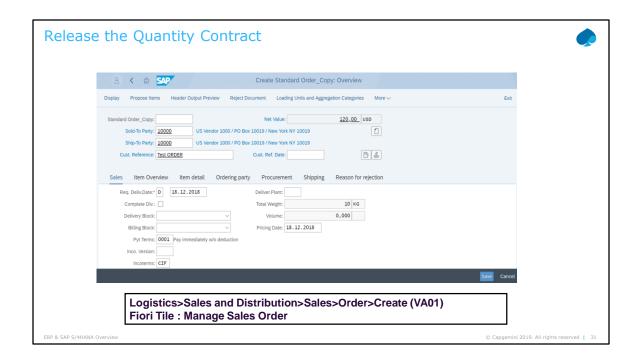
Since the contract does not contain any schedule lines or delivery information, a customer must fulfill the contract by placing a purchasing order against quantity contract.
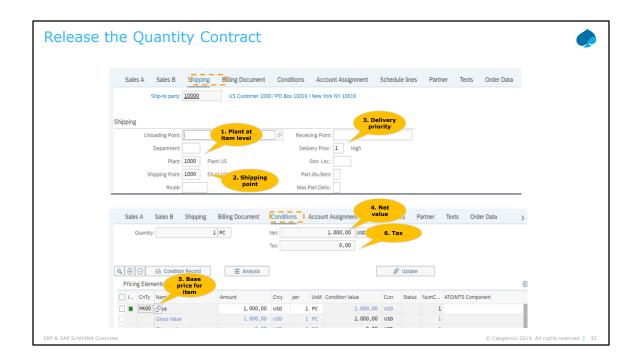
If you try to change a contract after the release order creation, the system warns you that subsequent documents exist.

Manage Sales Contracts

Manage Sales Contracts

Release the Quantity Contract

Logistics>Sales and Distribution>Sales>Order>Create (VA01)
Fiori Tile : Manage Sales Order

Release the Quantity Contract

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Value Contracts
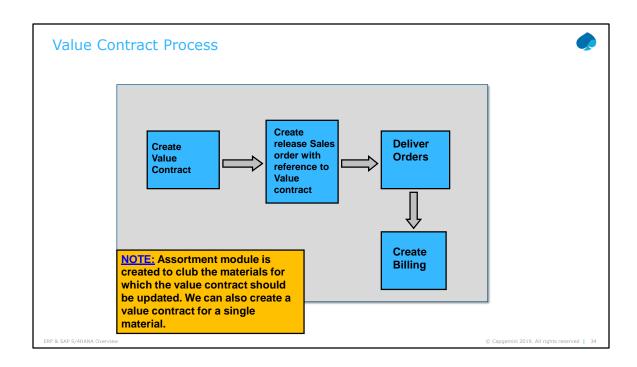
A value contract is a value based outline agreement with a customer in which it is agree that a certain value of products will be purchased over a period of time.

Value contracts contain:

- Validity period
- The agreed upon total value
- Rules controlling the who can release against the contract through partner authorizations
- Restrictions regarding what materials can be ordered against the contract

Value Contract Process

Create Value Contract → **Create release Sales order with reference to Value contract** → **Deliver Orders** → **Create Billing**

NOTE: Assortment module is created to club the materials for which the value contract should be updated. We can also create a value contract for a single material.

Value Contract Types

There are Two types of value contracts:

- Standard value contract: It is used in majority of instances. It is based on total value of an assortment of materials for a particular Customer. We use document type WK1 for these type of contracts.

- Material Related Value Contract: it is based on a single material (usually configurable material). We use document type WK2 for these type of contracts.

Releasing The Value Contracts

Release orders are created referencing the value contract.
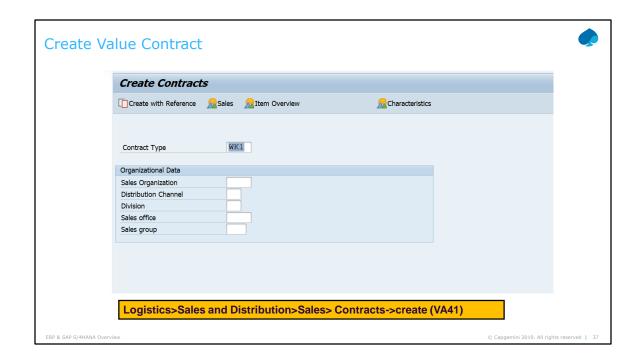
The system checks the released materials against the rules of the value contract as well as whether the release is within the validity period of the value contract.
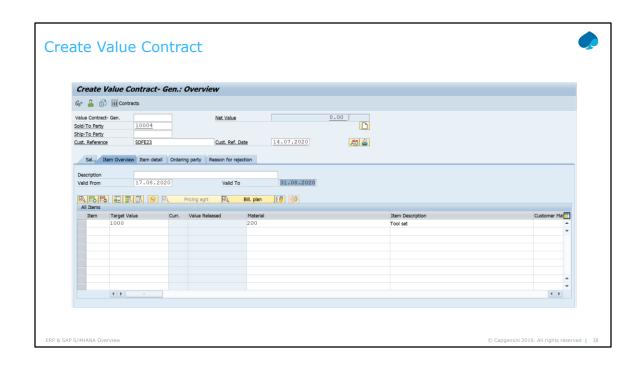
The value of the released material is checked against the remaining open value of the contract. It is possible to define whether a value contract quantity can be exceeded or not.
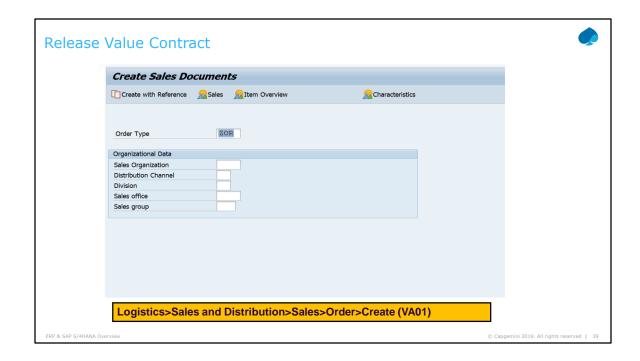
Value contracts can be billed directly or billed per release order.
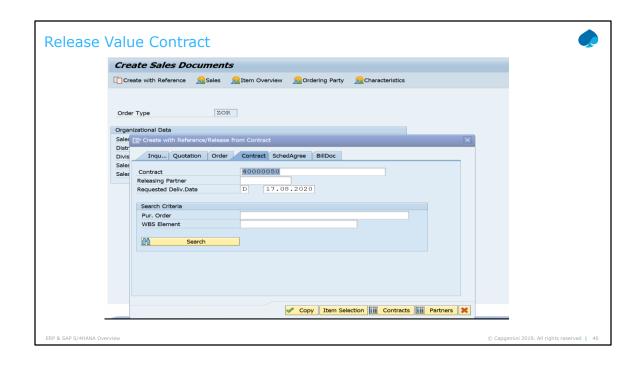
When billing documents are billed directly, a billing plan can be used.

Create Value Contract

Create Contracts

Create with Reference	Sales	Item Overview	Characteristics

Contract Type   `WK1`

Organizational Data

Sales Organization

Distribution Channel

Division

Sales office

Sales group

Logistics>Sales and Distribution>Sales> Contracts->create (VA41)

Create Value Contract

Create Value Contract- Gen.: Overview

Contracts

Value Contract- Gen.		Net Value	0.00
Sold-To Party	10004		
Ship-To Party			
Cust. Reference	SDFE23	Cust. Ref. Date	14.07.2020

Sal... | Item Overview | Item detail | Ordering party | Reason for rejection

Description	
Valid From	17.08.2020 Valid To 31.08.2020

Pricing agrt   Bill. plan

All Items

Item	Target Value	Curr.	Value Released	Material	Item Description	Customer Ma
	1000			200	Tool set	

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Release Value Contract

Create Sales Documents

Create with Reference	Sales	Item Overview	Characteristics

Order Type   ZOR

Organizational Data
Sales Organization
Distribution Channel
Division
Sales office
Sales group

Logistics>Sales and Distribution>Sales>Order>Create (VA01)

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Release Value Contract

Create Sales Documents

Create with Reference   Sales   Item Overview   Ordering Party   Characteristics

Order Type   ZOR

Organizational Data

Sales
Distr
Divis
Sales
Sales

Create with Reference/Release from Contract

Inqu... | Quotation | Order | Contract | SchedAgree | BillDoc

Contract   40000050
Releasing Partner
Requested Deliv.Date   D   17.08.2020

Search Criteria
Pur. Order
WBS Element

Search

Copy   Item Selection   Contracts   Partners

Assortment Module

Assortment Module

An Assortment Module is an order entry tool that displays a list of materials and services that can be released from a value contract. It has a validity date and a restriction that only the materials and services that belong in the same sales organization and distribution channel for which your release order is being made will be displayed.

Assortment modules for value contracts are maintained in the master data for products. You can define a validity period for each material in the assortment module. When you create a release order, the system checks the respective entry date against the validity period.

If you have not made any entries in the document, all the materials defined in sales can be released unless there are any other restrictions in copying control at item level

Assortment Module

Assortment modules support the assortment strategy you have planned.

Each module contains an assortment which applies to all stores and which only becomes store-specific after a suitable assignment has been made.

Special form of the traditional module types is the value contract module.

The value contract module is generally only used to group together materials for value contracts, but it can be used exactly like a standard module in assortment functions.

The Procedure:

Enter a module type. Promotion modules cannot be created in this transaction; they can only be created from within the promotion itself.

Profile modules are created directly during integrated material maintenance and can only be edited here to a limited extent. If you wish to maintain a local module for a single plant, enter the plant number in the 'local assortment' field.

Assortment Module
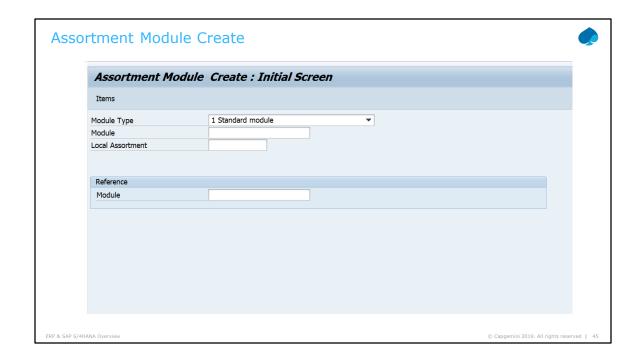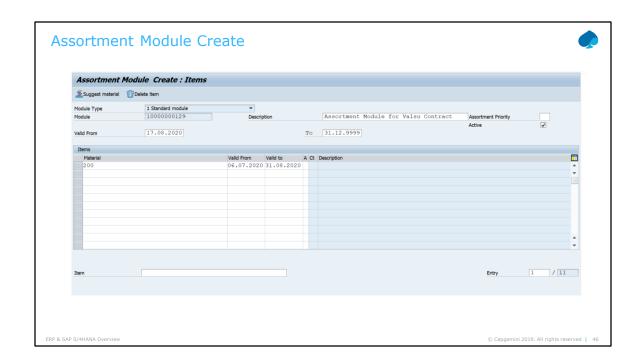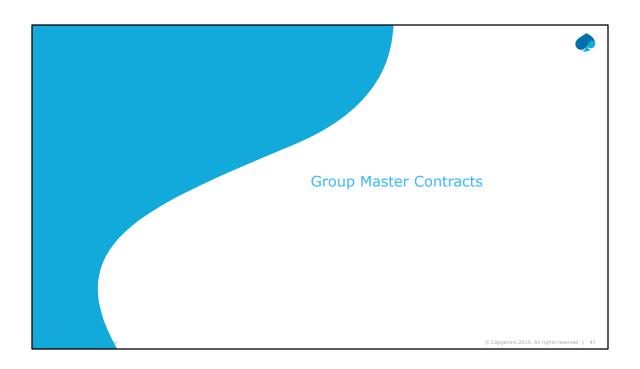
An assortment module is a grouping of materials, which make up its items. It is assigned to assortments. It is valid for a certain period of time and has a maximum assortment priority. Assortment modules belong to different module types.
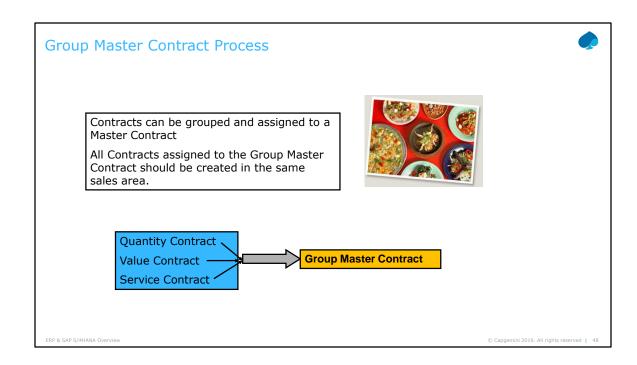
The value contract module is a special form; it can be used not only in assortment functions but also to group materials into value contracts.

Assortment Module Create

Assortment Module Create : Initial Screen

Items

Module Type	1 Standard module
Module	
Local Assortment	

Reference

Module	

Assortment Module Create

Assortment Module Create : Items

⬇ Suggest material   🗑 Delete item

Module Type	1 Standard module	
Module	10000000129	Description

Description: Assortment Module for Valsu Contract

Assortment Priority: [ ]
Active: ☑

Valid From: 17.08.2020   To: 31.12.9999

Items

Material	Valid From	Valid to	A	Ct	Description	
200	06.07.2020	31.08.2020				

Item: [   ]   Entry: 1 / 11

Group Master Contracts

Group Master Contract Process

Contracts can be grouped and assigned to a Master Contract

All Contracts assigned to the Group Master Contract should be created in the same sales area.


```
Quantity Contract
Value Contract      ──►   Group Master Contract
Service Contract
```

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Group Master Contracts - Example

```
Master Contract - GK 40000017
Sold To Party     6 Hughes Aircraft Head Office
Contract Start: 09/01/1998  End:09/01/1999
Ref. Procedure  GKCQ
                   Lower Level Contracts
40000018  Hughes Aircraft - NY  10/01/1998 - 11/15/1998
40000019  Hughes Aircraft - PA  11/01/1998  - 12/31/1998
```

```
CONTRACT(CQ) 40000018
Customer 6
Description:  Hughes Aircraft-NY
Master Contract: 40000017
Material      Quantity
XYZ           100
```

```
CONTRACT(CQ) 40000019
Customer 6
Description:  Hughes Aircraft-PA
Master Contract: 40000017
Material      Quantity
A9            250
```

Link to master contract created
at level of lower contract

Group Master Contracts – Create

Create Contracts

| Create with Reference | Sales | Item Overview | Ordering Party | Characteristics |

Contract Type   GK

Organizational Data

Sales Organization
Distribution Channel
Division
Sales office
Sales group

Service Contracts

Service Contracts

A service contract is an agreement that contains the conditions for offering a certain service to the customer. You can manage rental and maintenance contrac[...] standard version of the SAP R/3 System. A service contract contains valid[...] cancellation conditions, price agreements, and information on possible fo[...].

Element of the service contract in which you define the services or products you are providing the customer with under the terms of the service contract.

Continued…

A service contract describes which services are to be performed, for which objects, and under which conditions.

A service contract consists of a header and one or more items. The header and each item can contain the following data:

Pricing conditions
Contract data
Text
Status
Partner data

Releasing The Service Contracts
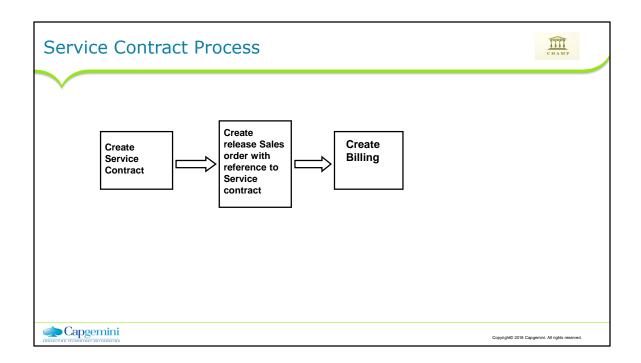
Release orders are created referencing the service contract.
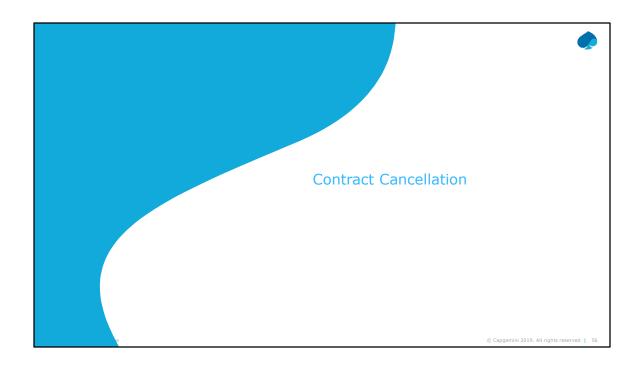
The system checks the released materials against the rules of the service contract as well as whether the release is within the validity period of the service contract.

Service Contract Process

```
┌──────────────┐      ┌──────────────────┐      ┌──────────────┐
│ Create       │      │ Create           │      │ Create       │
│ Service      │ ──▶  │ release Sales    │ ──▶  │ Billing      │
│ Contract     │      │ order with       │      │              │
│              │      │ reference to     │      │              │
│              │      │ Service          │      │              │
│              │      │ contract         │      │              │
└──────────────┘      └──────────────────┘      └──────────────┘
```

Contract Cancellation

Contract Data in Sales Document

The contract start and end dates can be entered manually or determined automatically. The system can propose these dates upon document creation according to a date determination rule which can be proposed for the contract type.

Sales document types are used to control whether or not additional contract data is allowed. Contract data can be maintained at header and item levels. Contract data at header level is valid for all items as long as different data is not entered at item level.

In addition to the contract start and end dates, contract data includes the Installation Date, the Contract Signed Date, and the Dismantling Date. These dates are manually maintained in a contract and can be used to determine the contract start and end dates.

Contract Cancellation

For canceling a contract we use the document type 'CQ'

The following information is required while canceling contracts

- Reason why the contract is cancelled.
- When will be the cancellation effective.
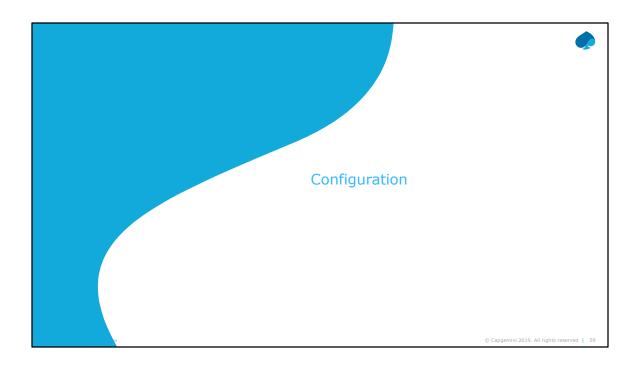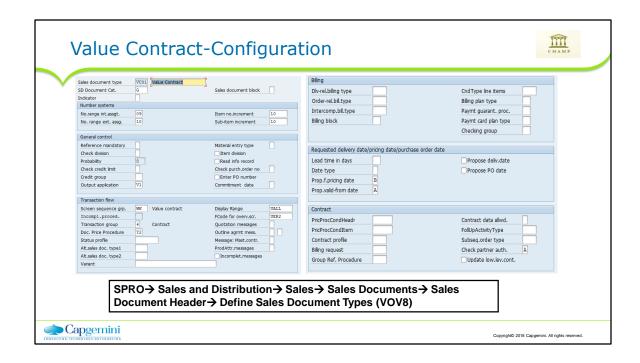
Once the contract is cancelled we cannot create release Orders with respect to contracts.

We cannot cancel a contract after its validity is over.

Configuration

Value Contract-Configuration

Sales document type	VC01 Value Contract		
SD Document Cat.	G	Sales document block	
Indicator			

Number systems

No.range int.assgt.	09	Item no.increment	10
No. range ext. assg.	10	Sub-item increment	10

General control

Reference mandatory		Material entry type	
Check division		☐ Item division	
Probability	0	☐ Read info record	
Check credit limit		Check purch.order no	
Credit group		☐ Enter PO number	
Output application	V1	Commitment date	

Transaction flow

Screen sequence grp.	WK Value contract	Display Range	UALL
Incompl.proceed.		FCode for overv.scr.	UER2
Transaction group	4 Contract	Quotation messages	
Doc. Price Procedure	Y2	Outline agrmt mess.	
Status profile		Message: Mast.contr.	
Alt.sales doc. type1		ProdAttr.messages	
Alt.sales doc. type2		☐ Incomplet.messages	
Variant			

Billing

Dlv-rel.billing type		CndType line items	
Order-rel.bill.type		Billing plan type	
Intercomp.bill.type		Paymt guarant. proc.	
Billing block		Paymt card plan type	
		Checking group	

Requested delivery date/pricing date/purchase order date

Lead time in days		☐ Propose deliv.date	
Date type		☐ Propose PO date	
Prop.f.pricing date	B		
Prop.valid-from date	A		

Contract

PricProcCondHeadr		Contract data allwd.	
PricProcCondItem		FollUpActivityType	
Contract profile		Subseq.order type	
Billing request		Check partner auth.	A
Group Ref. Procedure		☐ Update low.lev.cont.	

SPRO→ Sales and Distribution→ Sales→ Sales Documents→ Sales Document Header→ Define Sales Document Types (VOV8)

Create the Outline Agreement Document Types(VOV8)

SaTy	Description	Block
QT	Quotation	
CBDD	SEPA Direct Debit	
CBFD	Deliv.Free of Chg Ex	
CBG0	Return pack./empties	
CBII	Invoice Increase Req	
CBMO	MTO Standard Order	
CBMQ	MTO Quotation	
CBRE	Lean Return	
CQ	Quantitiy Contract	
DL	Order Type Sched.Ag.	X
CR	Credit Memo Request	
KB	Consignment Fill-up	
KOR	Standard order	
DR	Debit Memo Request	
RK	Invoice Correct. Req	
OR	Standard order	
VC01	Value Contract	

SPRO→ Sales and Distribution→ Sales→ Sales Documents→ Sales Document Header→ Define Sales Document Types (VOV8)

Create the Outline Agreement Item Categories(VOV7)

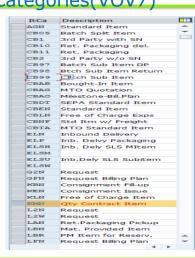| ItCa	Description
AGN	Standard Item
CB05	Batch Split Item
CB1	3rd Party with SN
CB10	Ret. Packaging del.
CB11	Ret. Packaging
CB2	3rd Party w/o SN
CB97	Batch Sub Item DP
CB98	Btch Sub Item Return
CB99	Btch Sub Item
CBAB	Bought-In Item
CBAG	MTO Quotation
CBAO	Milestone-Bill.Plan
CBDT	SEPA Standard Item
CBEN	Standard Item
CBLN	Free of Charge Exps
CBNF	Std Itm w/ Freight
CBTA	MTO Standard Item
ELN	Inbound Delivery
ELP	Inb. Delvy Packaging
ELSH	Inb. Delvy SLS MItem
ELSM	
ELSU	Inb.Dely SLS Subitem
ELSW	
G2N	Request
GFN	Request Billing Plan
KBN	Consignment Fill-up
KEN	Consignment Issue
KLN	Free of Charge Item
KMN	Qty Contract Item
L2N	Request
L2W	Request
LAN	Ret.Packaging Pickup
LBN	Mat. Provided Item
LBR	PM Item for Reserv.
LFN	Request Billing Plan

SPRO→ Sales and Distribution→ Sales→

Sales Documents→ Sales Document Item→ Define Item Categories(VOV7)

T-Codes

Use the Transaction Codes below to view the configuration settings for Sales Document Type, Item categories, Schedule Lines, Create the Scheduling agreements and Contracts.

VA31	**Create Scheduling agreements**
VA41	**Create Contracts**
VA01	**Release the Contracts(with Reference contracts)**
VOV8	**Define Sales Document Types**
VOV7	**Define Item categories**
VOV6	**Define Schedule lines**
VOV5	**Schedule line Determination**
VOV4	**Item Category Determination**

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Outline Agreements

To have more information,

- http://help.sap.com/saphelp_47x200/helpdata/en/75/ee0e9755c811d189900000e8322d00/frameset.htm

- http://help.sap.com/saphelp_erp2004/helpdata/EN/dd/55fd53545a11d1a7020000e829fd11/frameset.htm

- http://help.sap.com/saphelp_erp2004/helpdata/EN/dd/56045d545a11d1a7020000e829fd11/frameset.htm

People matter, results count.

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A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

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