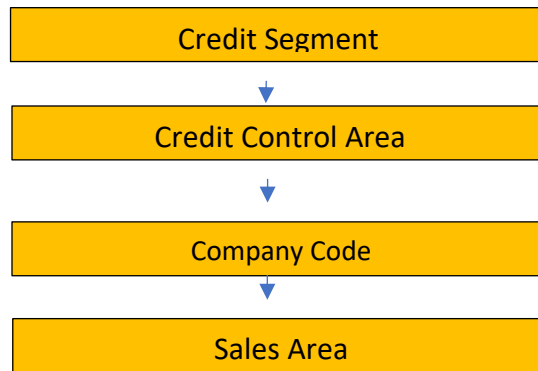


Credit Management
in
SAP S4 Hana FSCM
Financial Supply Chain Management

1. Enterprise structure related to credit management



2. Credit management is a component with FSCM which takes care of:

1. Providing credit limits to customers (UKM_BP)
2. Based on sales order received from customers, system will verify if sufficient credit is available or not.
3. If credit is not available then, system will either not accept the order or system will block the delivery of this order. Risk class (In ECC risk category) is used to segregate customers based on their credit ratings which is used to specify about the customer, either we accept his sales order or block the delivery.

Business Partner [Redacted] [UKM000 SAP Credit Manage...](#)

Address Address Overview Identification Control Payment Transactions Status Where-Used List **Credit Profile** Creditworthiness Data

Scoring

Rules ☒ Valid To Changed On

Risk Class
 A No Default Risk
 B Low Default Risk
C Medium Default Risk
 D High Default Risk
 E Very High Default Risk

Check Rule

Credit Group

External Credit Information

Rating	Proceed...	Allowed	Rating	Trend	Def...	Valid From	Valid To	Rated On	ID number	Text
		<input checked="" type="checkbox"/>			<input type="checkbox"/>					
		<input checked="" type="checkbox"/>			<input type="checkbox"/>					
		<input checked="" type="checkbox"/>			<input type="checkbox"/>					
		<input checked="" type="checkbox"/>			<input type="checkbox"/>					
		<input checked="" type="checkbox"/>			<input type="checkbox"/>					

Date

Notes for Credit Data

Description	1st line	T L

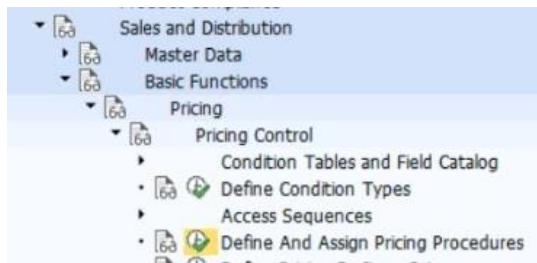
3. If we want to maintain the credit limit, business partner must be created in UKM000 role. Credit limit is defined by credit segment level in the credit segment data tab of business partner. After assigning credit limit there is a workflow approval process, and the authorized person can be approving only that limit assigned.
4. Check rules allows to specify any other parameter to restrict sales order creation.
5. Rules, score & credit group is used for automatic calculating of credit limit by the system which is set based on calculation defined after interface with credit rating agencies.

The screenshot displays the SAP Credit Management interface for a Business Partner. The top navigation bar includes tabs for Person, Organization, Group, General Data, Credit Segment Data, and Relationships. The Business Partner field is redacted, and the Change in BP role is set to 'UKM000 SAP Credit Manage...'. The Credit Segment is also redacted, with a 'Delete Data in Segment' button. The 'Credit Limit and Control' tab is active, showing the 'Credit Limit' section. Under 'Rules', 'Limit Defined' is selected, with a limit value of '0,00' and a currency of 'USD'. The 'Valid To' field is empty. Below this, 'Credit Exposure' is '0,00' and 'Utilization %' is '0,0'. The 'Control' section has checkboxes for 'Blocked in Credit Management' and 'Special Attention', both unchecked, and a 'Block Reason' field. The 'Further Information' section has an 'Information Cat' dropdown. At the bottom, there is a field for 'Additional Info. in Credit Management'.

6. In SAP ECC there are two components supporting credit management:
 1. FI-AR credit management (FD32) (No more available in S4 Hana)
 2. FSCM credit management (Available in S4 Hana)

Sales & Distribution Process:

7. Pricing procedures are assigned to the combination of sales characteristics which include all the condition, all the tax information etc.



Change View "Det. of Pricing Procedures in Sales Docs.": Overview

New Entries

Sales Orga...	Distri...	Division	Do...	Cu...	Pricing Pro...	Pricing Procedure	Co...	Condition Type for Fast Entry
0001	01	01	2	1	18CBCL			
0001	01	01	5	1	J3GINT	CEM internal view		
0001	01	01	6	1	J3GEXT	CEM external view		
0001	01	01	7	1	J3GMA1	CEM material (internal		
0001	01	01	7	2	J3GMA1	CEM material (internal		
0001	01	01	8		PLFVIS	Pendulum List		
0001	01	01	8	1	PLFVIS	Pendulum List		
0001	01	01	8	2	PLFVIS	Pendulum List		
0001	01	01	A	1	RVAA01	Standard	PR00	Price
0001	01	01	A	2	RVAB01	Standard - Gross price	PR01	Price incl.Sales Tax
0001	01	01	A	3	CHBACK	Pricing Reimbursement		
0001	01	01	A	5	GIS001	GTM Sales Price		
0001	01	01	A	6	GTLITE	SD Minimal Schema	PB00	Price (Gross)
0001	01	01	A	M	NFMA03	Standard NF metals wei	NFMP	Metal Price Wght-Dep
0001	01	01	A	N	NFMA01	Standard NF Metals Cal	PR00	Price
0001	01	01	A	R	JDRM01	DRM Sell through @ DR		

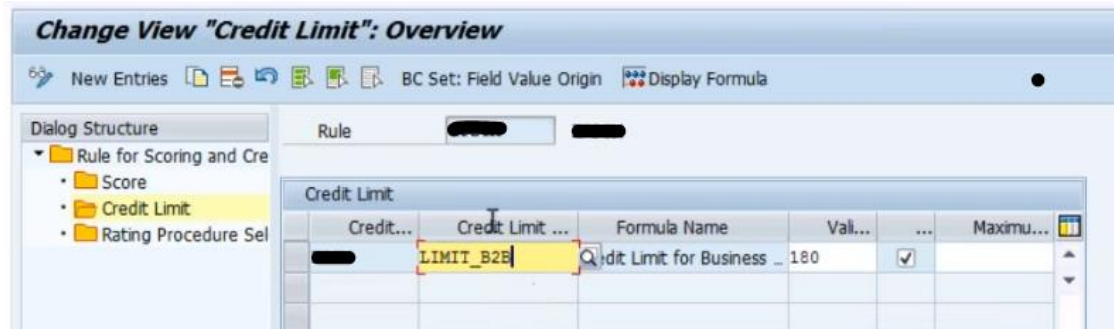
8. When we create sales order SAP automatically check that stock for that material is available or not. If system is unable to check, then it will not confirm this order and if sales order is not confirmed credit management will not take place. For this we must maintain availability check field in Sales: General/Plant tab of material master data.

The screenshot displays the SAP Sales General Plant screen. At the top, there are tabs for 'Additional Data', 'Org. Levels', 'Check Screen Data', and a lock icon. Below these are navigation tabs: 'Sales: sales org. 2', 'Sales: General/Plant', 'Ext. SPP Basic Data', and 'Intl Trad...'. The main area is divided into several sections:

- Material:** Fields for Material, Descr., and Plant, with redacted values.
- General data:**
 - Base Unit of Measure: EA each
 - Gross weight: 1 KG
 - Net weight: 1
 - Availability check: ☒ (highlighted with a red box)
 - Appr. batch rec. req.: ☐
 - Batch management: ☐
 - Batch management(Plant): ☐
 - Replacement Part: ☐
 - Qual.f.FreeGoodsDis.: ☐
 - Material freight grp: ☐
- Shipping data (times in days):**
 - Trans. Grp: ☐
 - LoadingGrp: ☐
 - Setup time: ☐
 - Proc. time: ☐
 - Base qty: ☐ EA
- Packaging material data:**
 - Matl Grp Pack.Matls: ☐
 - Ref. mat. for pkg: ☐
- General plant parameters:**
 - Profit Center: ☐
 - Neg.stocks: ☐
 - IUID-Relevant: ☐
 - Ext. Allocation: ☐
 - IUID Type: ☐
 - SerialNoProfile: ☐
 - SerialzLevel: ☐
 - DistProf: ☐

How to determine credit limit & score automatically:

9. When new customer is registered, we must perform following steps:
 1. Send the details to credit rating agencies.
 2. Receive the file from credit rating agencies.
 3. Rating are segregated into different scores. Scores are calculated by system automatically based on defined rule. Rule can be customized as according to the requirements of the client. Credit rating agencies don't provide numerical values, so we must convert ratings into numerical values as per our credit policy like we assign 10 score to customer with credit rating of "A". Values are defined in rating procedure for the defined agency.



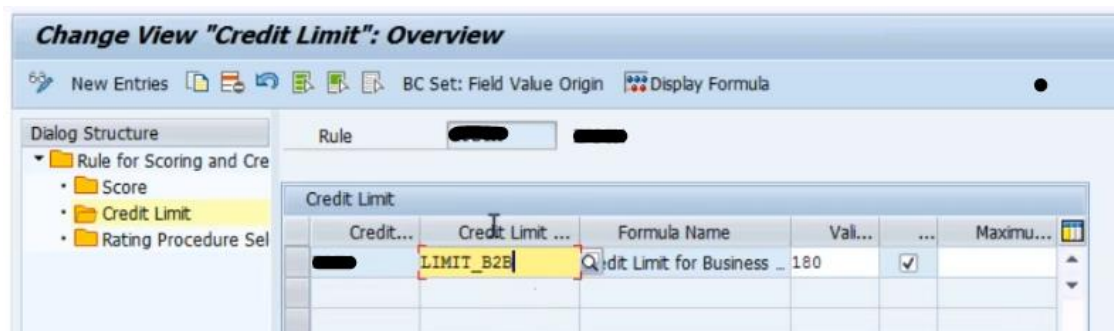
4. Based on the achieved score by customer, system will automatically calculate the risk class. Risk class must configure based on the scores like if customer score is 100 then it will be classified as no default risk customer.

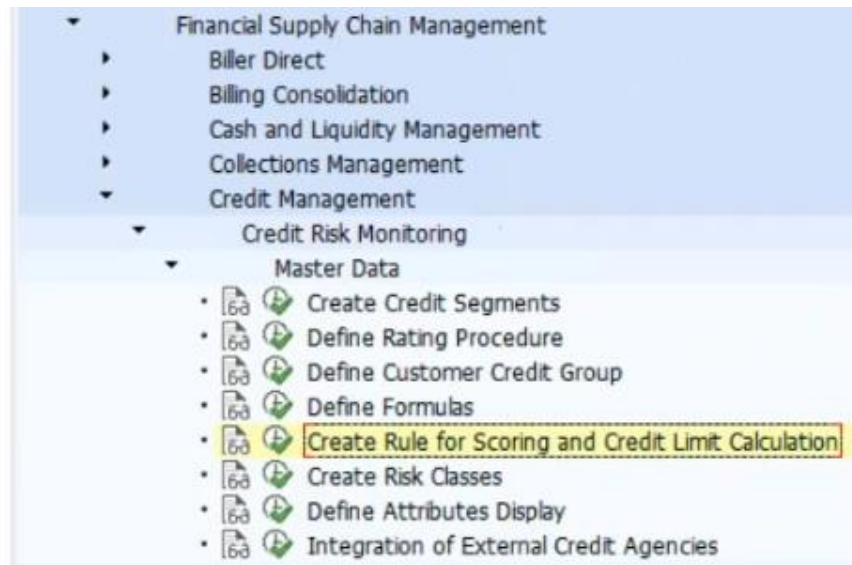
Change View "SAP Credit Management: Assignment of Risk Class to Score"

SAP Credit Management: Assignment of Risk Class to Score

Name of Risk Class	Score From	Score To
No Default Risk	100	100
Low Default Risk	70	99
Medium Default Risk	50	69
High Default Risk	41	49
Very High Default Risk	1	40

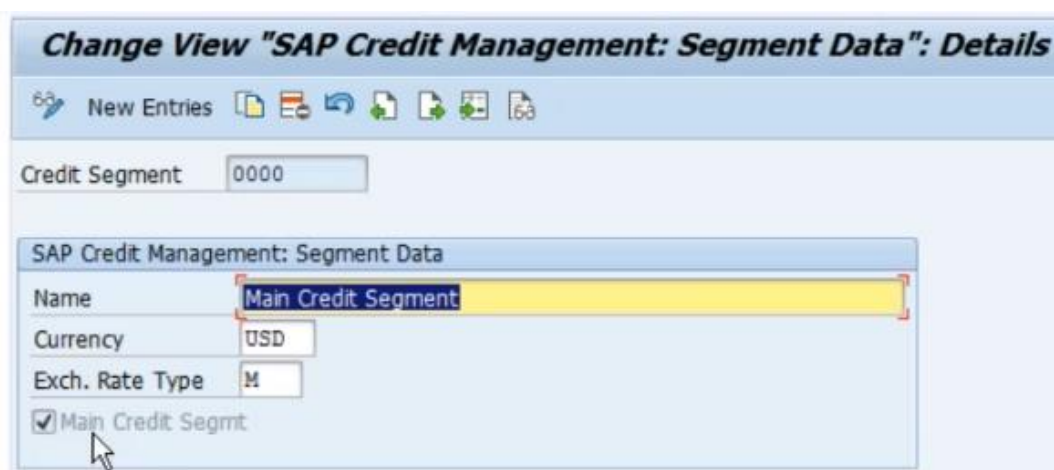
5. Credit limit amount is automatically calculated by the system as defined in the credit limit formula.



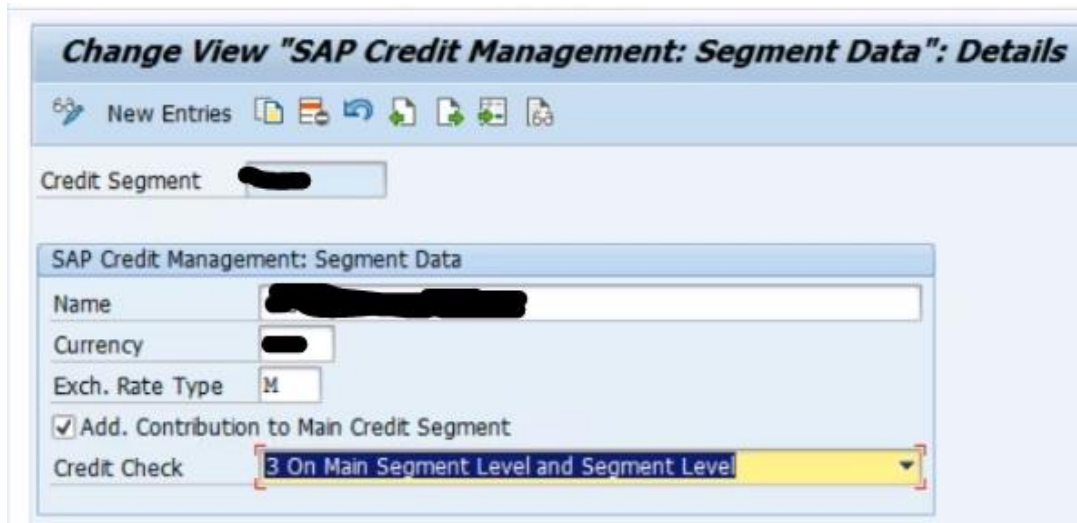


Main Credit Segment:

1. Main credit segment is used for the allocation of credit limit assignment. It is used to allocate credit limit at a client level. This case is used for central allocation of credit limits for multiple customers. If a particular customer is doing business with our multiple legal entities so we must use credit limit allocation at a client level.



2. We must have to check for add contribution to main credit segment and use credit check on main & segment level both. Credit consumed on segment level will be consumed for main segment too.



Change View "SAP Credit Management: Segment Data": Details

New Entries

Credit Segment: [REDACTED]

SAP Credit Management: Segment Data

Name: [REDACTED]

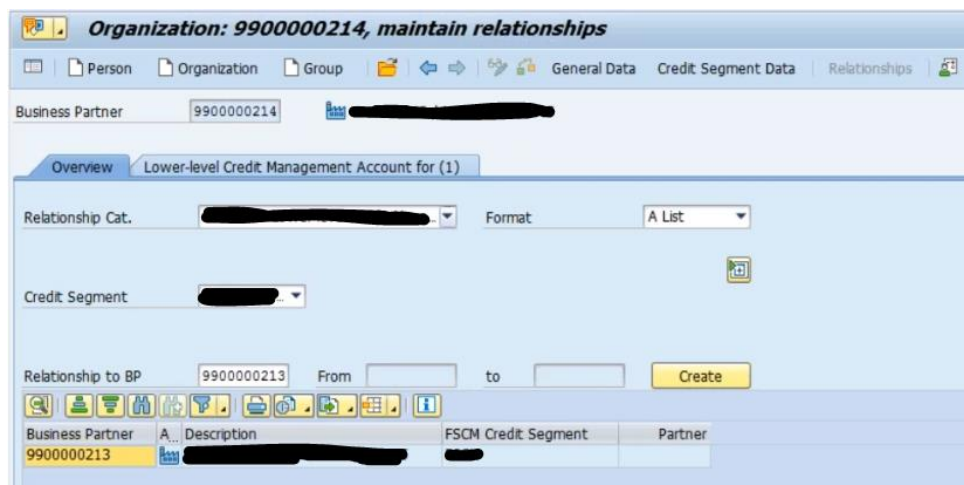
Currency: [REDACTED]

Exch. Rate Type: M

☒ Add. Contribution to Main Credit Segment

Credit Check: 3 On Main Segment Level and Segment Level

3. Business partner relationship is used for credit limit assignment if different branches of one customer is doing business with us. We must create a BP group with a role of UKM000 and credit limit will be assigned to one central group. Business partner companies are then assigned to one business partner group.



Organization: 9900000214, maintain relationships

Business Partner: 9900000214

Overview | Lower-level Credit Management Account for (1)

Relationship Cat.: [REDACTED] Format: A List

Credit Segment: [REDACTED]

Relationship to BP: 9900000213 From: [REDACTED] to: [REDACTED] Create

Business Partner	A. Description	FSCM Credit Segment	Partner
9900000213	[REDACTED]	[REDACTED]	[REDACTED]

4. If bank is providing guarantee for any customer so we must input the collateral amount. Same treatment should be done for the case of credit insurance, and this must be integrated with treasury and risk management.

Change Group: 9900000213, role SAP Credit Management

Business Partner: 9900000213

Change in BP role: [Redacted]

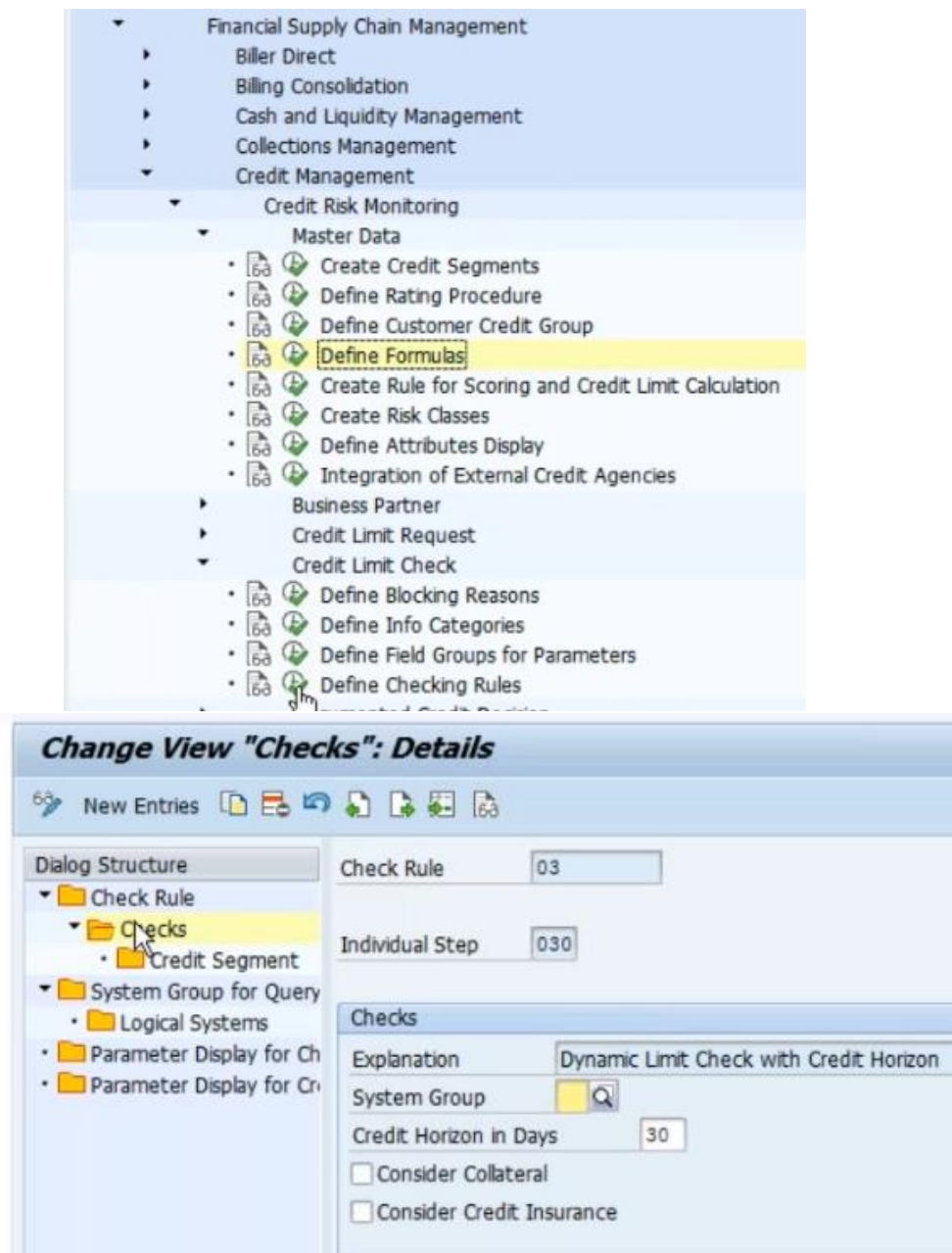
Credit Segment: [Redacted] Delete Data in Segment

Further Information

Information Cat: 10 Collateral

I... Name of Type	Rele...	Amount	Currency	From Date	To Date	Resub.	Text Field
[Redacted]	<input type="checkbox"/>						
	<input type="checkbox"/>						
	<input type="checkbox"/>						
	<input type="checkbox"/>						
	<input type="checkbox"/>						
	<input type="checkbox"/>						

5. In case of sales invoice posting in FI credit exposure will be enhanced but system will not perform any credit check.
6. Static credit check will calculate all the credit exposure value, but dynamic credit check will consider the time horizon during calculating credit exposure value.



7. Check exception is used if we want to exclude any business partner from credit check. This option is available in credit segment tab of business partner master data.

[illegible]

- Based on customer receipt system will calculate DSO which tells about the average number of days customer will take to make the payment.

Display Organization: 9900000214, role SAP Credit Management

Person Organization Group General Data Credit Segment Data Relationships

Business Partner 9900000214

Display in BP role

Credit Segment

Credit Limit and Control Payment Behavior Key Figures KPI Payment Behavior

Payment On
Amount 0,00
Document

Key Figures

☐ Data Outdated

DSO 0

Amount 0,00

W/o Cash Disc. 0,00 Days in Arrears 0

With Cash Disc. 0,00 Days in Arrears 0

Sales 0,00

Maximum Sales 0,00

Collection Amt 0,00 Percentage 0

9. Based on DSO calculated system allows us to perform credit check like the below example if customer's DSO reached at 60 orders will automatically be blocked even limit is still available.

Change View "Checks": Details

New Entries

Dialog Structure

- Check Rule
 - Checks
 - Credit Segment
 - System Group for Query
 - Logical Systems
 - Parameter Display for Ch
 - Parameter Display for Cr

Check Rule 01

Individual Step 120

Checks

Explanation Check of Payment Behavior Index

DSO 60

Other credit check options are also available those can be specified at:

1. Dunning level
2. Maximum order value (Sales Order)
3. Age of oldest open item
4. Overdue open items
5. Payment behavior index

The screenshot displays the SAP Credit Management interface for Business Partner 9900000214. The interface includes a top navigation bar with tabs for 'Person', 'Organization', 'Group', 'General Data', 'Credit Segment Data', and 'Relationships'. Below the navigation bar, the 'Credit Segment' is selected, and a 'Delete Data in Segment' button is visible. The main content area is divided into three sections: 'Credit Limit and Control', 'Payment Behavior Key Figures', and 'KPI Payment Behavior'. The 'Payment Behavior Key Figures' section is currently active and contains three sub-sections: 'Highest Dunning Level', 'Oldest Open Item', and 'Last Payment'. Each sub-section has a 'Data Outdated' checkbox and several input fields for numerical values and dates. The 'Highest Dunning Level' section includes fields for 'Dunning Level', 'Amount' (0,00), 'Document', and 'No.Dunning Nots' (0). The 'Oldest Open Item' section includes fields for 'Amount' (0,00), 'Net Due Date', 'Days in Arrears' (0), and 'Document'. The 'Last Payment' section includes fields for 'Payment On', 'Amount' (0,00), and 'Document'.