

Documentary Payments (SD-FT-LOC)



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Icons

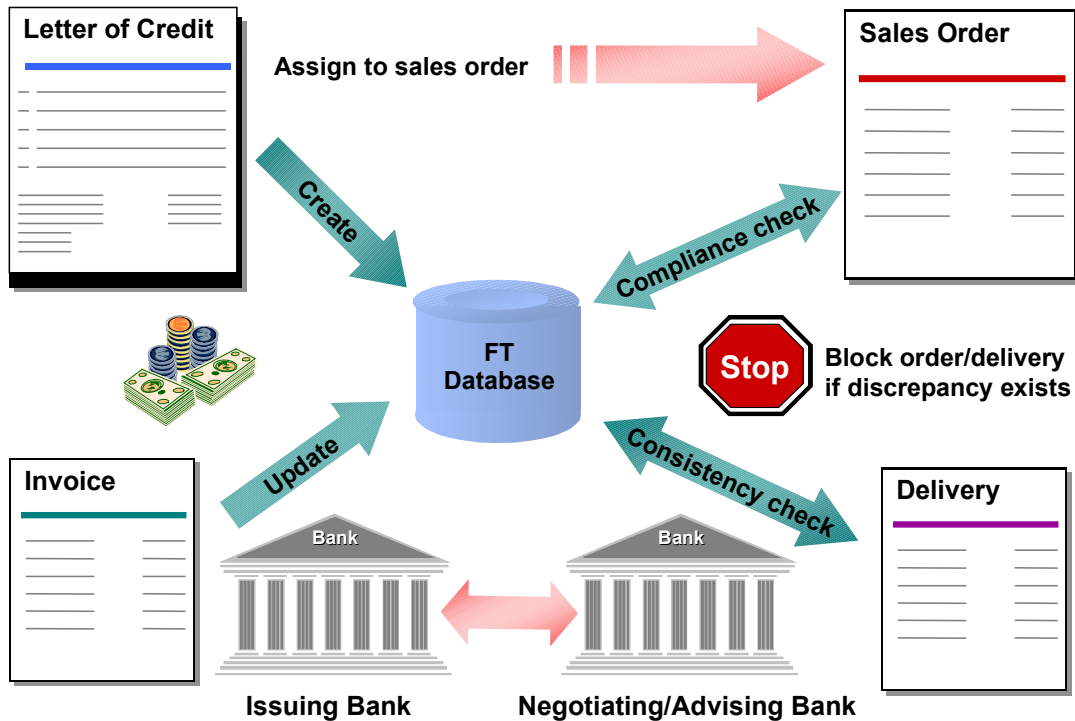
Icon	Meaning
	Caution
	Example
	Note
	Recommendation
	Syntax
	Tip

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Documentary Payments (SD-FT-LOC)

Creation of financial document (letter of credit) in Foreign Trade



Purpose

Foreign Trade's Documentary Payments component enables you to create a master record of a [letter of credit \[Page 31\]](#) and assign it to a Sales and Distribution (SD) document transaction. This record is called a **financial document** in R/3. By assigning a financial document to a transaction, you can ensure that the data in the SD document for the transaction complies with the terms of the financial document.

Financial documents significantly reduce the risk involved in foreign trade transactions. For exporters, they help ensure payment on time and in full. For importers, they help ensure that the goods they pay for are exactly what they ordered. They also ensure that they have actually been shipped.



The financial document in SAP's Foreign Trade System is not only used for letters of credit. It can also be used to represent documents against payment (d/p) or documents against acceptance (d/a).

Documentary Payments (SD-FT-LOC)

Implementation Considerations

Use this component if you use financial documents in transactions with foreign customers. For example, you may require a financial document if you are unsure of a particular customer's ability to pay. In addition, some governments require financial documents for trade with other countries.

Integration

The Documentary Payments component is completely integrated in the Sales and Distribution (SD) Credit Management component to ensure that financial documents are harmonized with other forms of payment security such as payment cards. As an example of this integration, if the value of a sales order exceeds the value of its corresponding financial document, *Credit Management* will block the sales order.

This component performs consistency checks between financial document master records and both sales orders and deliveries. It also updates financial document master records with data from sales orders, deliveries, and invoices.

Features

- Creates and maintains financial document master record data
- Manages different types of LOCs, such as revocable and irrevocable documents
- Proposes payment guarantee procedures
- Supports the input of multiple banking partners involved in a documentary payment transaction
- Ensures accurate financial document master records by requiring two authorized users to activate financial documents
- Assigns financial documents to SD documents
- Simulates the assignment of financial documents to sales documents
- Proposes a payment guarantee type in SD documents
- Performs consistency checks (completeness and plausibility) of FT data in customer master records
- Verifies SD document data against financial documents and blocks SD documents if discrepancies exist
- Includes financial document data in printed documents required for an export transaction
- Monitors financial documents allowing the display of financial documents currently in the system, blocked documents and sales documents assigned to the financial documents
- Displays graphics that show the proportion of a financial document's value already assigned to SD documents

Return to [Foreign Trade / Customs \[Ext.\]](#) main topic.

Cockpit - Documentary Payments

Use

The tasks in Foreign Trade's Documentary Payments component provide automated support to the creation and maintenance of financial documents. The *Cockpit for Documentary Payments* is designed to provide you with a simple, easy-to-use overview screen to access to functions associated with Documentary Payments.

You can access most functions associated with Documentary Payments directly from the *Cockpit for Documentary Payments*. To go to the cockpit from the SAP main menu, choose *Logistics* → *Sales and distribution (or Materials management)* → *Foreign Trade/Customs* → *Payment guarantee* → *Cockpit - Documentary Payments*.

Prerequisites

Before utilizing the functions for Documentary Payments, you need to set up the corresponding configuration tables in *Customizing*. From the *Customizing* menu, choose *Sales and Distribution* → *Foreign Trade/Customs* → *Documentary Payments* and make the appropriate settings in the relevant topics.

Features

The *Cockpit for Documentary Payments* is divided into the following sections:

Documentary Payments Functions

Section	Function
Maintain financial documents	Create, modify or display financial documents
Controlling	Check consistency of data in customer masters and check of assigned documents
Simulation	Simulates assignment of financial documents to sales orders
Monitoring	Display financial documents, blocked documents, assigned documents
Environment	Create, display and maintain bank and credit master records

These are described in more detail below.

Picture or Text Section

On the initial screen of the cockpit, there is an additional area that you can fill with a picture or text. You can include the standard picture or a text in this screen from *Customizing* or by choosing *Environment* → *Maintain user data* from the initial screen. The standard picture is SD_FT_LOC_START. You can create a standard text for display in this section by choosing *Tools* → *Form print* → *SAPscript* → *Standard text* from the SAP standard menu.

Maintain financial documents

In this section of the cockpit, you can create, modify or display financial documents.

Cockpit - Documentary Payments

With this function you can display several financial documents and change them without exiting from the transaction. You can limit the quantity of financial documents to be displayed based on the following criteria:

- Financial document category
- Financial document type
- Financial document number

You can save these selection parameters for each user as a variant. You can set the maximum number of financial documents that can be listed by choosing *Environment* → *Maintain user data*. If you make no entries to limit the output, the system defaults to a maximum of 500 financial documents.

See [Maintenance of Financial Documents \[Page 21\]](#).

Monitoring

In this section, you can display the following lists:

- Financial documents currently in the system
- Blocked documents
- Sales documents assigned to the financial documents

You can select variants associated with these lists and execute the reports directly from the cockpit screen without first going to the data selection screen. If you leave the Variant field empty, the system goes to the data selection screen of the corresponding report.

Refresh Function

The *Refresh status* button in the *Monitoring* section of the cockpit checks the status of all financial documents that are selected for the chosen variant. The refresh function controls the color of the traffic signals. For a description of this function, see [Financial Document Monitoring \[Page 27\]](#).

Controlling

In this section, two functions are available:

- Consistency checks of Foreign Trade data in customer master records
 - For all customer master records relevant to Foreign Trade, this program checks the data associated with a selected plant for completeness and plausibility.
- Print monitoring

This function selects all invoices and documents assigned to a financial document.

Simulation

This function simulates the assignment of financial documents to sales documents.

See [Assignment of Financial Documents to SD Documents \[Page 17\]](#)

Environment

In this section, you can

- Display, maintain and create bank master records

Cockpit - Documentary Payments

- Display, maintain and view a historical log of credit master records.

Settings

You can check whether your *Customizing* settings are correctly maintained in this section.

Activities

You can configure the initial screen of the cockpit to match the specific tasks of each individual user. When you exit from the cockpit, the system automatically saves the user- specific parameters (variants, radio buttons, etc.) that were last set, so that when you return, the same conditions exist that appeared before.

Financial Document

Financial Document

Definition

A master record of a documentary payment (for example, a letter of credit).

Use

Once you have created a financial document master record, the system can check the data in a foreign trade transactions' Sales and Distribution (SD) documents against the financial document's terms.

Structure

The table below lists the main parts of a financial document.

Financial document part	Description
Financial document category and type	<p>The financial document category indicates whether the document is, for example, revocable or irrevocable.</p> <p>The type of financial document, which you maintain in <i>Customizing</i>, controls which information is required in the financial document master record. To maintain the type of financial document in <i>Customizing</i>, choose <i>Sales and Distribution</i> → <i>Foreign Trade/Customs</i> → <i>Documentary Payments</i> → <i>Basic settings</i> → <i>Define Financial Document Type</i>.</p>
Partner data	Partner data includes the sold-to and ship-to party. You can also change the addresses of the parties in the financial document master record to override the values that default from the customer master record.
Opening bank/document number	This data includes the opening bank's number and the number that bank has assigned to the financial document.
Values	This data includes the amount the financial document covers, the currency in which you will receive your money, and the overdraw percentage the financial document allows.
Dates	These are the key dates in the financial document transaction including the financial document's opening and validity end dates.
Delivery data	Shipping data includes Incoterms and quantities covered by the financial document.

Financial Document

In addition to these parts, the financial document also includes:

- Banks associated with the export transaction (for example, the negotiating and confirming banks)
- Shipping documents required by the financial document (you maintain the default list of required shipping documents in Customizing)
- Additional text for the financial document
- Status of the financial document

Working with Financial Documents

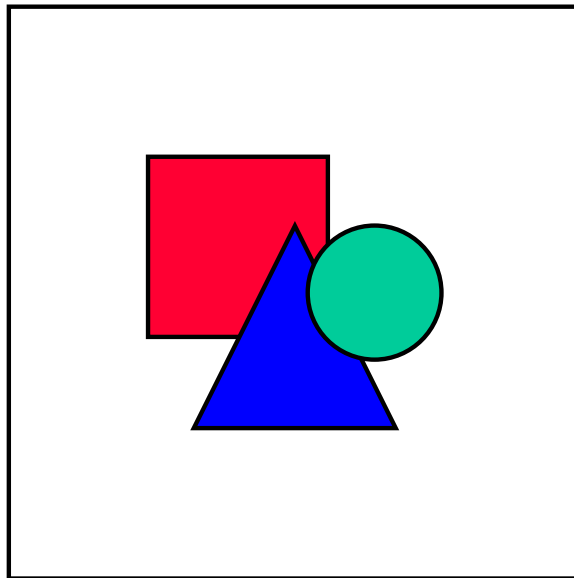
Purpose

This process helps ensure that the export transaction meets the terms of its associated financial document. Failing to meet the financial document's terms can result in delayed payment or even loss of payment to the exporter.

Prerequisites

To use financial documents in R/3, you must first maintain financial document settings in Customizing for *Sales and Distribution*. Choose *Foreign Trade/Customs* → *Documentary Payments*.

Process Flow



Financial document processes can involve many different banks in different roles. For example, a process could involve different banks as the opening, advising, confirming, and negotiating banks. For simplicity, the process below involves only an opening and advising bank.

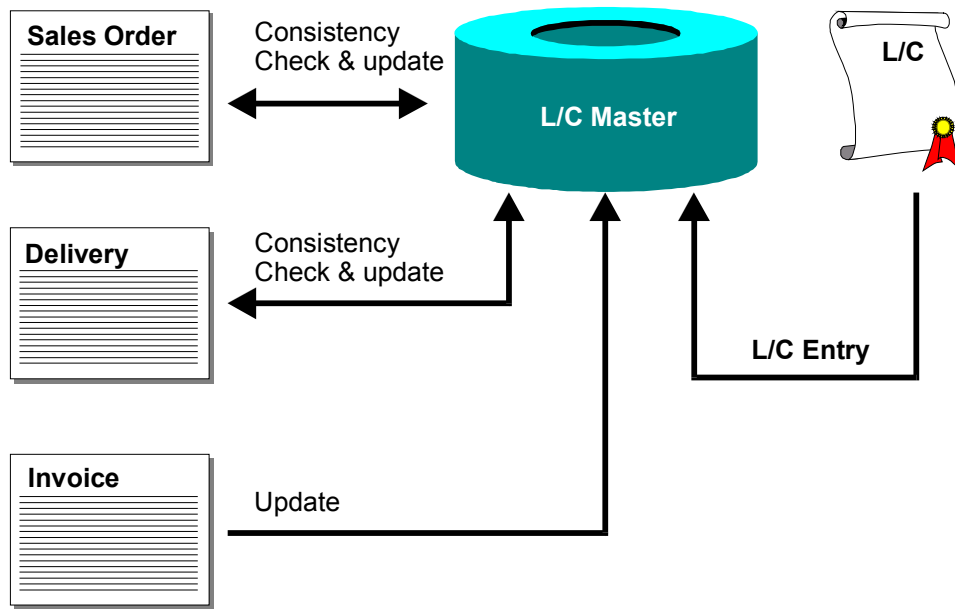
1. A customer contacts you about buying goods. Perhaps due to economic factors in the customer's country, you tell the customer that you require a financial document for this transaction.

In the customer master record, you may have already indicated that sales to this customer require financial documents, or you may have configured the system so that all sales orders require financial documents.

2. The customer opens a financial document with its bank, and the opening bank sends the financial document to the advising bank in your country.

Working with Financial Documents

3. The advising bank confirms the authenticity of the financial document and sends the financial document to you. You create a master record for this financial document in the system.
For increased security, you can configure the system to require two authorized users to activate the financial document.
4. You create the sales order for this transaction and assign the financial document to the sales order.
You can assign the financial document to the entire sales order or to selected items in the order.
Depending on how you have set up the customer master record and the document type, the system defaults a payment guarantee procedure in the sales order. You can change the payment guarantee procedure in the sales order if you want to use a procedure other than the default.
5. The system checks the sales order to ensure that it complies with the financial document's terms. For example, the system checks that the sales order's value does not exceed the financial document's value.
 - If there are discrepancies between the sales order and the financial document, the system blocks the sales order. Authorized users may release this block using the *Credit Management* component.
 - If there are no discrepancies, the system updates the financial document master with the sales order amount.
6. You create the delivery for this transaction and the system copies the financial document information from the sales order to the delivery.
The financial document applies to the entire delivery.
7. The system checks the delivery to ensure that it complies with the financial document's terms.
 - If, for example, the delivery date is later than the financial document's validity end date, the system blocks the delivery. Authorized users may release this block using the *Credit Management* component.
 - If no discrepancies exist between the delivery and the financial document, you may post goods issue. The system also updates the financial document master with the delivery amount.
8. When you post the invoice, the system updates the financial document master record with the invoice amount.
The graphic below illustrates the relationship between the financial document master (represented by "L/C" for "letter of credit") and the sales order, delivery, and invoice.



Payment Guarantee Procedure in Customer Master Records

Definition

The method used to help ensure payment from the customer for a foreign trade transaction. Common payment guarantee procedures include financial documents.

Use

Select a payment guarantee procedure in the *Paym.guar.proc.* field (Payment Guarantee Procedure) of the customer master record's *Billing* screen. Maintain the list of available payment guarantee procedures in *Customizing for Sales and Distribution*. Choose *Foreign Trade/Customs* → *Documentary Payments* → *Risk Management for Financial Documents* → *Define and Assign Payment Guarantee Schemas*.

Integration

The system uses the value in the *Paym.guar.proc.* field (Payment Guarantee Procedure) to help determine the default payment guarantee procedure in sales orders for the customer. For more about the default payment guarantee procedure, see [Proposal of Payment Guarantee Procedures \[Page 16\]](#).

Proposal of Payment Guarantee Procedures

Proposal of Payment Guarantee Procedures

Use

This function suggests a method for helping secure payment for an export transaction. It inserts the default payment guarantee procedure (for example, a financial document) in the sales order.

Integration

The payment guarantee procedure the system suggests results from the combination of two values:

- The value you set in *Paym.guar.proc.* field (Payment Guarantee Procedure) on the customer master record's *Billing document* screen (To set this value, select *Customer* in the *Master data* section of the [Foreign Trade Cockpit \[Ext.\]](#) and choose *Change.*)

For example, you can indicate that a financial document is required for all sales to customer ABC.

- The value you set as payment guarantee procedure for the document type

For example, you can indicate that all standard sales orders require financial documents.

Prerequisites

For the system to propose a payment guarantee procedure, you must maintain the table that maps customer-document type pairs to payment guarantee procedures.

To access this table, choose the following in *Customizing for Sales and Distribution: Foreign Trade/Customs* → *Documentary Payments* → *Risk Management for Financial Documents*.

Activities

Although the system proposes the payment guarantee procedure, you can select a different procedure directly in the sales order.

Assignment of Financial Documents to SD Documents

Use

This function links sales orders or deliveries with a financial document. Once the documents are linked, the system verifies that the data in the Sales and Distribution (SD) documents complies with the terms of the financial document.

Integration

Integration with the Sales Order

In a sales order, you can assign a financial document at the header level or at the item level:

- Assigning a financial document at the header level assigns every item in the order to the document
- Assigning a financial document at the item level allows you to assign a subset of the order's items to a financial document.

Item-level assignments override header-level assignments. Therefore, you can also assign a financial document at the header level and then assign selected items to different financial documents.



Suppose you assign financial document A to a five-item sales order at the header level. You could then assign financial document B to items 10 and 20 and financial document C to item 30 while financial document A remains assigned to items 40 and 50.

Integration with the Delivery

In a delivery, you can assign a financial document only at the header level. Thus the entire delivery is assigned to one financial document.

In one delivery, you may combine sales orders that use financial documents only if every item in each sales order has the same financial document assigned to it.



You cannot combine sales orders with different financial documents in one delivery.

Prerequisites

To assign a financial document to an SD document, the financial document must exist in the system. You can assign an inactive financial document to an SD document, but the system will block transactions involving that SD document until the assigned financial document is active.

Features

After you assign a financial document to SD documents, the system does the following:

- Verifies data in the SD documents against terms in the financial document

Assignment of Financial Documents to SD Documents

Suppose you have a financial document with a value of USD 100,000. The system checks that the value of the sales order items assigned to this financial document does not exceed USD 100,000. The system also checks that the delivery date is before the financial document's validity end date.

- Updates the financial document with amounts in the sales order

For example, if the value of a sales order is USD 100,000 and the value of the assigned financial document is USD 150,000, the system subtracts the sales order value from the financial document, leaving a balance of USD 50,000. The remaining amount may be used for other foreign trade transactions.

- Blocks sales orders or deliveries if discrepancies beyond tolerances exist between SD documents and the financial document

Suppose you have a financial document with a value of USD 50,000 and an allowed overdraw of 10%. If the value of the associated sales order is USD 100,000, the system will block the sales order because its value exceeds the financial document's value.

Authorized users can release blocks by using the *Credit Management* component.



To view a list of the checks the system has performed between the sales order and the financial document assigned to it, choose *Fin. docs* on the *Billing documents* screen of the sales order.

Assigning Financial Documents to SD Documents

Prerequisites

To assign a financial document to a Sales and Distribution (SD) document, the financial document must exist in the system.

You can assign a financial document at the header and item level of a sales order. You can assign a financial document only at the header level of a delivery.

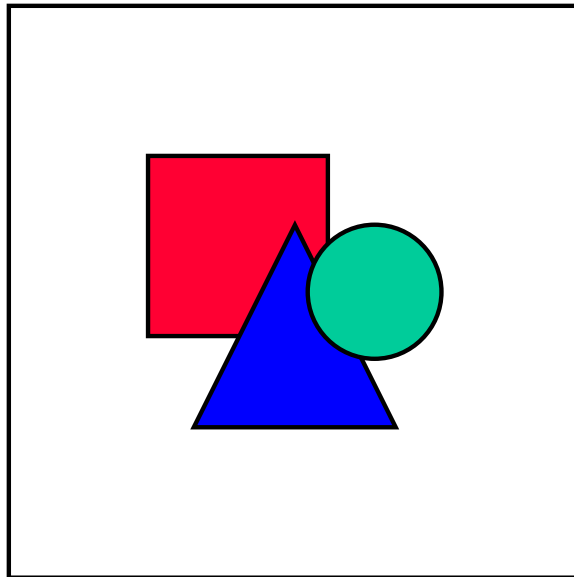
Procedure for Assignments at the Header Level

1. Do one of the following:
 - On the initial screen of the sales order, choose *Goto* → *Header* → *Billing*
 - On the initial screen of the delivery, choose *Header* → *General header data*.
2. In the *Paymt guarant. proc.* field (Payment guarantee procedure), select a procedure that requires a financial document.
3. In the *Financial doc. no.* field (Financial document number), enter the number of the financial document you want to assign to the SD document.

Procedure for Assignments at the Item Level (Sales Orders Only)

1. Select an item in the sales order.
2. Choose *Goto* → *Item* → *Billing*.
3. In the *Paymt guarant. proc.* field (Payment guarantee procedure), select a procedure that requires a financial document.
4. In the *Financial doc. no.* field (Financial document number), enter the number of the financial document you want to assign to the item.

Assigning Financial Documents to SD Documents



You can assign financial documents to deliveries only if the deliveries were created with reference to sales orders.

Maintenance of Financial Documents

Use

With this function, you can create, change, display, and delete financial documents. You can access all of the functions below from the [Cockpit for Documentary Payments \[Page 7\]](#).

To	Menu path	You should know
Create a financial document	<i>Cockpit for Documentary Payments</i> → <i>Maintain financial documents</i> → <i>Create document</i> (Icon at top of <i>Financial doc.</i> column in menu on the left)	Creating a financial document involves several tasks. See Creation of Financial Document Master Records [Page 23] .
Change a financial document	<i>Cockpit for Documentary Payments</i> → <i>Maintain financial documents</i> Select the appropriate tab: <ul style="list-style-type: none"> • General data • Dates/Delivery dates • Documents (see below) • Banks (see below) • Texts (see below) • Status [Page 24] • Administration 	Enter the number of the financial document in the <i>Financial doc. no.</i> field and choose <i>Maintain financial documents</i> . You can also leave the field blank and select the document from the list. The system tracks all changes to financial documents using change history. For more information, see Change History for Financial Documents [Page 26] . See also: Changing the Status of Active Financial Documents [Page 25]
Display a financial document	<i>Cockpit for Documentary Payments</i> → <i>Maintain financial documents</i>	Enter the number of the financial document in the <i>Financial doc. no.</i> field in the cockpit. You can also leave the field blank and select the document from the list.
Delete a financial document	<i>Cockpit for Documentary Payments</i> → <i>Maintain financial documents</i> → <i>Financial document</i> → <i>Delete</i>	First, enter the number of the financial document in the <i>Financial doc. no.</i> field in the cockpit.

Bank Data Entry

On the *Banks* tab, enter the country, bank key, and the external number the bank uses for this financial document. Enter this data for each bank involved in the transaction. You select the bank function by double-clicking the bank functions on the left side of the *Banks* tab.

Maintenance of Financial Documents

The bank's original address comes from the bank master record database in the *Financial Accounting* (FI) component.

Documents

1. Before you create lists of required documents, you must maintain the default list of required documents in *Customizing for Foreign Trade/Customs*, choose *Documentary Payments* → *Basic settings* → *Define Documents to be Presented*.
2. Also, you must assign the documents to be presented to the financial document indicator. In *Customizing for Foreign Trade/Customs*, choose *Documentary Payments* → *Relationships* → *Assign Documents to Financial Document Indicator*.
3. On the *Documents* tab, enter the number of originals and the number of copies of each document required to comply with the terms of the financial document.

Texts

On this tab, you can enter texts that you want to store with the financial document. For example, you can enter special instructions to the forwarding agent.

Creation of Financial Document Master Records

Purpose

This process explains how to create a master record for a financial document you receive from a bank.

Prerequisites

Maintain financial document settings in *Customizing for Sales and Distribution* by choosing *Foreign Trade/Customs* → *Documentary Payments*.

Process Flow

1. Enter data in the screen for the financial document master record.
On the upper half of the screen, you enter information such as the company code and customer data.
On the *General data* tab, you enter the opening bank data such as the financial document number and value of the financial document.
On the *Dates/Delivery dates* tab, you enter the opening date and other deadlines and delivery data.
2. Define bank data.
You enter additional bank data on the *Banks* tab. Bank data includes defining any advising (A), confirming (B), or negotiating (N) banks in the financial document process. You can also define fees and currencies for each bank.
3. Add any additional text to the financial document.
Additional text can include special notes to shippers like handling or packing instructions.
4. Create a list of shipping documents that must be submitted to the bank to comply with the terms of the financial document.
For example, you can indicate that the financial document requires one original packing list and two copies.
5. Activate the financial document.



To ensure that a financial document's terms have been double checked, you can configure the system to require two authorized people for activating a financial document.

See also

For instructions on how to perform the tasks above, see [Maintenance of Financial Documents \[Page 21\]](#).

Setting the Status of Financial Documents

Setting the Status of Financial Documents

Use

A financial document's status controls whether it is available for use in sales orders. For example:

- Status B 'Document is incomplete' means that you still need additional information for the financial document
- Status D 'Document is available and can be used' means that the financial document can be assigned to sales orders
- Status E 'Change in document has been submitted' means that the document cannot be assigned to a sales order until you change its status to D

Prerequisites

The status of a financial document is protected by an authority object. You can configure the authorization object to allow several users to create, change, or display financial documents while allowing only one or a few users to maintain the documents' statuses. Only users assigned activity 36 (extended maintenance) for this authority object have permission activate a financial document.

You can also configure the SAP System to require two people to activate a financial document. This configuration helps ensure that the financial document data is double-checked before it can be used in the system. Maintain the double-check feature in Customizing for *Sales and Distribution*. Choose *Foreign Trade/Customs* → *Documentary Payments* → *Basic settings* → *Define Indicators for Financial Documents*. Select a *Financial Document Indicator* and then *Goto* → *Details*. Select *Double-check on* under *Extended confirmation control*.

Procedure

1. Go to the [Cockpit for Documentary Payments \[Page 7\]](#).
2. Choose *Maintain financial documents*.
3. On the *Status* tab, select a status.
If you want to activate the document, choose status *D* (Document is available and can be used).
4. Save the financial document.

See also:

[Maintenance of Financial Documents \[Page 21\]](#)

Changing the Status of Active Financial Documents

Use

Once you activate a financial document by setting its status to D ('Document is available and can be used'), you cannot change its status back to A, B, or C even if you have not yet saved the financial document. When the document's status is D, users can assign it to sales orders.

If you temporarily do not want users to be able to assign the financial document to sales orders, set its status to E ('Change in document has been submitted'). Setting its status to E blocks the document from being assigned but still allows you to save the document's data.



By changing a financial document's status to E (Change in document has been submitted), you can make more changes to the document than when it has status D (Document is available and can be used). For example, when a financial document has status D, you cannot edit the document's value or validity end date. When its status is E, you can edit this information.

For more information on statuses, see [Setting the Status of Financial Documents \[Page 24\]](#).

Prerequisites

This procedure assumes you assigned the financial document status D and already saved it. If you are in the process of creating a financial document and set its status incorrectly as D, you can exit the financial document without saving the data. If, however, you do not want to lose the data, first change its status to E and then save the financial document. Later you can access the financial document again and change its status back to D.

Procedure

5. Go to the [Cockpit for Documentary Payments \[Page 7\]](#).
6. In the *Financial doc. no.* field, enter the number of the financial document you want to deactivate and choose *Maintain financial documents*.
7. On the *Status* tab, select status E.
8. Select the reason for the change in the *Financial document status* dialog box and choose *Continue*.
9. Save the financial document.

The financial document is now blocked. It cannot be assigned to a sales order until you change its status to back to D.



To make the financial document available for use in the system again, access the document in change mode. Then change its status to D and save the document.

See also:

[Maintenance of Financial Documents \[Page 21\]](#)

Change History for Financial Documents

Change History for Financial Documents

Use

For tracking purposes, this function lists all of the changes that have been made to a financial document. From the list the function creates, you can view more details about each change. For example, you can see who made each change and which table field the change affected.

Activities

Once you have displayed a financial document (see [Maintenance of Financial Documents \[Page 21\]](#)), you can display the history by choosing *Environment* → *Change history* from the menu bar. To view the details of a change, position the cursor on a change line and choose *Choose*.

Financial Document Monitoring

Use

This function creates lists of financial documents and Sales and Distribution (SD) documents that are linked to financial documents. Use these lists to track financial documents and their associated SD documents. For example, you can create a list of financial documents that will expire in the next two months.

Features

Using selection criteria you define, this function can create the following types of lists:

- Financial documents (financial document master records currently in the system)
- Blocked documents (SD documents blocked due to discrepancies with financial documents)
- Assigned documents (SD documents with financial documents assigned)

Refresh Function

The *Refresh status* button in the *Monitoring* section of the [Cockpit for Documentary Payments \[Page 7\]](#) checks the status of all financial documents that were selected for a variant. The refresh function controls the color of the traffic signals.

The meaning of the traffic signal colors is as follows:

Financial Documents Maintained in the System

Signal color	Status	Description
Red light	Z	Financial documents exist that have been closed and released for reorganization (archiving).
Yellow light	B, C, E	Financial documents exist whose status has one of the following characteristics: <ul style="list-style-type: none"> • Document is incomplete • Document has been advised (LOC has been sent to the exporter) • Changes to the document have been requested
Gray light	A	Financial documents exist whose status is "created".
Green light	D	All documents have been released and are available.

Blocked Financial Documents

Red light	Blocked documents exist.
Green light	No blocked documents exist.

Financial Document Monitoring**Activities**

You execute these functions from the *Monitoring* section of the [Cockpit for Documentary Payments \[Page 7\]](#).

From the assigned documents and financial documents lists, you can display SD and modify data in financial documents by clicking on the document number. From the blocked documents list, you can change SD documents and, if authorized, release blocks.

Graphical Comparison

Use

This function displays a pie chart that shows the proportion of a financial document's value that is assigned to Sales and Distribution (SD) documents. For example, a chart might show that 60% of financial document's value is committed to sales orders, 20% is committed to invoices, and 20% is still unassigned.

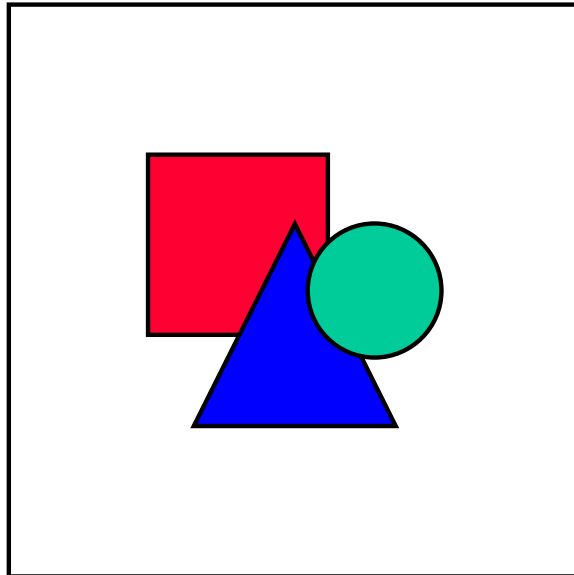
Features

The pie chart displays the values of all sales orders, deliveries, and invoices related to the financial document on the same graph.

Activities

You can execute this function from the [Cockpit for Documentary Payments \[Page 7\]](#).

1. Display a financial document by choosing *Maintain financial documents* from the cockpit.
2. To display graphical comparisons, choose the graphic icon on the *General data* tab.



The graphic icon only appears when graphical comparisons are relevant.

3. To change the graphic type, click the right mouse button.

Printing of Financial Document Data in SD Documents

Use

When you print documents required for an export transaction, this function replaces address data from the billing document with address data from the financial document if the data is different.



The customer master record indicates that this ship-to party's address is 132 Main Street. You receive a financial document from a bank that indicates the ship-to party's address is 123 Main Street – a typographical error in the financial document.

When you create the financial document master record, you enter the ship-to party's address as it appears on the financial document you received from the bank. When you print the packing list, a shipping document required by the terms of this financial document, R/3 uses the address from the financial document master record on the list.

Data from the financial document overrides data from the customer master record because banks require that addresses and other data in shipping documents are identical to the information in the financial document. Discrepancies between addresses on the bank's copy of the financial document and the shipping documents you create can delay payment and are expensive to correct.

Prerequisites

To use this function, first maintain the following settings in Customizing for *Sales and Distribution*:

- *Foreign Trade* → *Documentary Payments*
- *Foreign Trade* → *Printing/Communication*
- *Basic Functions* → *Output Control*

Features

Data from financial documents replaces data in documents that are printed on the basis of the invoice by using foreign trade IDoc EXPINV02. For example, data from a financial document does not replace data in printed order confirmations because order confirmations are printed on the basis of sales orders and not on the basis of billing documents.

About Documentary Payments

Documentary payments significantly reduce the risk involved in foreign trade transactions. For exporters, they help ensure payment on time and in full. For importers, they help ensure that the exporter has actually shipped the goods for which they are paying.

Documentary payments reduce risk by requiring shipping documents as proof of the transaction. Documentary payments reduce the risk for exporters because importers cannot collect the documents they need to retrieve the goods (documents like bills of lading) until they pay for the goods. They reduce the risk for importers because they do not pay for the goods unless the exporter has provided all of the documents proving that the agreed-upon goods were shipped under the agreed-upon conditions.

One of the most common types of documentary payments is the letter of credit.

Letters of Credit

A letter of credit is a legally negotiable document issued by a bank at the request of an importer. The letter of credit ensures the financial ability of the importer to pay for the goods by substituting the credit of a bank for the credit of the importer.

There are several types of letters of credit differing according to their use and the number of banks involved. Outlined below are the business flow and the goods and value flow for a common foreign trade procedure using a letter of credit.

Business Flow in a Letter of Credit Transaction

1. The importer sends a purchase order to the exporter.
The purchase order is a promise to contract purchase of the specified goods under certain conditions.
2. After receiving the purchase order, the exporter issues an order confirmation.
The order confirmation is a promise to sell and deliver the goods according to the agreed-upon conditions including payment conditions.
3. The importer, in compliance with the payment conditions the exporter requested, opens a letter of credit at the bank of its choice. This bank is called the opening or issuing bank.
The order confirmation and the purchase order are the basis of the letter of credit. The terms and conditions between the bank and the importer are based on the importer's credit standing.
4. After approving the request for the letter of credit, the opening bank can contact its branch or affiliate (called the advising bank) in the exporter's country to establish and confirm the letter of credit on behalf of the exporter.
The letter of credit itself is usually sent through a telex with a set of identification codes that confirm its authenticity.
5. The advising bank authenticates the letter of credit and sends it to the exporter by registered mail.
The letter of credit has been formally established, confirming the ability of the importer to pay for the goods. The exporter now ships the goods.

About Documentary Payments

Goods and Value Flow in a Letter of Credit Transaction

1. The exporter ships the goods to the importer as the letter of credit's terms require.
Usually the letter of credit specifies shipping details including the mode of transportation, loading and unloading ports, merchandise packaging, and insurance.
2. After shipping the goods, the exporter gives the negotiating bank the valid letter of credit and the required shipping documents.
The exporter can select a negotiating bank or use the advising bank as the negotiating bank.
3. The negotiating bank examines the validity of the shipping documents for any discrepancies.
 - If the documents contain discrepancies, the negotiating bank may refuse to accept the documents for negotiation. The exporter may then either apply for an amendment to the letter of credit to allow the discrepancies or submit a letter of guarantee to the negotiating bank. The letter of guarantee states that the exporter is liable if the importer refuses to accept the documents due to the discrepancies.
 - If documents do not contain discrepancies, the negotiating bank accepts the documents and pays the exporter the contracted amount for the goods. Banking charges may be deducted from this payment depending on the letter of credit's terms.
4. The opening bank reimburses the negotiating bank for the amount it paid the exporter. In exchange, it receives the shipping documents from the negotiating bank.
The negotiating bank may be entitled to collect bank charges from the opening bank depending on the letter of credit's terms.
5. The opening bank negotiates with the importer for payment in exchange for the shipping documents.
The payment between the importer and the opening bank depends on the terms of their agreement. Some banks require 75% of the order value in advance and the remaining 25% when the shipping documents arrive.
6. After receiving the valid shipping documents from the opening bank, the importer presents the bill of lading to the shipping company and claims the goods.
The importer uses other shipping documents like commercial invoices, packing lists, and certificates of origin during customs clearing.