

Outline agreements and Contracts in SAP

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Reference: *help.sap.com*

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Welcome

- Welcome to today's session
- Introductions

Agenda

- Application of Outline Agreements
- Business process for
 - ✓ Outline agreement (contracts)
 - ✓ Scheduling agreements
- Hands-on training for contracts (Pre-requisite: working knowledge of SAP purchasing module)

Logistics and Supply chain

- Logistics : The management of business operations, including the acquisition, storage, transportation, and delivery of goods along the supply chain.
- Supply chain : Network of retailers, distributors, transporters, storage facilities, and suppliers that participate in the sale, delivery, and production of a particular product

Stretches all the way from your supplier's suppliers to your customer's customers



Supply chain management

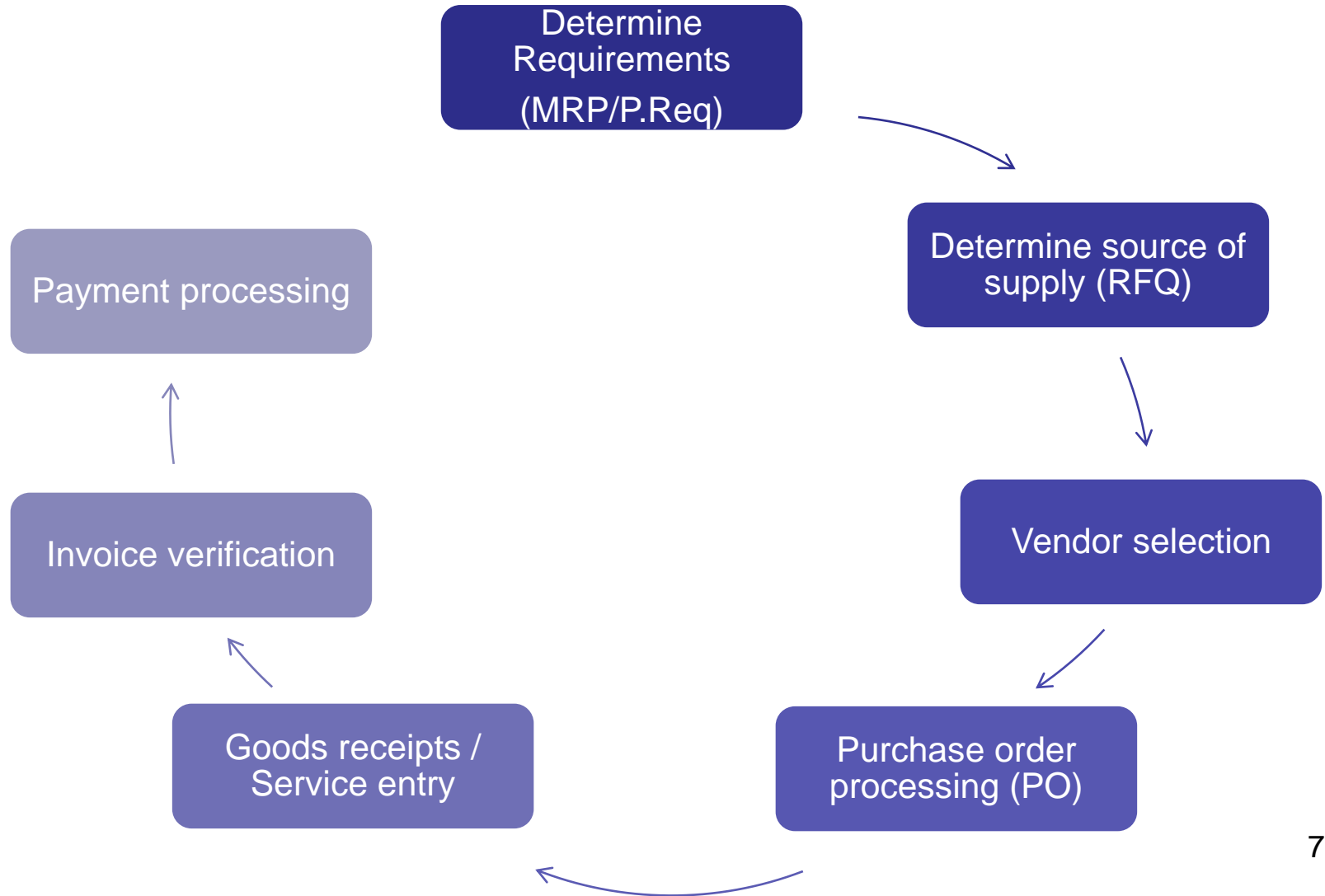
- Materials management is an integral part of Logistics function within SAP. There are three flows that are important when we look at materials management in supply chain. These are:
 - ✓ Material flow
 - ✓ Information flow
 - ✓ Financial flow

Purchasing Tasks

- External procurement of materials and services
- Determination of possible sources of supply for a requirement identified by the materials planning and control system or arising directly within a user department
- Monitoring of deliveries from and payments to vendors
- Good communication between all participants in the procurement process is necessary for Purchasing to function smoothly.

Purchasing Process Flow

(Procure to Pay)



Purchasing Process Flow ?!?!



Purchasing Process Flow

1. Determination of requirements
2. Determination of the source of supply
3. Vendor selection
4. Purchase order processing
5. Purchase order monitoring
6. Goods receipt / Service entry
7. Invoice verification
8. Payment processing

Purchasing Process Flow

1. Determination of requirements
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Purchasing Documents in SAP

1. Purchase requisition (Internal)
2. Request for quotation (External)
3. Source list (Internal)
4. Purchasing information record (Internal)
5. Purchase order (External)
6. Outline agreements (External)

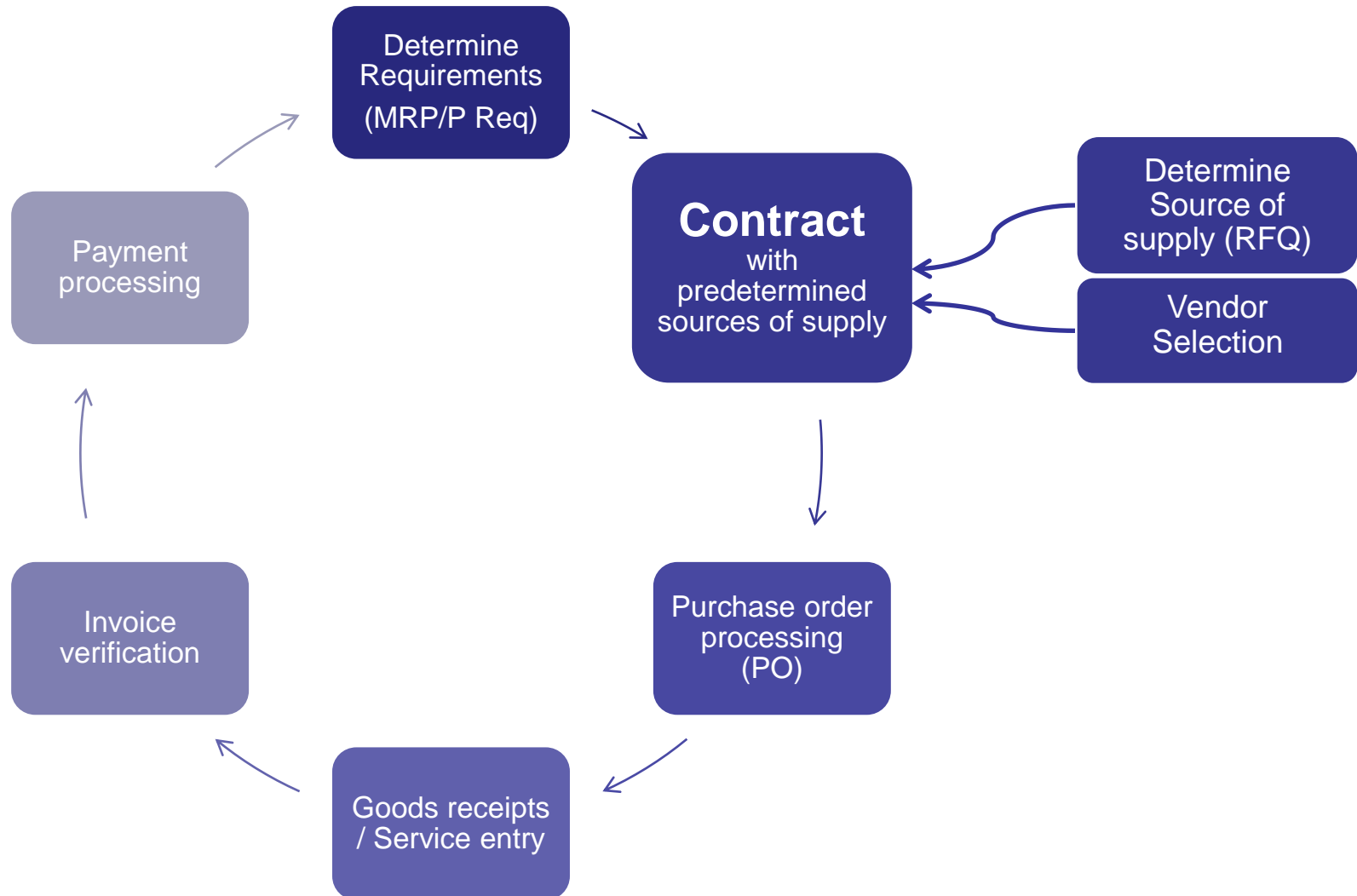
Purchasing Documents in SAP

1. Purchase requisition (Internal)
2. Request for quotation (External)
3. Source list (Internal)
4. Purchasing information record (Internal)
5. Purchase order (External)
6. Outline agreements (External)

Outline Agreements

- Following business requirements leads to usages of outline agreement
 - ✓ To support long term procurement relationship with vendor
 - ✓ To negotiate conditions for purchasing (i.e. price, quantity, discounts etc.) without actually releasing purchase order
 - ✓ To speed up actual purchasing when requirement arises
 - ✓ To provide better monitoring and control

Purchasing Process with Contract



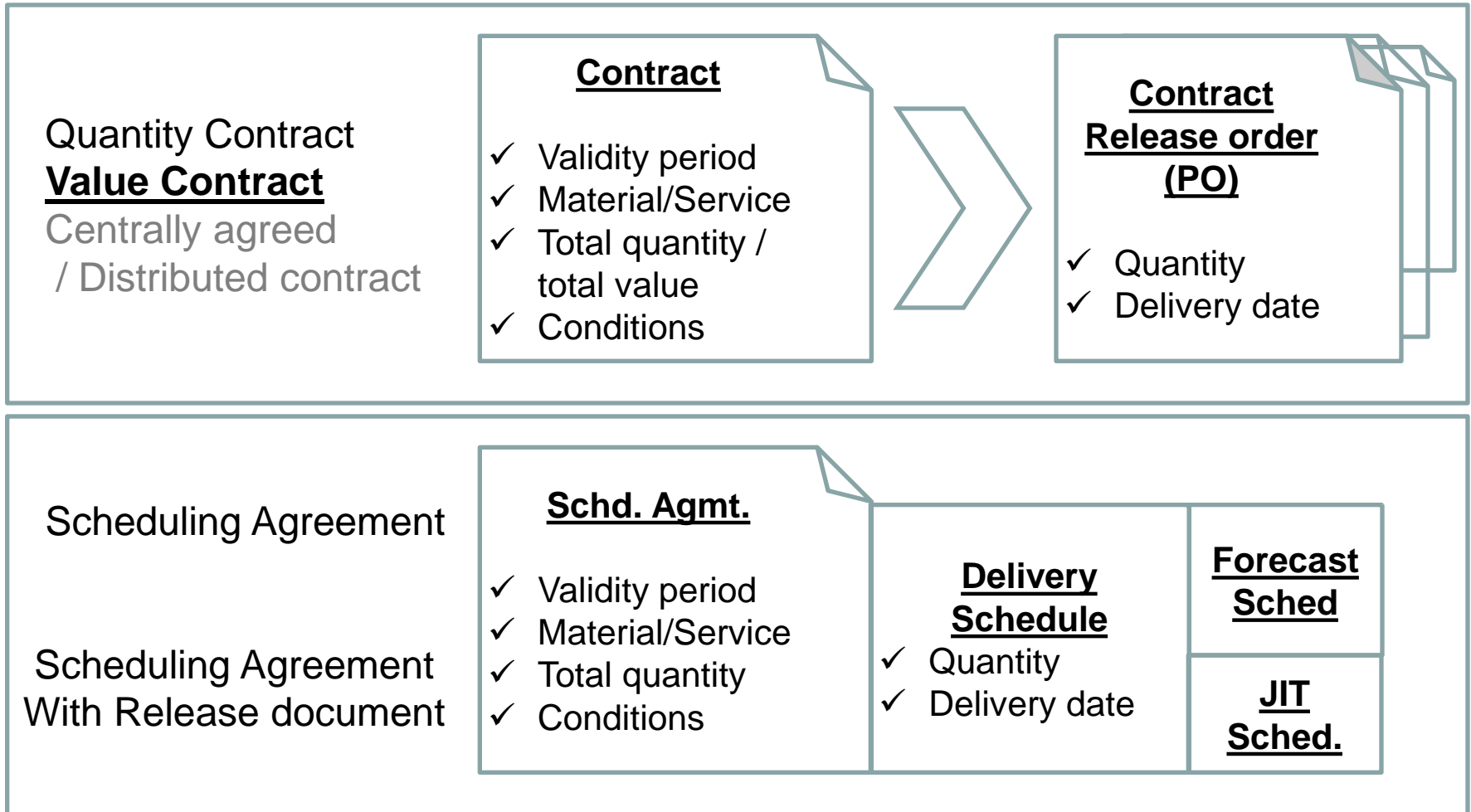
Outline Agreements

- Referred as umbrella or blanket PO
- Long term agreement
- For materials and/or services
- Fixed validity period
- Two types:
 1. Contracts
 - ✓ Value contract (MK)
 - ✓ Quantity contract (WK)
 2. Scheduling Agreements

Contracts v/s Scheduling Agreements

<i>Contracts</i>	<i>Scheduling Agreement</i>
<ul style="list-style-type: none">▪ Longer- term contract with subsequent issue of release orders▪ Different POs can be released for same contract▪ Mainly used for frequent non-predictable requirements e.g. Purchasing office supplies	<ul style="list-style-type: none">▪ Longer-term scheduling agreements and delivery schedules▪ Same scheduling agreement number is used with different release calls▪ Mainly used for repetitive/predictable requirements e.g. purchasing spare parts of a large fleet▪ Can be tightly integrated with MRP

Outline Agreements



Contracts

- Do not contain details of the delivery dates for each of the items.
- To inform vendors of which quantity you need for which date
- You enter contract release orders for a contract.
- A release order is a purchase order that references a contract.
- Contract validity period is defined in the contract header as the validity period.

Contracts

Quantity contract (MK)



Header:

Validity : 01/01/2012 – 12/31/2012

Item

Target quantity:

Mat 1: 1000 EA at \$15 /EA

Mat 2: 300 EA at \$45/ EA

Condition: Freight : 3%

Value contract (WK)



Header:

Validity : 01/01/2012 – 12/31/2012

Target Value:

Item category: M, W etc

Account assignment Category: K, P, U etc

Office supplies at 10% discount

Computer repair service at \$50 /hr

Create Contracts

One can create Contracts in following ways:

- Manually: Enter all information manually
- Using the referencing technique: by referencing
 - ✓ Requisitions (RV, NB)
 - ✓ RFQs/quotations
 - ✓ Other agreements

Item and Account assignment categories

Item Category

- M - The material is unknown
- W - Value and quantity are unknown
- D - Procuring an external service
- K - Consignment material is involved
- L - Subcontracting material is involved

Account assignment Category

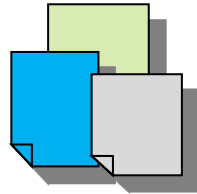
- U- Unknown
- K - Cost center
- P - Project
-

Item categories M and W

Item category

M = Material unknown

Example: Copy Paper



Contract:

<u>I.Cat</u>	<u>Mat</u>	<u>Grp</u>	<u>Text</u>	<u>Qty</u>	<u>Pr</u>
M		707	Copy Paper	1000 Box	\$5



Release order (PO):

<u>AA.Cat</u>	<u>Mat</u>	<u>Grp</u>	<u>Text</u>	<u>Qty</u>	<u>Pr</u>
	P54	707	Copy Paper	50 Box	\$5
K		707	Blue Paper	15 Box	\$5

Item category

W= Material group

Example: Office supplies



Contract:

<u>I.Cat</u>	<u>Mat</u>	<u>Grp</u>	<u>Text</u>	<u>Qty</u>	<u>Pr</u>
M		707	Office supply		

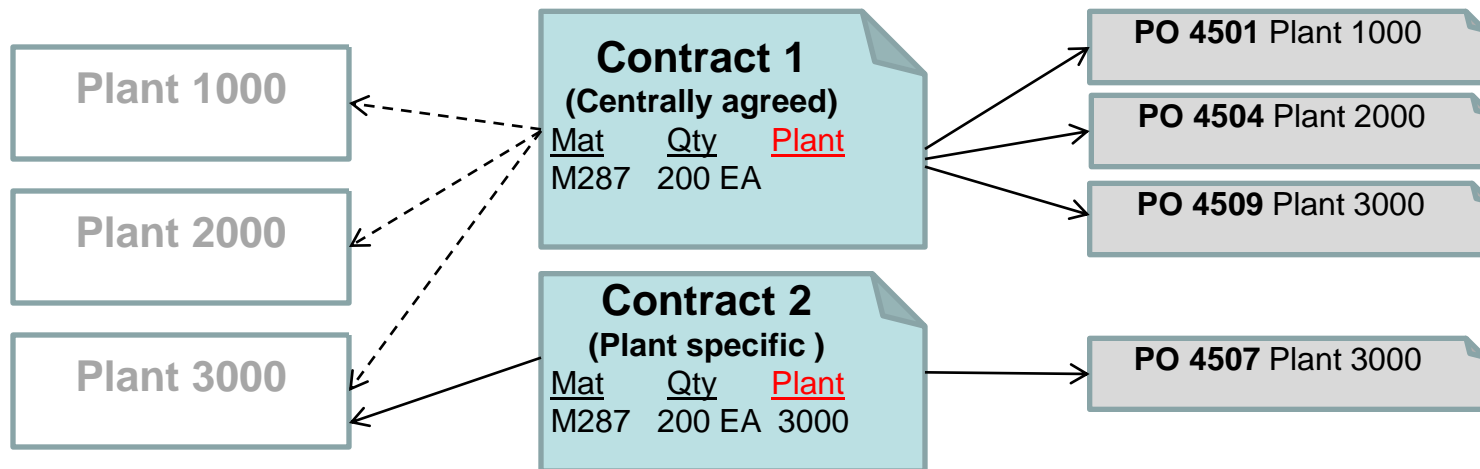


Release order (PO):

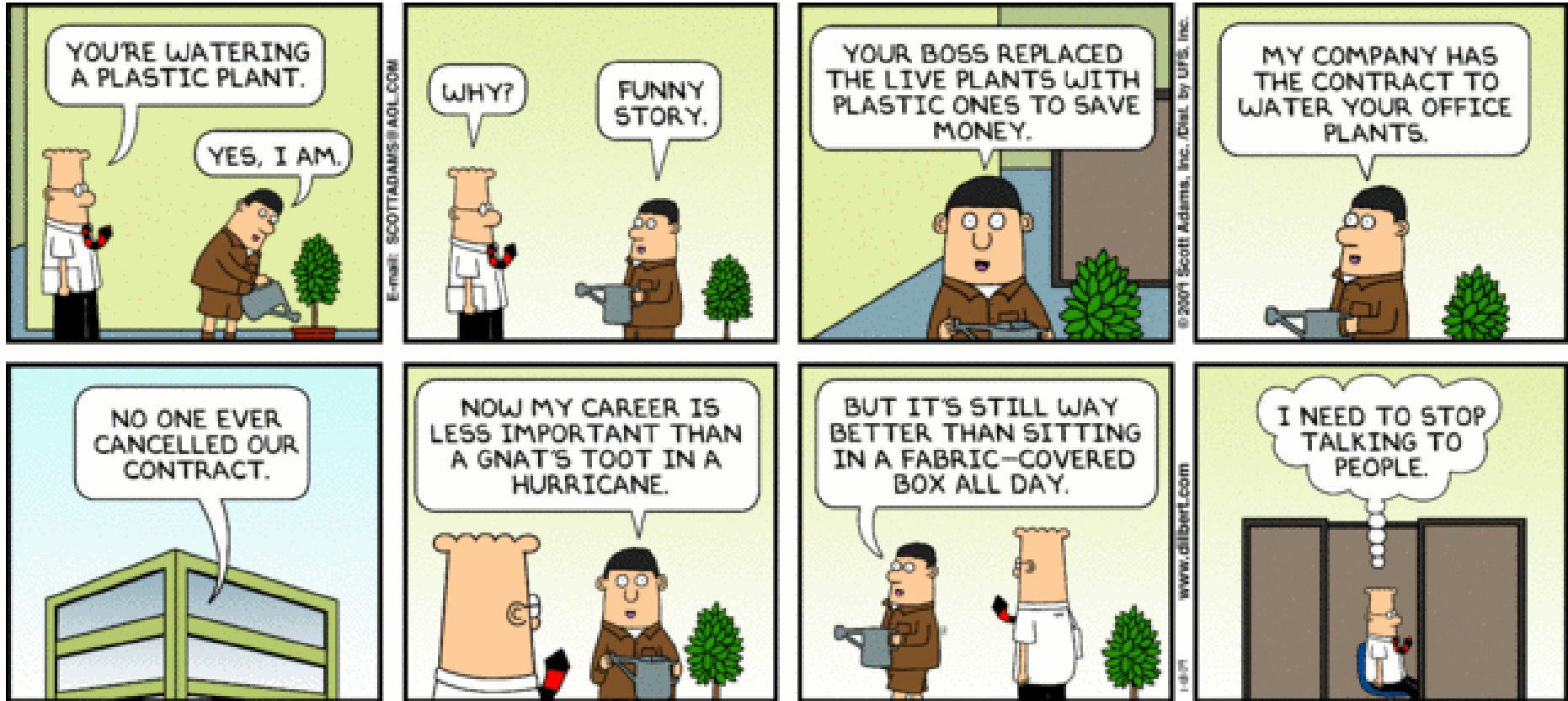
<u>AA.Cat</u>	<u>Mat</u>	<u>Grp</u>	<u>Text</u>	<u>Qty</u>	<u>Pr</u>
	C92	707	Calendar	14 EA	\$8
	M83	707	Staplers	18 EA	\$6
K		707	Sticky notes	22 Box	\$5

Centrally agreed contracts

- Contract items can relate to all plants covered by a purchasing organization
- All plants of a purchasing organization can order against a centrally agreed contract
- The centrally agreed contract allows you to stipulate separate prices and conditions for each receiving plant. For example, different transport costs.



Contracts @ Dilbert.com



Overview of Scheduling Agreements

- Material number or Account assignment is mandatory
- Release orders have same agreement number (No additional PO number necessary)
- Can be automated with MRP
- Provide immediate and planned requirements to vendor in great details

Scheduling Agreements

Master Data

46001 Type: LPA

Vendor : V987

<u>Mat.</u>	<u>Qty</u>	<u>Price</u>
M123	1000 Pc	\$213 EA
S564	3000 Pc	\$642 EA

Source list

Mat: M123
 Validity 1/1/2012 1/1/2015
 Vendor: V987 →
 Agreement: 460001 → Fix
 vendor → MRP indicator: 2



Material requirement from
orders / Min/Max etc

MRP Run

Release orders

Forecast schedule

<u>Week</u>	<u>Mat</u>	<u>Qty</u>
10/09	M123	25 EA
17/09	M123	35 EA
24/09	M123	18 EA

JIT call

<u>Date</u>	<u>Mat</u>	<u>Qty</u>
03//09/2012	M123	5 EA
04//09/2012	M123	7 EA
06//09/2012	M123	3 EA

Questions ?

Thank You

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