Credit management In SD-FI

Customizing for Credit Control

Define Credit Control Area

SPRO > Enterprise Structure > Definition > Financial Accounting > Define Credit Control Area

### Change View "Credit Control Areas": Overview

<table>
<thead>
<tr>
<th>CC</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>Credit control area 0001</td>
</tr>
<tr>
<td>100</td>
<td>For Clients USA</td>
</tr>
<tr>
<td>1800</td>
<td>Credit control area Europe</td>
</tr>
<tr>
<td>1800</td>
<td>Credit control area India</td>
</tr>
<tr>
<td>1983</td>
<td>Cr. Ctrl. Area JAKS Pharmaceuticals</td>
</tr>
<tr>
<td>2000</td>
<td>Credit control area for USA</td>
</tr>
<tr>
<td>3000</td>
<td>Credit control area North America</td>
</tr>
<tr>
<td>3161</td>
<td>AJB Credit Control Area</td>
</tr>
<tr>
<td>3204</td>
<td>Armani Group Credit Control Area</td>
</tr>
<tr>
<td>3535</td>
<td></td>
</tr>
<tr>
<td>4000</td>
<td>Credit control area for Australia</td>
</tr>
<tr>
<td>4444</td>
<td>Credit control area Pepsi</td>
</tr>
<tr>
<td>4500</td>
<td>Canadian Credit control area</td>
</tr>
<tr>
<td>5000</td>
<td>Credit control area Japan</td>
</tr>
</tbody>
</table>
Assigning Company Codes to a Credit Control Area

SPRO > Enterprise Structure > Assignment > Financial Accounting > Assign Company Code to Credit Control Area

Assigning Sales Area to a Credit Control Area

SPRO > Enterprise Structure > Assignment > Sales and Distribution > Assign Sales Area to Credit Control Area
Basics of Credit Control

Credit check can be done at:

1. sales order
2. delivery
3. goods issue

The system does the credit check in sales order or delivery based on configuration settings. If the credit check fails:

- System stops the user from saving the document OR
- It allows the document to be saved but it blocks the document with a credit block.
- Documents blocked for credit have to be released by an authorized person before they can be processed.

To view documents blocked for credit:

Logistics > Sales and Distribution > Credit Management > Sales and Distribution Documents > All
Transaction Code VKM3

We can use program RVKRED08 to recheck all documents blocked for credit.

The system can use many different automatic credit management checks such as:

- A static check
- A dynamic check
- A check on the total document value
- A critical field check
- A next review date check
- A check on open items
- A check on oldest open item
- A check on highest permitted dunning level
Simple Credit Check

The simple credit check compares the payer customer master record's credit limit to the net document value plus the value of all open items. In case the value of the document and open items is more than the credit limit:

- System may respond with a warning message in the sales order OR
- Warning message and a delivery block OR
- Error message, which will cause the document not to be saved.

This setting for a simple credit check is set at the document type level:
SPRO > Sales and Distribution > Basic Functions > Credit Management/Risk Management > Simple Credit Limit Check

We can assign the credit limit check to the sales document type, using the options:
A - Run simple credit limit check and warning message
B - Run simple credit limit check and error message
C - Run simple credit limit check and delivery block

Automatic Credit Management

It is used to carry out the different credit checks including the static and dynamic checks. For this, we separate the sales document types, the delivery document types, and goods issue into specific credit groups.

Defining Customer Risk Category (FI)
SPRO > Financial Accounting > Accounts Receivable and Accounts Payable > Credit Management > Credit Control Account > Define Risk

Change View "Credit Management Risk Categories": Overview

Example: If we have 5 risk categories and 2 document credit groups, we have 10 credit management strategies to configure.

Defining Credit Groups

SPRO > Sales and Distribution > Basic Functions > Credit Management/Risk Management > Credit Management > Define Credit Groups
We need to assign a value in the pricing procedure that defines the amount used for credit check. For this, subtotal A must be entered in the control data of Pricing Procedure. The credit price is stored in field VBAP-CMPRE and is used for the update and the credit check.

**Assigning Sales Documents and Delivery Documents**

SPRO > Sales and Distribution > Basic Functions > Credit Management/Risk Management > Credit Management > Assign Sales Documents and Delivery Documents > Credit Limit Check for Order Types > Credit Limit Check for Delivery Types
Defining Automatic Credit Control

The control of the automatic credit management is based on the combination of the risk category and the document credit group.

SPRO > Sales and Distribution > Basic Functions > Credit Management/Risk Management > Credit Management > Define Automatic Credit Control
Static Credit Limit Check:

CREDIT LIMIT = Open Sales Orders +
Open Deliveries (Not Yet Invoiced) +
Open Billing Documents (Not Yet Passed On To Accounting) +
Billing Documents (Passed On To Accounting, But not yet paid by the customer)

Dynamic Credit Check:

CREDIT LIMIT = Open Sales Orders Not Yet Delivered +
Open Deliveries (Not Yet Invoiced) +
Open Billing Documents (Not Yet Passed On To Accounting) +
Billing Documents (Passed On To Accounting, But Not Yet Paid By The Customer)
In addition to this, the dynamic check has attached time period (called the CREDIT HORIZON).
This controls that the system excludes the sales orders in the total of outstanding items that are due for delivery outside the credit horizon.

We may also require additional checks to be performed:

1. Credit check when the maximum document value is exceeded
2. Credit check when changing critical fields
3. Credit check at the time of the next internal check
4. Credit check on the basis of overdue open items
5. Credit check on the basis of oldest open items
6. Credit check against the maximum allowed dunning levels
7. Customer specific credit checks
Update Group

Each automatic credit control must be assigned an update group. This is done while defining Credit Control Area. We can have the following Update groups:

**Update group 000012**

Sales Order, Increases open order value from delivery-relevant schedule lines  
Delivery, Reduces open order value from delivery-relevant schedule lines, Increases open delivery value  
Billing Document, Reduces open delivery value, Increases open billing document value,  
Financial Accounting Document, Reduces open billing document value, Increases open items

**Update group 000015**

Delivery, Increases open delivery value, Increases open billing document value  
Financial Accounting Document, Reduces open billing document value, Increases open items

**Update group 000018**

Sales Order, Increases open delivery value  
Billing Document, Reduces open delivery value, Increases open billing document value  
Financial Accounting Document, Reduces open billing document value, Increases open items
Customer Credit Management

Maintaining credit limit for a customer.
SAP Easy Access Menu > Accounting > Financial Accounting > Customers > Credit Management > Master Data > Change
T Code: FD32

Some of useful Transactions Codes in Credit Management:
### Sales Transactions Codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>VKM4</td>
<td>All documents for release</td>
</tr>
<tr>
<td>VKM3</td>
<td>Sales document documents for release</td>
</tr>
<tr>
<td>VKM5</td>
<td>Delivery documents for release</td>
</tr>
<tr>
<td>VKM2</td>
<td>Released</td>
</tr>
</tbody>
</table>

### Finance transactions Codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FD10N</td>
<td>Customer balance display</td>
</tr>
<tr>
<td>FBLSN</td>
<td>Customer line item display</td>
</tr>
<tr>
<td>F-28</td>
<td>Reset customers credit limit</td>
</tr>
<tr>
<td>F.31</td>
<td>Overview: customer's financial analysis or line items.</td>
</tr>
<tr>
<td>F.33</td>
<td>Brief overview</td>
</tr>
<tr>
<td>F.32</td>
<td>Missing credit data</td>
</tr>
<tr>
<td>FCV3</td>
<td>Early warning list</td>
</tr>
<tr>
<td>FDK43</td>
<td>Master data list.</td>
</tr>
<tr>
<td>S_ALR_87012215</td>
<td>Displays changes to credit management.</td>
</tr>
<tr>
<td>S_ALR_87012218</td>
<td>Credit master sheet</td>
</tr>
</tbody>
</table>