

Billing

Outstanding Features:

- ❑ Automatic invoice creation using data from sales orders and deliveries speeds processing.
- ❑ Processing of invoices as well as credit and debit memos and rebates provides a complete set of billing services.
- ❑ Ability to reference original invoice data in credit and debit memos saves time and makes communication clear.
- ❑ World-class pricing capabilities ensure that your processing needs are met.
- ❑ Real-time integration of billing functions with financial accounting ensures fast and accurate accounting records.

Sales activities conclude with billing. Like all other functions in R/3 SD, billing is fully integrated into the system and the sales order process. Because billing is tightly integrated with the R/3 System's Financial Accounting (FI) and Controlling/profitability analysis (CO-PA) modules, information is immediately available to analyze profitability data, for example, by division, customer, product, and even by sales representative.

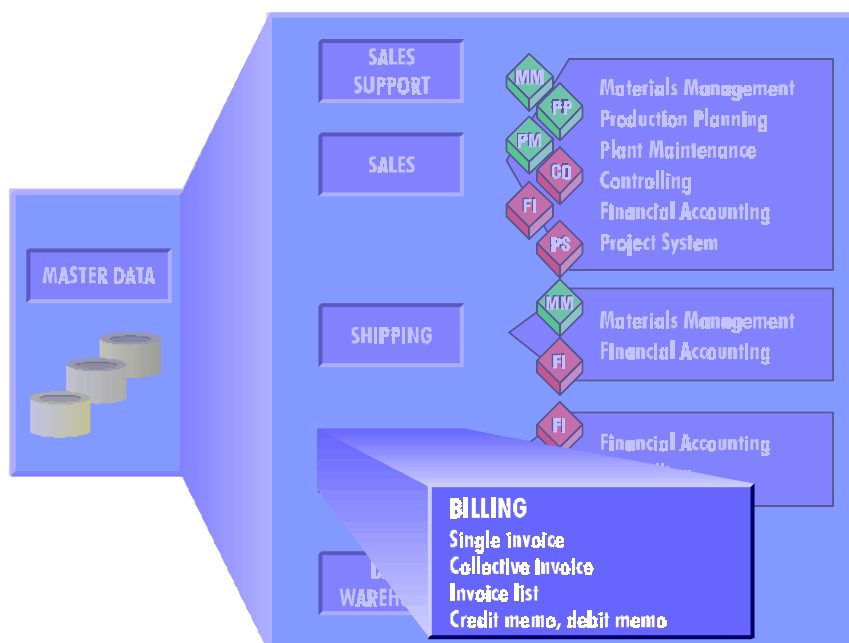


Fig. 9-1: Billing in R/3 SD

Billing supports multiple functions:

- ☐ issue an invoice based on deliveries or services rendered
- ☐ issue a credit or debit memo based on a credit or debit memo request
- ☐ issue a pro forma invoice based on a sales order or delivery
- ☐ cancel a billing transaction and make appropriate accounting reversals
- ☐ issue a credit for returns based on a return order
- ☐ issue a rebate based on settlement of a rebate agreement
- ☐ immediate update of financial accounting (FI) records

R/3 SD executes these billing functions using billing documents designed to meet the demands of both typical and special case transactions.

This careful design, as well as data integration, minimizes the effort required to complete billing processes, while reducing chances for error. Each billing document is based on a preceding document from an earlier point in the sales process.

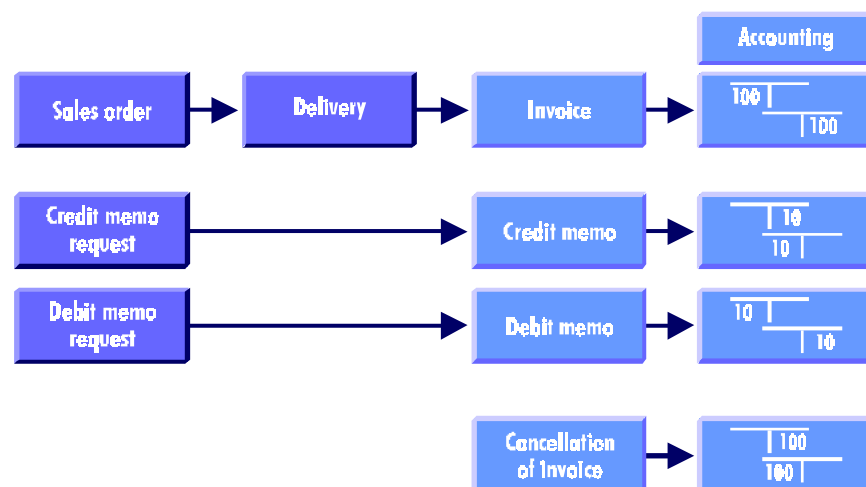


Fig. 9-2: Billing Processes

Using billing documents, you can also create variations on the billing functions listed above:

- ☐ Include multiple deliveries and sales orders in one consolidated invoice.
- ☐ Create multiple invoices for one sales order or delivery (a “split invoice”).

Pricing

As mentioned earlier (see chapter 5 on SD Sales), pricing is one of R/3 SD's great strengths. Based on the invoice type, you can determine whether to carry pricing and taxes over from the sales order or re-price.

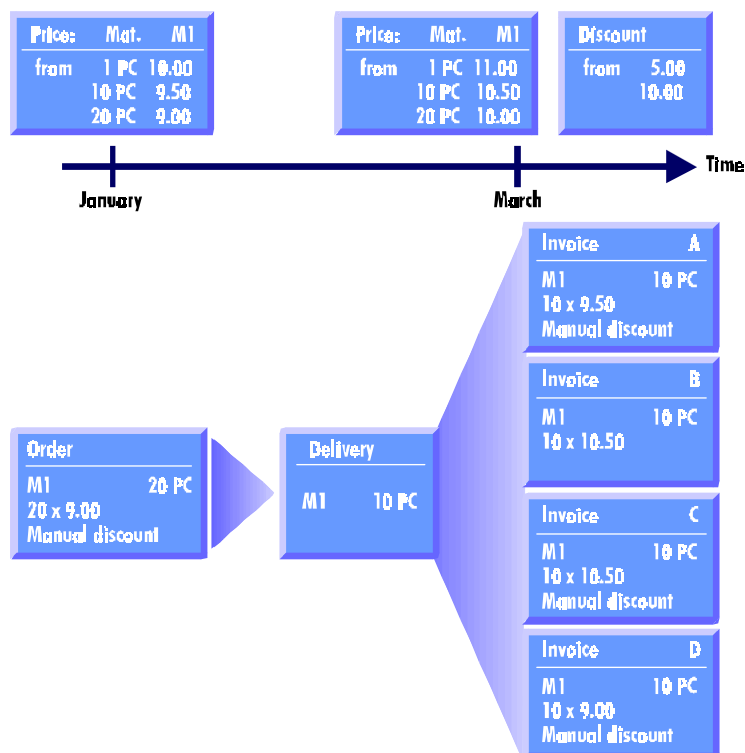


Fig. 9-3: Pricing in R/3 SD Billing

Pricing in SD billing provides several alternatives, each of which offers considerable flexibility:

- ❑ Copy pricing elements unchanged: In Invoice D of figure 8-3, the system copies pricing elements, along with any automatically determined or manually entered surcharges and discounts from the sales order without changing them. The system does not redetermine taxes.
- ❑ Copy pricing elements unchanged and redetermine taxes: In this case, the system copies pricing elements from the sales order unchanged, but recalculates taxes.
- ❑ Copy pricing elements, update and redetermine taxes: In Invoice A of figure 8-3, the system copies pricing elements from the sales order and determines prices, surcharges and discounts based on the pricing date and the quantity invoiced. If delivery and order quantities differ, SD

calculates based on delivery quantity. The system then redetermines taxes.

- ❑ **New pricing:** In Invoice B of figure 8-3, the system determines pricing elements valid at the time of billing and determines prices, surcharges and discounts for that billing date. Again, if delivery and order quantities differ, SD calculates pricing based on delivery quantities. The system then redetermines taxes.
- ❑ **Copy manual pricing elements and redetermine others:** In Invoice C of figure 8-3, the system carries out new pricing as above, copies manually entered pricing elements from the sales order and redetermines taxes.

You can also change pricing elements on a billing invoice before it is posted to accounting.

Creating Billing Documents

There are several ways to initiate billing documents:

- ❑ **Processing the billing due list automatically** as a background task for routine transactions. This is the most common way to initiate new billing documents.
- ❑ **Processing the billing due list.** You enter selection criteria for documents to process. SD then selects all the documents that meet your criteria and places them on the billing due list. You process each in turn. The billing due list also provides foreign trade information for each billing document.
- ❑ **Manually specifying particular documents to be billed** using the billing due list.

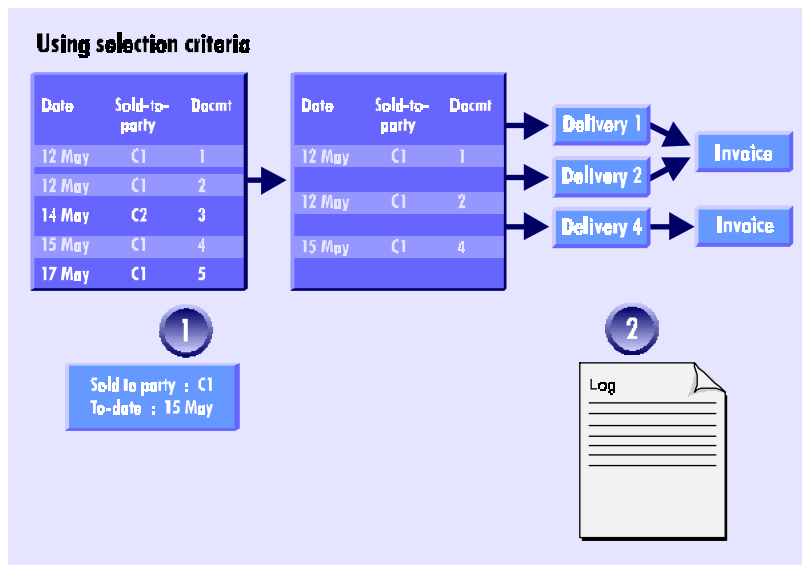


Fig. 9-4: Working with the Billing Due List

Billing Methods

R/3 SD offers several billing methods, depending on the needs of the particular customer. The billing schedule for each customer defines the type of billing to be used. Each customer can also have a different billing calendar.

You use three billing methods in SD:

- ☐ A separate invoice per delivery provides one invoice for each delivery processed in SD.
- ☐ A collective invoice combines sales orders into one invoice.
- ☐ A split invoice divides one sales order into multiple invoices.

Billing Methods

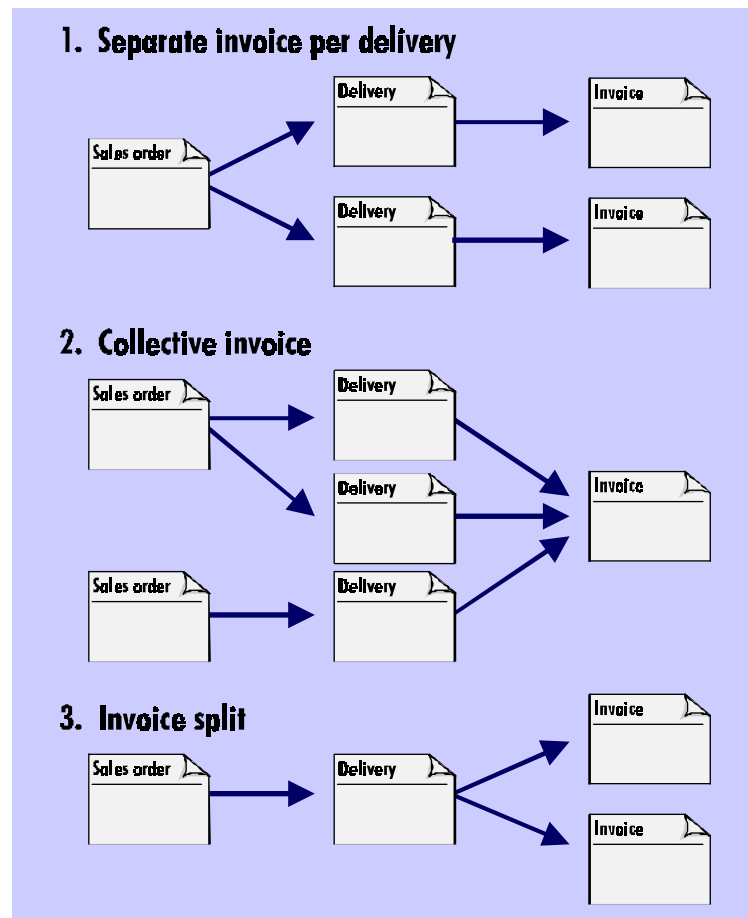


Fig. 9-5: Billing Methods

Invoice List

Invoice lists create a list of billing documents (such as invoices, credit and debit memos), to send to a particular customer at specified time intervals or on specific dates. Invoice list billing documents can be single or collective documents.

SD can process invoices, debit memos and credit memos at the same time. The system creates a separate invoice list for credit memos automatically. SD calculates the total value of the invoice list from the amounts in the invoices. This means you can base discounts such as factoring commissions on the total invoice list value.

You can choose to pass on individual invoices from the list to accounts receivable, or pass along the entire list.

Rules on Billing Methods

You can define specific rules on combining deliveries in a collective invoice or invoice list. You can also define rules on splitting invoices for each customer or transaction. Additionally, you can specify checks before carrying out billing:

- ☐ Multiple sales orders with specified criteria must be invoiced together.
- ☐ Deliveries or invoices must be for one payer.
- ☐ Cycle billing invoices must be created based on a calendar for all customer transactions.

Billing Plans

SD can create a schedule of billing dates for a single item in a sales document. This is a billing plan. You choose between either periodic or milestone billing.

Periodic billing means that SD bills a total amount for each individual planned billing date. For example, for a rental contract the system can propose a schedule of monthly rental payments. The billing plan ensures that each month's bill, as it becomes due, appears on your billing due list for invoicing. You can set up billing plans to suit your business processes.

Periodic Billing

Milestone billing means distributing the total amount to be billed over multiple billing dates in the billing plan for a large project, such as construction of a building. For example, as project milestones are completed successfully, the system bills the customer either a pre-defined amount or a percentage of the entire project.

Milestone Billing

To initiate an installment plan, SD creates one invoice for all installments. This billing document allows you to print an invoice listing all the installments with the relevant payment dates and amounts. The system calculates the installments by taking a percentage of the total invoice amount for each installment. The system creates a customer line item in the financial accounting document for each installment.

Installment Plans

In some cases of make-to-order production, external maintenance, and consulting services, there may be no reference values on which to base system costing. This may mean that there is no way to simply define costing before closing the sale. SD bills these orders according to the resources consumed in executing them. Resource-related billing documents the products, services and costs for the customer in the billing document.

Resource-Related Billing

Intercompany business processing includes transactions between two companies that belong to one organization. This includes two types of transactions:

Intercompany Business Processing

- ☐ Intercompany sales processing takes place when a sales organization creates a sales order for goods to be shipped from a plant assigned to another company code.
- ☐ Intercompany inventory transfer takes place when two segments of a company with separate accounts exchange inventory items. This inter-

nal billing transaction is carried out using an intercompany billing document that allows the delivering organization to recover its costs.

In both instances, the system creates invoices to ensure costs and surcharges are accounted for.

Returns, Credits and Debits

Returns, credits and debits all are part of the billing process. A customer may make a complaint about defective goods already delivered, or you may overcharge or undercharge a customer.

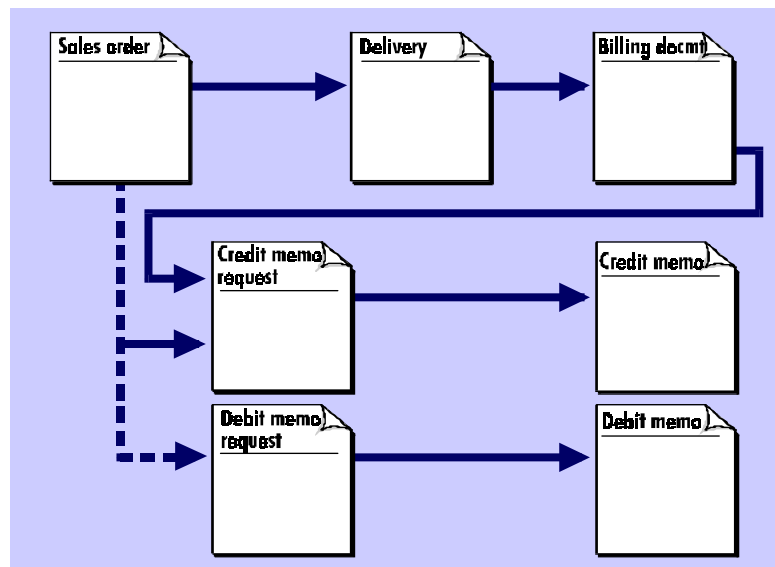


Fig. 9-6: Credit and Debit Memos

Two-Department Processing One department will initiate a debit or credit memo request based on a return or error in charging a customer. SD can be set up to allow a second department to approve or deny such a request before you can initiate the credit or debit memo. In this case, SD initially blocks the request for billing until approval is granted. After approval, SD transfers the data to accounts receivable.

Integration with Financial Accounting

R/3 SD integrates on a real-time basis with both the Financial Accounting (FI-Accounts Receivable and General Ledger) and Controlling (CO) modules.

SD posts billing data in the form of invoices, credit and debit memos to Financial Accounting. SD-related activity in R/3 FI includes:

- ☐ posting offsetting entries to the appropriate accounts
- ☐ ensuring that FI can recognize all billing documents belonging to a single transaction (for example, relating a credit memo to an invoice)

Posting data moves to FI automatically when you initiate a billing document. FI monitors incoming payments and carries out dunning for unpaid items.

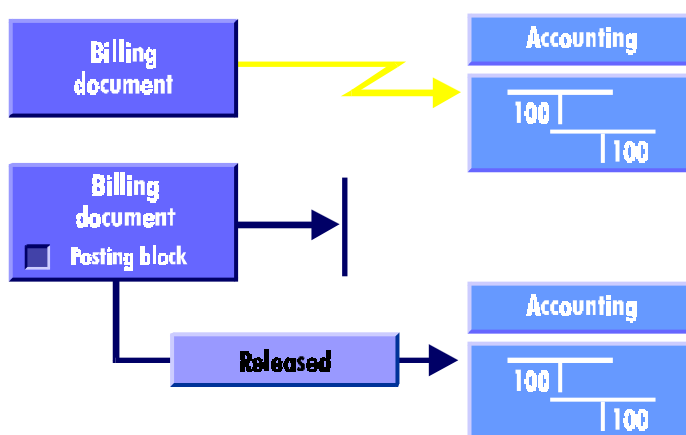


Fig. 9-7 Integration with Financial Accounting

Invoices and credit or debit memos do not have to be transferred directly to FI. You can set a posting block in the billing document that holds that document until you release it to accounting. You can list blocked billing documents and process them individually.

The system can automatically post billing document entries to the appropriate accounts. It does this by first determining the account assignment for each entry, using the company code chart of accounts, sales organization, customer account assignment group, material account assignment group and account key. Using this process, you can define account assignments to meet your accounting needs.

You can post costs and revenue to the following accounts in Financial Accounting:

- ☐ accounts receivable
- ☐ general ledger
- ☐ revenue
- ☐ sales deduction

Posting Billing Data

Blocking Billing Documents

Automatic Account Determination

FI Accounts

- ☐ accruals (for rebate agreements)
- ☐ other

Business Area Posting

Business area posting can provide a more detailed profit and loss statement, and a more sophisticated balancing of accounts. Business area can be equivalent to:

- ☐ sales area, for accounts posted according to sales
- ☐ plant or division for accounts posted according to products

Integration with Controlling

SD's real-time integration with Controlling (CO) consists of assigning costs and revenues to appropriate sub-ledgers.

Cost and Revenue Assignment

Integration with Controlling allows you to assign costs and revenues to sub-ledgers, including:

- | | |
|---|---|
| <input type="checkbox"/> profit center | <input type="checkbox"/> make-to-order sales orders |
| <input type="checkbox"/> cost center | <input type="checkbox"/> extended general ledger |
| <input type="checkbox"/> projects | <input type="checkbox"/> plant maintenance orders |
| <input type="checkbox"/> profitability analysis (CO-PA) | <input type="checkbox"/> cost collector |

Rebate Processing

Rebate Agreement

A rebate is an amount paid to a customer, broker, or other partner based on a customer's purchase volume over a specified period. In a rebate agreement, you specify:

- ☐ who receives the rebate payment
- ☐ criteria for the rebate
- ☐ how long the agreement is valid
- ☐ whether you want automatic accrual posting to track the accumulated rebate value for financial purposes
- ☐ any up-front or initial amount to be prepaid

You create records specifying the rebate amount or percentage for each product or group of products. You can also specify a pricing scale so that customers earn a better rebate with larger purchase volumes. In addition,

rebates can be assigned to customer hierarchies, which support agreements with buying groups.

You can partially settle a rebate agreement during its validity period. You carry out partial settlement using the manual payment screen in rebate agreement processing. The system automatically creates a credit memo request for the amounts specified. When the system carries out final settlement for a rebate agreement, it takes all partial payments into account.

SD tracks all billing documents relevant for rebate processing, including invoices, credit and debit memos. You settle a rebate agreement when you issue a credit memo to the customer for the accumulated rebate total.

You can display rebate accrual information at any time. You may also correct the rebate agreement, if necessary. Use rebate agreements as a basis for licensing payments or commission agreements. SD passes rebate accruals to financial accounting and posts them to the appropriate account.

Partial Payments

Rebate Calculation

