Conceptual Design

Of

“Accounts Receivable & Accounts Payable”

QUICK GUIDE

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1. ACCOUNTS RECEIVABLE CUSTOMER MASTER RECORDS

1.1 Customer Account Number, Account Groups & Number Ranges

The customer account number is the unique number used to identify the customer.

An account group is a collection of properties of accounts, which determine the creation of master records.

Customer account groups are used to determine:
1. The interval for account numbers
2. Whether the account number is assigned internally by the system or externally by the user
3. Whether it is a one-time account
4. Which fields are ready for input or must be filled when creating or changing master records (i.e., the field status).

Each master record must be assigned to an account group.

1.2 Screen Layout

The 'screen layout' determines what fields are mandatory (i.e., required to be completed), optional, suppressed, or to be displayed only.

The screen layout for account groups defines what fields are required to be completed (i.e., mandatory), optional, display only or suppressed at the customer account creation stage.

Maintenance

The screen layout for General Data is maintained globally. The screen layout for Company Code Data is maintained locally.

INSTRUCTION ON WHICH FIELDS SHOULD BE USED FOR CUSTOMER MASTER STATUS

A – Mandatory
B – Either mandatory or optional
C – Optional
D – Mandatory to serve country specific purpose

1.2.1 GENERAL DATA (example)

Field	**Status**	**Remarks**
Address		
Title	**A**	
Name	**A**	
Search term	**A**	• It should be the same concept for all countries. • There are no validations on this field.
Street	**A**	
P.O. box	**C**	
City	**A**	
ZIP/Post code	**A**	
District	**B**	• Supplement to city name
P.O. box Postal code	**B**	• Postal code for PO box. • Related to indicator _ PO postal code under IMG > Global Setting > Setting Countries > Set Country-specific checks

Field	Status	Remarks
Country	**A**	
Region	**B**	
Communication		
Language	**A**	● Language key indicates the language used to display texts, enter texts, create printouts.
Telex number	**C**	
Telephone 1	**C**	
Fax number	**C**	
Telephone 2	**C**	
Teletex number	**C**	
Telebox	**C**	
Data line	**C**	
Account control		
Vendor	**B**	● If the customer is also a vendor, the vendor account number may be entered here.
Authorisation	**A/B/C**	● Authorisation group
Trading partner (Company ID)	**B**	● Company ID for consolidation purposes
Group key	**B**	● Used to produce customer account, P&L and balance sheet from special ledger.
Tax information		
Tax code 1	**B**	Control number of the customer which is to be used for reporting to the tax authorities. Usage is different between countries.
Equalisation tax	**D**	● Used for Equalisation Tax in Spain for deliveries to the retail trade.
Fiscal address	**D**	● Account number of the master record with the fiscal address.
County code	**D**	● Used for classifying counties from a tax point of view.
VAT registration number	**B**	● Customer's VAT registration number

Field	Status	Remarks
City code	**D**	• Currently only used in the USA for handling city tax
Tax Jurisdiction code	**D**	• Used for determining tax rates in the USA
Reference data / area		
Location no.1	**B**	• First 7 digits of International Location Number (ILN)
Location no.2	**B**	• Digits 8-12 of the ILN
Check digit	**B**	• Check digit of the ILN
Industry	**B**	
Bank details		
Bank country	**B**	• Key for the country in which the bank is located. The country key defines the rules according to which bank data, such as the bank and account numbers, is to be validated.
Bank key	**B**	• The bank key under which bank data from the specific country is stored.
Bank account	**B**	• Bank account number
Bank control key	**B**	• (example) France, Spain, Italy: contains a key for checking the combination of bank number and bank account number. • USA: 01 – checking account; 02 – savings account • Japan: 01 – savings account; 02 – checking account; 03 – other accounts. • South Africa: 01 current (cheque) account; 02 – savings account; 03 – transmission account; 04 – bond account; 06 – subscription share account.
Bank reference details	**B**	• In some countries, in order to be able to use certain payment transactions, extra specifications must be made for the customer's bank details. These additional specifications are defined here. E.g.: in Britain, if using a Building Society account, the account number must be entered here.
Bank correction authorisation	**B**	

Field	Status	Remarks
Payment transactions		
Alternative payer account	**C**	• Account number of alternative payer
Alternative payer in document	**B**	• It can be used as criterion to classify the account group and make this field mandatory only for the specific group.

1.2.2 COMPANY CODE DATA (example)

Field	Status	Remarks
Account management		
Reconciliation account	**A**	• The G/L account to be posted to.
Sort key	**A**	• The key for sorting according to allocation numbers
Head office	**C**	• Head office account number (in branch accounts)
Subsidy indicator	**D**	• Apply for any customers that have headquarters in Berlin
Authorisation	**A/B/C**	• Authorisation group
Planning group	**B**	• Planning group to which the customer has been assigned. (Used for cash management/liquidity purposes). It should be required if CM-Cash forecast is implemented.
Interest calculation		
Interest indicator	**B**	• Indicates whether the account is to be included in the automatic interest calculation.
Reference data		
Previous account number	**B**	• Previous master record number (for customers that existed on legacy system).
Payment data		
Payment terms	**A**	• Reference to the terms of payment.

Field	Status	Remarks
Tolerance group	**A**	• Tolerance group for cash discount and payment differences
Bill of exch. charges terms	**B**	• Terms of payment key for the bill of exchange charges
Indicate payment history	**B**	• Indicates whether the customer's payment history is to be recorded
Known/neg.leave	**B**	
Automatic payment trans.		
Payment methods	**B**	• List of payment methods which may be used in automatic payment transactions with this customer. C: cheque via BankLink N: netting payment T: bank transfer
Payment block	**C**	
Alternative payer account	**B**	
House bank	**B**	
Grouping key	**B**	• Used to group open items for payment
Bill of exchange limit	**B**	• Maximum amount which may be issued on a bill of exchange if it is to be used in payment transactions with the customer.
Next payee	**D**	• The account number of the customer to whom the check is to be addressed • Example, only relevant to use in USA.
Lockbox	**B**	
Dunning data		
Dunning procedure	**B**	• Key for the dunning procedure to be used
Dunning block	**B**	• Key which reflects the reason for a dunning block indicator
Dunning recipient	**B**	• Account number of the customer who is to be recipient of the dunning notices.
Legal dunning proceeding	**B**	• Date on which legal dunning proceedings have been initiated

Field	Status	Remarks
Dunning level	**B**	• Dunning level which was reached by the customer in the last dunning run.
Dunning clerk	**B**	• Identification of the accounting clerk dealing with the dunning letters.
Grouping key	**B**	• Used to group open items for dunning
Correspondence		
Accounting clerk	**B**	
Account at customer	**B**	• Our account number at the customer
Account statement	**B**	• Indicator for periodic account statements
Customer user	**B**	• Name or id code of the accounting clerk at the customer
Collective invoice variant	**B**	• Indicator which specifies at what intervals the collective invoices are to be created for the customer.
Account memo	**B**	
Payment notices to		
Customer (with CI)	**B**	• Indicates whether a payment notice detailing cleared items is to be created for the customer when posting to the customer account.
Customer (w/o CI)	**B**	• Indicates whether a payment notice which does not detail cleared items is to be created for the customer when posting to the customer account.
Sales	**B**	• Indicates whether a payment notice is to be created for the sales department when posting to the customer account.
Accounting	**B**	• Indicates whether a payment notice is to be created for the accounting department when posting to the customer account.
Legal department	**B**	• Indicates whether a payment notice is to be created for the legal department when posting to the customer account.
Export credit insurance		

Field	Status	Remarks
Policy number	**B**	
Institution number	**B**	
Amount insured	**B**	
Valid until	**B**	
Lead months	**B**	● Number of months for which open items are covered by export insurance
Deductible	**B**	

1.3 Matchcodes for Customer Accounts

A matchcode allows the user to locate a particular record in the system by entering information contained in the record.

1.4 Line Item Display

Line item display refers to the display of line items from one or more customer accounts. The settings for line items display include:
- Line item sorting for line items: the standard order for sorting line items
- Line layout: the information that is to be available on the screen when displaying line items
- Special fields for selecting/finding/sorting data
- Selection fields: the fields the user may specify, via which the system is to select assets, customers, vendor, materials or G/L accounts.
- Totals variants: the fields by which the line items are to be totalled
- Standard line layout and standard totals variant: the information that is to be available as standard when displaying line items
- Additional fields
- Search fields: the fields the user may specify, via which it is possible for the system to find individual items
- Sort fields: the fields the user may specify, via which it is possible for the system to sort items
- Total fields: the fields the user may specify, via which it is possible for the system to total items
- Work list for line item display

1.5 Customer Accounts - Settings for Processing Open Items

Open items are unfinished transactions. The settings for processing open items include:
- Line layout: the information that is to be available on the screen when processing open items
- Standard line layout: the information that is to be available as standard when processing line items
- Selection fields: the fields the user may specify, via which the system is to make selections when processing line items

- Search fields: the fields the user may specify, via which it is possible for the system to find individual items
- Sort fields: the fields the user may specify, via which it is possible for the system to sort items.

Open items are unfinished transactions. The open items of an account can only be cleared when you post an identical offsetting amount to the account. The balance resulting from the items allocated to each other must therefore be zero.

When you clear these items, the system issues them a clearing document number and the clearing date. This is a way of marking, for example, invoices on a customer account as paid and explaining the items in a bank clearing account.

You can only clear open items that have been posted to accounts managed on an open item basis. Customer and vendor accounts are always managed with open items.

2. ACCOUNTS PAYABLE VENDOR MASTER RECORDS

2.1 Vendor Account Number, Account Groups & Number Ranges

The vendor account number is the unique number used to identify the vendor.

An account group is a collection of properties of accounts, which determine the creation of master records.

Vendor account groups are used to determine:
1. The interval for account numbers
2. Whether the account number is assigned internally by the system or externally by the user
3. Whether it is a one-time account
4. Which fields are ready for input or must be filled when creating or changing master records (i.e., the field status).

Each master record must be assigned to an account group.

Please refer to the next page for the examples of account group and number range details.

Account Group	Number Range	Description
External Vendors	100001 – 899999	General rule: only one vendor account number (code) is to exist for each vendor globally. The code does not contain any implicit local content, nor any perceived 'built-in' intelligence or coding. It simply will be a running number, next available, when creating a new vendor in SAP R/3 Vendor Master Record. The Vendor Master Records are centrally stored in SAP R/3. This ensures that the data is not duplication. Each master record contains three data categories: ● General Data ● Company Code Data, and ● Purchasing Organisation Data
One-Time Vendors (external)	900001 – 900999	Six digit numeric code to be used for external one-time vendors. The code does not contain any implicit local content, nor any perceived 'built-in' intelligence or coding. It simply will be a running number, next available, when creating a one-time vendor in R/3 Vendor Master Record. The code will be assigned to a 'master group', which can be structured i.e. in alphabetical order – one code for A to D,

Account Group	Number Range	Description
		another code for E to H, … To this 'master group' numerous one-time vendors can be posted, without giving a code for each one-time vendor. Only necessary contact and bank information are entered when posting. The one-time vendor account group will be used when there is strong indication that a specific vendor will no longer be used, or will be used less frequently. In these cases the vendor master record must be separately created.
Intercompany	AAAAA – ZZZZZ	Five (5) digit alphanumeric code = old netting codes
Employees	10000001 – 99999999	A simple unique eight digit numeric identifier assigned on a global basis that does not contain any implicit local content, nor any perceived 'built-in' intelligence or coding. As soon as the SAP R/3 Human resources module incl. Personnel administration and Travel expenses are in use the employees will be deleted as a account group in the vendor master records and transferred into SAP R/3 HR master data.

2.2 Screen Layout

The 'screen layout' determines what fields are mandatory (i.e., required to be completed), optional, suppressed, or to be displayed only.

The screen layout for account groups defines what fields are required to be completed (i.e., mandatory), optional, display only or suppressed at the vendor account creation stage.

Maintenance

INSTRUCTION ON WHICH FIELDS SHOULD BE USED FOR VENDOR MASTER

STATUS

A – Mandatory
B – Either mandatory or optional
C – Optional
D – Mandatory to serve country specific purpose

2.2.1 GENERAL DATA (example)

Field	Status	Remarks
Address		
Title	**A**	
Name	**A**	
Search term	**A**	● It should be the same concept for all countries. ● There are no validation on this field, so it might be possible to make any unexpected result on enquiry
Street	**A**	
P.O. box	**C**	
City	**A**	
ZIP/Post code	**A**	
District	**B**	● Supplement to city name
P.O. box Postal code	**B**	● Postal code for PO box.

Field	Status	Remarks
		● Related to indicator _ PO postal code under IMG > Global Setting > Setting Countries > Set Country-specific checks
Country	**A**	
Region	**B**	
Communication		
Language	**A**	● Language key indicates the language used to display texts, enter texts, create printouts.
Telex number	**C**	
Telephone 1	**C**	
Fax number	**C**	
Telephone 2	**C**	
Teletex number	**C**	
Telebox	**C**	
Data line	**C**	
Account control		
Customer	**B**	● If the vendor is also a customer, the customer account number may be entered here.
Authorisation	**A/B/C**	● Depends on the policy
Trading partner (Company ID)	**B**	● Company ID for consolidation purpose ● It should be required for account group of customer for intercompany purpose
Group key	**B**	
Tax information		
Tax code 1	**B**	Control number of the customer which is to be used for reporting to the tax authorities. Usage is different between countries.
Equalisation tax	**B**	● Used for Equalisation Tax in Spain for deliveries to the retail trade.
Tax code 2	**D**	● Control number of the vendor which is to be used for reporting to the tax authorities: Italy : for Partita Iva

Field	Status	Remarks
		Belgium : for BTW / tax number
Sole proprietor	**B**	• Indicates whether the vendor is a sole proprietor
Fiscal address	**D**	• Account number of the master record with the fiscal address. Used for tax reports to the tax authorities in Italy
Tax on sls/pur	**D**	• Indicates whether the vendor is subject to tax on sales and/or purchases. Used in Belgium for the annual tax report
VAT registration number	**B**	• Vendor's VAT registration number
Reference data / area		
Location no.1	**B**	• First 7 digits of International Location Number (ILN)
Location no.2	**B**	• Digits 8-12 of the ILN
Check digit	**B**	• Check digit of the ILN
Industry	**B**	
Bank details		
Bank country	**B**	• Key for the country in which the bank is located. The country key defines the rules according to which bank data, such as the bank and account numbers, is to be validated.
Bank key	**B**	• The bank key under which bank data from the specific country is stored.
Bank account	**B**	• Bank account number
Bank control key	**B**	• USA: 01 – checking account; 02 – savings account • ….. • ….
Bank reference details	**B**	• In some countries, in order to be able to use certain payment transactions, extra specifications must be made for the customer's bank details. These additional specifications are defined here. E.g.: in Britain, if using a Building Society account, the account number must be entered here.
Bank correction authorisation	**B**	
Payment transactions		

Field	Status	Remarks
Alternative payee account	**C**	• Account number of alternative payee. Used when payment is to be made to someone other than the vendor.
Alternative payee in document	**B**	
DME indicator	**D**	• Used in Germany. This field controls whether the contents of the single data record are also included in the report to the Bundesbank when being made by the paying financial institution.
Instruction key	**D**	• Used in automatic payment transactions to control which statements are given to participating banks when carrying out the payment order. This field is used in countries such as Germany, Austria, the Netherlands, Spain, Norway and Japan.
PBC/POR number	**D**	• Payment order with reference number

2.2.2 COMPANY CODE DATA (example)

Field	Status	Remarks
Account management		
Reconciliation account	**A**	
Sort key	**A**	
Head office	**C**	
Subsidy indicator	**D**	• Indicator of determining the reduction rate
Authorisation	**A/B/C**	
Planning group	**B**	• Planning group to which the vendor has been assigned. (Used for cash management/liquidity purposes). It should be required if CM-Cash forecast is implemented.
Interest calculation		
Interest indicator	**B**	• Indicates whether the account is to be included in the automatic interest calculation.
Withholding tax		
Withholding tax code	**B**	• Withholding tax code – unique to each country.

Field	Status	**Remarks**
Exemption no.	**B**	• Certificate number of withholding tax exemption
Wth.tx cty	**D**	• Withholding tax country key. In some countries, an additional country is needed for calculating or reporting withholding tax.
Valid until	**B**	• Validity date for withholding tax exemption certificate.
Recipient type	**D**	• Vendor recipient type.
Exmpt.authority	**D**	• Authority for exemption from withholding tax.
Reference data		
Previous account number	**B**	• Previous master record number from the legacy system
Personnel number	**B**	• Employee personnel number
Payment data		
Payment terms	**A**	• Reference to the terms of payment.
Tolerance group	**A**	• Tolerance group for cash discount and payment differences
Check cashing time	**B**	• Probable time until cheque is cashed. Used in cash management to assist in planning the cash flow.
Check double invoice	**A**	• Indicator which means (when checked) that incoming invoices are checked for double entries at the time of entry.
Automatic payment trans.		
Payment methods	**B**	• List of payment methods which may be used in automatic payment transactions with this customer.
Payment block	**C**	• Denotes whether the vendor is blocked for payment
Alternative payee account	**B**	• Account number of the alternative payee
House bank	**B**	• House bank ID
Individual payment	**C**	• When checked, each open item to be paid separately during automatic payment transactions.
Group key	**B**	• Used to group open items for payment
Bill of exchange limit	**B**	• Maximum amount which may be issued on a bill of exchange if it is to be used in payment transactions with the vendor.

Field	Status	Remarks
Pyt adv.by EDI	**B**	● This indicator specifies that the vendor should be sent all payment advices by EDI
Correspondence		
Local process	**B**	● Indicates that the payment transactions should be carried out by the local branch.
Accounting clerk	**B**	
Account at vendor	**B**	● Our account number at the customer
User at vendor	**B**	
Clerk's fax	**B**	
Clerk's internet	**B**	
Account memo	**B**	

2.3 Matchcodes for Vendor Accounts

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- Totals variants: the fields by which the line items are to be totalled
- Standard line layout and standard totals variant: the information that is to be available as standard when displaying line items
- Additional fields
- Search fields: the fields the user may specify, via which it is possible for the system to find individual items
- Sort fields: the fields the user may specify, via which it is possible for the system to sort items
- Total fields: the fields the user may specify, via which it is possible for the system to total items
- Work list for line item display

2.5 Vendor Accounts - Settings for Processing Open Items

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- Standard line layout: the information that is to be available as standard when processing line items
- Selection fields: the fields the user may specify, via which the system is to make selections when processing line items
- Search fields: the fields the user may specify, via which it is possible for the system to find individual items
- Sort fields: the fields the user may specify, via which it is possible for the system to sort items.

Open items are unfinished transactions. The open items of an account can only be cleared when you post an identical offsetting amount to the account. The balance resulting from the items allocated to each other must therefore be zero.

When you clear these items, the system issues them a clearing document number and the clearing date. This is a way of marking, for example, invoices on a customer account as paid and explaining the items in a bank clearing account.

You can only clear open items that have been posted to accounts managed on an open item basis. Customer and vendor accounts are always managed with open items.

3. PAYMENTS

Examples:

- Bank transfer
- Netting, and
- Cheque

Only one bank will be used for outgoing payments. Payment by bank transfer and cheque is to be performed via only one global Bank Link System. All payments should be made by one global section. A payment proposal file will be prepared locally in SAP R/3 and sent to the global section. This section will prepare a file containing what vendors and invoices have been paid and the corresponding payment date(s).

The following benefits have been identified as arising from centralising the payments process:

- Economies of scale
- Better currency hedging
- Easier intercompany reconciliation
- Better cash flow planning

Possibility of extending Bank Link System, EDI's, resulting in a reduction in bank fees and allowing easier invoice matching

4. RECEIPTS

Example: Centralized Collection and Electronic Bank Statement Process

Receipts are suggested to be collected by the local banks, and each bank will send a balance report to the bank. Global section will collect all the reports, and will compile one file with all the reports for uploading into SAP R/3 via the Electronic Bank Statement Process.

5. TERMS OF PAYMENT

5.1 Terms of Payment

Examples:

The terms of payment represent the discounts that have been defined in relation to a baseline date.

Payment terms are determined via negotiation with the vendor. The calculation of the discount to be applied to an invoice is determined by reference to both the payment terms assigned to the vendor, and the baseline date. (The baseline date is usually the posting date, however the system may be defaulted to use either the document date or the posting date).

The terms of payment are stored under a terms of payment key. The terms of payment is then defaulted from the key specified in the line item, or if it has been defined in the vendor (or customer) master record, from the master record.

The most important data contained in terms of payment is:
- The invoice date
- The due date of the invoice
- The cash discount periods
- The cash discount percentage rates

These specifications are required in order to calculate the cash discount amount.

5.2 Cash Discount Base

In some countries the tax amount must be taken into consideration in the base amount for calculating the cash discount amount.

6. TOLERANCE GROUPS

Tolerances are used for dealing with differences in payment and residual items which can occur during a payment settlement. Tolerance groups represent the difference sets of tolerances to be used in the organisation.

Examples:

Each vendor should be allocated a tolerance group. The tolerance limits defined for a tolerance group will determine whether an over or underpayment may be processed without being rejected or requiring further authorisation.

7. DUNNING

Dunning is the process of reminding customers that they owe you money for overdue invoices. The system processes line items and prints dunning notices (reminders) with the name and address of the customer, the text you specify, and the overdue line items from customer invoices.
Dunning is carried out automatically using the dunning program. The program determines the accounts and items to be dunned, the dunning level of the account and the dunning notice based on the dunning level. You print the dunning notices using the print program. The dunning data determined is saved in the items and in the accounts.

The basic parameters for dunning are set up in the dunning procedure. Several dunning procedures can be assigned to one customer. Only those customers that have a dunning procedure defined in their master record are included in the dunning run.

The most important parameters of the dunning procedure are:
- The dunning interval (i.e., level of severity of reminder notice)
- The number of dunning levels
- The grace periods
- The specification of what items may be dunned

The dunning level is determined by the number of days in arrears. Dunning charges can be separately specified for each currency, and can be made dependent on the dunning amount at each level. The dunning charge can also be determined as a percentage of the items due.

Minimum amounts may be specified so as to prevent sending dunning notices for immaterial amounts. Furthermore, a dunning block can be set in the document or the customer master record to prevent a dunning notice from being generated for a particular customer.

8. DOWN PAYMENTS

Down payments are also known as prepayments. A down payment is a special G/L transaction and occurs when payment is made (or received) for a good or service that is to be received (or delivered) at some point in the future. A down payment is normally made at the request of the vendor. Therefore, a down payment can be paid to a vendor, or received from a customer.

9. SPECIAL G/L TRANSACTIONS

Special G/L transactions include transactions such as:
- Down payments
- Bills of exchange
- Guarantees
- Security deposits
- Specific reserves for bad debts
- Amortisation
- Interest receivable

When posting a item for a customer account that is a special G/L item, that item is posted to a special G/L account (as opposed to the reconciliation account defined in the customer master record).