SAP Ariba /\\/\\

Feature at a Glance
Line-item Debit and Credit Memo Enhancements

Francisco Bonett, Solution Manager, LAC
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THE BEST RUN **SAP**

Feature at a Glance

Introducing: Line-item Debit and Credit Memo Enhancements

Customer challenge

Since Q4 2017, Ariba Network offers user interfaces for suppliers to send line-level price adjustments on debit and credit memos. It also provides line-level quantity adjustments on credit memos.

Given the fact some customers are going to handle Price Adjustments for Debit and Credit Memos on Ariba Network, but also on Invoice Management and Buying & Invoicing, some enhancements are required:

- Suppliers should view the invoiced price to enter the right value with the information clear and visible
- Ability to handle unplanned charges through items with price zero
- They must not be able to change the quantity for price adjustments
- They must not be able to change the price for quantity adjustments.
- Line Item must reference to original invoice line
- The maximum quantity that can be subsequently credited/debited is the quantity that has already been invoiced.

Solution area

Ariba Network / Invoicing
Invoice Management / Buying & Invoicing

Meet that challenge with
SAP Ariba

- Several enhancements have been applied to avoid errors, improve visibility, and restrict some actions leading to confusion.
- Business rules allow buyers to control and set restrictions for suppliers when creating LICM or LIDM.
- A new invoice transaction rule is added that allows buyers to control how suppliers make changes to credit and debit memo. Buyers can allow suppliers to enter zero unit price in line-item debit memos (LIDM) and line-item credit memos (LICM). Similarly, Buyers can allow suppliers to enter zero quantity on line-item credit memos

Implementation information

- This feature is disabled by default.
- To configure this feature and make it available to suppliers, buyers must check the following General Invoice Rules on the Default Transaction Rules page:
  - o Allow suppliers to send line-item credit memo
  - o Allow suppliers to send line-item debit memo
- These changes are applicable to line-item credit memos and debit memos that are:
  - o created online in Ariba Network
  - o received through cXML or other formats

Experience key benefits

- Higher clarity about the increased/decreased amounts in relation to the original invoice resulting in less errors.
- Improved experience for buyers as they get more consistent Credit/Debit memos through new business rules
- Improved Balance tracking for PO line items
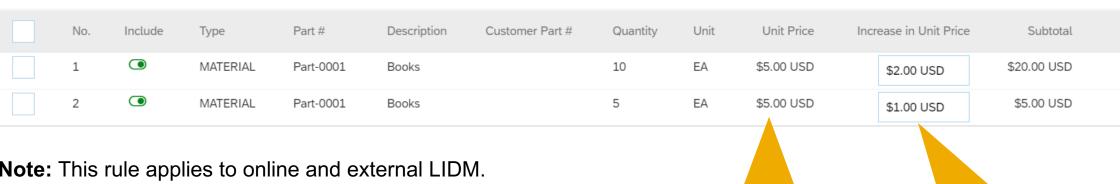
Prerequisites and restrictions

- Buyers and suppliers that use their own cXML-enabled applications must upgrade to cXML 1.2.034 or later to support attributes added to the cXML standard.
- Line-item debit memos cannot be used to increase quantities for an invoice.

Feature at a Glance

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1) Price adjustments in debit memos

Ability to enter the increase/decrease on the price for goods and services invoiced in a simple/clear way. This way, buyer pays the appropriate amount for the goods and services rendered by suppliers.

Note: Suppliers are able to modify prices through business rule *"Allows suppliers to send line-item debit memo with price adjustment."* Supplier can create LIDM with price adjustment only.

	No.	Include	Type	Part #	Description	Customer Part #	Quantity	Unit	Unit Price	Increase in Unit Price	Subtotal
☐	1	🟢	MATERIAL	Part-0001	Books		10	EA	$5.00 USD	$2.00 USD	$20.00 USD
☐	2	🟢	MATERIAL	Part-0001	Books		5	EA	$5.00 USD	$1.00 USD	$5.00 USD

Note: This rule applies to online and external LIDM.

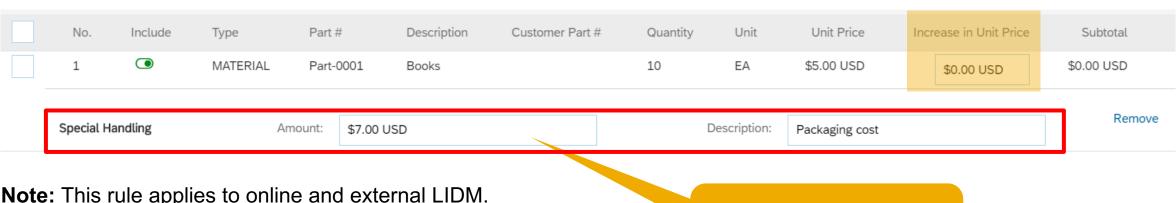> A new column displays the value for invoiced price. This field is also sent in the cXML

> Suppliers enter the price adjustment having as a reference the original document's unit price. The amount is zero by default.

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2) Adding unplanned charges through debit memos

Buyers have now the ability to set up a business rule *"Allow suppliers to create debit memos where the line-item price is zero."*

So, suppliers can use these debit memos to make line-item level adjustments, by making the line-item price zero if required, to handle unplanned charges like shipping, freight costs, special handling, among others.

	No.	Include	Type	Part #	Description	Customer Part #	Quantity	Unit	Unit Price	Increase in Unit Price	Subtotal
☐	1	⬤	MATERIAL	Part-0001	Books		10	EA	$5.00 USD	$0.00 USD	$0.00 USD

Special Handling	Amount:	$7.00 USD	Description:	Packaging cost	Remove

Note: This rule applies to online and external LIDM.

Shipping or special handling charges can be applied to one line item with no change in unit price.

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3) Adding discounts through credit memos

The business rule *"Allow suppliers to create credit memos where the line-item quantity is zero."* is now available.

So, suppliers can use these credit memos to make line-item level adjustments, by making the line-item quantity zero if required, to provide discounts per line item.

	No.	Include	Type	Part #	Description	Customer Part #	Quantity	Unit	Unit Price	Subtotal
☐	2	🟢	MATERIAL	Part-0001	Books		0	EA	$5.00 USD	$0.00 USD

Discount	Discount (%):		Discount Amount:	$-1.00 USD	Remove

Discount can be applied to a line item even when the quantity = 0.

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4) Quantity adjustments on credit memos

A new business rule has been introduced *"Suppliers are allowed to create line item credit memo exceeding the invoiced amount."* (Disabled by default)

It allows backward compatibility as some customers allow LICM to be different from invoiced unit price and quantity. Then, suppliers can modify quantity if this rule is enabled for LICM. However, credit amount should not be greater than invoiced amount. Tolerances also applied against the total invoiced amount for each line item.

Example: Invoice line item #1 w/ quantity = 10 and line item # 2 w/ quantity = 5, but LICM could be created with quantity exceeding the invoiced quantity.

	No.	Include	Type	Part #	Description	Customer Part #	Quantity	Unit	Unit Price	Subtotal
☐	1	⬤	MATERIAL	Part-0001	Books		-15	EA	$5.00 USD	$-75.00 USD
☐	2	⬤	MATERIAL	Part-0001	Books		-10	EA	$5.00 USD	$-50.00 USD

Quantity editable

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5) Quantity adjustment locked on debit memos

Quantity field on LIDM is locked for changes so that buyer will accept the adjustment over the price by item avoiding any confusion.

Note this works no matter if the business rule *"Allow suppliers to increase item quantities."* is enabled or disabled. Furthermore, quantities are not considered on the balance.
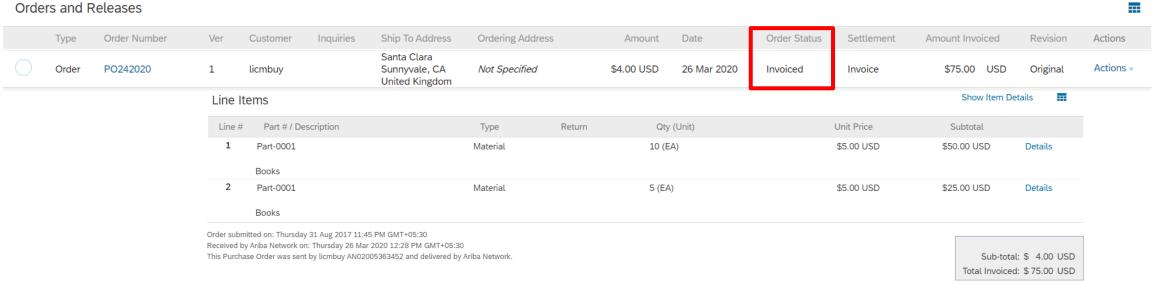
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6) Balance Tracking

A Line Item Debit/Credit Memo <u>must</u> reference to original invoice line. SAP Ariba Invoice Management and SAP Ariba Buying and Invoicing require a reference to the exact invoice line number that the price adjustment was applied to.
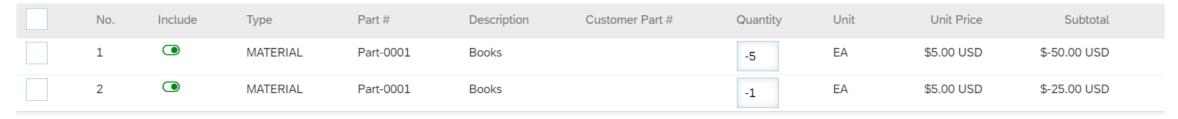
- If an LICM is created, purchase order will reflect the released quantity.

- If LICM is created for a negative amount, the invoiced amount on the PO must be reflected as Total Invoice Amount – LICM Amount + LIDM Amount

Example: PO# *PO242020* fully *invoiced*

	Type	Order Number	Ver	Customer	Inquiries	Ship To Address	Ordering Address	Amount	Date	Order Status	Settlement	Amount Invoiced	Revision	Actions
○	Order	PO242020	1	licmbuy		Santa Clara Sunnyvale, CA United Kingdom	*Not Specified*	$4.00 USD	26 Mar 2020	Invoiced	Invoice	$75.00 USD	Original	Actions ▾

Orders and Releases

Line Items — Show Item Details

Line #	Part # / Description	Type	Return	Qty (Unit)	Unit Price	Subtotal	
1	Part-0001	Material		10 (EA)	$5.00 USD	$50.00 USD	Details
	Books						
2	Part-0001	Material		5 (EA)	$5.00 USD	$25.00 USD	Details
	Books						

Order submitted on: Thursday 31 Aug 2017 11:45 PM GMT+05:30
Received by Ariba Network on: Thursday 26 Mar 2020 12:28 PM GMT+05:30
This Purchase Order was sent by licmbuy AN02005363452 and delivered by Ariba Network.

Sub-total: $ 4.00 USD
Total Invoiced: $ 75.00 USD
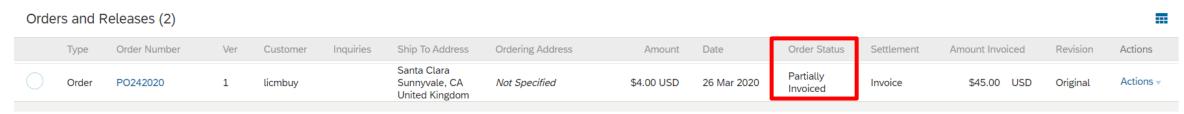
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Then, a LICM is created against invoice for that purchase order with quantity adjustments:

	No.	Include	Type	Part #	Description	Customer Part #	Quantity	Unit	Unit Price	Subtotal
☐	1	🟢	MATERIAL	Part-0001	Books		-5	EA	$5.00 USD	$-50.00 USD
☐	2	🟢	MATERIAL	Part-0001	Books		-1	EA	$5.00 USD	$-25.00 USD

As a result, Purchase Order status changes to status *"Partially invoiced"*:

Orders and Releases (2)

	Type	Order Number	Ver	Customer	Inquiries	Ship To Address	Ordering Address	Amount	Date	Order Status	Settlement	Amount Invoiced		Revision	Actions
○	Order	PO242020	1	licmbuy		Santa Clara Sunnyvale, CA United Kingdom	*Not Specified*	$4.00 USD	26 Mar 2020	Partially Invoiced	Invoice	$45.00	USD	Original	Actions ▾

- Suppliers can create multiple LICM or LIDM from the same invoice. In other words, one invoice may have one or more LICM/LIDM associated.

- Suppliers cannot create one LICM or LIDM from multiple invoices. That means one LICM/LIDM cannot be associated to more than one invoice.

- PO reference is not mandatory. Suppliers can create LICM/LIDM even for non-PO invoices.