Sales Contracts with Down Payment Processing

Scenario Summary

With Cloud release 2002, quantity contracts in sales also support down payment processing. This is achieved using milestone billing functionality, where you can create down payment requests and contract release orders. The release orders are blocked for delivery until the customers complete all the down payments as per the agreed schedule (billing plan).

Once the payments are complete, the system automatically removes the delivery blocks assigned to schedule lines. The delivery processing and customer invoicing can be performed as subsequent steps in this scenario. In the delivery related final invoice of the call-off order, the received down payments for the quantity contract will be deducted.

With this blog, I tried to explain the process flow of this scenario with a business example. This business scenario is supported by scope item I9I.

Pre-requisites

Business Role	Business Role ID as Delivered by SAP
► Internal Sales Representative	SAP_BR_INTERNAL_SALES_REP
► Shipping Specialist	SAP_BR_SHIPPING_SPECIALIST
► Billing Clerk	SAP_BR_BILLING_CLERK
► Accounts Receivable Accountant	SAP_BR_AR_ACCOUNTANT
► General Ledger Accountant	SAP_BR_GL_ACCOUNTANT

With below configuration steps, you can control how billing plans work by configuring Billing plan type S5, date descriptions, and date categories 01 and 02.

App: Manage your solution → Configure your solution → Sales → Sales Contract Mgmt. → Billing Plans → Make Settings for Billing plans

- **Maintain the Milestone Billing Plan Type -** The billing plan type contains rules for billing plan date determination. Here, you can choose the date, based on which the milestone billing plan can start i.e. for example, today, contract start date, or billing date etc. You can also edit the billing plan description if necessary.

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- **Define Date Descriptions -** With this config step you can create and maintain date descriptions, which correspond to various purposes that the dates in billing plans can be used for. Depending on the date category you use, the system proposes a date description for the billing dates in the billing plan. The date descriptions are then taken from the order document along with the billing plan dates and made available on the output form. Kindly note that the descriptions are for information purposes only and do not affect the billing plan processing.

- **Maintain Date Categories for Milestone Billing Plans -** The date category defines data for each billing date that appears in the billing plan. Here, you can specify which date description, billing block, and delivery block to use for each date category.

  For his scenario, the default date category is either '02' (billing value fixed amount). However, you can manually select the date category to '01' during entry (billing value percentage) when you create billing plan items.

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Business Example

Let's say company 'A' enters into a contract with company 'B' to deliver 10 quantity of a product (Finished Goods) over one-year time. Based on the agreed delivery plan, the call-off orders can be created for 10 quantity. Each call-off order is automatically set to a delivery block to allow down payment request processing. Once the payment is received, the delivery processing can be completed, followed by a final customer invoice.

The first step in this process is to create quantity contracts (CQ) with app 'Manage Sales Contracts'. To enable billing plan tab at item level, the default item category 'KMN' must be modified to 'CKMN'.

The billing plan tab allows to maintain the relevant billing dates. Please note that you have to maintain the same delivery block in date categories 01 and 02 for billing plan type S5 – 'Y2' defaulted. After specifying the down payments in a line item of the milestone billing, you can delete this line item only if

a) the down payment status is 'Not Paid' and

b) any delivery-related invoices have been created.

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Create call-off order (order type ‘OR’) with reference to the Quantity Contract (CQ). The system will apply a default delivery block to allow down payment processing before delivery processing. You can create more than one call-off order based on your business requirement.

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To allow the down payment processing, the billing block must be removed for each billing plan in the contract. Down payment requests can be created from the app ‘Create billing documents (billing due list items).

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Once the down payment request is generated, the billing status of the item changes to ‘C – Invoiced’ from ‘A – Open’. Additionally, the processing status of contract (item level) is updated.

Similarly, the second billing plan can be processed after removing the billing block in Sales contract for the balance amount.

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The billing status of both the down payments are now updated to 'C' i.e. invoiced.

Dates

	Billing Date	DtDs	MlstRel		%	Bill.value	Crcy	Block	MStn	BR	BillSt	PayT	DCat	Billing Type	ExchRt.Act	Milestone no.
☐	03.02.2020	Y009		Down Payment		13,709.65	EUR		☐	5	C		02	FAZ		0
☐	04.02.2020	Y009		Down Payment		100,000.00	EUR		☐	5	C		02	FAZ		0

Additionally, the processing status (item level – contract) is updated.

Processing status

Overall Status:	Completed
Reason for Rejection:	
Reference Status:	Fully Referenced
Ord. Rel. Billg Sts:	Fully Invoiced
Down Payment Status:	Not Paid

Before, we move for delivery creation, the down payment request amount must be posted. The system will not allow to create a delivery document without payment posting (delivery block).

To post the incoming payments, access the app 'Post Incoming Payments'. Please note that the payment posting must be done for 'Net Value + Tax Amount' i.e. 16314.48 EUR (1st down payment request) & 119000 EUR (2nd down payment request) in this example.

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Kindly note that the system will automatically remove the delivery block from sales order once the payment is processed, which will allow creation of delivery document.

You can now see that the order related billing status and down payment status are updated in contract (item level)

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To process an outbound delivery, use the app ‘Create Outbound Delivery’ with order reference.

Create final billing (delivery related billing), using the app ‘Create billing documents’

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Items

Item	Material	Billed Quantity	Net Value	Tax Amount
10	Finished Goods (FINISHED_GOODS)	5.000 PC	113,709.65 EUR	21,604.83 EUR
11	Finished Goods (FINISHED_GOODS)	5.000 PC	13,709.65 EUR	2,604.83 EUR
12	Finished Goods (FINISHED_GOODS)	5.000 PC	100,000.00 EUR	19,000.00 EUR

The final customer invoice balances the final amount against the down payment settlement as shown above.

Below is the sample output form for final invoice.

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Invoice: 90000047

The predefined Company, Waldstrasse 86-90, 13403 Berlin, Germany

Products Direct
69126 Heidelberg

Date:	Feb 3, 2020
Delivery Date:	Feb 3, 2020
Order:	149
Delivery:	80000096
Reference Number:	Test Document_v.03
Sales Contract:	40000004

Line	Product	Description	Quantity
10	FINISHED_GOODS	Finished Goods	5 PC
	Prices: Gross Value	22,741.93 EUR / 1 PC	113,709.65 EUR
	Net Value 1	22,741.93 EUR / 1 PC	113,709.65 EUR
	Batch Number: 0000000001		
	test		
11	FINISHED_GOODS	Down Payment Settlement	5 PC
	Prices: Net Amount		13,709.65 EUR
	Batch Number: 0000000001		
	test		
12	FINISHED_GOODS	Down Payment Settlement	5 PC
	Prices: Net Amount		100,000.00 EUR
	Batch Number: 0000000001		
	test		

Our VAT Reg. Number:	DE123456789
Your VAT Reg. Number:	DE192455056
Incoterms:	EXW
Location 1:	Walldorf
Payment Terms:	Up to 03.02.2020 without deduction
E-Mail:	noreply@sap.com

Total Net Amount		113,709.65 EUR
Output Tax	19.00 %	21,604.83 EUR
Total		**135,314.48 EUR**
Cleared Down Payments Net Amount:		113,709.65 EUR
Cleared Down Payments Tax Amount:		21,604.83 EUR
Cleared Down Payments Total:		135,314.48 EUR
Open Total Amount		**0.00 EUR**

Down payments paid at time of invoice creation:

Number	Date	Net Amount	Tax Amount	Total Amount
90000044	Feb 3, 2020	13,709.65 EUR	2,604.83 EUR	16,314.48 EUR
90000045	Feb 3, 2020	100,000.00 EUR	19,000.00 EUR	119,000.00 EUR
Total		**113,709.65 EUR**	**21,604.83 EUR**	**135,314.48 EUR**

Thank you for your business.

Test Copy

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