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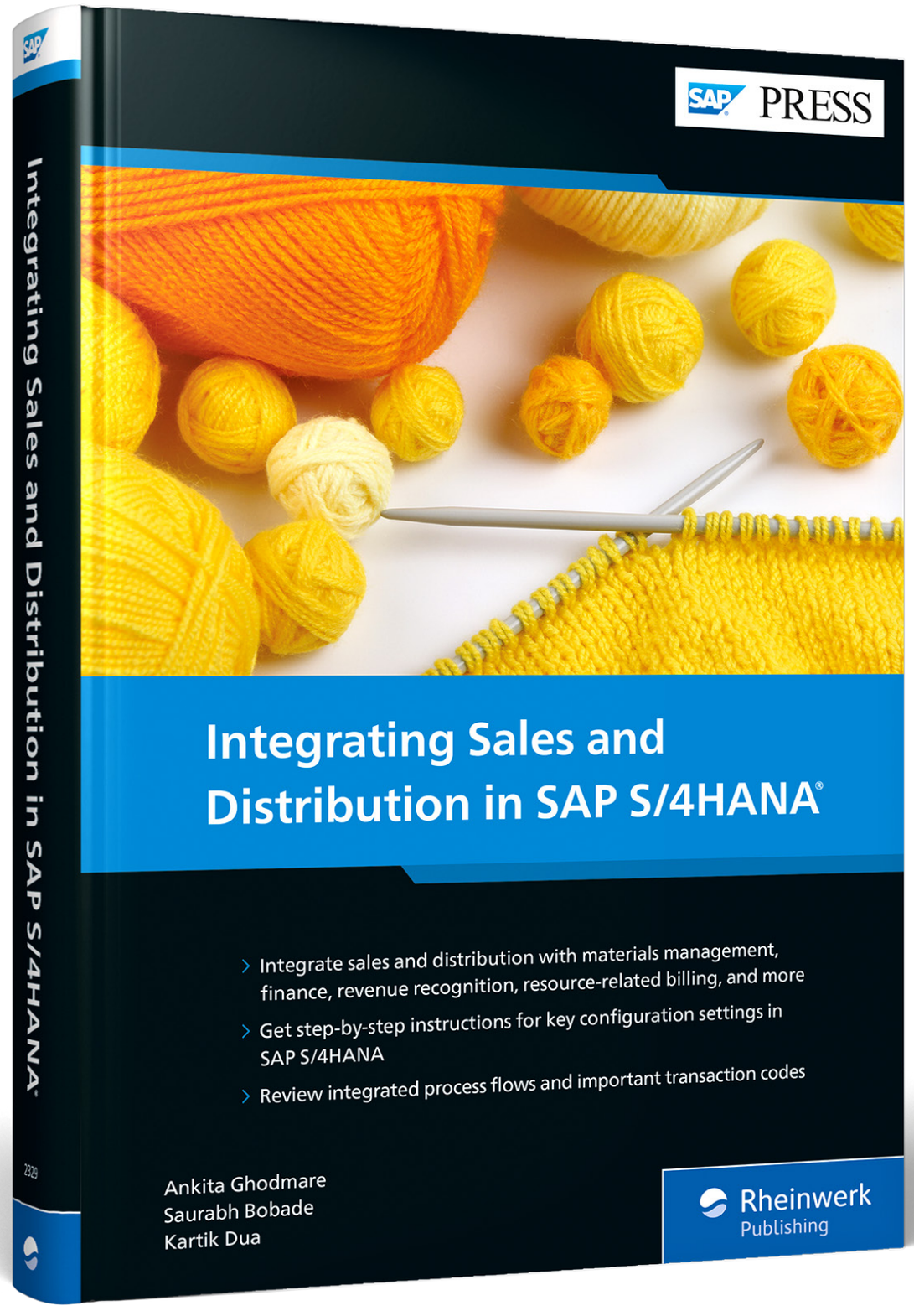

Reading Sample

In this chapter, you'll learn how to set up key integration points between sales and distribution and finance in SAP S/4HANA. You'll configure pricing and taxation using the condition technique, and then determine accounts in billing.

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Chapter 5
Finance

The ultimate goal of a business is to create value for its customers and generate profit for its stakeholders in a sustainable way. The finance functionality in SAP S/4HANA plays a very crucial role in the entire record-to-report business process. The data fed into the record-to-report process often originates from the order-to-cash flow.

The sales and distribution functionality in SAP S/4HANA integrates seamlessly with finance in various business processes. The tight integration between these functionalities prevents revenue leakage in the organization. It's very important to understand the integration points between the sales and distribution functionality and the finance functionality to effectively implement SAP S/4HANA in the enterprise.

In this chapter, we'll explain pricing and taxation, along with how they can be configured in the system with the condition technique. Then, we'll walk you through account determination in billing and provide a comprehensive, step-by-step understanding of each process involved. We'll describe the credit management functionality in general, and then walk through the specific credit management based on sales and distribution and the specific credit management based on financial supply chain management (FSCM). We'll also discuss profitability analysis, along with its associated configurations and data flow. Finally, we'll cover intercompany billing, its configurations, and an example of intercompany sales flow.

5.1 Pricing and Taxation

Pricing and *taxation* are critical interfaces between the sales and distribution functionality and the finance functionality. Accounting documents generated after invoicing contain finance-related data that is used to generate end reporting from both compliance and internal reporting perspectives. In this section, we'll first explain the pricing concept and its implementation in SAP S/4HANA, and then we'll look at how taxes flow through the system and interact with sales and distribution.

5.1.1 Condition Technique

The *condition technique* is the most widely used and adaptable methodology used by SAP to assist consultants in configuring complex business rules associated with pricing determination, output determination, text determination, revenue account determination, and so on. This is widely used in sales and distribution, materials management, and controlling. In materials management, its used for determining the pricing schema, that is, the pricing procedure from the materials management side.

The condition technique describes how the system determines prices based on information stored in condition records. you set up and control the various elements used in the condition technique with Customizing in sales and distribution. The condition technique is used by the system during sales order processing to determine a variety of important pricing information. For example, given the conditions, the system automatically determines which gross price the customer should be charged and which discounts and surcharges are applicable.

As shown in Figure 5.1, it consists of the following major components:

- **Field catalog**
  The field catalog contains every possible set of fields that can be used to determine business rules. If the associated field isn't present in the field catalog, then you can append the pricing structure with the help of an ABAP consultant and include the desired fields in the field catalog.
- **Condition table**
  A condition table is a database table that is created as part of the customization process from a small subset of the field catalog.
- **Access sequence**
  An access sequence is a search strategy used by the system to locate valid data for a specific condition type. The order of the accesses determines which condition records take precedence over others. The accesses instruct the system on where to look first, second, and so on, until a valid condition record is found. The condition tables that you'll create in the previous step needs to be assigned in the access sequence of most specific to most general.
- **Condition type**
  Each condition type represents one of the condition technique's logical components. Excise tax, for example, could be one of the logical components of pricing and could be represented by one condition type or a combination of multiple condition types. The access sequence created earlier needs to be assigned in the condition type.
- **Pricing procedure**
  A pricing procedure is a combination of multiple condition types. The condition type that you configured in the previous step needs to be assigned in the pricing procedure with the sequential order. Finally, the pricing procedure is assigned to the

final document type that the business rule affects. In some cases, the determination happens at the document type level, that is, in revenue account determination, output determination, and cash account determination. You must assign the procedure to the document type. In sales pricing, you have to set up the determination of pricing procedure based on the sales area, document pricing procedure, and customer pricing procedure.

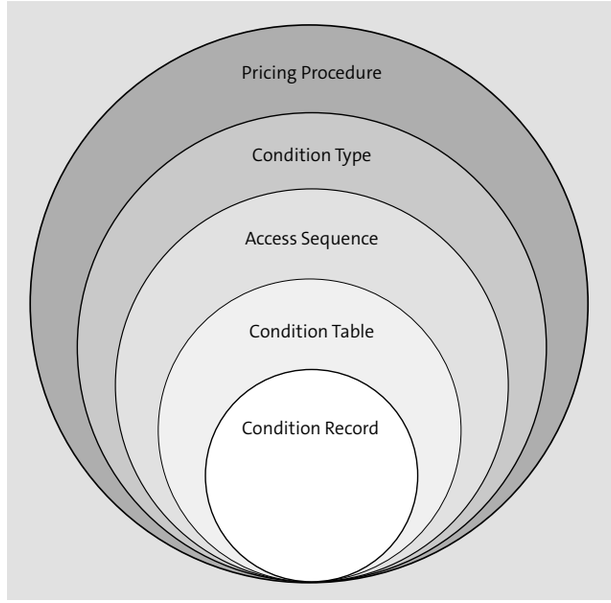


Figure 5.1 Condition Technique

We'll walk through the key configuration activities in the following sections.

Condition Tables

A condition table is a three-digit number that can be generated after the following steps are completed. You can only use a number higher than 500 to create custom tables because SAP has reserved the numbers 1 to 500 for internal tables created by SAP. You must ensure that the table you're attempting to create doesn't already exist in the standard tables. There is no need to create the table if it already exists; you can use the existing table for further configurations.

You can create the condition table by navigating to menu path **Sales and Distribution • Basic Functions • Pricing • Pricing Control • Condition Tables and Field Catalog • Create Condition Tables**. You can also use Transaction V/03 for creating condition tables. After following the given path, you'll end up on the screen shown in Figure 5.2, where you should enter the condition **Table Number** in the field and press Enter to arrive at the screen shown in Figure 5.3.

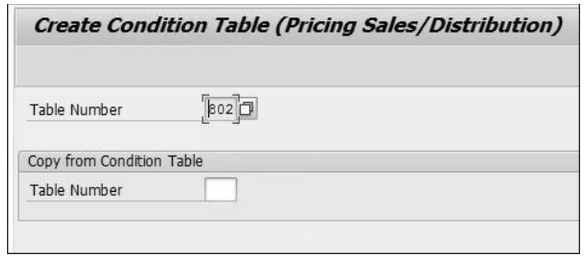


Figure 5.2 Create Condition Table: Initial Screen

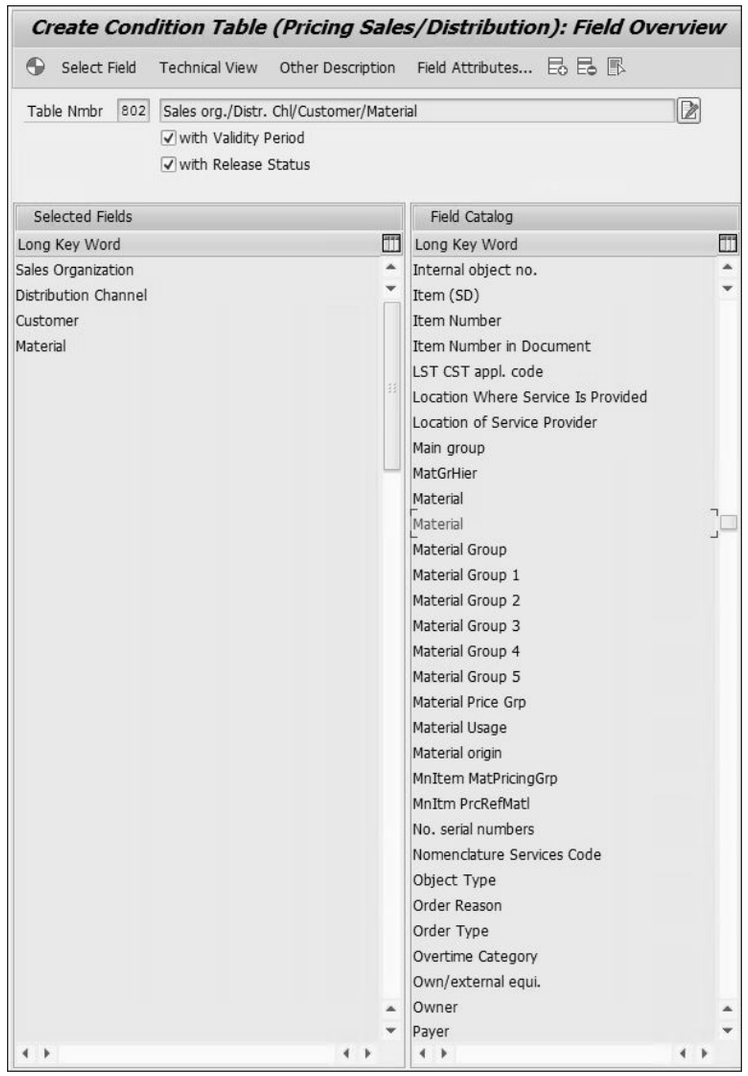


Figure 5.3 Create Condition Table

If you want the condition table to be stored with a validity period, that is, the period in which the condition records are valid, you can select the **with Validity Period** checkbox. The effect of this configuration is that the **From** date and **To** date fields will populate automatically while creating the condition records in Transaction VK11.

The **with Release Status** checkbox determines whether or not a condition record can be used in the pricing calculation. When you check this box, the additional field **Status** gets activated, and you can select the appropriate status based on the requirement in the condition record. The statuses given by SAP are **Released**, **Blocked**, **Released for pricing simulation**, and **Released for planning and pricing simulation**.

The **Field Catalog** is the list of fields provided by SAP to create the condition tables. When creating condition tables, you must select the fields from the field catalog by selecting the field and clicking on the **Select Field** button at the top of the screen. It will populate the selected field in the **Selected Fields** section. In the example shown in Figure 5.3, you can see table **802** with the fields as **Sales Organization**, **Distribution Channel**, **Customer**, and **Material**. After selecting the fields, you have to click the **Generate** icon (the red wheel in the upper-left corner).

Because the changes associated with the condition tables are cross-client, you need to store the changes in the workbench request. The access sequence and the condition table maintenance are stored in workbench requests. In some cases, you need to create a condition table by using customized fields. These customized, or Z, fields are absent in the field catalog, so you need to append these fields in the field catalog with the help of an ABAP consultant.

> **Note**
>
> Cross-client data isn't unique to any one client; it's data that all clients have access to such as cross-client customization and all repository objects that have an impact on the entire SAP system.

Access Sequence

The access sequence is the system's search strategy for identifying valid data for a specific condition type. During the pricing in the sales document, it assists the system in determining the valid condition records from the condition tables. It's defined for each condition type for which the condition records are maintained. The access sequence checks on which table the prices are stored in and populates the correct price in the sales document. The changes associated with the access sequence are also cross-client by nature, so they are stored in the workbench request. An access sequence can have single or multiple condition tables depending on the business requirement. The same access sequence can be used by multiple condition types.

You can create the access sequence by navigating to menu path **Sales and Distribution** • **Basic Functions** • **Pricing** • **Pricing Control** • **Access Sequences** • **Set Access Sequences**. You can also use Transaction V/07 to define the access sequence. You'll arrive at the screen shown in Figure 5.4. You can create your own access sequence by clicking on the **New Entries** button. Select the access sequence (**Ac...**) and click on the **Accesses** folder to arrive at the screen shown in Figure 5.5. The example shows the standard access sequence for price **PR00**.

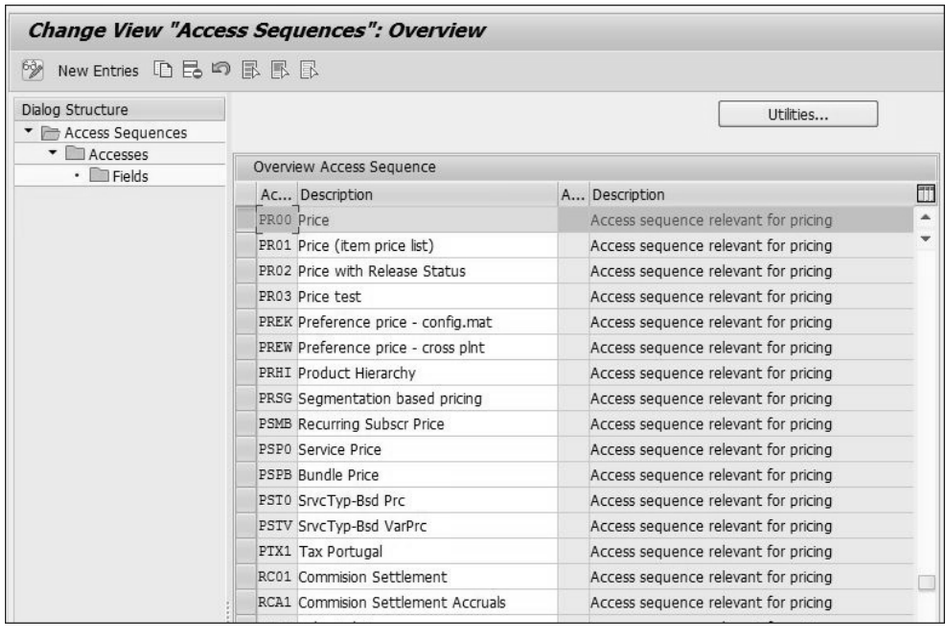


Figure 5.4 Create Access Sequence

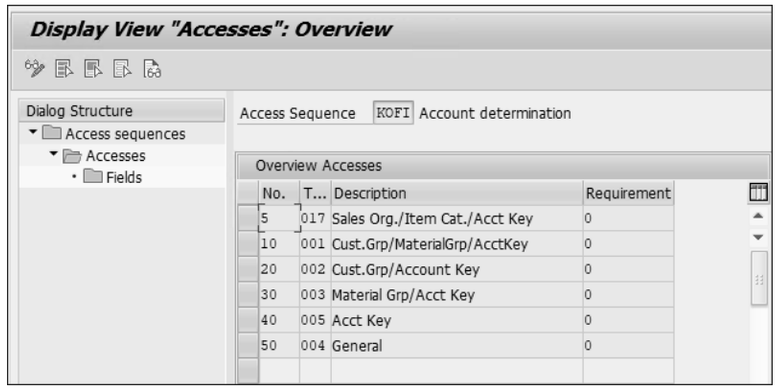


Figure 5.5 Access Sequence

Let's explore each field in the access sequence setup:

- **Access Sequence**
  You must give the newly created access sequence a suitable name. Typically, the name of the condition type for which the access sequence being created is provided in this field. Generally, organizations have their own nomenclature set, which the implementation partner uses to assign names to pricing objects such as the access sequence.
- **No.**
  The sequence of condition tables in the access sequence will be specified by step number. It's a three-digit number that is used to define the sequence of conditions within the pricing procedure. It's always best to leave a space between the two numbers when configuring steps to allow for the addition of an intermediate step later if necessary.
- **T...**
  The second field is the table. The table defined in Transaction V/03 can be maintained in the table field. The description will be auto-populated in the **Description** field.
- **Requirement**
  This is an ABAP code written in Transaction VOFM by the ABAP consultant. Certain business requirements want you to determine the condition records from the table only if a certain condition is met. You can achieve the changes by creating the appropriate logic with the business, writing it in the form of ABAP code, and assigning the routine in the **Requirement** field. If the requirement is fulfilled, then only the values from the table will be populated in the sales order.
- **Exclusive**
  This checkbox (not shown) is the last column in the access sequence, to the right of the **Requirement** field. It governs the logic in the condition technique to stop searching for the condition record once the successful condition record for the condition type has been found within an access sequence. In this case, as shown in Figure 5.5, let's say condition records are maintained for all combinations, that is, **10**, **20**, **30**, and **40** steps. When the **Exclusive** checkbox is selected, the system will stop searching for condition records if the values are found in any of the combinations from step 10 to 40.

  However, if the **Exclusive** checkbox isn't selected, the system will populate all the values maintained for all the combinations in the sales document, which may result in condition type values being duplicated. As a result, in most cases, the checkbox is activated; however, in some special cases, you can use the **Exclusive** checkbox to satisfy any custom requirement associated with the duplicity of the condition record values.

Following the addition of each individual table, you must double-click on the **Fields** button in the **Dialog Structure** while selecting the created line. This results in the screen shown in Figure 5.6. The automatic mapping of the technical field happens after you click on the **Fields** folder. In this example, the first line of the access sequence, step number **10**, is selected. The technical fields associated with the selected field are shown in Figure 5.6.

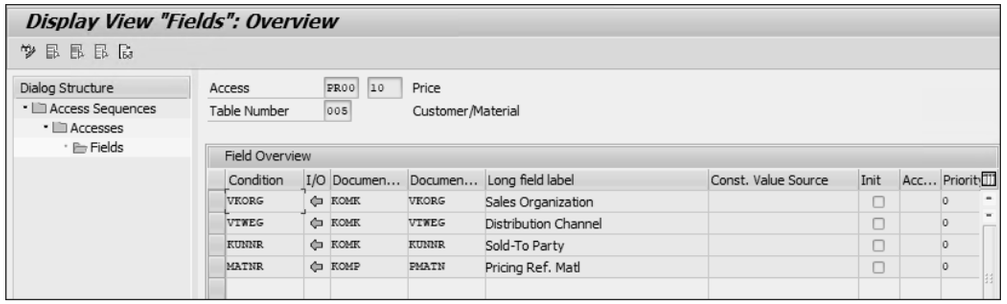


Figure 5.6 Access Sequence Fields

You can now save the access sequence by clicking the **Save** button on the toolbar or by pressing Ctrl+S.

Condition Types

Condition types represent pricing elements in the pricing procedure. Pricing elements can include prices, surcharges, taxes, freight, discounts, and so on. These elements are represented in the system as condition types. You can define a separate condition type for each pricing element.

You can configure the condition type by following the path **Sales and Distribution • Basic Functions • Pricing • Pricing Control • Define Condition Types • Set Condition Types for Pricing**. You can also use Transaction V/06.

You'll arrive at the screen shown in Figure 5.7, where you can create your own condition type by clicking on the **New Entries** button. It's always recommended to create a new condition type by copying an existing one. You can do so by selecting the existing condition type and clicking on the **Copy As** button in the application toolbar. In the example, we've described the standard base condition type **PR00** in the display mode, as shown in Figure 5.8.

The condition type configuration is split between several sections: **Control Data 1**, **Group Condition**, **Changes which can be made**, **Master Data**, **Scales**, and **Control Data 2**. Let's walk through all the key fields.

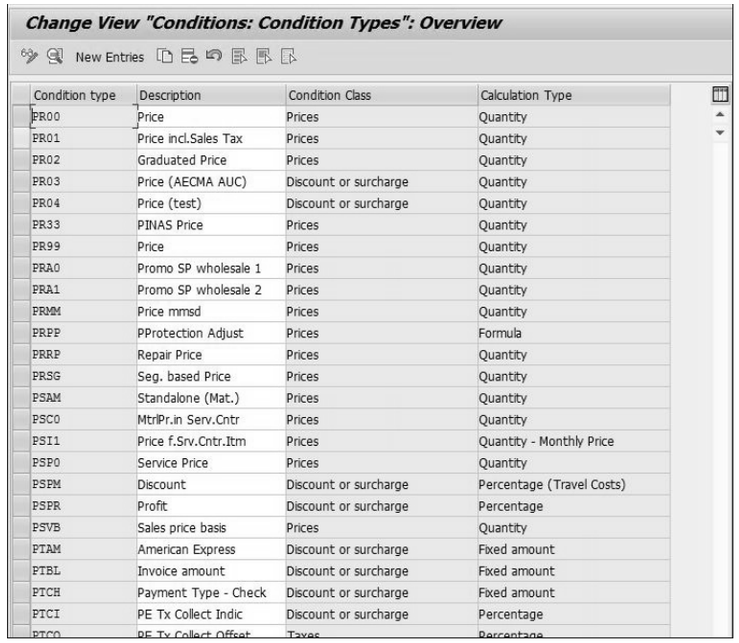


Figure 5.7 Condition Type: Initial Screen

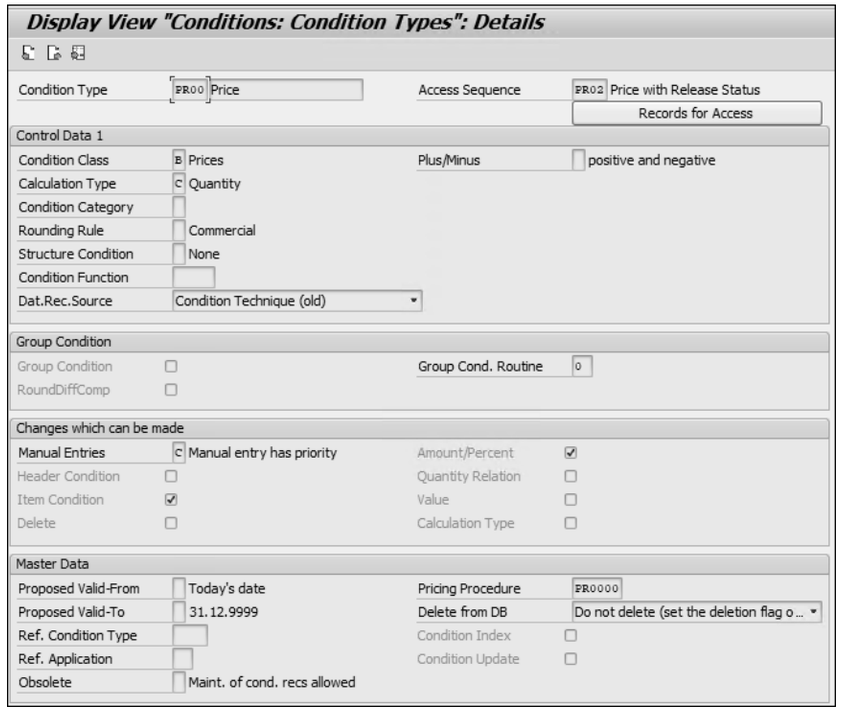


Figure 5.8 Condition Type

First, the **Control Data 1** section contains the following fields:

- **Condition Class**
  The condition class specifies how a condition type, such as prices, surcharges, discounts, and taxes, can be used. It's a distinguishing feature that defines the purpose and behavior of condition types. It defines the condition type's structure and allows you to control each condition type based on its functionalities. Some condition types have functionality hard-coded into them. If you use condition class **B** (prices), for example, you'll be unable to have two base prices active in a single sales document line item. Table 5.1 lists some of the most important condition classes.

Condition Class	Description
A	Discount or surcharge
B	Prices
C	Expense reimbursement
D	Taxes
E	Extra pay
G	Tax classification
H	Determining sales deal
W	Wage withholding tax

Table 5.1 Condition Class

- **Condition Category**
  A condition type is further classified within a condition class by its condition category. The condition category categorizes condition types into predefined groups. For example, **PR00** and **EDI1** are both pricing condition types, so they both have **B** for condition class; however, **PR00** is used as the base price, and **EDI1** is used as the customer expected price. This difference is accounted for by the condition category, where the condition category for **PR00** will be **H** (basic price) and **EDI1** will be **J** (customer expected price). Some of the most-used condition types have the condition categories listed in Table 5.2.

Condition Type	Condition Category
KF00	**F** (freight)
MWST	**D** (tax)
VPRS	**G** (internal price)
EK01/EK02	**Q** (costing)

Table 5.2 Condition Category

- **Calculation Type**
  This specifies how the system calculates prices, discounts, and surcharges in a given condition type. For example, based on quantity, volume, or weight, the system can calculate a discount as a fixed amount or as a percentage. While maintaining the condition records for the condition types, the system populates the calculation type automatically during the maintenance of Transaction VK11. Finally, it converts the amount to the condition type value.

  Let's explore some of the important calculation types in Table 5.3 that are widely used across industries.

Calculation Type	Usage
A	It's usually maintained for discount and surcharge condition types. The condition record contains percentage values, which are applied to the condition base value to calculate the condition type value.
B	By configuring the condition type with the calculation type as **B**, you can maintain the condition record for the fixed currency value. It should be noted that these condition types are typically configured as header condition types. If you make this a condition for an item, the system attempts to divide the total value by the total quantity.
C	For the base price condition type, this is the most commonly used calculation type. You can maintain the condition records for the currency value by configuring the condition type as calculation type **C**. The condition value will then be calculated by multiplying the quantity specified in the sales order by the currency value from the condition records.
D	This corresponds to the freight condition type. You maintain condition records based on currency value. The condition value is calculated by multiplying the currency value by the line item's total weight.
E	This corresponds to the net weight used in the freight condition type configuration. In case you want to calculate the freight value excluding the packaging material weight, then you can use the calculation type as **E**.
F	To calculate the condition value based on the volume, keep the calculation type set to **F** for the required condition type.
G	If the business requirement is to calculate the condition value based on some custom formula, you can maintain the calculation type as **G**.
H	This calculation type can be used for reverse tax calculations. In retail clients, it's common for sales agents to enter the value into the system, including tax. To separate the tax amount from the net value, configure the tax condition types with the calculation type set to **H**.

Table 5.3 Calculation Types

Calculation Type	Usage
M	The monthly prices must be configured in subscription business scenarios. In this case, you can use the calculation type as **M**. This condition type is used when the line item is relevant to the billing plans. Based on the contract start and end dates specified in the sales order contract data, the system computes the billing plan frequencies. The total condition value for the line item will be calculated by multiplying the number of months in the contract duration by the amount of the one-month price.
N	The preceding logic mentioned for the calculation type holds true for **N** as well. In this case, this price corresponds to the yearly price. The contract start date and end date are mandatory to calculate the yearly price.
O	If you want to calculate the price based on the number of days consumed or used, you can maintain the calculation type set to **O**. The condition value will be calculated by multiplying the number of days specified in the contractual period by the price maintained for the single day.
P	The same logic applies to calculation type **P**; the only difference is that the calculated price is maintained for the week.

Table 5.3 Calculation Types (Cont.)

- **Plus/Minus**
  This field is applicable to the surcharge and discount condition type, that is, the condition type with calculation type as **A**. If the value in the **Plus/Minus** field in condition type (discount) is **X** (negative), the amount will be subtracted from the other reference condition type. If the value in the **Plus/Minus** field is **A** (positive) condition type (surcharge), the amount is added to the other reference condition types.
- **Rounding Rule**
  In the system, the field is linked to the condition value. It determines whether commercial rounding, rounding up, or rounding down is performed. If the condition value is 10.543, for example, the commercial rounding rule will round it to 10.54. If it had been rounded up, the value would have been 10.55, and if it had been rounded down, the value would have been 10.54.
- **Structure Condition**
  This field is used when you're configuring the condition type for a bill of material (BOM) or configurable material. A blank field indicates that the condition type isn't relevant for the accumulation of values in a BOM, nor is it applicable for the distribution of values at the item level. If you maintain the value as **B**, it will help to cumulate the value of components and display it in the main item.

- **Condition Function**
  For accumulating condition values, you can use the *condition function*. The condition function can be used to separate or identify condition types based on business importance. To check the tolerance of the standalone selling price (SSP) range for SSP calculation in revenue accounting and reporting (RAR), you can use the condition function (see Chapter 6 for more information on RAR). Some of the condition functions provided by SAP are standalone (**Mat.**), **Tolerance for Expected Value**, and so on.
- **Dat.Rec.Source**
  This field is used to set the system to leverage the old condition technique to determine the condition records or any other technique to determine the records in the system. This can also be used to configure the system to fetch the condition values from the pricing procedure configured in the SAP Customer Relationship Management (SAP CRM) system.

Next, the **Group Condition** section contains the following fields:

- **Group Condition**
  A discount based on the material group is a very common business requirement across multiple industries. The requirement can be met by configuring the discount condition type with the **Group Condition** checkbox. If you check the group condition, the group condition amount will be distributed among all the line items in proportion to the line item's value. This works based on the group condition routine selected for the condition type.

  The business requirement can have any of the two or both variations:

  – Total document value: If the total document value hits a specific limit, then an automatic discount condition type should be populated, which will reduce the total document value.

    The solution is to configure a condition type with the **Group Condition** checkbox selected. Because the requirement is based on the value and should be applicable to the total document value, you have to select the appropriate scale basis, that is, in the scale basis (**B**) and group condition routine as **1** (total document value). (We'll discuss both fields later in this list.) From the master data side, you have to maintain the condition records with appropriate scales.

  – Particular material group's value: If the discount should be populated only for materials with a specific material group, material pricing group, or any other characteristics, the discount should be applied only to the materials related to that characteristic.

    As a solution, SAP has provided a separate group condition routine **3** (material pricing group). You must select it for the condition type and select the scale basis as **B** (quantity basis). (We'll discuss both fields later in this list.) From the master data side, you have to maintain the condition records with appropriate scales.

- **Group Cond. Routine**
  The group condition routine specifies whether the total document value or group of materials value should be considered. If you want to consider the total document value, leave the group condition routine at **1**. If you want to consider a group of material's values, keep the group condition routine set to **3**.
- **RoundDiffComp**
  If you check the rounding difference comparison, then in scenarios such as while distributing group condition amount among all line items, any left-out amount will be added to the highest value item.

Let's continue to the **Changes which can be made** section, which contains the following fields:

- **Manual Entries**
  This field control whether you can allow the users to change or modify the condition values during the order processing. SAP has given four options to choose from for the manual entry as follows:
  - **A**: There are no limitations, so you can either manually edit it or automatically populate it with the help of condition records or condition routine.
  - **B**: Automatic entry has priority; that is, if the condition records are maintained, then values will be populated through condition records, and you can't edit the conditions manually.
  - **C**: The manual entry takes precedence. When you manually enter the condition, the system doesn't check to see if a condition record exists.
  - **D**: You can't process the condition records manually. You can set this for the condition type where the values are populated with the help of any condition routine.
- **Header Condition**
  By activating the checkbox, you set the condition type as the header condition type. Header conditions are applied to all items in the document and are distributed to them automatically. Header conditions don't have an access sequence and must be processed manually. They can be based on a percentage or an absolute amount. If you enter a percentage-based header condition, the system will automatically apply that percentage to all items in the document. If the header condition is an absolute amount, the system has two options for distributing the amount:
  - The amount is distributed proportionately among the items
  - The amount entered at the header level is duplicated for each item.
- **Item Condition**
  By activating the checkbox, you signify the condition type as an item condition. The item conditions are applicable to the particular line items, and they will have an access sequence assigned to them.

- **Delete**
  You can allow users to delete the condition type from the sales document post activating the deletion checkbox in the condition type.
- **Amount/Percent**
  If the requirement is that for certain condition types end users or customer representative should modify the condition amount or the percentage, then you can achieve the requirement by activating the checkbox.
- **Quantity Relation**
  This field indicates that users can alter the quantity for the condition type. If the checkbox isn't selected, and the sales units or condition units are not the same and differ from the base unit of measure (UoM), then the system carries the quantity conversion twice (for example, from the sales unit to the base unit and then from the base unit to the condition unit).
- **Value**
  If the user wants to manually change the condition value, you can check the **Value** checkbox for the condition type, which will allow the user to change the condition value in relation to the condition type.
- **Calculation Type**
  You can enable this functionality for the condition type of a specific business requirement, such as users wanting to manually edit the calculation type during document processing.

Next, the **Master Data** section contains the following fields:

- **Proposed Valid-From**
  You can default the valid-from date while maintaining the condition records by defaulting the settings in the field. If you leave the field blank, the system will use today's date as the valid date by default. Users can edit the date field while maintaining the condition records.
- **Proposed Valid-To**
  By defaulting the settings in the field, you can set the valid-to date while maintaining the condition records. If you leave the field blank, the system will set the valid-to date to **31.12.9999** as the default end date. Users can make changes to the date field while keeping the condition records.
- **Pricing Procedure**
  This field will be used for the concept of condition supplement. It's essentially the concept of adding a condition record for an existing condition record. The system controls the use of condition supplements in records of this condition type by using the pricing procedure that you enter here. Discounts defined in the pricing procedure can be applied as condition supplements during pricing. If the main condition record is found, the system will find the supplement condition records.

- **Delete from DB**
  This field controls whether you can permanently delete the condition records from the database or mark the condition records with a deletion indicator. SAP has provided three options to choose from:
  - **Do not delete (set the deletion flag only)**: You can configure an indicator to prevent the condition record from being used in pricing. In the archiving run, the condition record is then archived.
  - **With popup**: Users can delete condition records from the database. They will see a popup asking if the condition record should be deleted or if the deletion indicator should simply be set.
  - **Without popup**: Users can delete condition records from the database. They will see a popup message only if condition supplements are available.
- **Ref. Condition Type**
  This is common when configuring the intercompany sales process. We'll cover this process extensively in Section 5.5. You maintain a condition record for PI01 in intercompany sales, and this will be applicable to the IV01 condition type. You don't need to maintain separate condition records for each condition type if you maintain the reference condition type in the field. You only need to maintain the condition record for the reference condition type, and it will apply to all condition types that share the same reference condition type. When users attempt to maintain the condition record for the main condition type, an error message appears informing them that they must maintain the condition records for the reference condition type.
- **Ref. Application**
  A condition technique is condition record maintenance that is also used in other application components of SAP S/4HANA. In certain scenarios, there might be a need to pull the values from the different application components other than sales. For example, to pull the values from the settlement management application component, you can use the value **WR**. In this case, you can use the reference application. This field is used in close collaboration with the reference condition type.
- **Condition Index/Condition Update**
  You can maintain condition records by using condition indexes for specific condition types. Condition indices need to be activated for each condition table. You can activate the condition index for a specific table by going to Transaction SPRO and following menu path **Sales and Distribution • Basic Functions • Pricing • Maintain Condition Index**. You can limit the use of the condition type during sales order processing by combining it with condition update (e.g., per specific sales order or based on total condition value). This option restricts your user's ability to make manual changes to the pricing procedure during sales order entry.

Let's continue with the condition type configuration fields shown in Figure 5.9, starting with the **Scales** section.

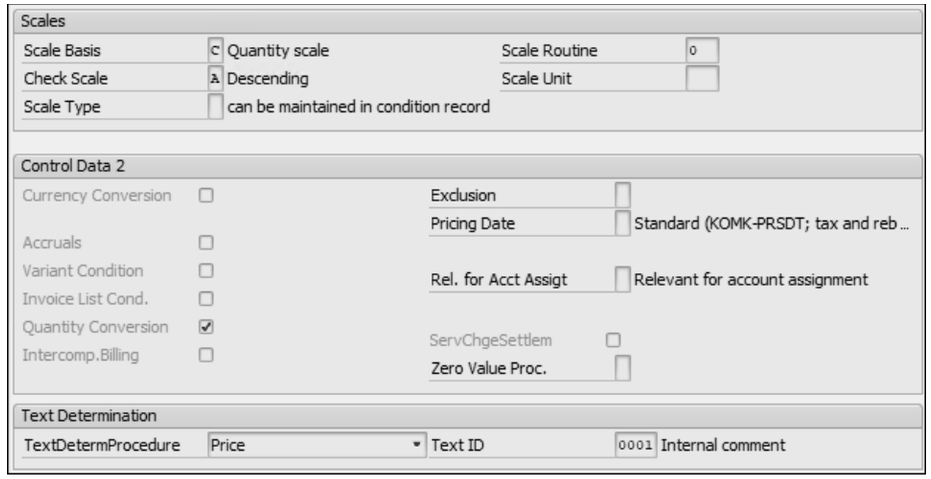


Figure 5.9 Condition Type

This is a common requirement for clients in retail space to maintain product prices based on the predetermined slabs. Let's consider the example in Table 5.4.

Quantity	Price
1	$2,000
100	$1,900
200	$1,800
300	$1,700
400	$1,600

Table 5.4 Scales

If the customer places an order for 1 to 99 units, the product price should be $2,000. If the customer orders 100 to 199 units, the product price should be $1,900, and so on. This scale is known as the normal scale.

Let's explore each field in the **Scales** section:

- **Scale Basis**
  The slab that we discussed earlier can be defaulted while maintaining the condition records by selecting the appropriate scale basis in the condition type. You can choose from a variety of options such as quantity scale (**C**), value scale (**B**), or gross weight scale (**D**). It determines the basis on which you'll maintain prices in the condition records.
- **Check Scale**
  You can set the condition type based on how you want to distribute the prices based

on the scale basis, that is, whether the slab price should increase or decrease. The option given by SAP S/4HANA are **Descending** (**A**) and **Ascending** (**B**).

- **Scale Type**
  The field controls the behavior of the scale, that is, if you have to maintain the normal scale or graduated scale.
- **Scale Routine**
  If the users want to calculate the scale value by custom logic, then you can write a code and assign it to the alternate calculation routine in Transaction VOFM.
- **Scale Unit**
  You can maintain the UoM in the field that will be used for condition record maintenance.

Next, the **Control Data 2** section contains the following fields:

- **Currency Conversion**
  This field plays an important role for currency conversion scenarios. The system multiplies the amount resulting from the condition record by the item quantity to calculate a condition value in a document. This indicator determines whether the system performs currency conversion before or after multiplication. If you activate the checkbox, the system multiplies the condition value by the document currency. If you leave the checkbox blank, the system converts the condition value to the document currency before multiplying it.
- **Accruals**
  The accruals accumulation is common in the rebate process; the amount posted as accruals in the invoice will be stored in a general ledger account maintained in the **Account Assignment** setting in Transaction VKOA against the accruals account key. The accumulated amount will be retrieved during settlement, and the amount to be settled will be finalized and settled through the invoice. You can set the condition type for accruals relevant by checking the **Accruals** checkbox.
- **Variant Condition**
  This checkbox indicates that the condition type is used for the variant configuration price setup. The variant configuration functionality is explained in Chapter 8, Section 8.3.
- **Invoice List Cond.**
  The invoice list is where you can send an invoice, debit memo, or credit memo to a payer on a specific date. All billing documents must be assigned to the invoice list using Transaction OVV7. An invoice list must have a factory calendar assigned to it. The factory calendar will determine when the invoice list must be created. When you select this checkbox, the condition type will be populated in the invoice list billing document.
- **Quantity Conversion**
  Quantity conversion is only relevant for condition types with calculation type **C**. It's

applied if the sales quantity unit and the quantity unit maintained in the condition records are the same and those differ from the stock quantity unit or base unit maintained in the material master. If you activate the **Quantity Conversion** checkbox and the sales quantity unit and condition quantity unit are identical, the document item quantity is used during sales order processing. If the checkbox isn't selected, then the condition basis quantity is converted to the stock keeping unit (SKU) via the quantities of the SKU. Any changes to the conversion factors in the delivery or order are ignored during quantity conversion.

- **Intercomp. Billing**
  If a specific condition type is configured for intercompany billing, then you can check the checkbox for intercompany billing for that specific condition type. You use standard condition type IV01 and PI01 for the intercompany sales process.
- **Exclusion**
  This field plays an important role in the condition exclusion configuration. If you maintain the condition type with the **Exclusion** group as **X**, then all the conditions that have the same condition routine assigned as **2** will be excluded from the sales order pricing. **Exclusion** can be maintained at the condition type configuration level, or it can be maintained at the condition record maintenance level in Transaction VK11.
- **Pricing Date**
  Pricing condition records are accessed or searched based on the pricing date. You can default the pricing date on the sales order in two ways:
  - Document type configurations (Transaction VOV8): While defining the sales document type, you can default the pricing date with the field proposal for the pricing date, which will cause a pricing date to be determined on the header level, and it will be applicable across all the line items.
  - Condition type configuration (Transaction V/06): SAP has provided several options to choose from, as shown in Table 5.5. Based on the business requirements for the condition type, you can default the option and determine the pricing date for the condition type. For example, if you want the pricing date the same as the order creation date in the sales document, then you have to maintain option **E** in the **Pricing Date** field of the condition type configuration.

Option	Dates
Blank	Standard tax and rebate
A	Date of services rendered
B	Price date
C	Billing date

Table 5.5 Pricing Date Options

Option	Dates
D	Creation date
E	Order date

Table 5.5 Pricing Date Options (Cont.)

Note

If the pricing date logic isn't fulfilled in these two ways, you also have an option to enhance the SAP code through user exit `MV45AFZZ` from `USEREXIT_MOVE_FIELD_TO_VBKD` to update field `VBKD-PRSDT` (**Pricing Date**).

- **Rel. for Acct Assigt**
  This checkbox is used for the account determination, that is, to automatically determine the general ledger account for the values in the condition type. If you leave this field blank, then account determination takes place as standard account determination configured in Transaction VKOA. However, if you maintain the value **B** (**Account assignment with accounting indicator**), then the system also includes the accounting indicator while determining the general ledger accounts. This is commonly used when you want to book the cost against any of the accounts.
- **ServChgeSettlem**
  You check the condition type for the service charge settlement in the business scenario where the source document is trading contracts. By marking the checkbox, you limit the condition types to those that are only relevant for service settlement.
- **Zero Value Proc.**
  You can use this indicator to control how conditions with values equal to zero are handled. If you leave this field empty, the following will happen: When a condition's value is zero, it's ignored by the condition exclusion logic. If the amount and value of the price conditions are both zero, they are deactivated during the price calculation.

  If you set this indicator's value to **A** for this condition type, then even if their value is zero, conditions of this type will be considered in the exclusion logic. If this is a condition type with the condition class **Price**, conditions of this type won't be deactivated during the price calculation.

Pricing Procedure

The *pricing procedure* plays a crucial role in the condition technique. It acts like a schema to hold all the condition types in the sequential manner. You can configure the pricing procedure by following menu path **Sales and Distribution • Basic Functions • Pricing • Pricing Control • Define and Assign Pricing Procedures • Set Pricing Procedures**.

Alternatively, you can also use Transaction V/08. You'll arrive at the screen shown in Figure 5.10, where you can create your own pricing procedure by clicking on the **New Entries** button. After which, you select the pricing procedure (**Proc...**) and click on the **Procedures – Control** folder to arrive at the screen in Figure 5.11. Here, the standard pricing procedure **RVAA01** is used.

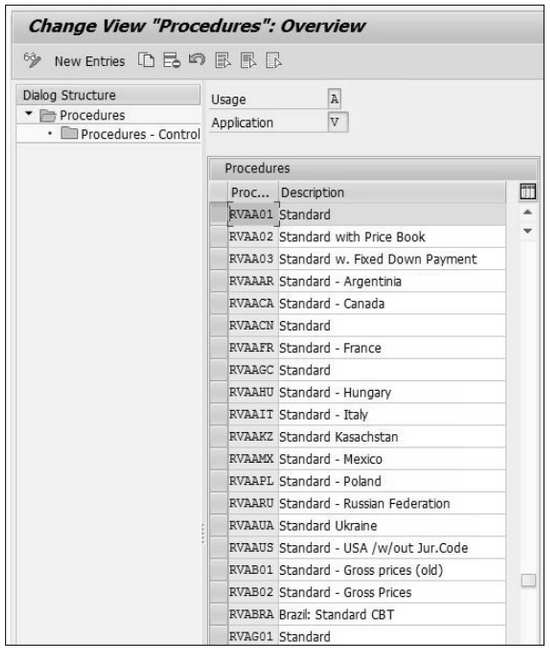


Figure 5.10 Pricing Procedure: Initial Screen

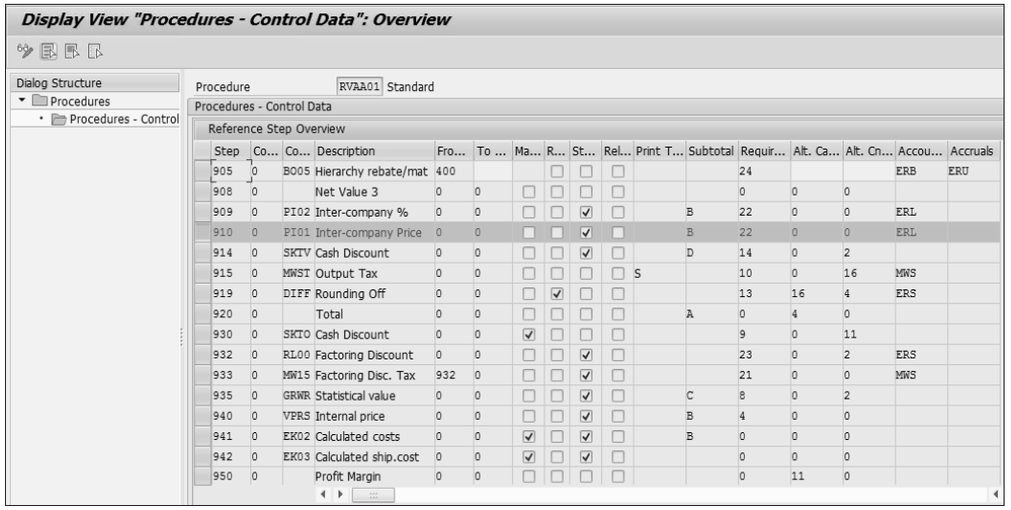


Figure 5.11 Pricing Procedure

Let's take a closer look at each field for the pricing procedure:

- **Step**
  The sequence of condition types in the pricing procedure will be specified by step number. It's a three-digit number used to define the sequence of conditions within the pricing procedure. It's always best to leave a space between two numbers when configuring steps to allow for the addition of an intermediate step later if necessary. Step numbers will also be used in **From** and **To** fields to calculate the base value.
- **Co...** (**Counter**)
  If there is no space between two steps, you use a counter to add one or more condition types. It's a two-digit access number used to define a series of conditions within a single-step number. During pricing determination, the system considers both the step number and the counter. If you don't have a specific need for multiple counters within a step, leave the field blank. The counter will be set to **0** by the system.
- **Co...** (**Component**)
  The condition types that you've defined in the earlier section are assigned here. It specifies the type of pricing component, such as base price, taxes, or surcharge.
- **Description**
  The description will be auto-populated using the description of the condition type from Transaction V/06. The **Description** field can also be used to divide the pricing procedure into sections such as gross value, net value, and total. If you leave the field empty, the pricing procedure line will function as the subtotal.
- **Fro.../To...**
  The pricing procedure uses the value fields to calculate the condition base value. A **From** field is referred to as a standard base. It will aid in determining the starting point for calculating the condition type value in sales document pricing. The **To** field is used to add the values of multiple sequential steps. If you leave the **From** and **To** value fields blank, the system will use the immediate preceding value.
- **Ma...** (**Manual**)
  The **Manual** checkbox indicates whether or not the specific condition type can be determined manually during sales order processing. If you check the field, the entry will be manual; if you uncheck it, the entry will be automatic. Even if the condition records for the condition type are maintained, if you check the checkbox, it won't appear in the sales order. It will appear once you manually enter the condition type in the sales order. The condition type configuration setting affects the **Manual** checkbox. If the condition type is set as manual entry **D** (not possible to process manually), it will take precedence and won't allow you to enter the condition manually in the sales order because the condition is blocked for manual entries.
- **R...** (**Required**)
  The **Required** checkbox indicates that the condition type is required for the pricing procedure. If the condition type isn't present in the sales order pricing procedure,

the system won't allow users to save the order. If the condition type is checked with the **Required** checkbox, the value for the condition type must be maintained or the system won't allow the users to process the document. Tax condition types are mostly set as required in the pricing procedure.

- **St...** (**Statistical**)
  The **Statistical** checkbox is used to indicate the condition type that will be used for statistical purposes. If the checkbox is marked as statistical, it won't be considered for account determination. As a result, there is no need to assign an account key to such a condition type. It's commonly used for the VPRS and SKTO condition types. In standard SAP, the pricing dividing steps are also marked as a statistical condition.
- **Rel...** (**Relevant**)
  This field determines whether the condition type is relevant for account determination. Specifically, it determines whether or not the values associated with the condition type should be posted to accounting.
- **Print T...**
  This field determines whether or not the condition type is printed in the output printout. If you don't want to print, you should leave the field blank. If you want to print, keep either **X** or **S**. If you want to print at the item level, you use **X**. If you want to print at the header level, use **S**. For all header conditions, set the field as **S**. This only applies to the standard output condition type BA00. You can build user-specific logic to print the outputs for any custom development for print programs.
- **Subtotal**
  Subtotal is an alphanumeric single-character field used to store the condition type's value in some temporary tables and fields for later calculation. You can compute condition values using an alternate calculation type and an alternate base type. The field's value determines where the field's value should be captured. If you use the same field to store different condition amounts, the system will add up all the individual amounts. **Subtotal** will also be used to update the credit management value of the sales document by using option **A**. The subtotal will also be used to update the billing document's value in the rebate agreement by using the **Subtotal 7**. It's used to store statistical condition values such as VPRS with a **Subtotal B**.
- **Requir...** (**Requirement**)
  This is ABAP code from Transaction VOFM. You assign a code to a specific number and enter it in the **Requirement** field. A requirement is a condition that the system checks every time the condition type in a sales document is determined. If the condition is met, the sales document will include the condition type. This enables you to perform additional validation before executing a specific condition type. SAP has provided some standard requirement conditions that you can leverage as listed in Table 5.6.

Requirement	Description/Uses
2	Verifies that the **Pricing** field in the item category is set to **X** or **B**.
4	Verifies that the **Determine Cost** field in the item category is checked.
9	Verifies that the **Cash Discount** field in the material master **Accounting 1** view is checked.
22	For intercompany billing condition type PI01, you assign the routine, and it checks that the ordering company and delivery company should be different.
24	You deploy the requirement in the rebate conditions. It checks to ensure that the document is a billing document, so the rebate conditions are applied on the billing documents.

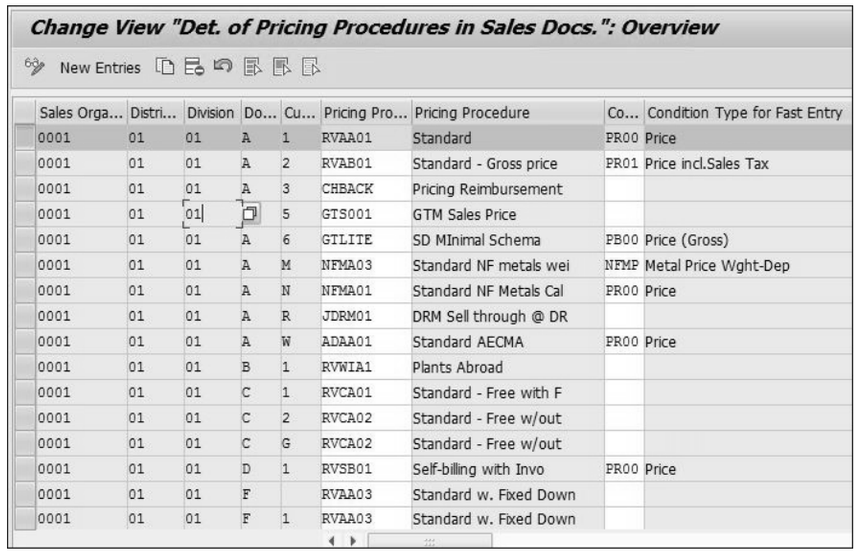
Table 5.6 Standard Pricing Requirements

- **Alt. Ca...** (**Alternate Calculation**)
  You must assign an ABAP code to the condition type in the pricing procedure if the calculation logic of the condition type is based on a custom requirement. Based on the business requirements, ABAP consultants use Transaction VOFM to create any custom routine. If you need to calculate the value of the condition type based on custom logic rather than condition records, you use the alternate calculation type in this field. The condition type routine will compute the condition type's total value. You don't need to maintain condition records for the condition type that has the alternate calculation type routine assigned to it.
- **Alt. Cn...** (**Alternate Base Value**)
  The alternate base value is the pricing routine created by the ABAP consultant in Transaction VOFM. In most cases, the base value of the condition type is taken from the **From** field in the pricing procedure. However, if the business requirement is to calculate the base value of the condition using a custom formula, you assign the base condition routine in the **Pricing Procedure** field. Unlike the alternate calculation routine, where you don't need to keep the condition record for the condition type for the alternate base value, you must maintain the condition records for the alternate base value to convert the base value into the condition value. For example, for freight-related condition types where the value is calculated based on the material's gross weight and volume, you use the alternate base value to calculate the base value from which the freight value is calculated.
- **Accou...** (**Account Key**)
  The account key is one of the integration points that link the invoice values to the finance functionality. When posting invoice values into accounting, it's one of the parameters used to determine the revenue general ledger accounts. If the condition type isn't statistical, you must maintain it along with the account key. If the account

key isn't maintained, the values won't be passed to accounting. In rebate condition types where both the account key and the statistical field are checked, the **Statistical** field will take precedence over the accounting key. In this case, the values of the condition type won't be recorded in accounting. For more details on the account key, see Section 5.2.2.

- **Accruals**
  The accruals key is used to post amounts into accrual accounts instead of revenue accounts. It will track all earnings and expenses whenever a sale or transaction occurs, whether or not it's paid.

The pricing procedure that you've configured must be assigned in the configuration for it to be determined automatically in the sales documents. To assign the pricing procedure, follow menu path **Sales and Distribution • Basic Functions • Pricing • Pricing Control • Define and Assign Pricing Procedures • Set Pricing Procedure Determination**. Alternatively, you can also use Transaction OVKK to land on the same configuration, as shown in Figure 5.12. Click the **New Entries** button to determine the pricing procedure.



Sales Orga...	Distri...	Division	Do...	Cu...	Pricing Pro...	Pricing Procedure	Co...	Condition Type for Fast Entry
0001	01	01	A	1	RVAA01	Standard	PR00	Price
0001	01	01	A	2	RVAB01	Standard - Gross price	PR01	Price incl.Sales Tax
0001	01	01	A	3	CHBACK	Pricing Reimbursement		
0001	01	01	A	5	GTS001	GTM Sales Price		
0001	01	01	A	6	GILITE	SD MInimal Schema	PB00	Price (Gross)
0001	01	01	A	M	NFMA03	Standard NF metals wei	NFMP	Metal Price Wght-Dep
0001	01	01	A	N	NFMA01	Standard NF Metals Cal	PR00	Price
0001	01	01	A	R	JDRM01	DRM Sell through @ DR		
0001	01	01	A	W	ADAA01	Standard AECMA	PR00	Price
0001	01	01	B	1	RVWIA1	Plants Abroad		
0001	01	01	C	1	RVCA01	Standard - Free with F		
0001	01	01	C	2	RVCA02	Standard - Free w/out		
0001	01	01	C	G	RVCA02	Standard - Free w/out		
0001	01	01	D	1	RVSB01	Self-billing with Invo	PR00	Price
0001	01	01	F		RVAA03	Standard w. Fixed Down		
0001	01	01	F	1	RVAA03	Standard w. Fixed Down		

Figure 5.12 Pricing Procedure Determination

Fill in the sales organization (**Sales Orga...**), distribution channel (**Distri...**), and **Division**, along with document pricing procedure (**Do...**) and customer pricing procedure (**Cu...**).

Let's explore the origin of the following mentioned fields in the sales document:

- **Cu...**
  The customer pricing procedure data will come from the customer master sales area data.

- **Do...**
  The document pricing procedure is assigned to the sales document type in Transaction VOV8.

The condition type (**Co...**) field is optional and can be left blank. If you assign a condition type, the system will automatically display a value associated with it at the sales order line-item level. This allows users to view the condition type value without having to go into the line item's **Conditions** tab. To process transactions, use the scroll bar to move to the right of the line item. If the field is left blank, the system will display the current price condition's value.

5.1.2 Taxation

Taxation is tightly linked to the sales process because accounts receivable triggers the accounts receivable taxes by sales document. In this section, we'll look at how taxes are configured in the SAP S/4HANA system.

Taxation involves the following key concepts:

- **Tax classification**
  Tax classification is determined by the customer master and the material master, while *tax jurisdiction* is determined by the plant and the business partner. The country is determined by the location of the delivery plant.
- **Tax procedure**
  The tax configuration is maintained based on the country that delivers the plant. Based on local tax compliances, SAP provides a sample tax procedure for each country. The tax procedure is assigned to the country.
- **Tax category**
  The same condition technique is used to configure the tax pricing procedure in the finance functionality. However, you refer to the condition type as a tax category.
- **Tax rates**
  Tax rates can be maintained in SAP S/4HANA using Transaction FTXP. The rates are maintained for the country, tax code, and tax jurisdiction code. General ledger accounts are maintained using Transaction OB40, which is determined by the account key assigned in the sales and distribution pricing procedure against the tax condition type.
- **Tax codes**
  The tax is calculated using the tax code and the tax procedure. The tax codes are derived from the condition records maintained in the VK11 condition record.

To summarize the tax flow, as shown in Figure 5.13, the condition record pushes the tax code, and the tax rates are fetched from the tax code, along with the country and jurisdiction code, and fetched from Transaction FTXP for the relevant account key and

condition type maintained in the sales and distribution pricing procedure. Transaction OB40 for the relevant account key is used to determine the general ledger accounts.

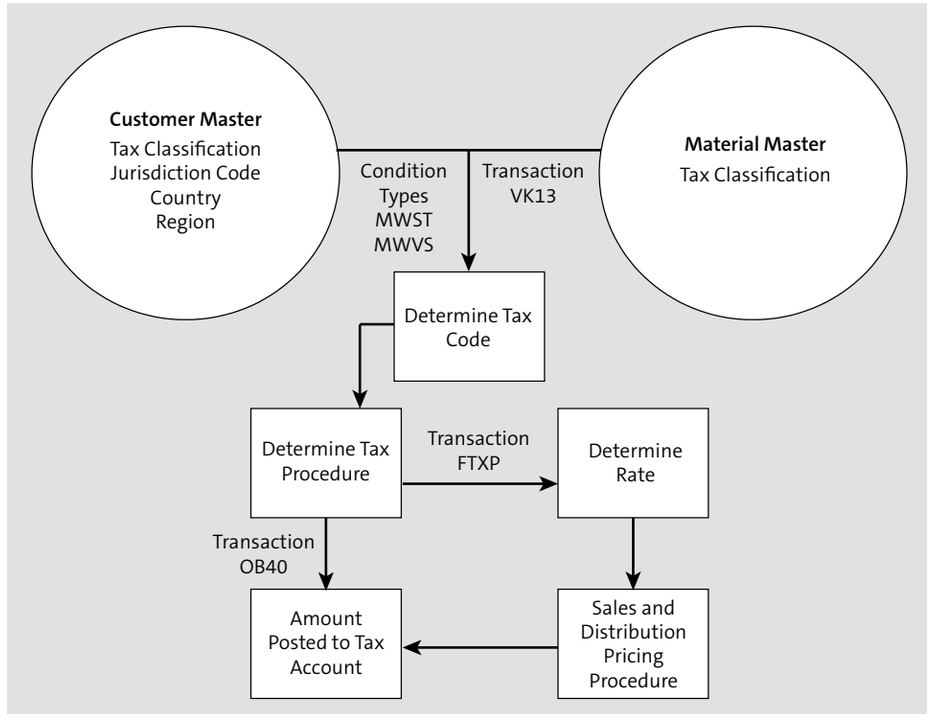


Figure 5.13 Tax Calculation

We'll walk through the key configuration activities in the following sections.

Tax Determination Procedure

The tax determination is based on the condition technique. The tax category is simply the tax condition type, such as MWST/MWVS, that you use in the pricing procedure. In the finance functionality, this is known as a *tax category*. A tax category should be assigned to a specific country, and then it can be used in the customer or material master.

To create the tax category, you have to follow menu path **Financial Accounting • Financial Accounting Global Settings • Tax on Sales/Purchases • Basic Settings • Check Calculation Procedure**.

As you click on the **Check Calculation Procedure**, you get the following three options, as shown in Figure 5.14, which you need to follow to configure the tax pricing procedure: **Access Sequences**, **Define Condition Types**, and **Define Procedures**.

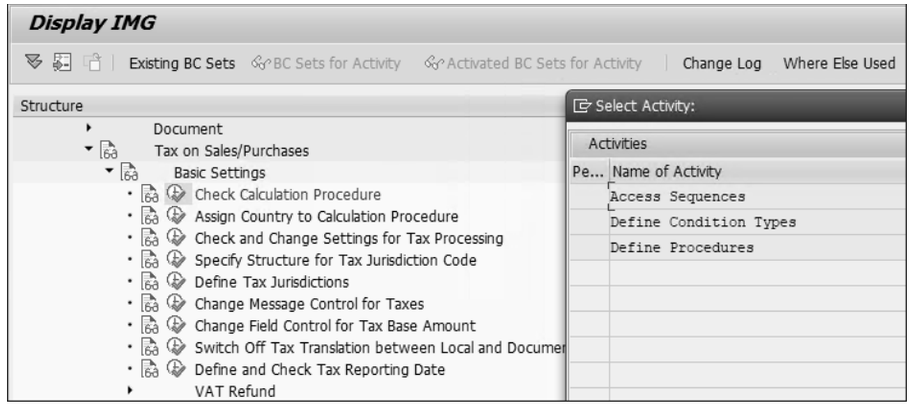


Figure 5.14 Configuration Steps for Tax Pricing Procedure

You first have to create the access sequence based on the business requirement. This access sequence can also be created in Transaction V/07 as the sales-related tax condition types must be assigned in the sales and distribution pricing procedure. After clicking on **Access Sequences**, you get the screen shown in Figure 5.15.

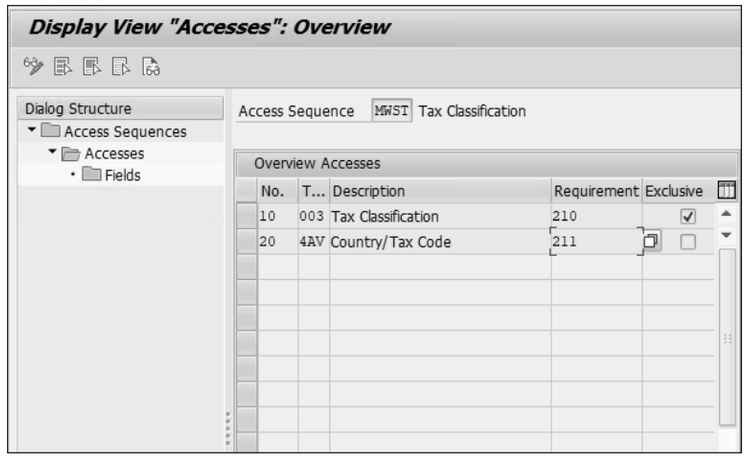


Figure 5.15 Access Sequence MWST

The screen elements are the same as discussed in Section 5.1.1 for pricing, so you can follow the same workflow and steps to configure the access sequence for taxation.

After creation of the access sequence, you have to create the tax condition type and assign the access sequence in the condition type. You can click on **Define Condition Types** and the screen shown in Figure 5.16 will appear.

Figure 5.16 Condition Type MWAS

The condition type fields are the same as discussed in Section 5.1.1 for pricing, so you can follow the same workflow. Remember that any condition type that you're creating for the tax procedure should have **Condition Class** as **D**.

The next step in the tax setup is the creation of the tax pricing procedure. You can copy the standard tax procedure provided by SAP to create a new tax procedure, or you can enhance the standard tax procedure to include the custom condition type if created to address the business requirement. After double-clicking **Define Procedure**, you get the various tax procedures out of which you can choose the tax procedure to copy or enhance from, as shown in Figure 5.17.

The fields in the tax procedure are the same as those in the pricing procedure (refer to Section 5.1.1). The **Accou...** (**Account Key**) column is a link between the tax procedure and the general ledger accounts where tax data is to be posted. This aids in the automatic assignment of tax accounts.

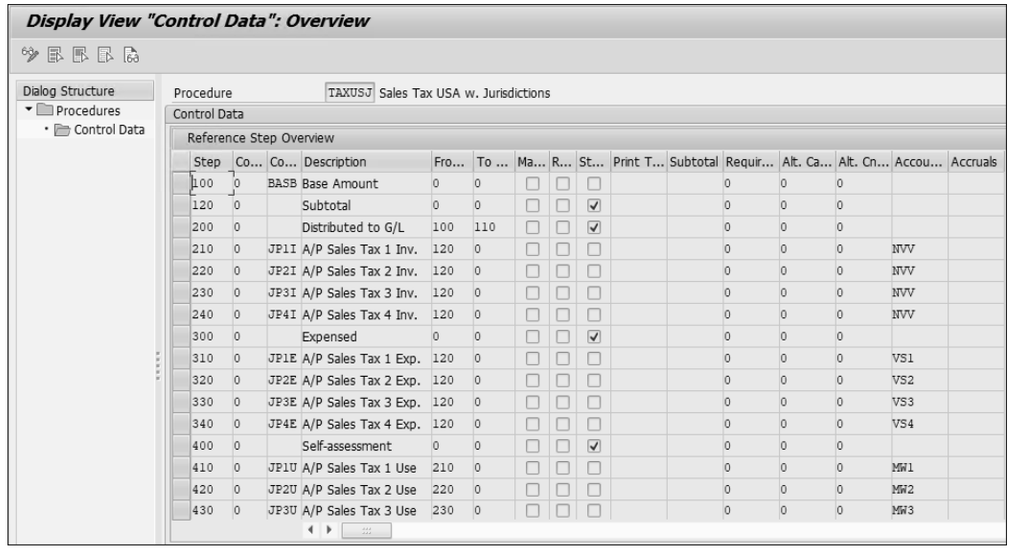


Figure 5.17 Tax Procedure

Assign Tax Determination Procedure to the Country Code

After creation of the tax procedures, you have to assign the tax procedure to the individual country by following menu path **Financial Accounting • Financial Accounting Global Settings • Tax on Sales/Purchases • Basic Settings • Assign Country to Calculation Procedure**. You'll arrive at the screen shown in Figure 5.18, where you can make the assignment of country to calculation procedure by assigning the procedure (**Proc.**) to the country key (**Ctr**).

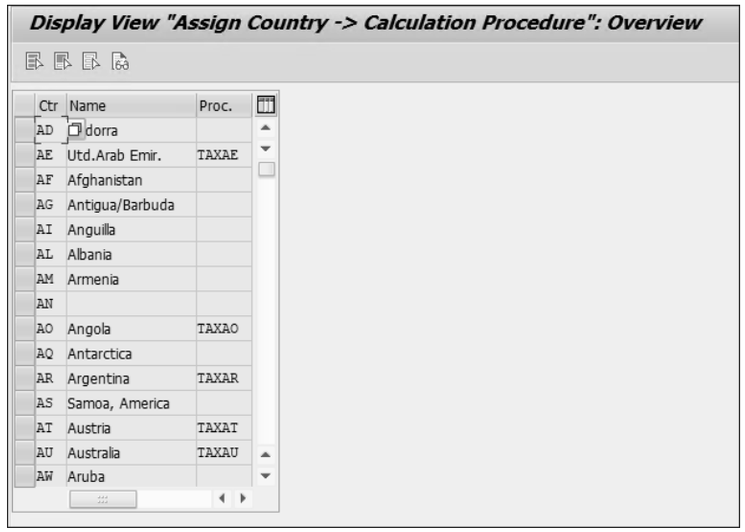


Figure 5.18 Assign Country to Calculation Procedure

In the sales and distribution side of configuration, you have to assign the tax category or tax condition type to the country by following menu path **Sales and Distribution • Basic Functions • Taxes • Define Tax Determination Rules**. You can also use Transaction OVK1 for the same. As shown in Figure 5.19, tax determination rules can be configured by clicking on the **New Entries** button and assigning **Tax count.** with **Tax Categ**.

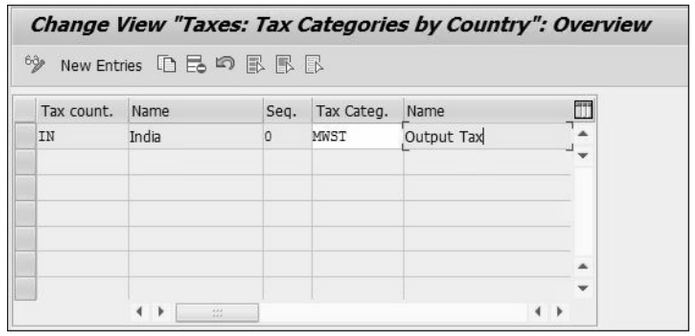


Figure 5.19 Define Tax Determination Rules

Regional taxation exists in some countries. As a result, it's critical to define all cities or county regions within the country. Divide the county and region entries into country codes based on the applicable criteria. You can perform regional bifurcation by following menu path **Sales and Distribution • Basic Functions • Taxes • Define Regional Codes**.

Figure 5.20 shows the regional codes classification in the tax procedure. Here, you have to assign the county code (**Cnty Code**) to the combination of **Country** and **Region**.

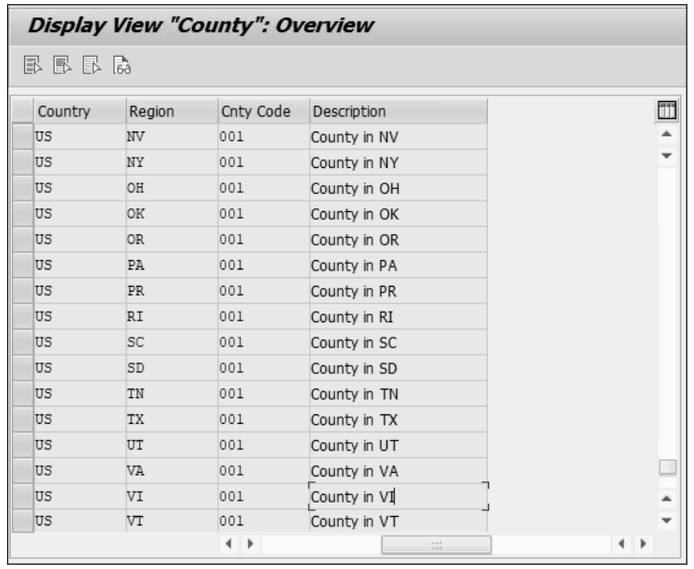


Figure 5.20 Define Regional Codes

Tax Jurisdiction

In the United States, different areas have their own tax authority, which determines the tax percentage in that area. As a result, the tax percentage applicable to a business transaction is determined by the transaction's classification. In SAP, the requirement is achieved by utilizing the *tax jurisdiction code* concept. Each taxing authority is defined as a tax jurisdiction code.

Business users should be able to identify the area by looking at the tax jurisdiction code because the purpose of the tax jurisdiction code is to identify the exact area or the tax authority involved in a business transaction. The tax jurisdiction code consists of codes for the state, county, city, and district. Prior to creating a tax jurisdiction code, you must define the tax jurisdiction structure. Tax percentages are maintained against tax condition types using a combination of tax code and tax jurisdiction code. Tax jurisdiction codes are maintained in vendor masters, customer masters, internal order masters, cost center masters, and profit center masters.

You can define the tax jurisdiction by navigating to menu path **Financial Accounting • Financial Accounting Global Settings • Tax on Sales/Purchases • Basic Settings • Define Tax Jurisdictions**. After executing this path, you'll arrive at the screen shown in Figure 5.21, where you must enter the **Costing Sheet**, which is the tax procedure configured for the country. In this example, the values are maintained for costing sheet **TAXUSJ**. After entering the **Costing Sheet** value, click on the green check to arrive at the screen shown in Figure 5.22.

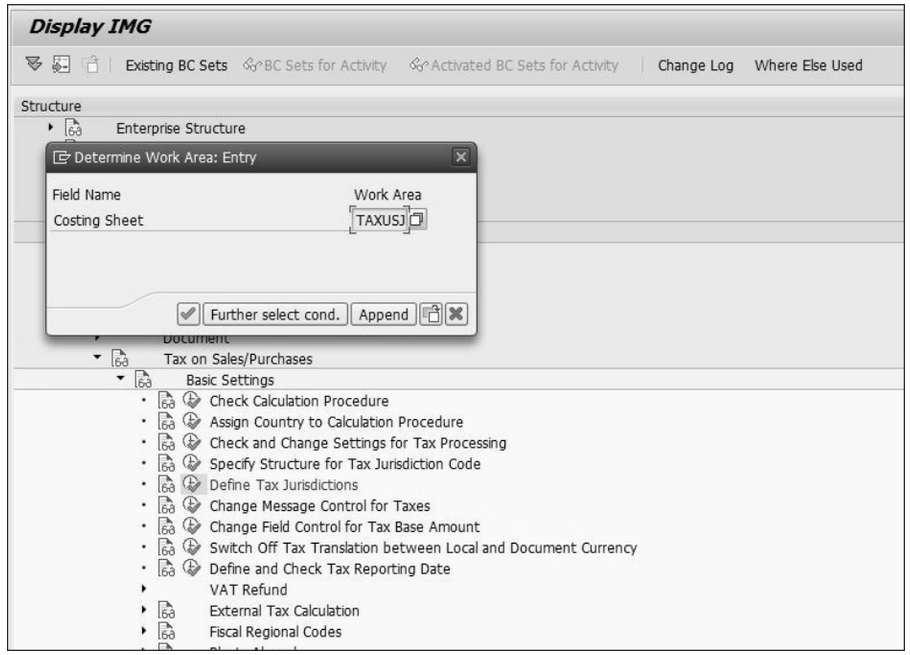


Figure 5.21 Tax Jurisdiction: Initial Screen

Figure 5.22 shows the tax jurisdictions for **TAXUSJ**.

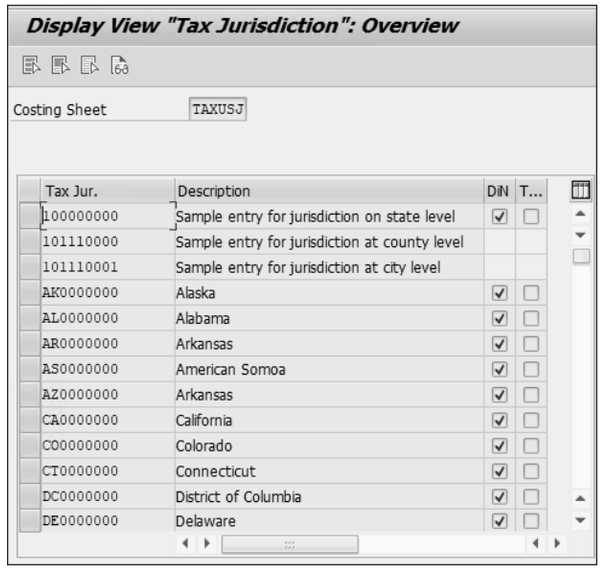


Figure 5.22 Tax Jurisdiction

You can maintain tax codes and their rates in Transaction FTXP. After executing this transaction, you'll arrive at the screen shown in Figure 5.23, where you'll input the **Country Key** and **Tax Code** and then press Enter.

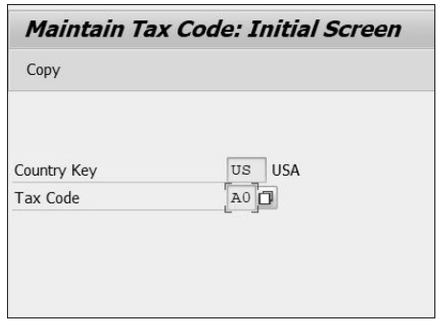


Figure 5.23 Maintain Tax Code

Next, the popup in Figure 5.24 will appear to input the **Tax type**. Here, you can maintain tax type as **A** for output tax and **V** for input tax. Click the green checkmark to arrive at the screen shown in Figure 5.25.

You can maintain the tax rates in the **Tax Percent. Rate** column with the combination of **Tax Type**, **Acct Key**, and **Cond. Type**.

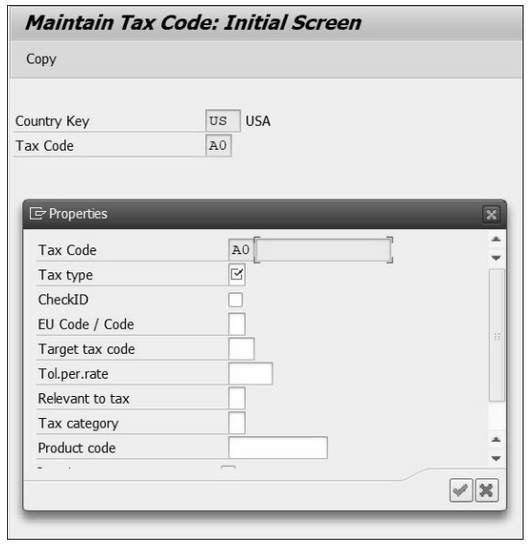


Figure 5.24 Maintain Tax Code

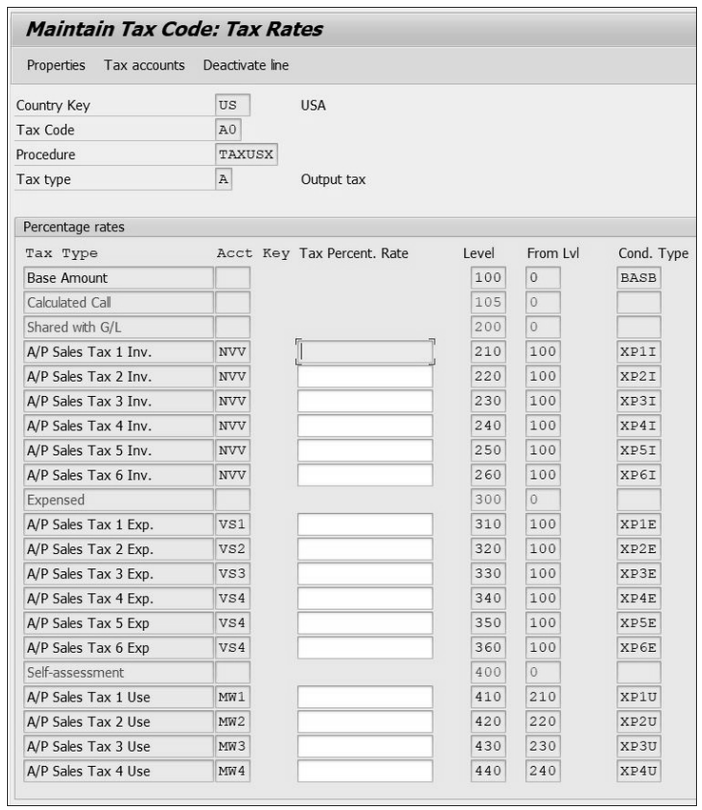


Figure 5.25 Maintain Tax Code: Tax Rates

Prerequisites for Taxation

We've discussed configuration and setup of the tax determination procedure in the previous section. Now let's explore the prerequisites for taxation.

After the configuration of taxation, you must assign the tax category in the business partner and material master data. The tax category is used to determine the taxes in the sales document. Let's walk through the assignment process:

- **Business partner**
  To assign the tax category to the business partner, enter Transaction BP, and select the **Customer** role in the **Display in BP role** field. Click on the **Sales and Distribution** button to display the **Sales Area** data. On this screen, choose the **Billing** tab, and under the **Output Tax** section, you have to assign the tax category, as shown in Figure 5.26.

  You can maintain multiple countries in this section and assign the tax category along with the tax classification, which implies the tax liability for the customer based on the customer country. Tax classification **1** specifies that the customer is liable for taxes; however, tax classification **2** specifies that the customer is exempted from taxes.

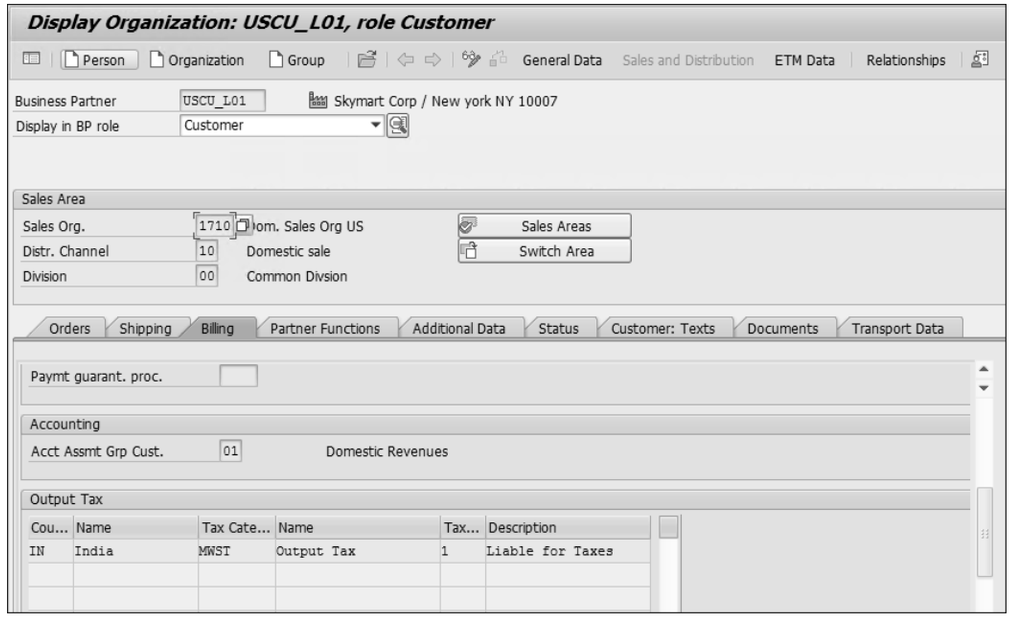


Figure 5.26 Business Partner: Tax Category

- **Material master**
  In the material master record in Transaction MM02, the tax category is assigned in the **Sales: sales org. 1** view under the **Tax data** section, as shown in Figure 5.27.

Similar to business partners, you can assign multiple countries to a **Tax Category** in the material master along with a **Tax Classification**, which determines whether the material is liable for full tax or no tax. Tax classification **1** specifies full tax; however, tax classification **0** specifies no tax.

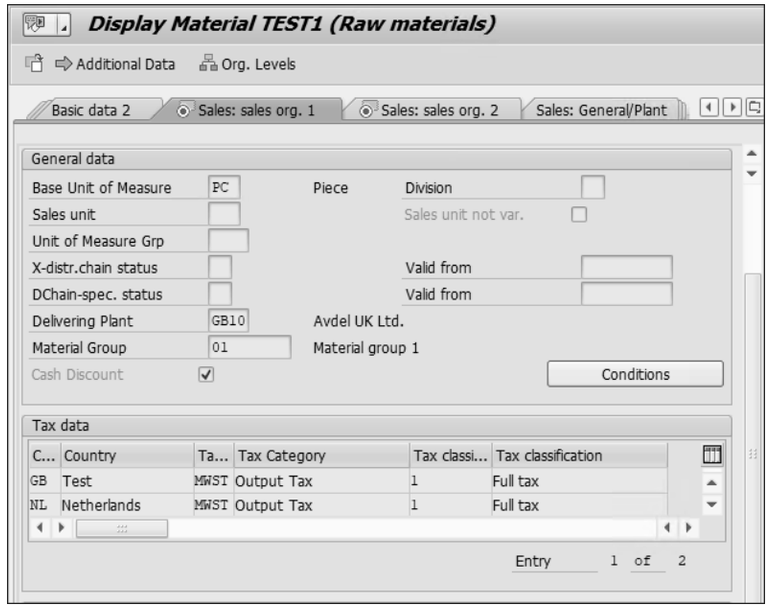


Figure 5.27 Material Master: Tax Category

5.2 Account Determination in Billing

Account determination is a search strategy used to identify the general ledger account when posting billing documents to accounting subledgers. It's a critical integration point where sales and distribution condition amounts are transferred to the financial accounting general ledger. The account determination also follows the condition technique approach to identify the revenue accounts.

The account determination that happens when the billing document is created has two parts:

- The customer subledger account determination (aka reconciliation account)
- The revenue accounts determination for sales revenue, discount, freight, and so on

The revenue account is determined by Transaction VKOA settings. The reconciliation account in the business partner master data is used to determine the customer subledger. However, you can also use the condition technique to determine the reconciliation account. We only discuss revenue account determination in this section, but

reconciliation account determination follows the same condition technique process that we covered in Section 5.1.1. The revenue account determination condition technique consists of the following major steps:

1. The first step is to set up the condition tables. Based on the business requirements, fields from the field catalog are added, and condition tables are created.
2. These condition tables, which you created in the previous step, must be assigned in the access sequence from most specific to most general. SAP provides the standard access sequences KOFI and KOFK. You primarily use KOFI for financial posting without any cost object. You can use the access sequence KOFK to use the account assignment object while posting revenue accounts.
3. The access sequence must then be assigned to the account determination type.
4. The next-to-last step in the account determination process is to create the account determination procedure and assign it an account determination type.
5. The procedure is then assigned to the billing document type as the final step. The billing document type determines the account determination procedure.

Let's explore the configuration for account determination in the following sections step by step.

5.2.1 Account Assignment Groups

In the first step, you have to define the account assignment groups for the customer master and material master. Once they are defined, you can assign them in the customer master and material master record.

The account assignment group in the material master is used to group the materials to post the revenue for that group of materials into one general ledger account. For example, the revenue generated from finished goods should be posted to a different general ledger account than that of semifinished goods.

To define the account assignment groups of material master data, navigate to menu path **Sales and Distribution** • **Basic Functions** • **Account Assignment/Costing** • **Revenue Account Determination** • **Check Master Data Relevant for Account Assignment** • **Materials: Account Assignment Groups**. After executing the given path, you can create the account assignment group of material by clicking on the **New Entries** button. Figure 5.28 shows the account assignment groups of material. Click the **Save** button or press Ctrl+S when you're done.

Once the account assignment group of material is defined, you should assign it in the material master by navigating to Transaction MM02, selecting the **Sales: sales org. 2** view, and maintaining the value in the **Acct Assmt Grp Mat.** field, as shown in Figure 5.29.

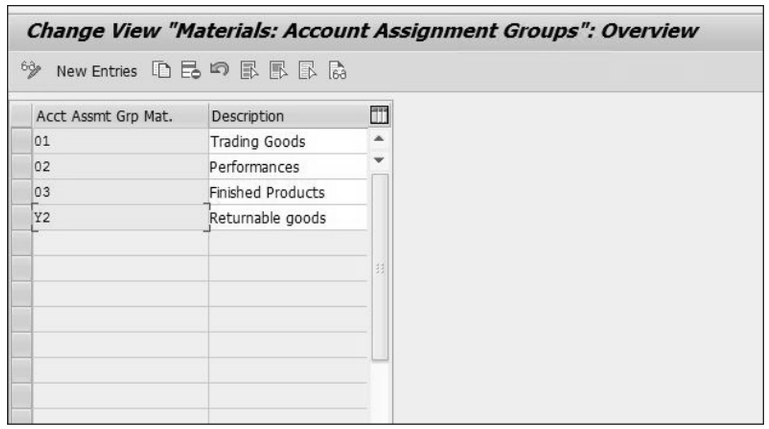


Figure 5.28 Account Assignment Groups of Material

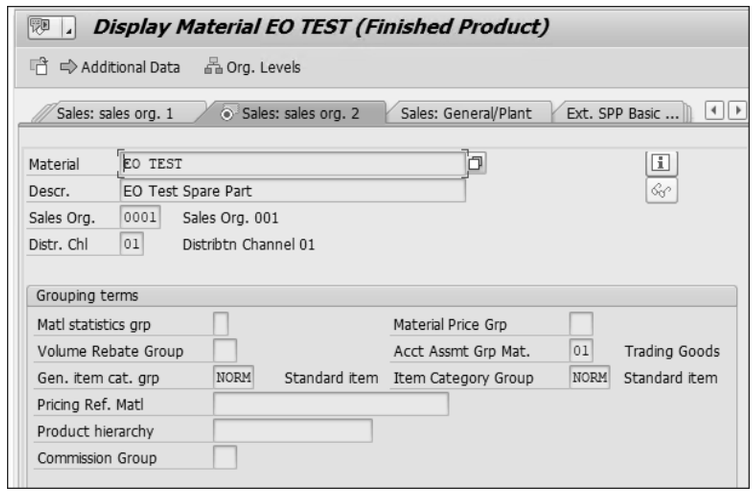


Figure 5.29 Material Master: Account Assignment Group

Similarly, the customer account assignment group is used for grouping customers to post the revenue from that group into one general ledger account. For example, the revenue from domestic customers should be posted to a different general ledger account than that of foreign customers.

To define the account assignment group of customers, follow menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Check Master Data Relevant for Account Assignment • Customers: Account Assignment Groups**. Here, you can define the account assignment group for domestic customers as **01** and for foreign customers as **02**, as shown in Figure 5.30, similar to the account assignment group of material explained earlier.

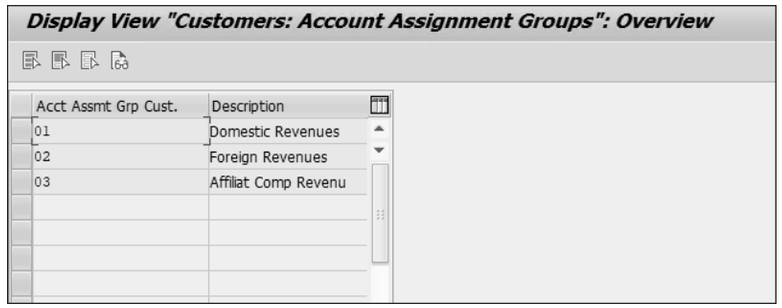


Figure 5.30 Account Assignment Group of Customer

After defining the customer account assignment group, you must assign it to the business partner by executing Transaction BP, selecting the **Customer** role, and clicking on the **Sales and Distribution** button to display the sales area data. On this screen, choose the **Billing** tab, as shown in Figure 5.31, and assign the account assignment group in the **Acct Assmt Grp Cust** field.

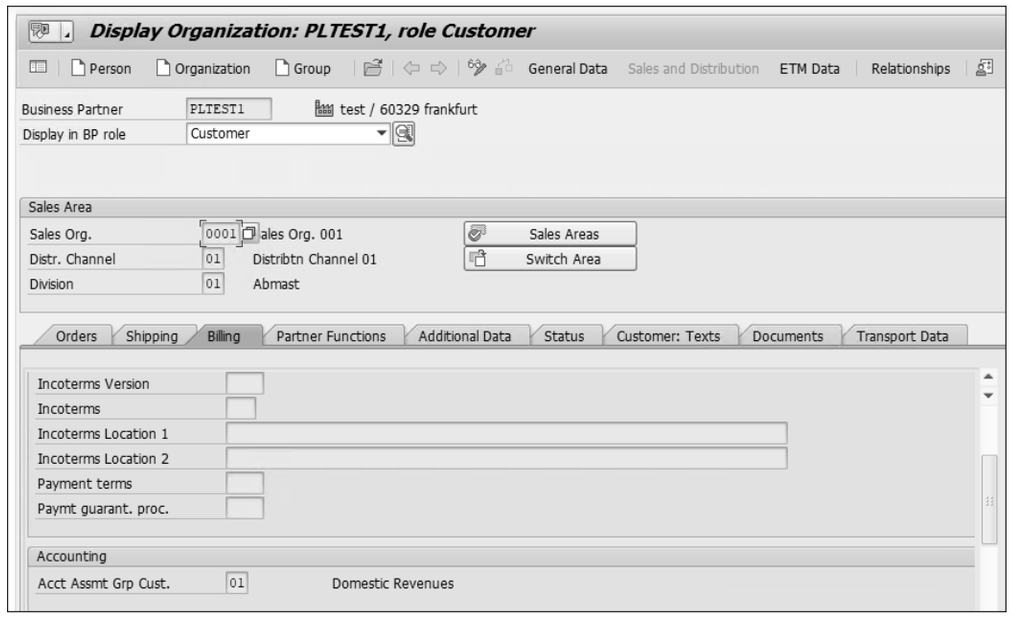


Figure 5.31 Business Partner: Account Assignment Group

5.2.2 Condition Technique

The next steps for account determination mirror the condition technique flow we discussed for pricing in Section 5.1.1. We'll walk through the key activities in the following sections.

Dependencies of Revenue Account Determination

In the next step, you need to create condition tables with the required combination of fields, which you can choose from the field catalog. To create a condition table, execute Transaction SPRO, and follow menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Dependencies of Revenue Account Determination • Create Condition Tables for Revenue Account Determination**.

The condition table setup is similar to the condition table creation that you've done in Section 5.1.1. As shown in Figure 5.32, the condition table is created with the combination of sales organization, customer account assignment group, material account assignment group, and account key.

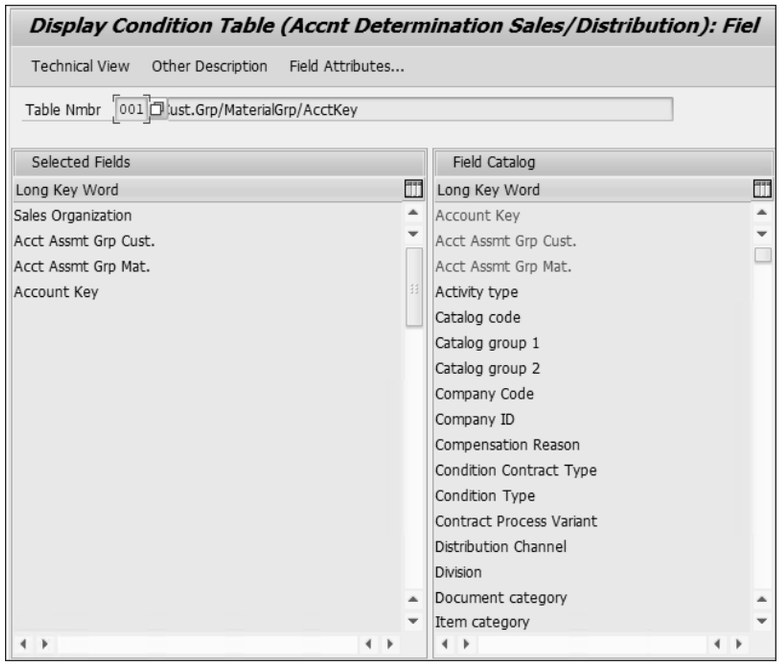


Figure 5.32 Condition Table

Define Access Sequences and Account Determination Types

After defining the condition tables, you need to set up the access sequence where condition tables are assigned sequentially per the requirement. To set up the access sequence, follow menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Define Access Sequences and Account Determination Types • Define Access Sequences**.

Select access sequence **KOFI**, which is the standard access sequence for account determination, as shown in Figure 5.33.

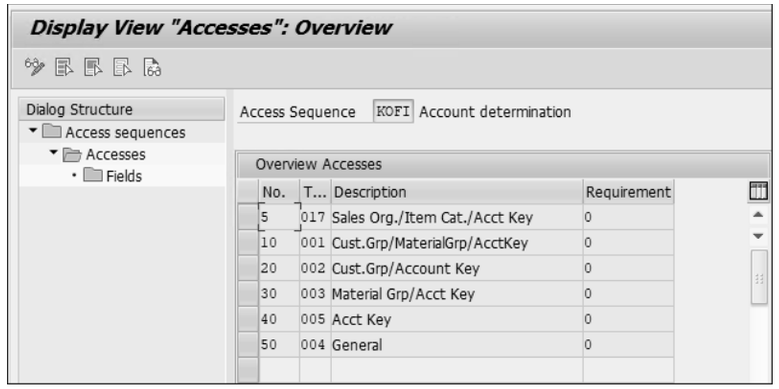


Figure 5.33 Access Sequence

After setting up the access sequence, the account determination condition type should be configured by following menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Define Access Sequences and Account Determination Types • Define Account Determination Types**. After executing the given path, click on the **New Entries** button to assign the condition type (**CTyp**) with the access sequence (**AS**). Standard account determination types **KOFI** and **KOFK** are shown in Figure 5.34.

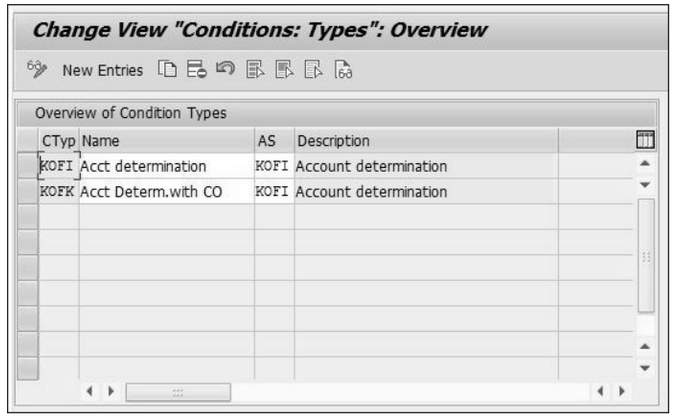


Figure 5.34 Account Determination Types

Define and Assign Account Determination Procedures

Once the condition type is set up, you can create an account determination procedure by following menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Define and Assign Account Determination Procedures**. You'll arrive at the screen in Figure 5.35, where you can create your

own procedure by clicking on the **New Entries** button. Select the procedure (**Proc...**), and click the **Control data** folder to arrive at the screen in Figure 5.36. This procedure contains a list of account determination types, which you configured in the previous section.

Figure 5.36 shows the standard account determination type **KOFI00** with account determination types **KOFI** and **KOFK**.

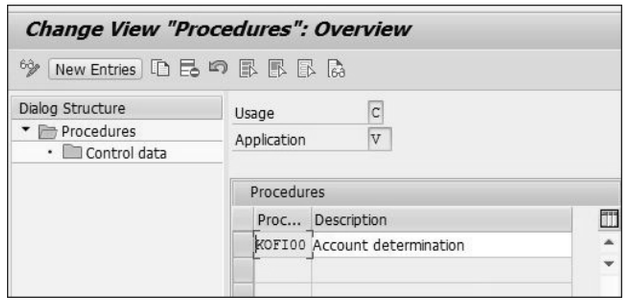


Figure 5.35 Account Determination Procedure: Initial Screen

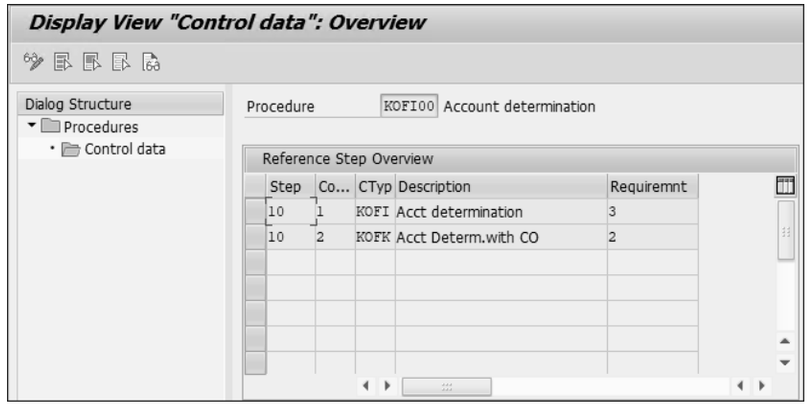


Figure 5.36 Account Determination Procedure

After the account determination procedure is defined, navigate to menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Define and Assign Account Determination Procedures • Assign Account Determination Procedure**, where you need to assign this procedure to the billing type. As shown in Figure 5.37, we've assigned account determination procedure (**ActG/L**) **KOFI00** with standard billing type (**BillT**) **F2**.

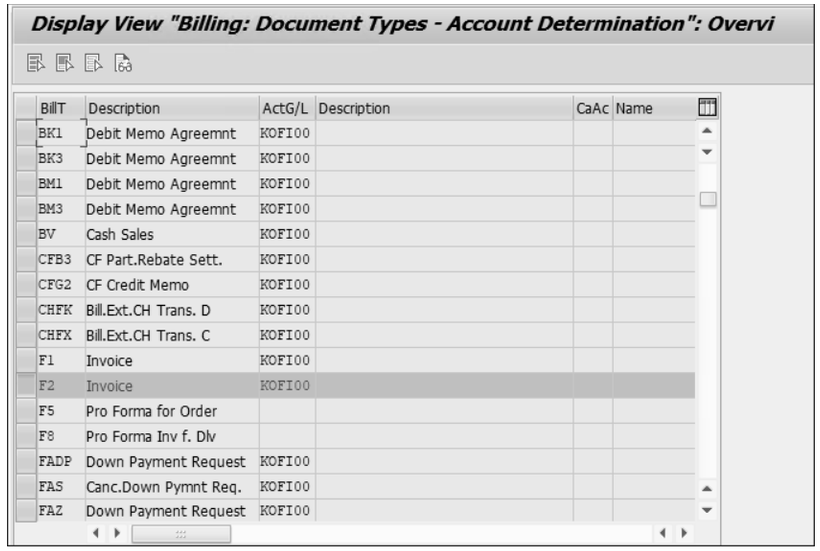


Figure 5.37 Assign Account Determination Procedure to Billing Type

Define and Assign Account Keys

Account key is the parameter assigned with condition types in the pricing procedure to identify the general ledger account for posting calculated values from the condition type. You have different account keys for different condition types; a few examples are shown in Table 5.7.

Condition Type	Account Key
Price	ERL
Discount	ERS
Tax	MWS

Table 5.7 Account Key

You can define and assign account keys by navigating to menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Define and Assign Account Keys • Define Account Keys**. As shown in Figure 5.38, you can create your own account keys by clicking on the **New Entries** button and entering an **ActKy** code and **Name**. Configured account keys in the system are shown in Figure 5.38.

After defining the account keys, follow menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Define and Assign Account Keys • Assign Account Keys**, arriving at the screen shown in Figure 5.39. Click the **New Entries** button and assign account keys (**ActKy**) with the combination of pricing procedure (**Proc.**), **Step**, and condition types (**CTyp**) in the pricing procedure.

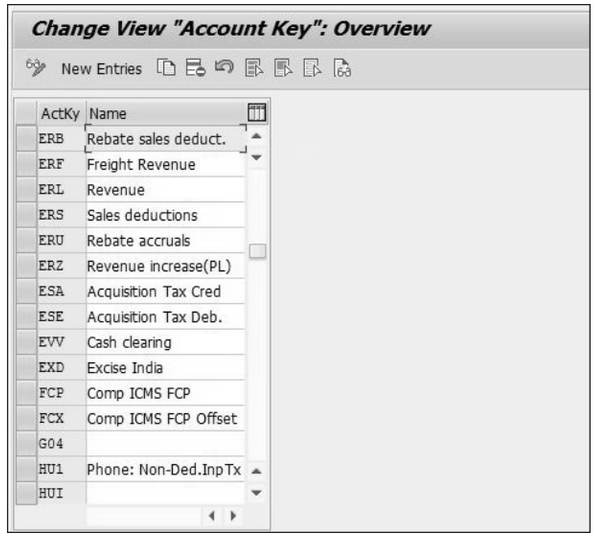


Figure 5.38 Account Keys

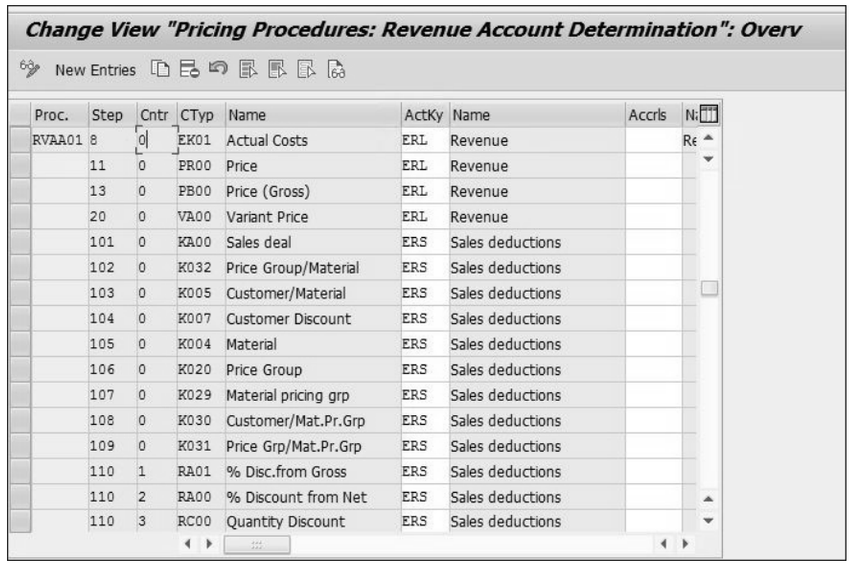


Figure 5.39 Assign Account Keys to Pricing Procedure

5.2.3 Assign General Ledger Accounts

After configuration of the account determination procedure, you need to assign general ledger accounts to the condition tables. This step is similar to the condition records maintenance in pricing.

Note

The general ledger accounts will be created by the financial accounting consultant with Transaction FS00.

For assignment of general ledger accounts, follow menu path **Sales and Distribution • Basic Functions • Account Assignment/Costing • Revenue Account Determination • Assign G/L Accounts**. You can also use Transaction VKOA. You'll arrive at the screen shown in Figure 5.40, where you should choose the required combination of tables (**Tab**) for which you have to assign the general ledger accounts and click on **Details** icon . Then you'll arrive at the general ledger account maintenance screen shown in Figure 5.41, where you'll assign the general ledger accounts with the combination of selected tables.

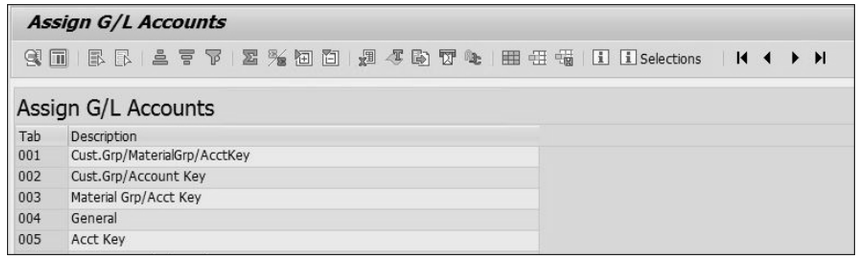


Figure 5.40 Assign Account Keys: Initial Screen

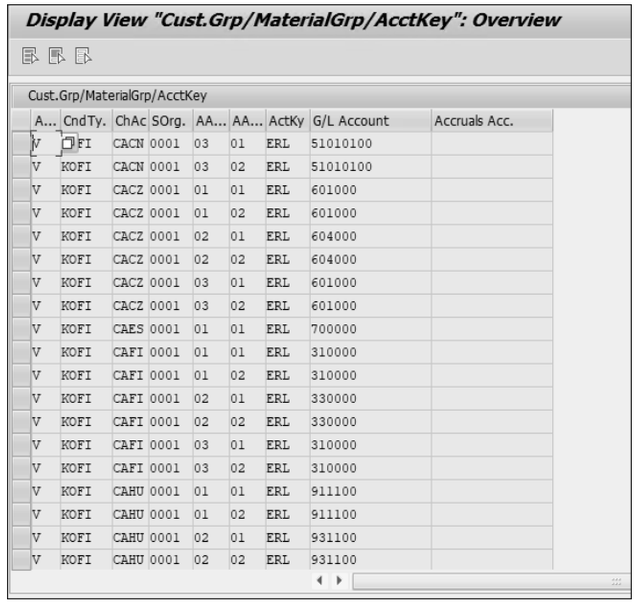


Figure 5.41 Assign General Ledger Accounts

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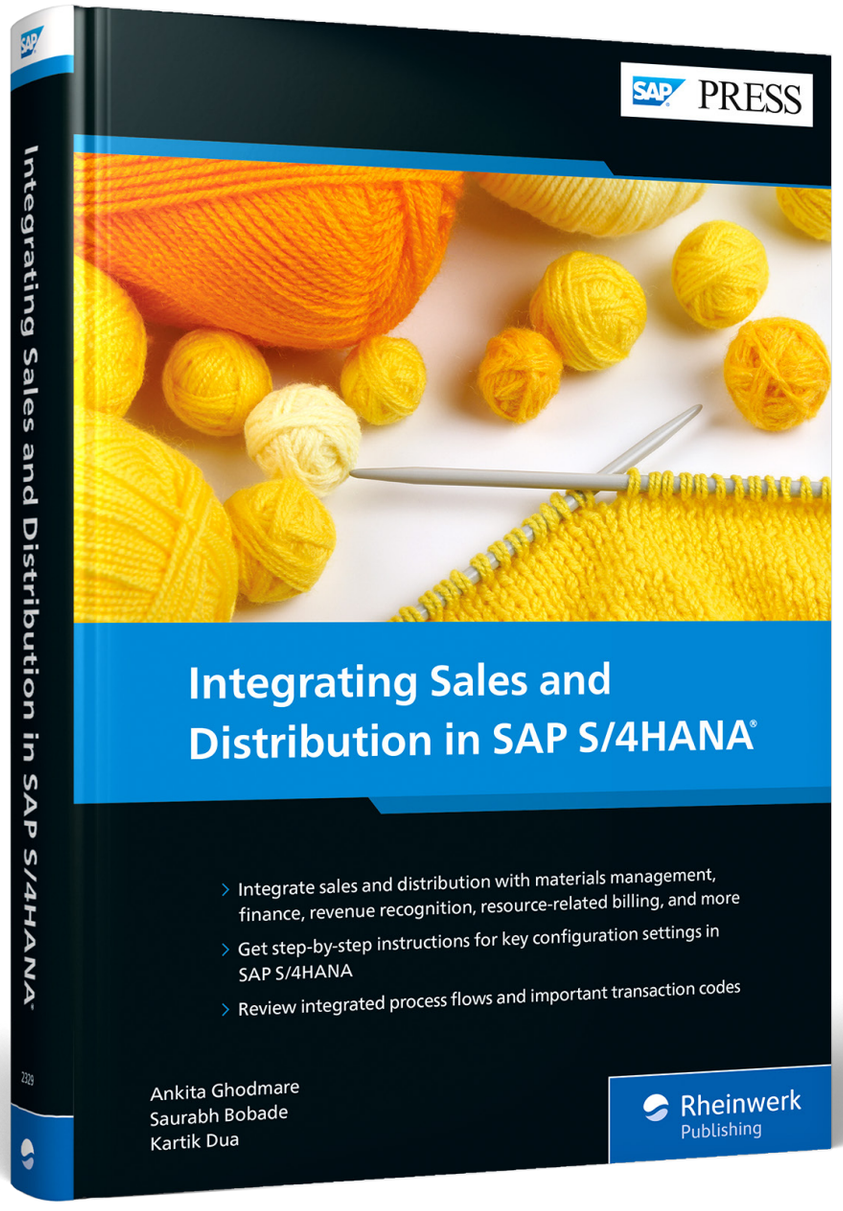

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