

# Enterprise Information System (EIS)

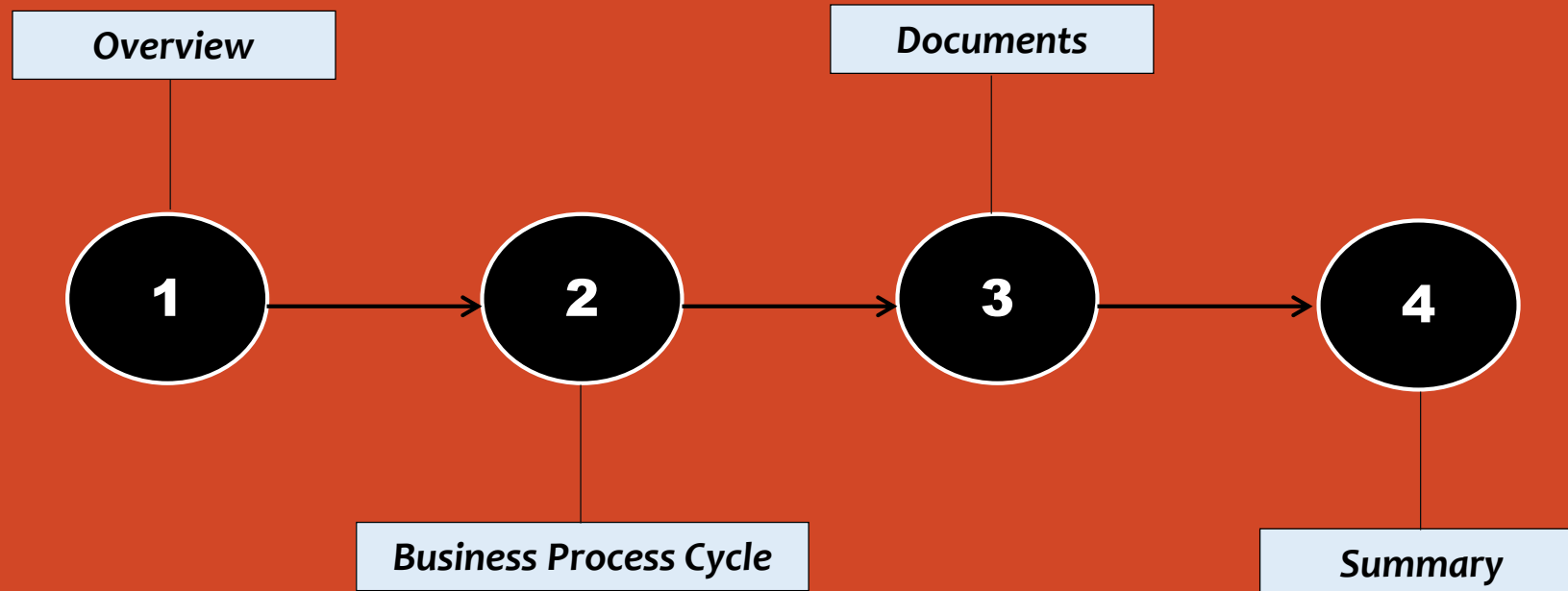
## Chapter 2

# Financial and Accounting System

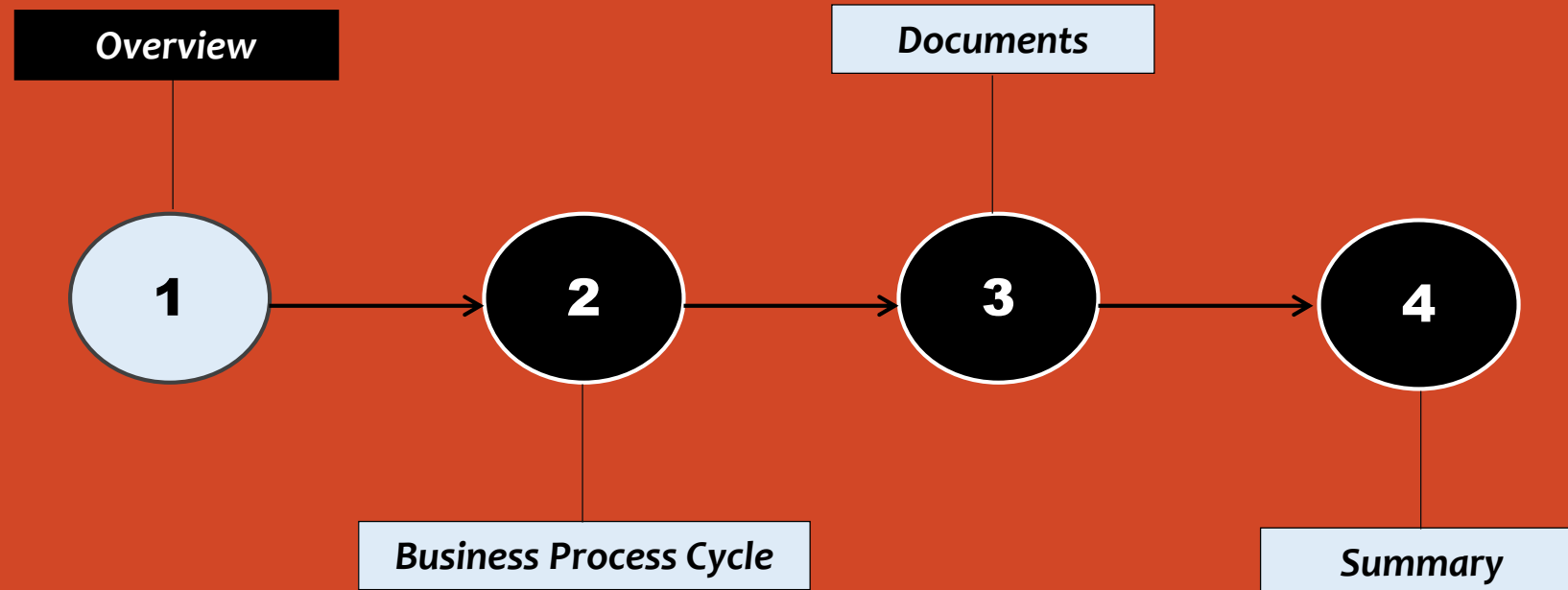
# Sales & Distribution (SD)

## Order To Cash (O2C) Cycle

# Order To Cash (O2C)



# Order To Cash (O2C)

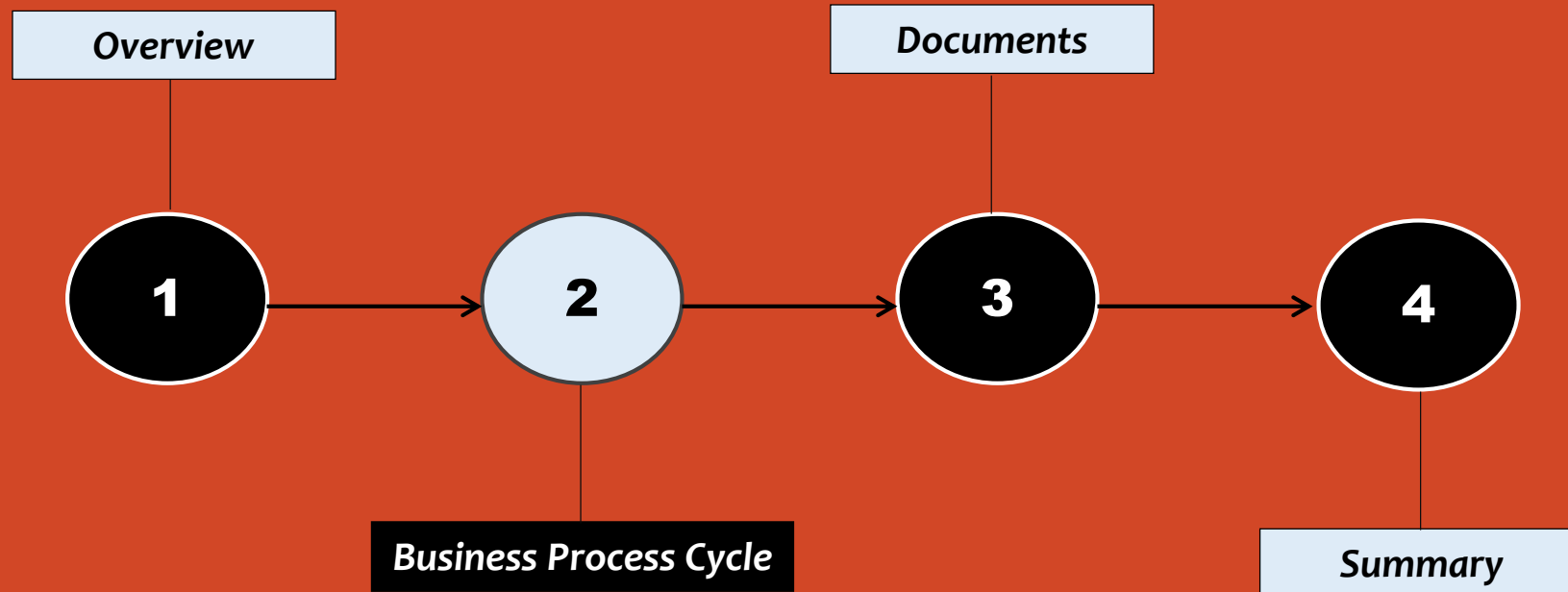


## **Order To Cash (O2C) - Overview**

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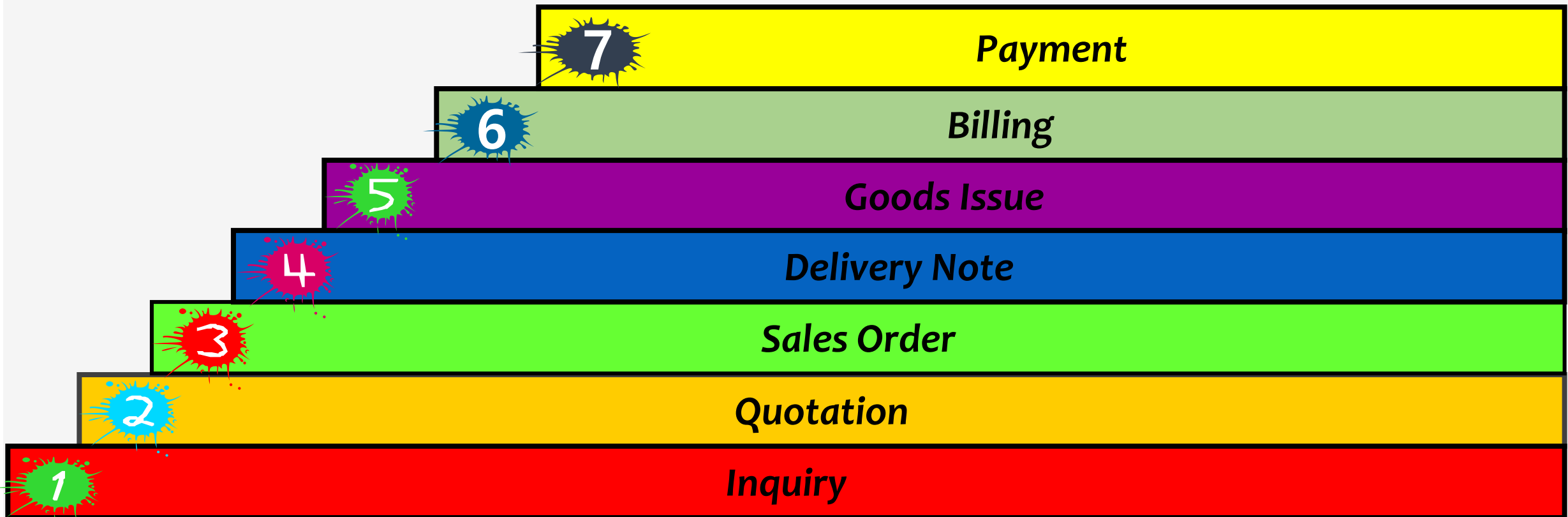
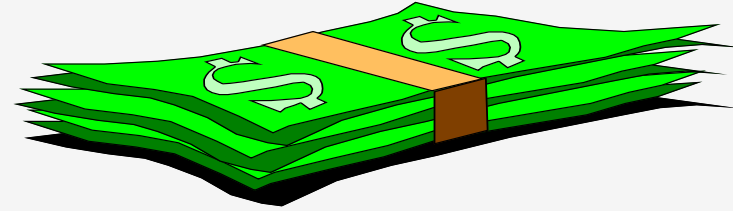
- ▶ *Sales is a component of the Sales & Distribution module.*
- ▶ *It supports inquiry, quotation, delivery, sales and billing of materials and/or services to the customers.*
- ▶ *It is highly integrated with SAP Inventory management, financial accounting.*

# Order To Cash (O2C)

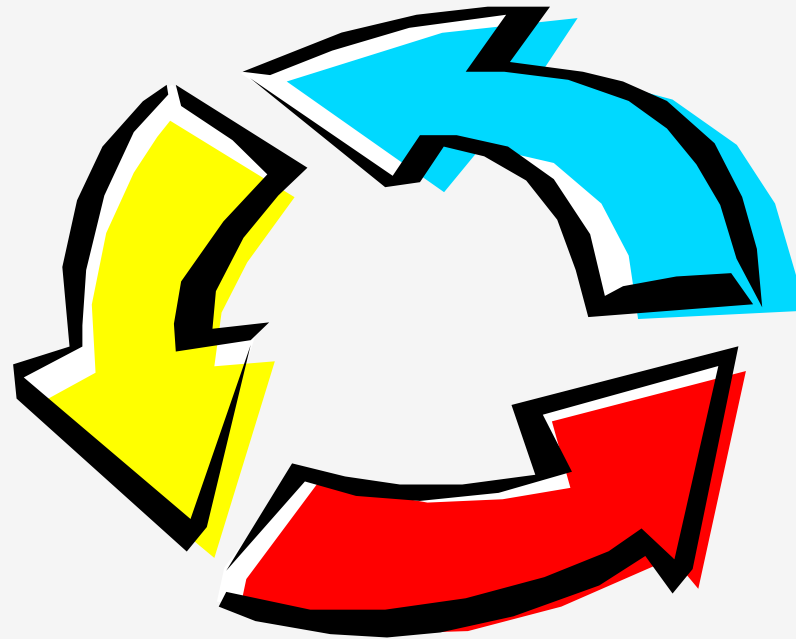
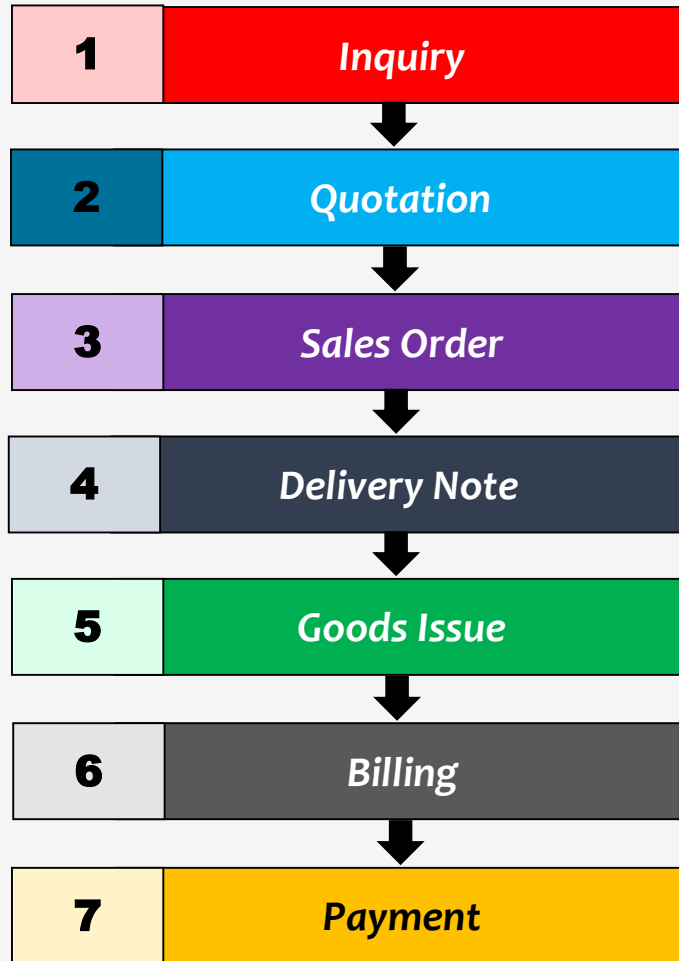


## Order To Cash (O2C) - Business Process Cycle

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## Order To Cash (O2C) - Business Process Cycle

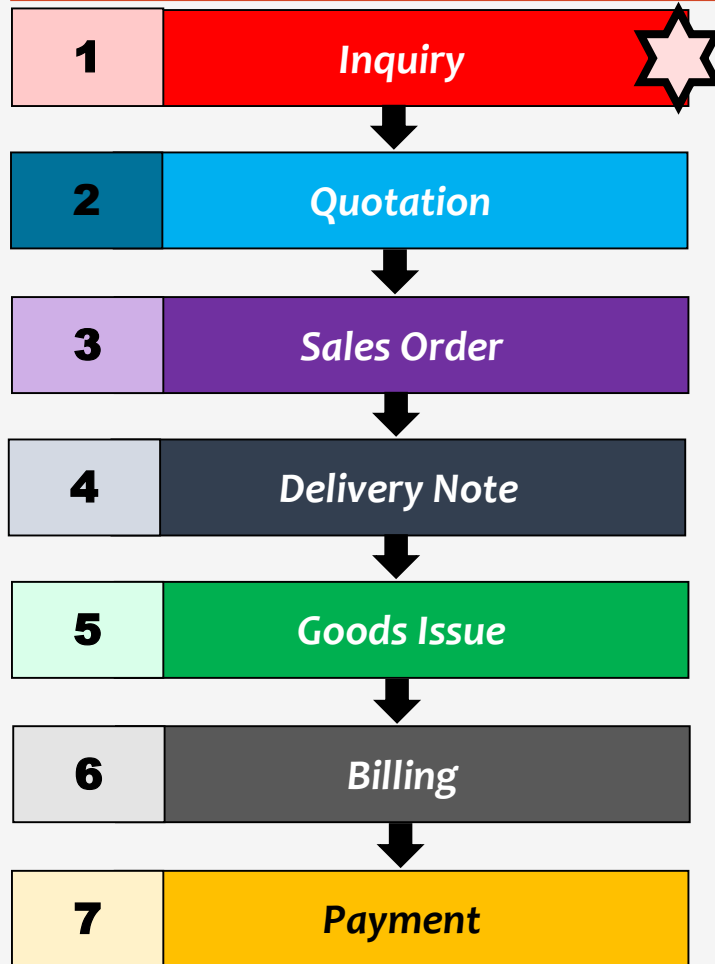


**ERP Integrated solution**

**SD, FI, CO, PM, PP, QM**

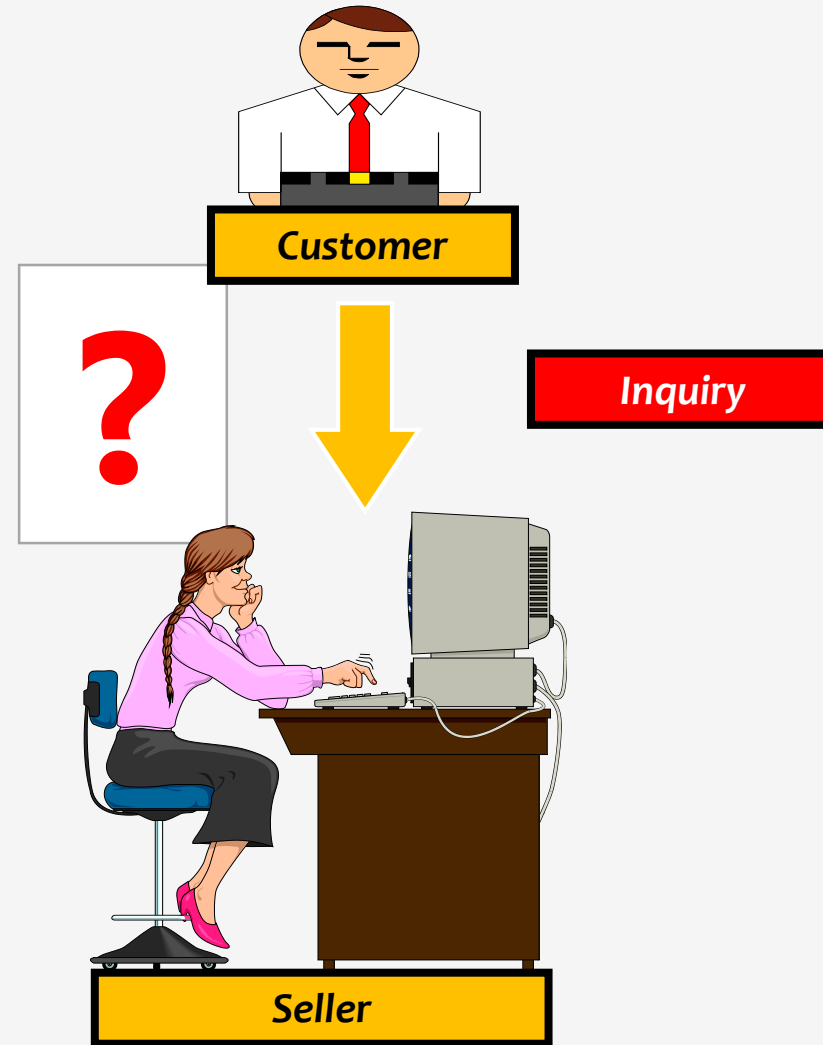
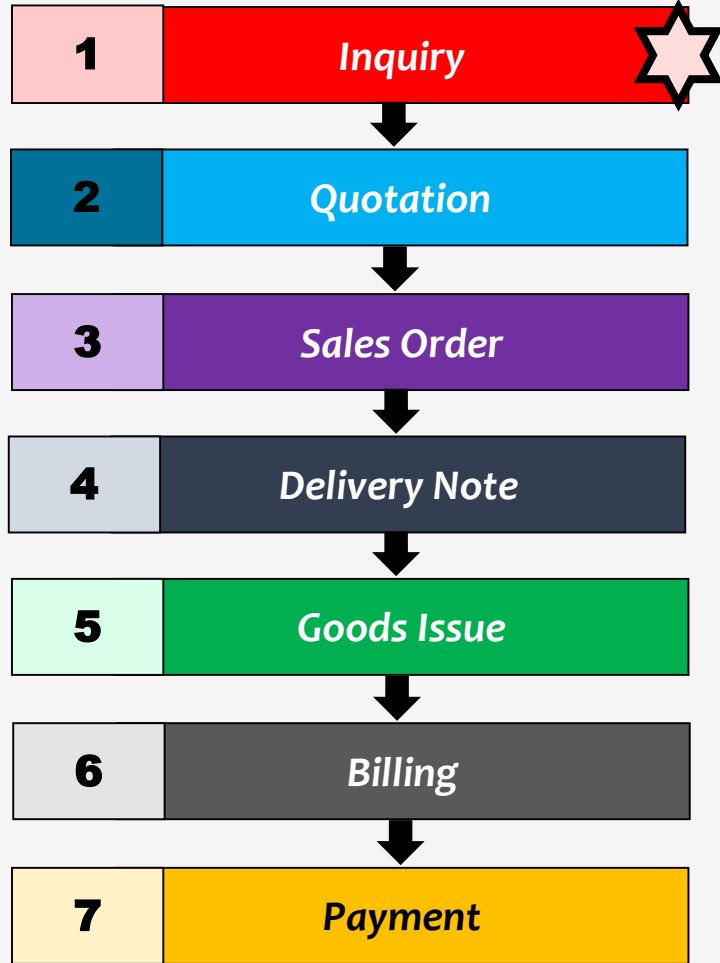


## Inquiry - Overview

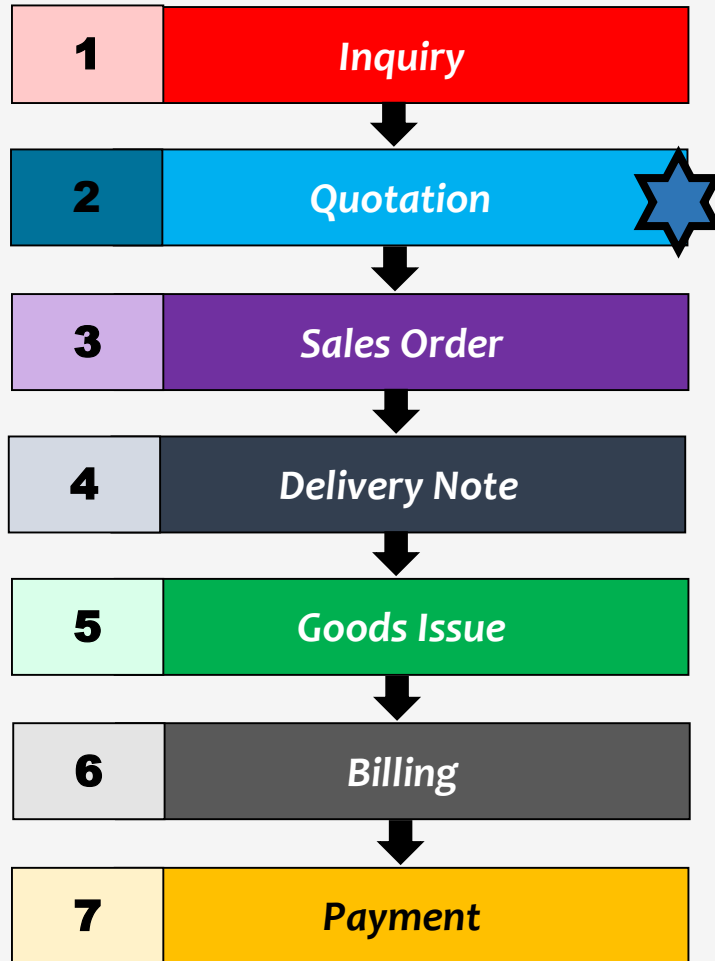


- ▶ An **Inquiry** is a document created in the Sales & Distribution module that represents a query from a customer or prospective customer.
- ▶ The query could involve whether the seller stocks a certain material or provides a certain service or has catalogs and brochures available.
- ▶ The following information can also be recorded in an Inquiry:
  - Specific materials and / or services
  - Descriptions of materials and / or services to be researched
- ▶ The following activities can be executed in an Inquiry:
  - Automatic pricing
  - Manual availability check

## Inquiry - Approach

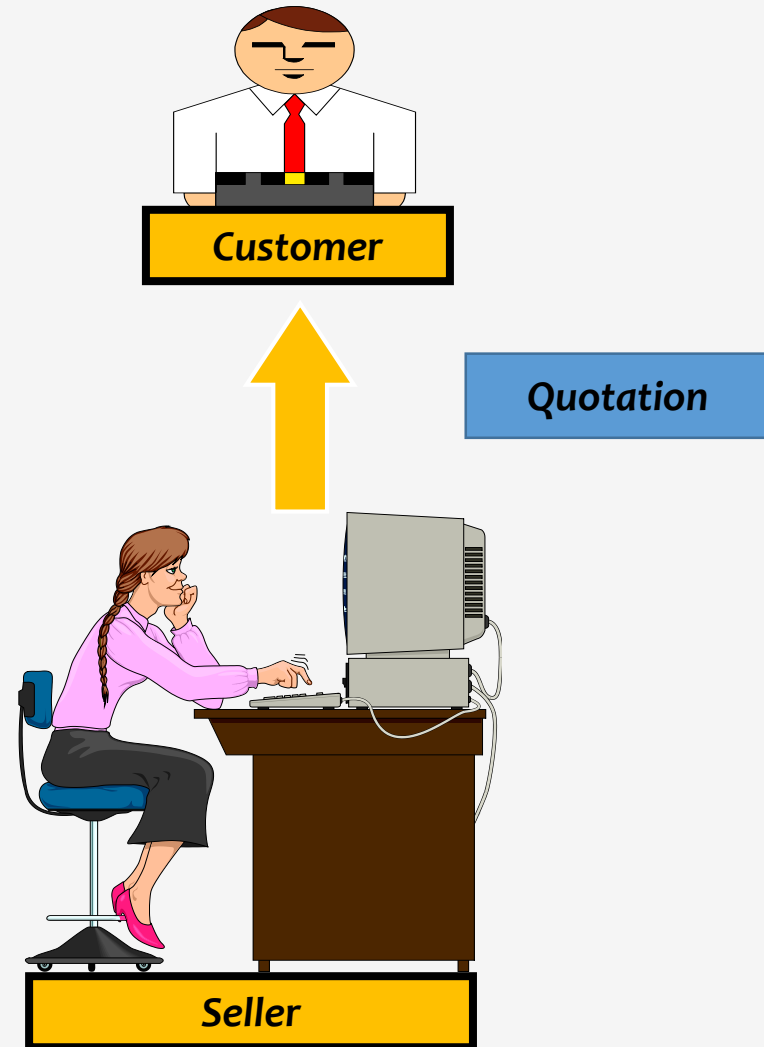
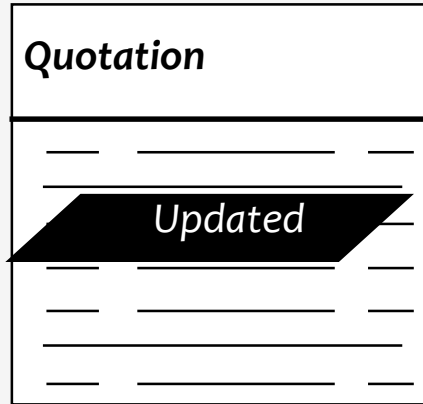
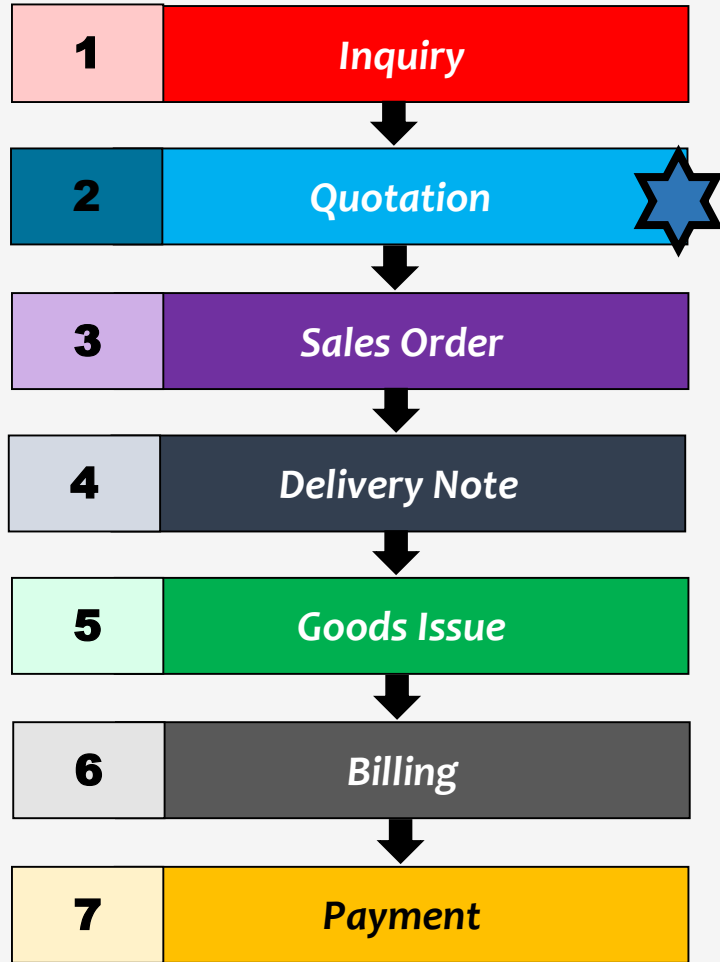


## Quotation - Overview

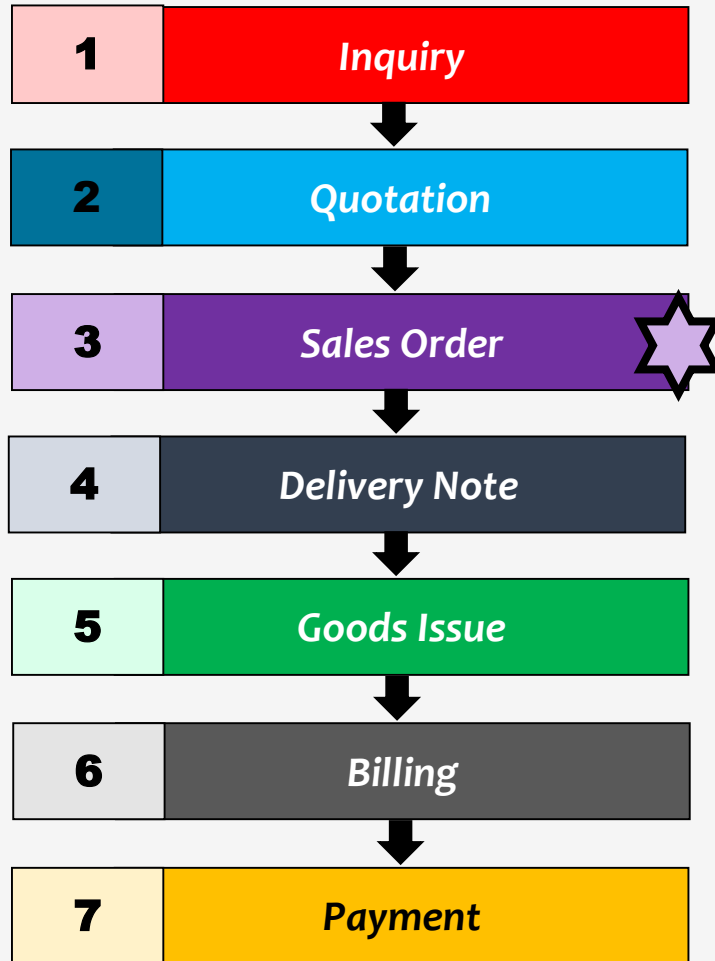


- ▶ A Quotation is a document created in the Sales & Distribution module that records information about materials possibly desired by a customer or prospective customer.
- ▶ It is used as a response to a query (which may or may not have been documented in an Inquiry) with a binding offer.
- ▶ The following information can be recorded in a Quotation:
  - Material Number
  - Price
  - Alternative Items

## Quotation - Approach

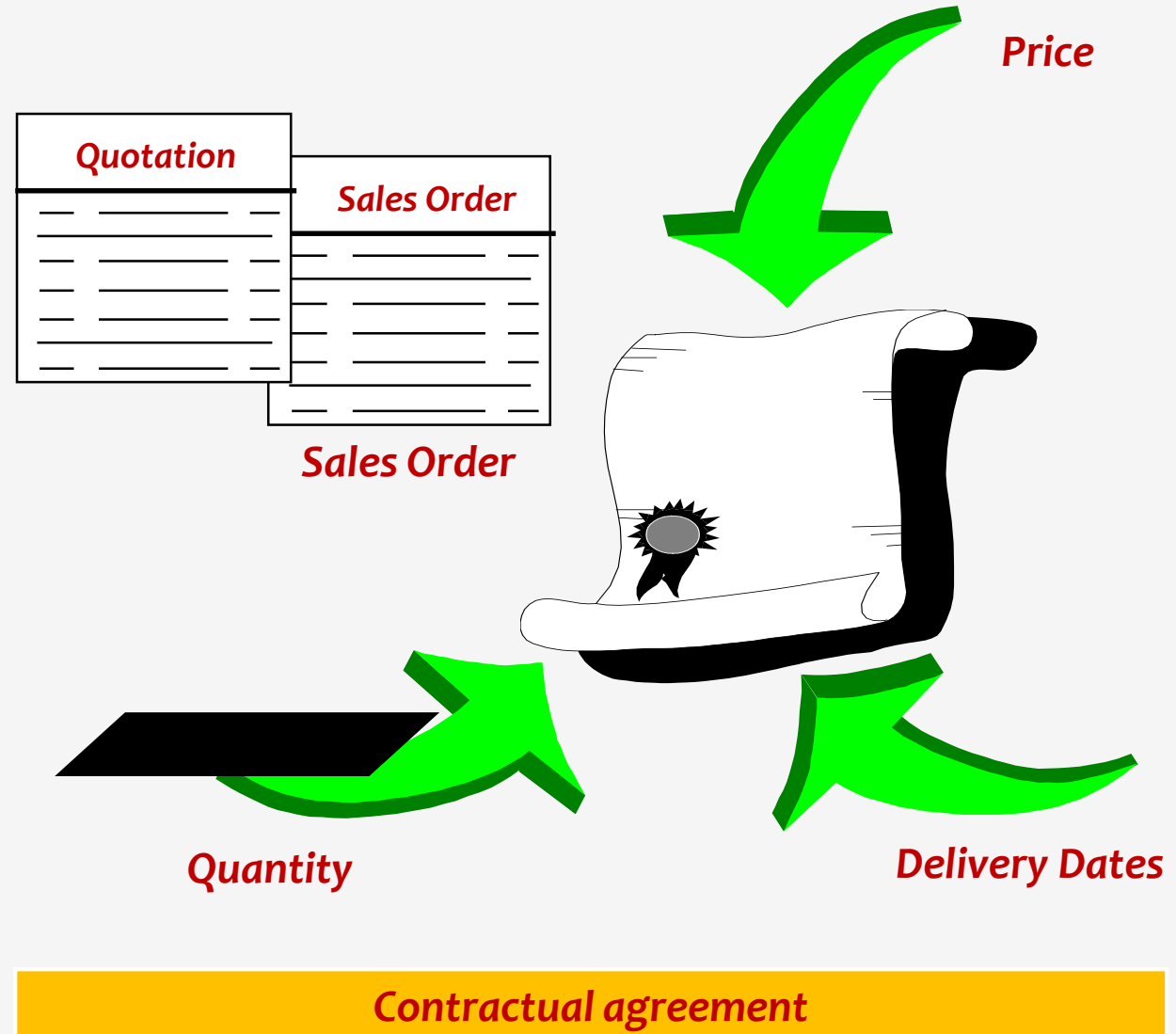
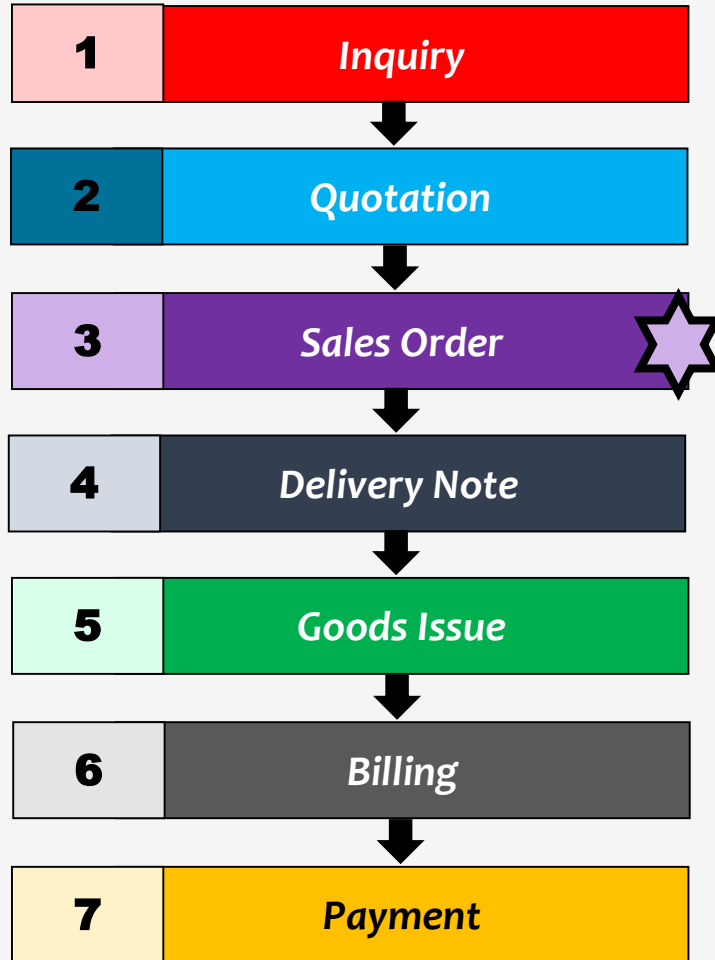


## Sales Order - Overview

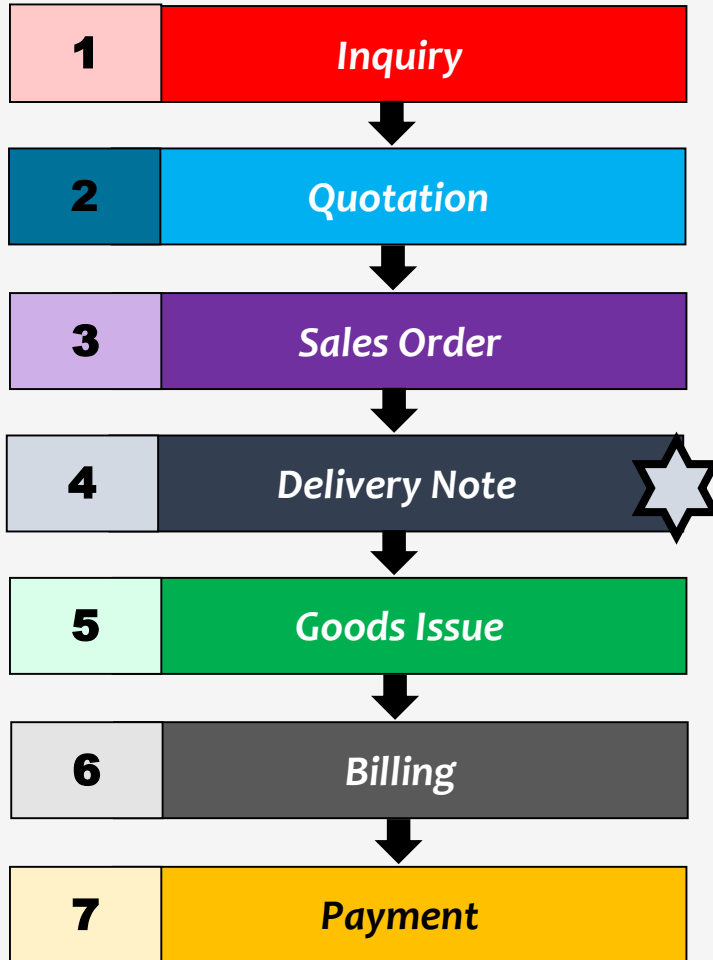


- ▶ A **Sales Order** is a contractual agreement between a Sales Organization and a customer concerning goods to be delivered or services rendered.
- ▶ Information in a Sales Order includes the following:
  - Customer Number
  - Material Number
  - Order Quantity
  - Price
  - Delivery Date
- ▶ It can be created with reference to:
  - a Quotation
  - another Sales Order
  - a Contract
  - a Billing Document
- ▶ When a Sales Order is processed, the system can automatically execute the following functions:
  - Credit Checking
  - Pricing
  - Material Availability Checking
  - Transferring requirements to Materials Requirements Planning (MRP)
  - Shipping Point and Route Determination
- ▶ Pricing details in the Sales Order include the amounts that will eventually be posted to the General Ledger for Cost of Goods Sold and Revenue.

## Sales Order - Approach

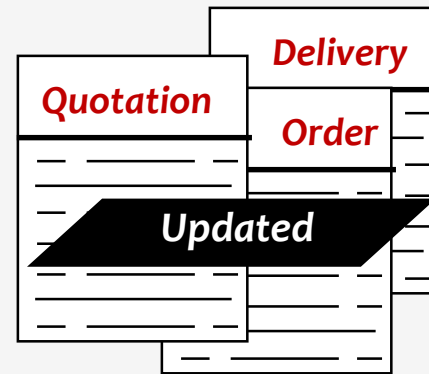
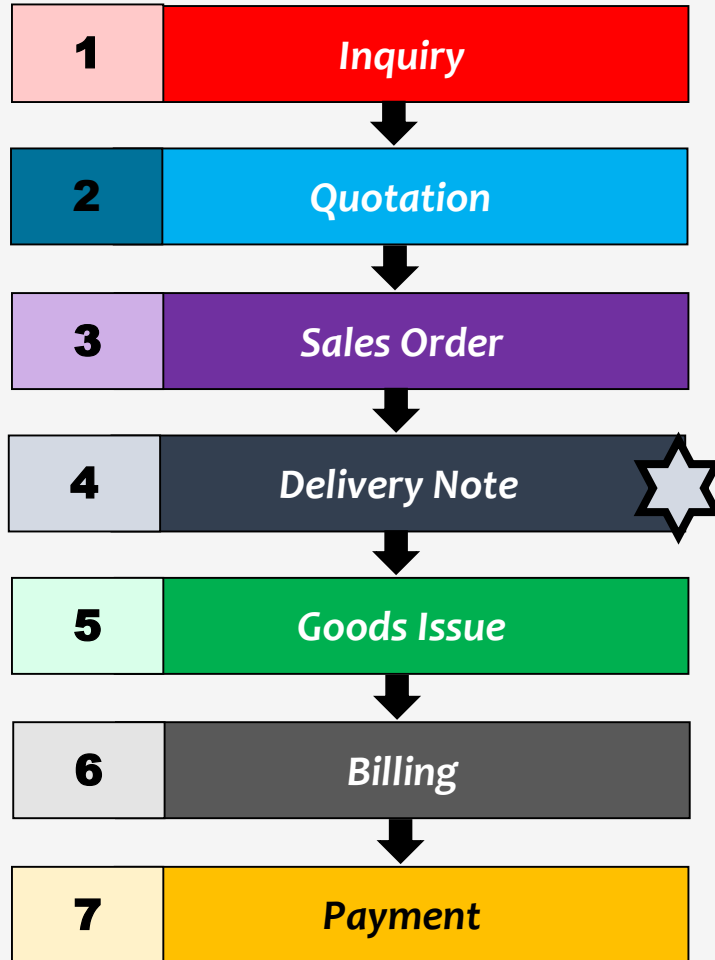


## Delivery Note - Overview

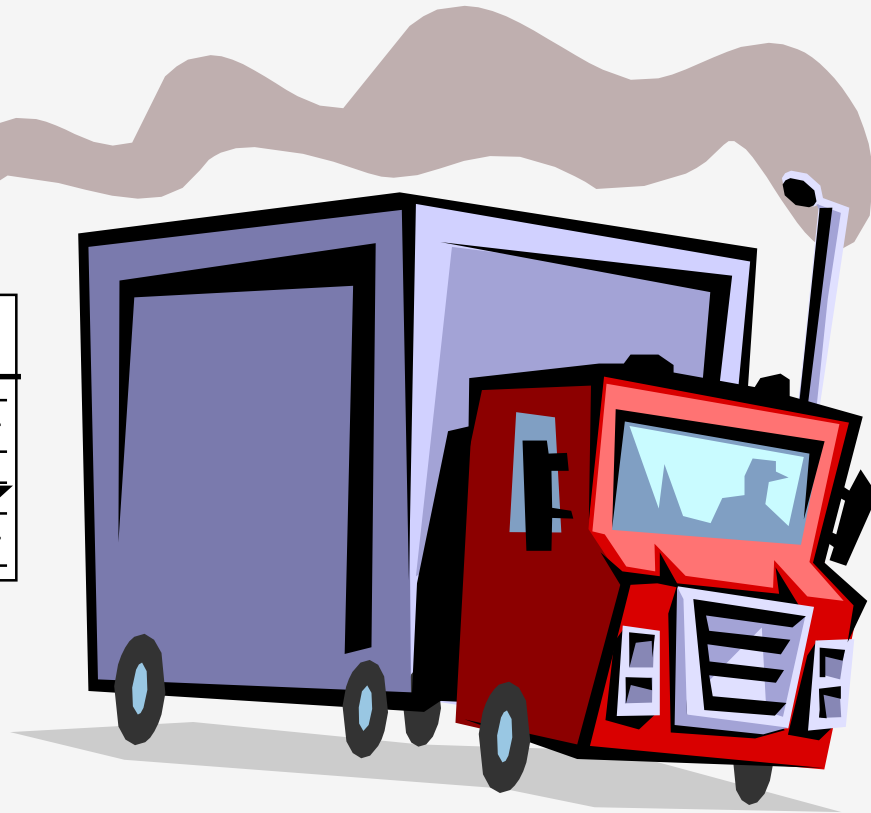


- ▶ The **Delivery Note** is a document created in the Sales & Distribution module that initiates the shipping activities associated with delivering materials to a customer.
- ▶ It serves as a basis for:
  - Picking the material
  - Creating Shipping Documents
  - Transportation
  - Billing
- ▶ It contains the following information:
  - Material Number
  - Actual Quantity Delivered
  - Picking Information (from where the Material is sourced)
  - Billing Status
- ▶ No financial accounting transaction is recorded when a Delivery Note is created.

## Delivery Note - Approach



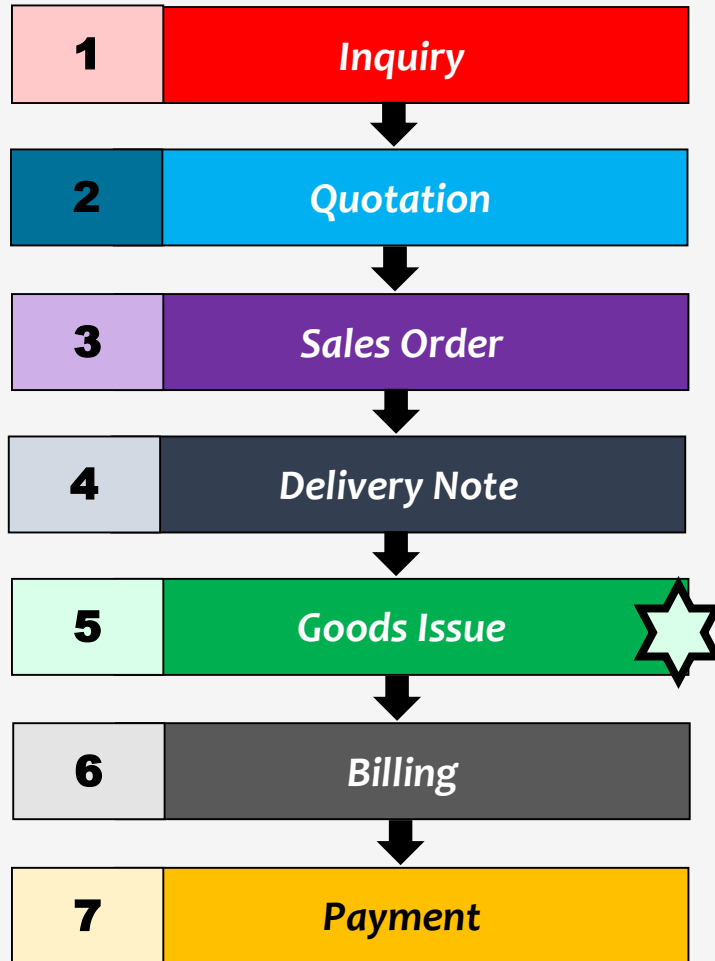
## Delivery Note



- ▶ Initiates Shipping Activities
- ▶ Forms the basis for Goods Issue & Billing

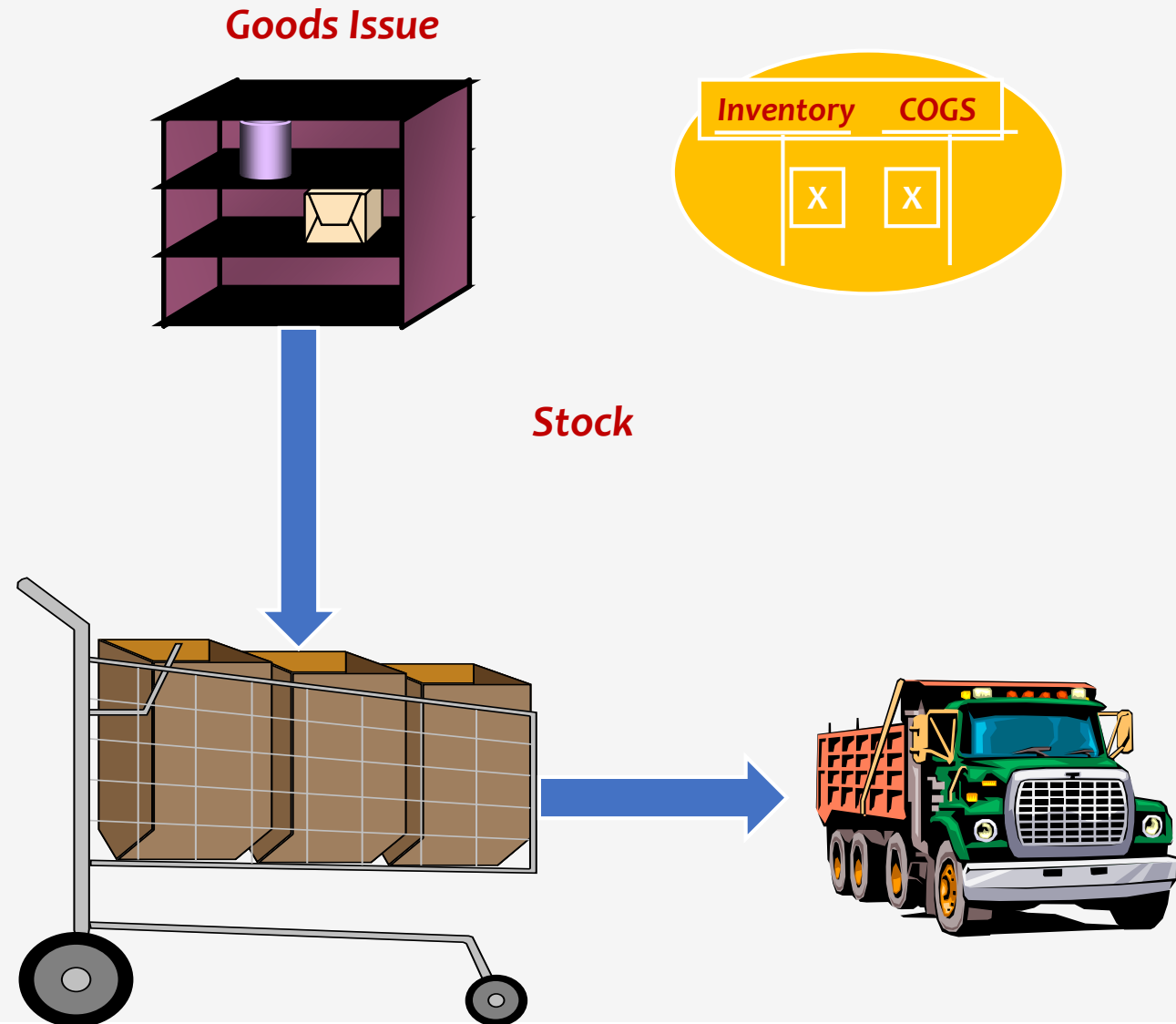
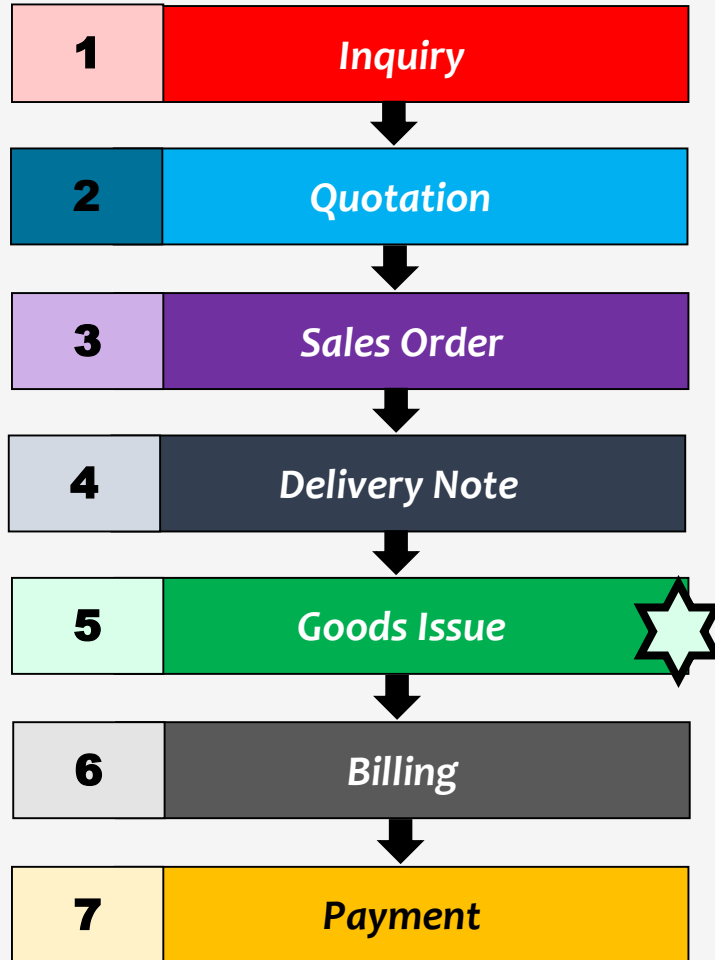


## Goods Issue - Overview

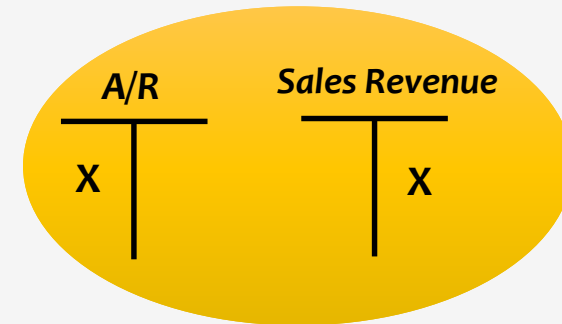
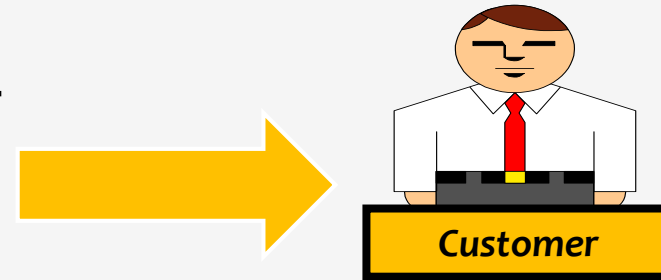
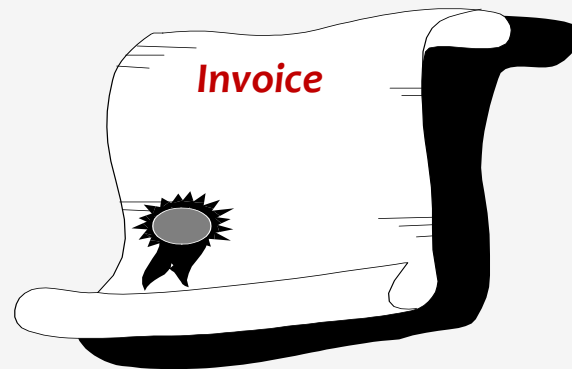
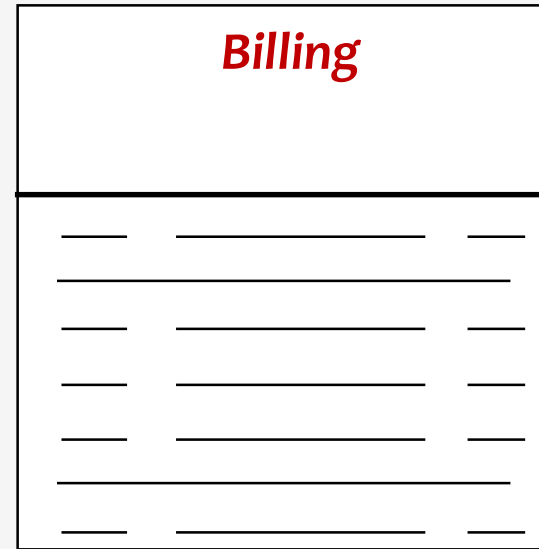
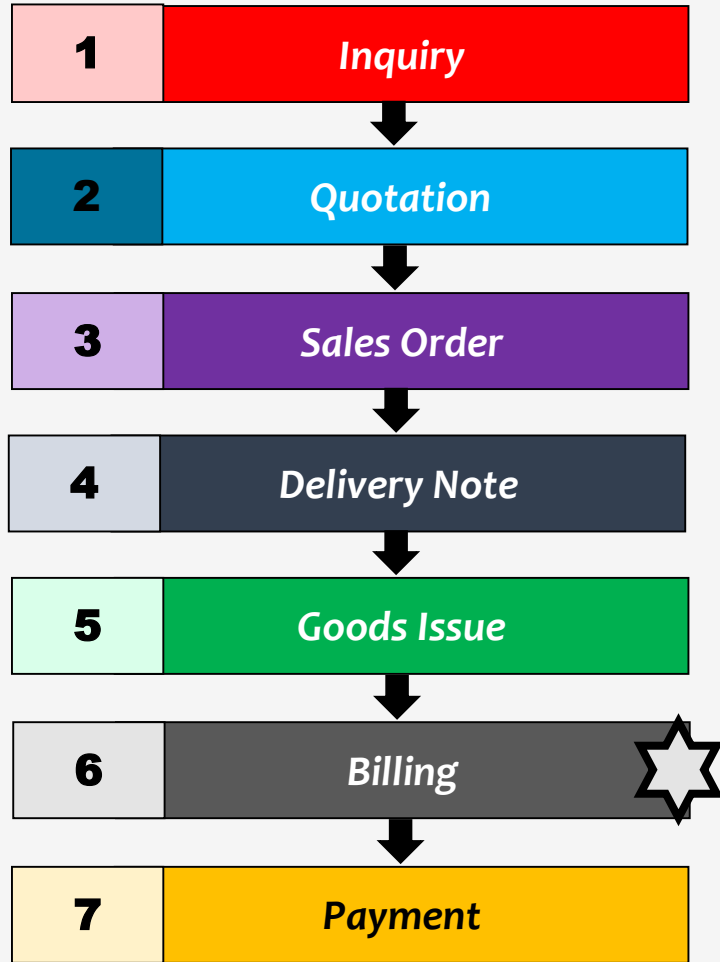


- ▶ A **Goods Issue** is a document, posted in the Sales and Distribution module.
- ▶ It is used as the source document for recording changes in stock levels associated with delivering materials to customers and for recording the financial impact of such transactions in the General Ledger.
- ▶ Shipping activities must already be completed before a Goods Issue can be posted for a delivery.
- ▶ After a Goods Issue has been posted, no quantity changes can be made to the Delivery Note.
- ▶ Goods Issue for a Sales Order:
  - ❑ Reduces warehouse stock
  - ❑ Contains information used in automatic account assignment such as the Movement Type (used to identify the transaction as a Goods Issue) and the Plant from which the material was shipped.
- ▶ As a result of a Goods Issue, integration to the Financial Accounting module occurs with the automatic creation of an Accounting Document containing the following accounting entries:
  - ❑ Debit to the Cost of Goods Sold G/L Account
  - ❑ Credit to the appropriate Inventory G/L Account

## Goods Issue - Approach

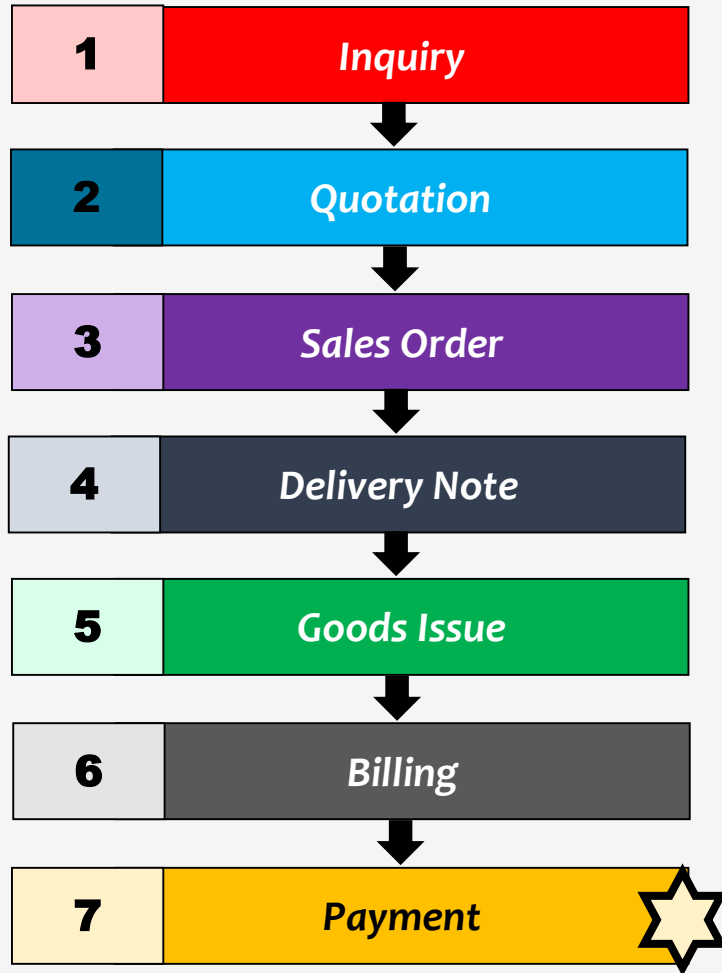


## Billing – Overview and Approach



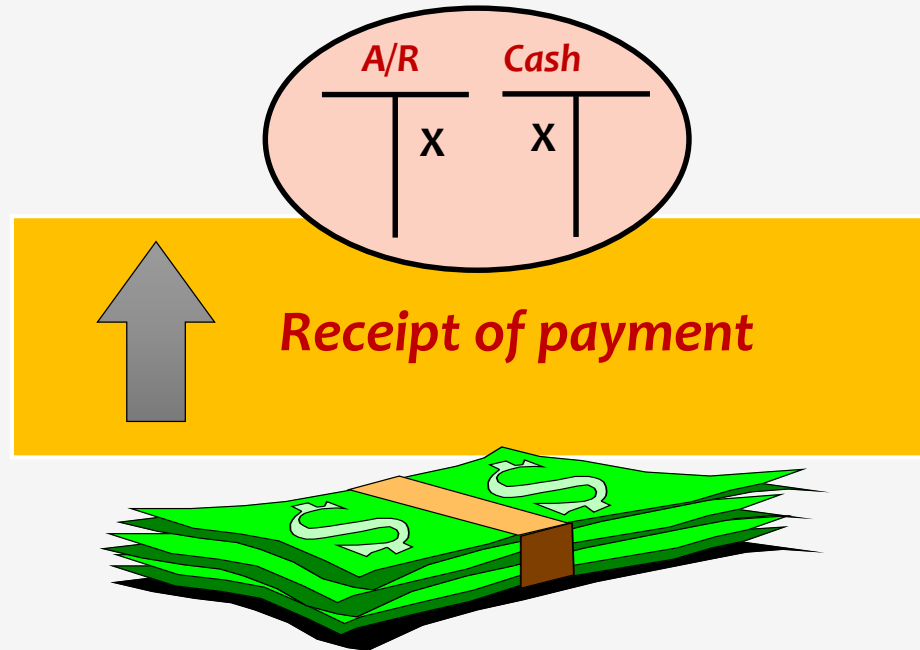
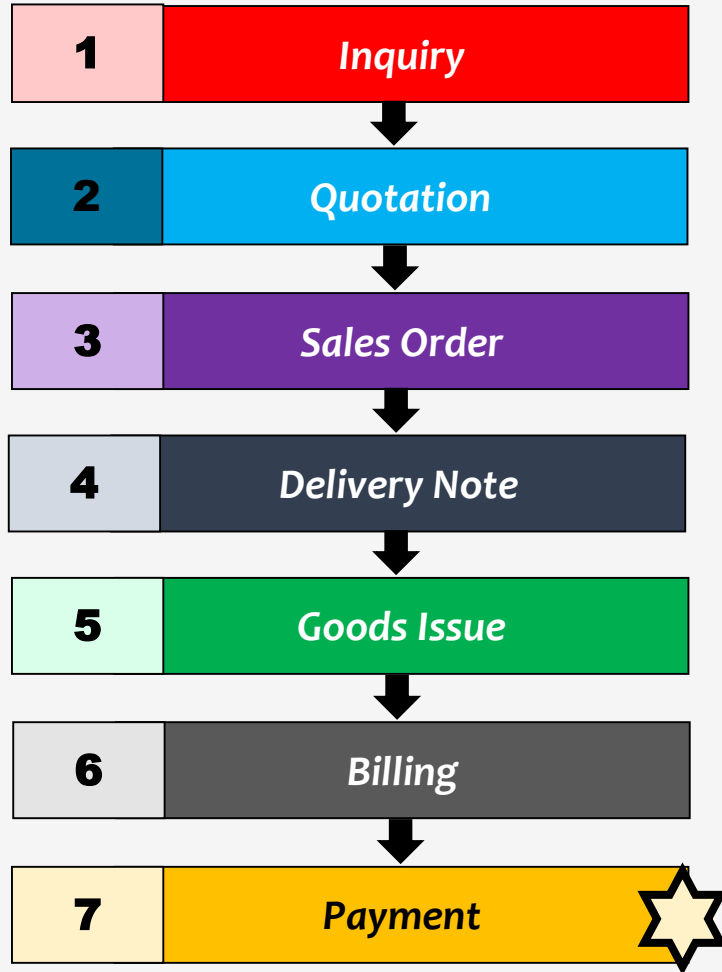
**Accounting Document**

## Payment - Overview

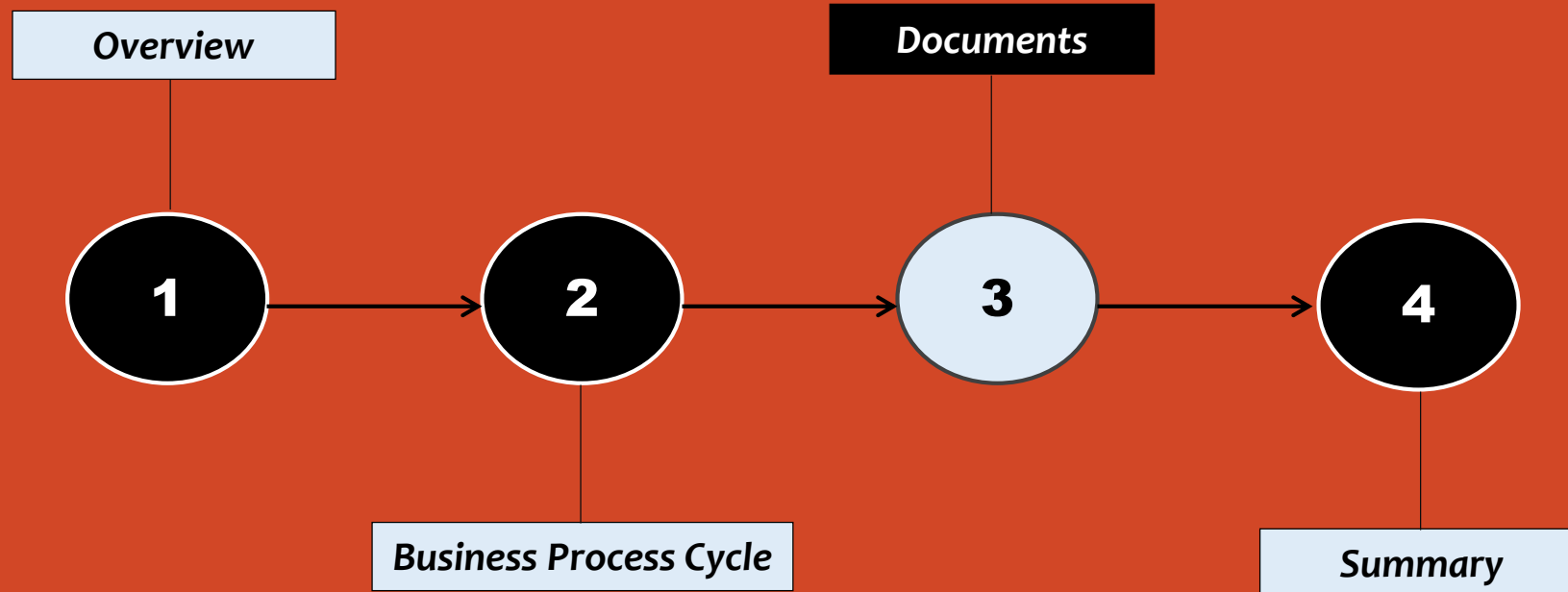


- ▶ Customer payments can be received directly and entered in the system manually, or they can be processed through a Lockbox.
- ▶ When the Accounts Receivable Department receives payment from the customer, the Accounts Receivable account is cleared (with a credit) and a posting is made to the Cash account for the same amount.

## Payment - Approach



# Order To Cash (O2C)

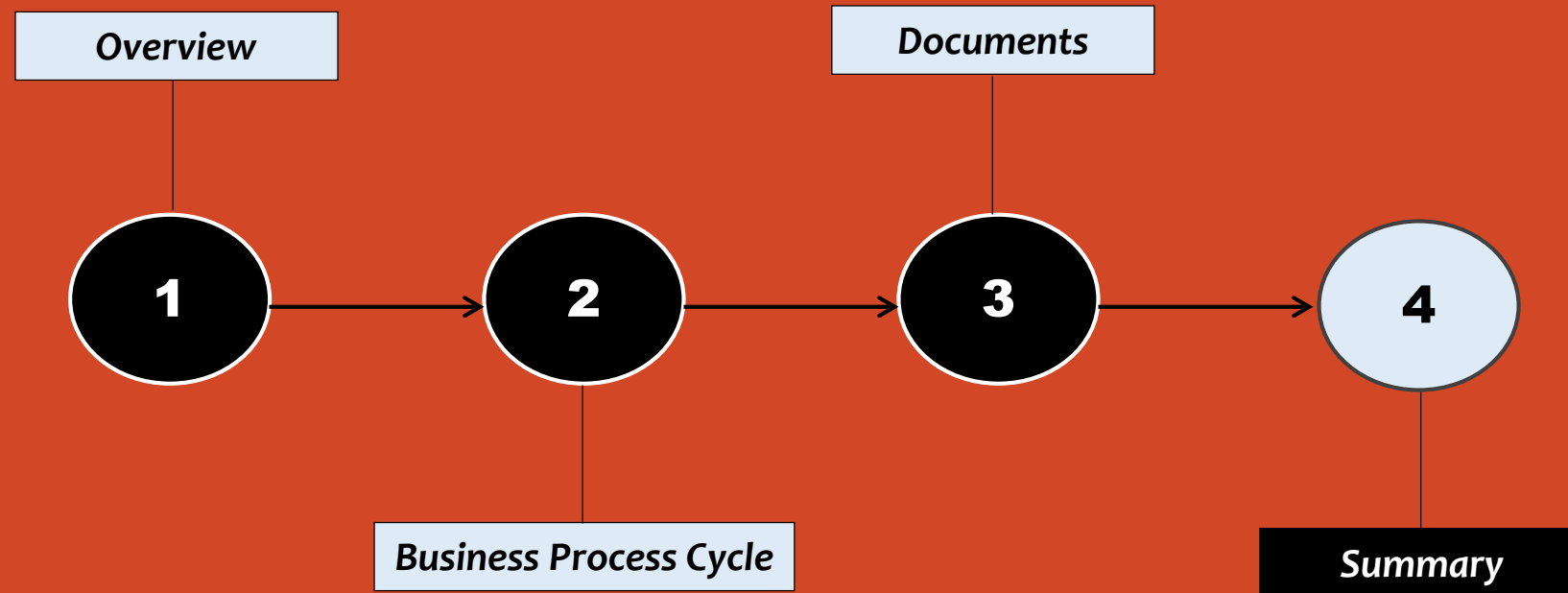


## **Order To Cash (O2C) - Documents**

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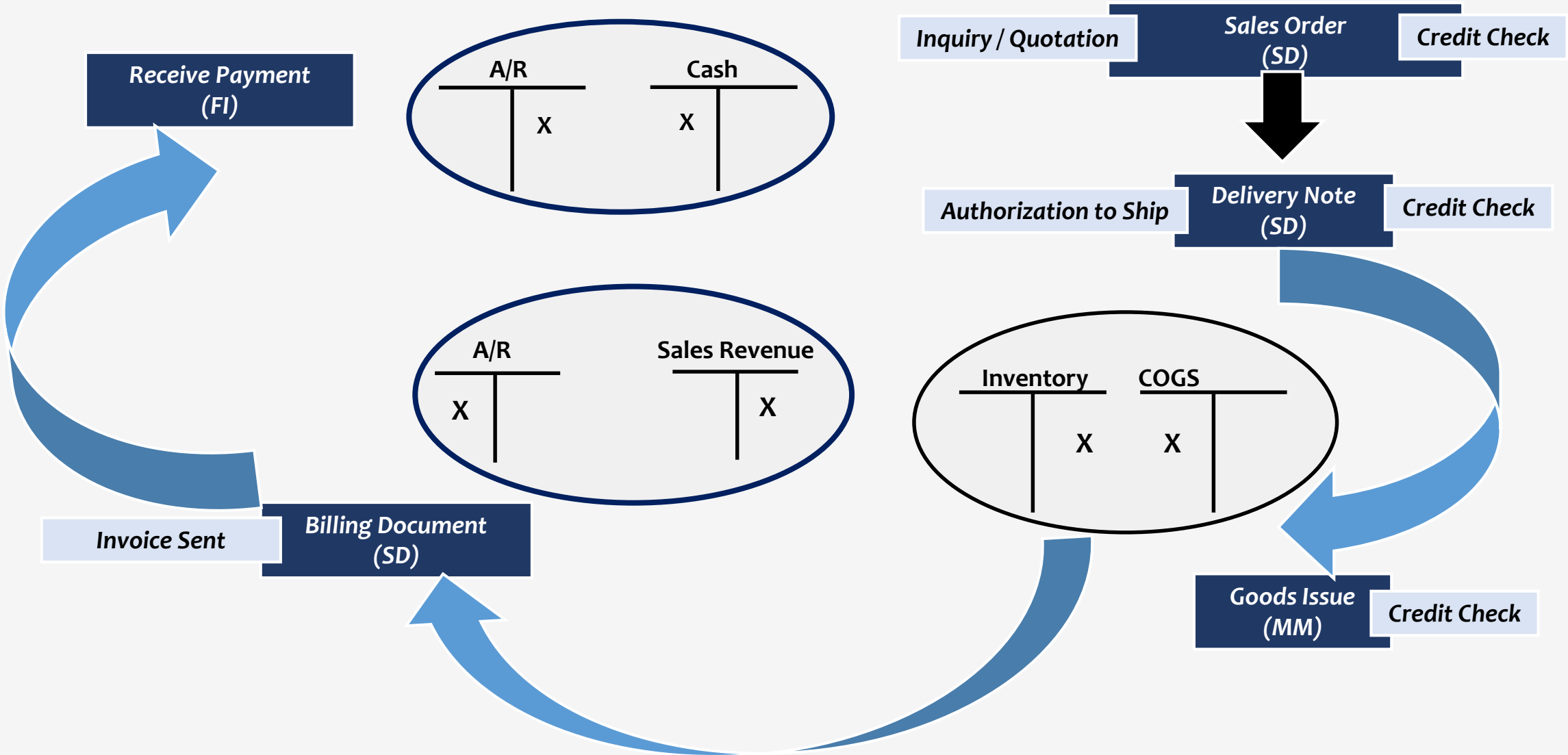
- ▶ Inquiry
- ▶ Quotation
- ▶ Sales Order
- ▶ Delivery
- ▶ Billing
- ▶ Debit and Credit Memo
- ▶ Payment

# Order To Cash (O2C)





# Order To Cash (O2C) - Summary



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# *Thanks*