Invoice Verification

The MM Invoice Verification component displays the high degree of integration within the R/3 System. It provides the link between the Materials Management and Financial Accounting, Controlling, and Fixed Assets Management. Invoice Verification accesses data from purchasing and goods receipt in MM. When you post an invoice, the information in the document is transmitted to the accounting modules.
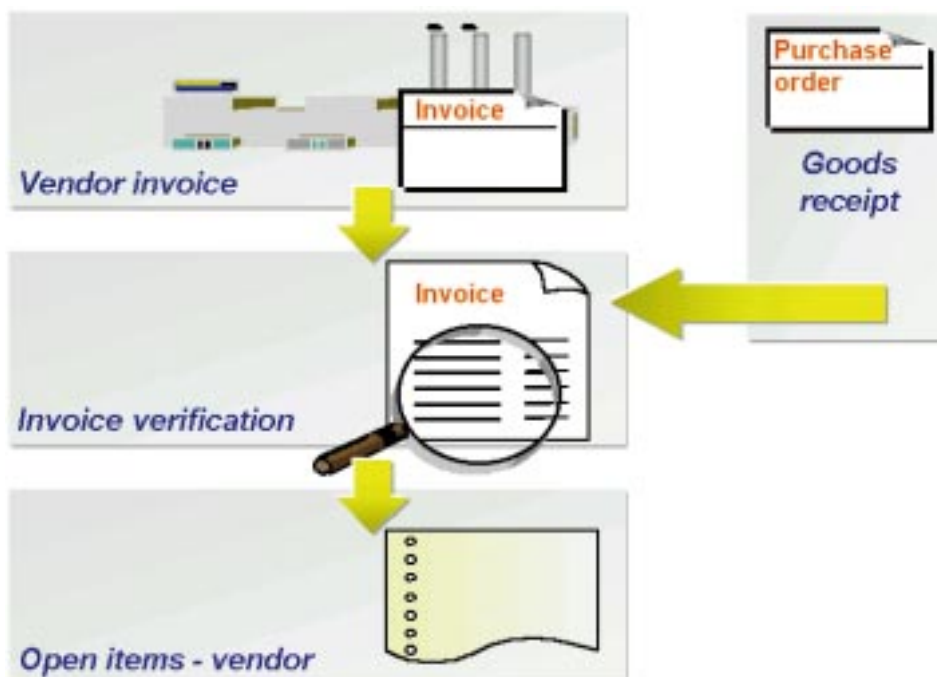

Fig. 8-1: Invoice Verification Procedure

Invoice Verification checks invoices for content, price, and calculation accuracy. It is important to reference a purchase order or a goods receipt. When an invoice is posted, the system creates an open item in the vendor account which is cleared by Financial Accounting on payment. In MM Customizing (Invoice Verification), you can define for each user the maximum invoice amount they can post.

Entering Invoices

For an invoice with reference to a purchase order, you are only required to enter the order number. The system automatically proposes tax rate, terms of cash discount, and the individual quantities and values. All these defaults can be changed since the invoice can display variances.

Invoices with Order Reference

When you enter an invoice, the system informs you of variances through system messages. You can set tolerance limits for variances in the individual invoice items. If the variances are within the limits, they are accepted by the system. If they exceed the limits, you receive a message indicating that they must be corrected. If

the upper limit is exceeded, the document can be posted but it is blocked for payment. The blocked invoice can only be settled by Financial Accounting once you have released the document in a separate transaction.
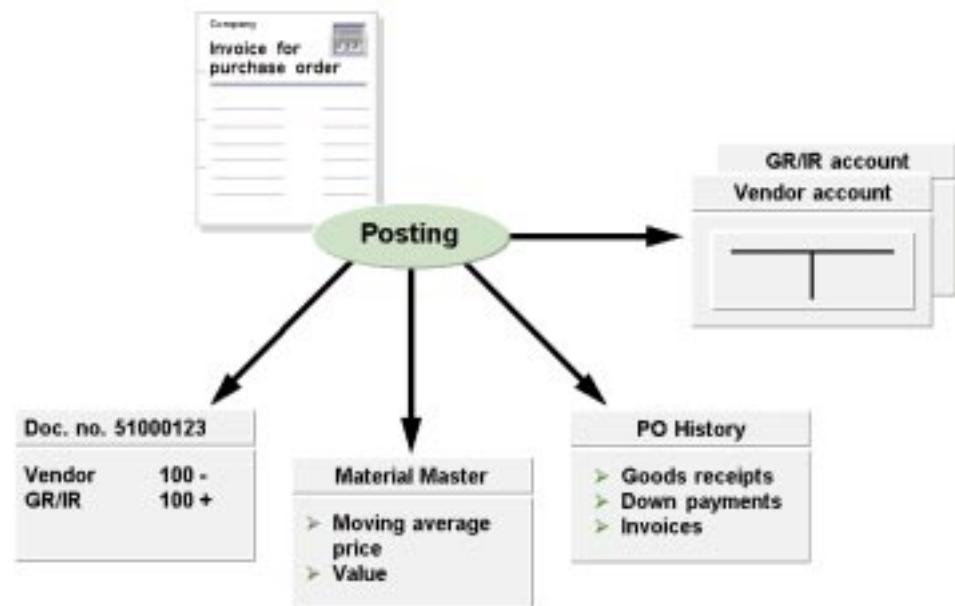

Fig. 8-2: Posting an Invoice

When you post an invoice, the system creates a document and posts the amounts to the relevant accounts. The accounts are determined automatically. In addition, the price history is updated for invoices with purchase order reference. If the material is valuated with the moving average price, the price and value of the material are updated in the material master record.

Goods Receipt Reference

Invoices referencing goods receipts are a special form of order-based invoices. The accounts payable clerk enters the delivery slip number or the document number for the goods receipt. The system determines and proposes the required data. Individual deliveries can be settled this way. In goods receipt-based invoice verification, you can also enter the purchase order.

If you enter a purchase order, the system creates an invoice item for each order item for each goods receipt. You assign an invoice to a goods receipt in this way.

Invoices Without Order Reference

Using the Invoice Verification component of MM, you can also process invoices that do not have a reference document in the system (for example, a bill for expenses). First, you create a vendor item, then you create a document item for each invoice item. You can post the document to a material account, G/L account, or a fixed asset account.

Functions for Entering Invoices

When entering an invoice, you have a range of functions from which to choose. Some of the most important functions are displayed below:

Search for Purchase Order

❑ To determine which invoice is allocated to which purchase order, you can generate a list of all the purchase orders for a material or for a vendor:

❑ Multiple selection

If an invoice contains items that refer to different purchase orders, you can select the items to be processed in one step.

❑ Document adjustment

Before you post an invoice, you can adjust each document item as many times as you want.

❑ Document simulation

When you enter an invoice, you can simulate the account movements that will be made and the balance for the document.

❑ Access to information

When you enter an invoice, you can access various additional information (for example, purchase order, order history, material data, or vendor data).

Which functions are available for processing invoices?
❑ Entry options with purchase order or goods receipt with reference or without reference
❑ Simulation of postings in financial accounting
❑ Access to additional information

Taxes

MM contains all valid deductible and non-deductible tax types for your country and other countries.

When you enter an invoice, you also enter the tax record and the tax amount, if it is contained in the invoice. The system checks if the invoice amount, tax record, and tax amount are correct. If there are variances, you receive a warning message from the system, but you can still post the invoice.

If an invoice does not contain a tax amount, it can be calculated by the system.

If the invoice items have different tax records, the tax is processed individually for each invoice item.

When you post an invoice, tax items are created automatically.

What are the main characteristics of tax processing in Invoice Verification?
❑ Deductible and non-deductible tax types
❑ Entry of tax record and/or tax amount
❑ Automatic tax postings

Posting Gross/Net Amounts

When you enter an invoice, you can enter terms of payment. Conditions from the purchase order or from the vendor data are proposed. The terms of payment can be defined, for example, as 3% cash discount applies within 10 days, 2% cash discount within 20 days, and a net payment within 30 days. You can also enter a

Cash Discount

fixed cash discount amount. There are two ways of posting the cash discount amounts:

❑ Gross posting

❑ Net posting

When you enter an invoice, you specify the way in which cash discount is posted.

Gross Posting   If you post the gross amount of an invoice, the system ignores the cash discount amount when you enter the invoice data. The cash discount amount is posted to a separate income account only later when payment is made. In this way, the cash discount posting does not have an effect on the stock or cost account.

Net Posting   If you post the net amount of an invoice, the cash discount amount is credited directly to the account to which the costs are posted. For example, if you post an amount to a cost center, only the invoice amount minus the cash discount amount is posted to the cost center.

Invoice Item Without Cash Discount   Some items in an invoice may be excluded from cash discount settlement. You can select them as "without cash discount."

What functions are there in Invoice Verification that include cash discount amounts?

❑ Gross posting

    The cash discount amount is only calculated and posted once payment is made

❑ Net posting

    The cash discount amount is credited and posted in Invoice Verification

Other Functions

Preliminary Posting

In Invoice Verification you can park an invoice document. This allows you to enter the information contained in an invoice in the system and save it without any postings being made. A parked document does not have to be complete and can be changed as much as you like. Only when you have posted the parked document are the account postings made. Parked documents are indicated as such in the purchase order history. The taxes contained in parked documents can be included in declarations to the tax authorities.

Foreign Currency

Invoices in foreign currency are entered into the system in the same way as invoices in local currency. However, the system must convert the amounts, since the accounts can only be posted in local currency. There are various methods available:

Exchange Rate   ❑ A fixed exchange rate is defined in the purchase order

❑ The exchange rate is based on the value day and the middle rate stored in the system

❑   An exchange rate can be entered directly in Invoice Verification

When you post an invoice, the invoice document is created both in your local currency and in the foreign currency.

When you enter an invoice in a foreign currency, the invoice value is converted automatically into the local currency.

Account Assignments

Services and materials which are not procured for stock must contain account assignment details in the order item. You can distribute an item to different account assignments. If a valuated goods receipt is made for an account-assigned purchase order, the account assignment in the purchase order is binding for Invoice Verification. With a non-valuated goods receipt, the accounts payable clerk can change the account assignment.

Subsequent Debit/Credit

A subsequent debit/credit applies if a transaction has already been cleared and additional costs are incurred. It is posted directly to the material or cost account. The new value is updated in the order history. The quantity remains the same.

Credit Memos

In Invoice Verification, you can also post credit memos. Credit memos can refer to purchase orders or goods receipts. A credit memo with reference to a purchase order or goods receipt is interpreted by the system as a cancellation of the invoice receipt.

Down Payments

Down payments can be agreed with vendors in the purchase order. Down payments refer to the whole purchase order or to individual order items. If down payments have been posted for a purchase order, you receive a message from the system when you enter an invoice. This also applies to down payments made without reference to a particular transaction. The relevant transfer posting can then be made in a separate step.

Delivery Costs

Planned delivery costs can be divided into the following types: freight, customs duty, insurance, packaging, and so forth. For each type, you can determine whether the costs are fixed, quantity-dependent, or are a percentage value of goods delivered.
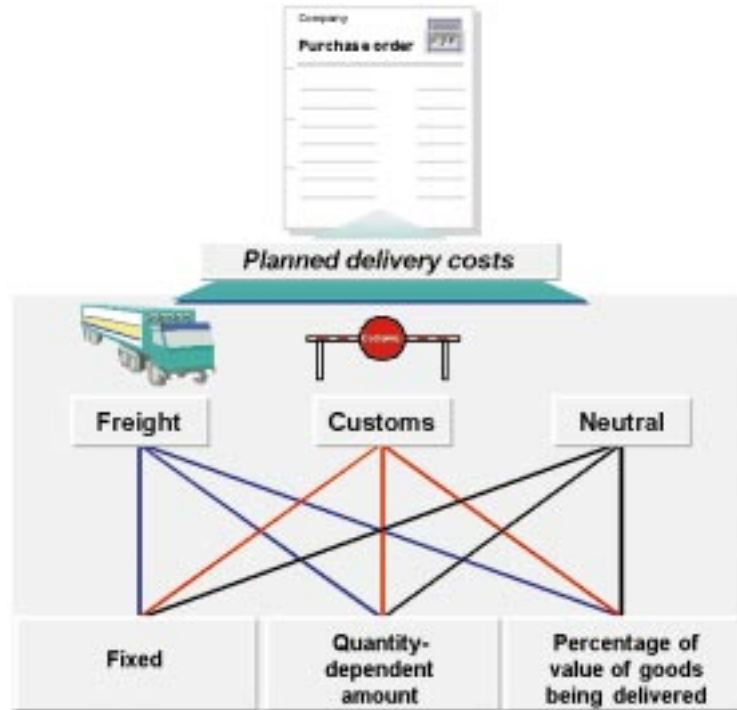
Planned Delivery Costs

Fig. 8-4: Planned Delivery Costs

Planned delivery costs are entered in the purchase order for each order item. The relevant amount for planned delivery costs is posted to the material or cost account at goods receipt. The offsetting entry is posted to a special clearing account (for example, a freight clearing account). In Invoice Verification, you can list all the delivery costs for a purchase order, a delivery slip, or a vendor to correctly allocate the delivery costs in the invoice. Planned delivery costs are updated in the order history.

Unplanned Delivery Costs   Unplanned delivery costs are entered when you enter the invoice. The system automatically distributes them to the individual items in proportion to the entire value invoiced. If required, you can manually enter a different distribution of costs. Unplanned delivery costs are posted directly to the material or cost account.

In Invoice Verification, you can process delivery costs that are planned in a purchase order or delivery costs that are unplanned.

Which other functions are available in invoice processing?
- ❑ Preliminary posting
- ❑ Foreign currency processing
- ❑ Account assignment
- ❑ Subsequent debiting and crediting
- ❑ Creation of credit memos
- ❑ Reference to down payments
- ❑ Delivery cost processing

Blocked Invoices

If the invoice amounts vary from the purchase order or goods receipt amounts, you must overwrite the proposed quantities and values. The following variances may exist:

❑ Quantity variance

❑ Quality variance

❑ Price variance

❑ Schedule variance

You can also block invoice items of a specific amount. This is useful for invoices that do not refer to a purchase order, since the system cannot check the amount entered against a default value.

MM also supports random blocking of invoices (referred to as stochastic blocking). The system randomly blocks invoices that do not actually warrant blocking so that they can be checked again before being paid.

You can define tolerances for individual variances. If a variance is within a tolerance limit, it is accepted by the system. If it is above or below the limit, you receive a message. In each case, you can post the invoice. However, if the upper limit is exceeded, the whole invoice is blocked for payment and relevant blocking reasons are set. The blocking reasons explain how the variances have arisen. The invoice can only be settled after you have released it in a separate step. **Tolerances**

You can generate a list of blocked invoices for processing. Based on this list, you can do the following: **Releasing Blocked Invoices**

❑ Cancel individual blocking reasons

This is useful, for example, if investigations prove that a price variance is justified, but a quantity variance still exists for this invoice item.

❑ Release an invoice

Released invoices can be paid by Financial Accounting. Since searching for reasons for the variance can take several days, you might have to change the date from when the terms of payment are valid. This way, a cash discount can be included despite the invoice block.

If an invoice was blocked due to quantity or schedule variance, the blocking reason may no longer be valid if the goods have been delivered or the date has passed. The invoice then must be released for payment. There is an automatic release function that releases all invoices with blocking reasons that are no longer valid. **Automatic Release**

How are blocked invoices processed?

❑ By determining variances using tolerance limits

❑ By setting blocking reasons in the document item and payment block

❑ By releasing invoices

Evaluated Receipt Settlement (ERS)

To reduce the time and effort involved in Invoice Verification and to prevent errors in processing, you can arrange with a vendor not to send any invoices. The invoice is generated instead by the R/3 System. It is based on information contained in the purchase order and the goods receipts posted for the purchase order. This prevents any variances existing in the invoice. You can either settle all transactions for a particular vendor together or only settle specific purchase orders or goods receipts. A log of the invoices is generated by the system to let you inform the vendor of the transactions that were settled automatically.

Logistics Invoice Verification

Logistics Invoice Verification is a special form of Invoice Verification. It concentrates on the Materials Management side of the system and does not have any accounting functions. This enables Invoice Verification and Financial accounting to be run on different systems.

It has the following advantages over the conventional Invoice Verification described above:

❑ Invoices can be entered easier and faster on two screens. This is a key advantage when processing large invoices with massive amounts of data.

❑ A larger number of selection criteria are available to you for linking the invoice to other documents in the system.