

# FI/SD - Credit Management/Risk Management



HELP.FIARCR

**Release 4.6B**



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## FI/SD - Credit Management/Risk Management

### Purpose

A large number of outstanding receivables or bad debts can have a not inconsiderable impact on company performance. Using Credit Management, you can minimize your credit risk by defining a credit limit for your customers. This is especially important if you do business with customers in financially unstable sectors or countries, or trade with countries that are politically unstable or that adopt a restrictive exchange rate policy.

### Integration

If you implement the *Accounts Receivable* (FI-AR) application component to manage your receivables, but a non-SAP system for sales and distribution processing, Credit Management enables you to assign a credit limit to each customer. When you post an invoice (in FI-AR) the system then checks whether the amount exceeds the credit limit. Facilities like the credit master sheet or early warning list help you monitor the customer's credit situation.

If you implement both the *Accounts Receivable* (FI-AR) and *Sales and Distribution* (SD) application components, you can specify in Customizing when (at the point of order, delivery, goods issue and so on) and to what extent a check on the customer's credit limit is to take place.

### Features

If you implement both SD and FI-AR, Credit Management provides the following facilities:

- You can define automatic credit limit checks according to a range of criteria and in line with your company's requirements. You can also define at what point the system carries out these checks (order, delivery, goods issue, and so on).
- The credit representative is automatically alerted to a customer's critical credit situation as soon as order processing starts.
- The relevant employees can be automatically notified of critical credit situations via internal mail.
- Your credit representatives are able to check a customer's credit situation quickly and reliably, and, in line with the appropriate credit policy, to decide whether the customer should be granted credit.
- Using Credit Management you can work in distributed systems. A distributed system is one with central financial accounting and non-central sales and distribution on several sales and distribution computers.



For information on which section of the IMG menu you can make what settings for Credit Management and Risk Management, see [Settings for Credit Management and Risk Management \[Page 55\]](#)

### Risk Management for receivables

For information on risk management for receivables, see [Risk Management for Receivables in Sales and Distribution \[Page 46\]](#)



## Monitoring Credit During Sales and Distribution Processing

### Purpose

This process enables you to monitor credit when processing customer orders.

### Prerequisites

- You have implemented the *Accounts Receivable (FI-AR)* and *Sales and Distribution (SD)* application components.
- The master data for those customers whose credit you wish to monitor is created in both Sales and Distribution and Financial Accounting.
- The credit data for those customers whose credit you wish to monitor is created. You determine how high a customer's credit limit is to be when creating this data.
- In Customizing for *Enterprise Structures* you defined one or more credit control areas and assigned these to one or more company codes.
- In Customizing for *Sales and Distribution* you defined at which point (when an order is received or when delivery is carried out, for example) the credit check should take place. You do this under *Basic Functions* → *Credit Management/Risk Management* → *Credit Management* → *Define Automatic Credit Control*.

### Process flow

1. You enter a sales order.

Assuming that this sales order leads to the credit limit being exceeded for this customer, the system now responds in one of two ways (depending on the settings you made in Customizing for *Sales and Distribution*.) For more information, see [Automatic Credit Control \[Page 34\]](#).

- It outputs an error message, but prevents you from saving the order.
- It outputs a warning message, but does not prevent you from saving the order. It blocks the order.

In the second case, the procedure continues as follows:

2. If the order is blocked, the credit representative processes the blocked order either from a list of blocked sales and distribution documents, or from his/her Mailbox. You define whether or not a mail is sent to a credit representative in Customizing under the menu path *Logistics - General* → *Promotion* → *Message Determination*.

The credit representative now decides how to proceed with this order. From the list of blocked documents he or she can use the [Information Functions \[Page 25\]](#) (such as credit master sheet and early warning list) in Credit Management to help make the decision.

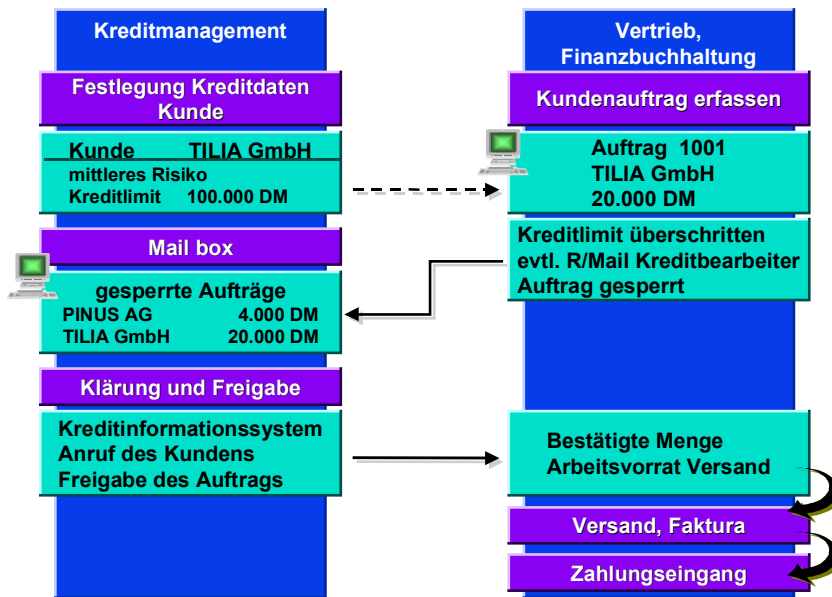
3. Once the credit representative releases the order, a delivery can be created and a billing document generated.

**Monitoring Credit During Sales and Distribution Processing**

Once you have saved this document, the system automatically creates a financial accounting document.

4. The customer pays the invoice that you created in the previous step. You then post the incoming payment in *Accounts Receivable*.

**Processing an Accounting Transaction Using Credit Management**



## Credit Control Area

### Definition

An organizational unit that represents the area where customer credit is awarded and monitored.

This organizational unit can either be a single or several company codes, if credit control is performed across several company codes. One credit control area contains credit control information for each customer.

### Use

Credit and risk management takes place in the **credit control area**. According to your corporate requirements, you can implement credit management that is centralized, decentralized, or somewhere in between.

- For example, if your credit management is centralized, you can define one credit control area for all of your company codes.
- If, on the other hand, your credit policy requires decentralized credit management, you can define credit control areas for each company code or each group of company codes.

Credit limits and credit exposure are managed at both credit control area and customer level.

You set up credit control areas and other data related to credit management in *Customizing for Financial Accounting*. For more information, see the *Implementation Guide* under *Enterprise Structure* → *Definition* or → *Assignment* → *Financial Accounting* and then *Maintain credit control area*. You assign customers to specific credit control areas and specify the appropriate credit limits in the customer master record.

See also: [Specifying Credit Limits by Credit Control Area \[Page 15\]](#)  
[Credit and Risk Management Settings: Overview \[Page 55\]](#)

### Structure

The following graphics illustrate the relationship between credit control area, company code, sales organization, customer and currency for central or decentralized credit management respectively.

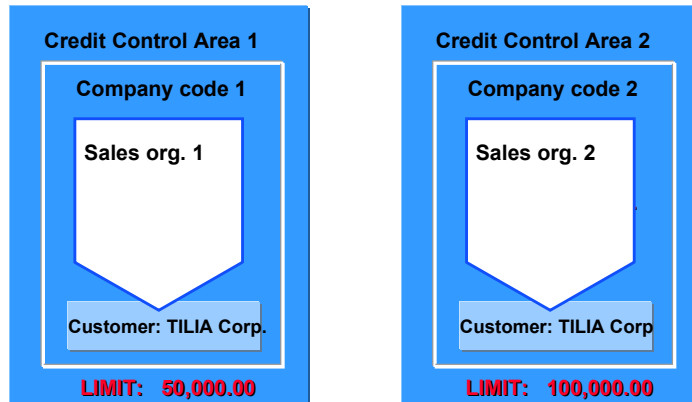
### Decentralized Credit Management

If your credit policy requires decentralized credit management, you can define credit data for your customer for each company code. In the graphic below, the customer has a business relationship with two company codes:

You define a currency for each credit control area. The relationship between credit control area, company code, sales organization and currency is illustrated in the following graphic:

## Credit Control Area

## Decentralized Organization

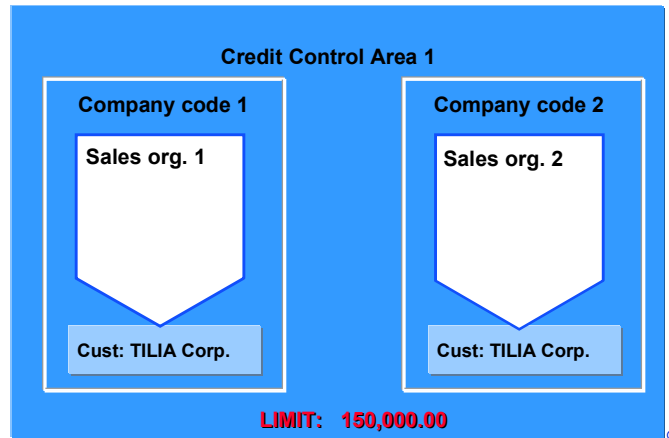
**DECENTRALIZED**

### Central Credit Management

If your credit management is centralized, you can combine your company codes in one credit control area. Credit management then regards the customer as valid for all company codes. In the following graphic, the customer has a business relationship to two company codes that are combined in one credit control area:

## Central Organization

**B** CENTRAL



The next graphic illustrates the relationship between the credit control area, company code, sales organization and currency in a central organization. If the credit control area includes company codes with different local currencies to that of the credit control area, the system converts the receivables into the currency of the credit control area.

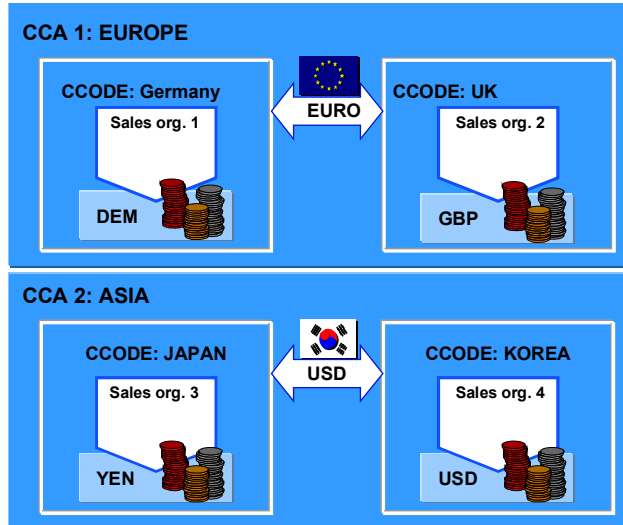
This also applies to the open order, delivery and billing values.

Credit Control Area

# Credit Control Area Currency - Central Organization



**CENTRAL**



## Deriving the Credit Control Area

You have four ways of deriving a credit control area:

- Company code
- Sales area (sales organization, distribution channel, division)  
The sales areas can be assigned to a credit control area in Customizing (*Enterprise Structure* → *Assignment* → *Sales and Distribution* → *Assign sales area to credit control area*).
- Customer master (payer's sales area segment)
- User exit **EXIT\_SAPFV45K\_001**  
You can use this user exit to derive the credit control area from all the fields in the sales order header.

In the last three options, the credit control area must also be assigned to the company code. You do this by going to Customizing and choosing *Enterprise structure* → *Assignment* → *Financial Accounting*.



### Caution

If you are working with distributed systems, note the following (and also see [Credit Management in Distributed Systems \[Page 30\]](#)):

In distributed systems (centralized Financial Accounting, decentralized sales processing), each decentralized sales computer must be assigned to its own credit control area. In other words, you cannot make multiple assignments for one credit control area.

The alternative credit control areas in the decentralized computer must also be different, which makes the following scenario impossible:

The central Financial Accounting department in your company would like to influence the credit policy for some customers in an international subsidiary that uses a decentralized sales computer. To do this, the centralized and decentralized sales computers would have to belong to the same credit control area. However, this is not permitted for distributed systems because open orders are not distributed between sales computers.

If you post documents directly in FI that are not related to sales and distribution processes, you must enter the credit control area manually as the system doesn't.

The credit control area is determined in the following sequence:

1. User exit
2. Distribution channel
3. Customer master
4. Company code for the sales organization

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**Deriving the Credit Control Area**

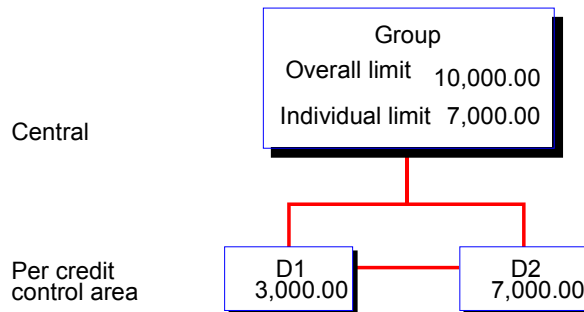
You can only change the credit control area if there are no subsequent documents. If you want to change the assignment or make a new one, you have to restructure the credit limit. For more details, see [Resetting Credit Limits \[Page 23\]](#)

## Specifying Credit Limits by Credit Control Area

Credit limits are normally specified by credit management staff in the individual customer master records. You can specify **individual credit limits** for each credit control area. You can expand your credit control for a customer by specifying a central credit limit for all credit control areas to which that customer is assigned. The total of the limits at the level of the credit control area must not exceed the **total limit** for all credit control areas. The credit limits at the control area level are checked during sales order processing.



In the following graphic, a central credit limit has been divided between the two credit control areas D1 and D2. The total limit at group level of 10,000 USD corresponds to the total of the individual limits at credit control area level. The individual limits do not exceed the upper limit of 7,000 USD specified by the group.



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**Creating Credit Data**

## Creating Credit Data

### Prerequisites

You have created a master record for the customer in question.

### Procedure

1. From the [Credit Management \[Ext.\]](#) screen, choose *Master data* → *Change*.

Enter the name of your customer, the credit control area, and the views with which you want to work.

The total credit limit and the credit limit per control area are both maintained under *Central data*.

You enter the credit limit itself under *Status*.

2. Choose the *Central data* screen and enter the following data:

- *Total amount*
- *Individual limit*
- *Currency*

Enter the currency for the total limit and maximum individual limit.



The credit limit is managed in a separate credit limit currency, which you determine for each control area. This currency is separate from the local (company code) currency. To update the credit limit data, the system converts the amounts. This has no effect on the updating of the transaction figures or on any postings.

You can enter the central data in any currency you choose, independently of the currencies of the control areas.

- The fields in the section entitled *Current credit limit assigned* show to what extent (as a percentage) the customer has exhausted the amount of credit granted to him, and in which credit control area the maximum individual credit limit has been exhausted to the greatest extent.
  - The *Last general info* field displays when the last information on the customer was obtained.
3. Now access the *Customer Credit Management Change: Status* screen and enter the individual *credit limit* for the customer.

If you wish, you can also enter the following data on this screen:

Creating Credit Data

<p><b>A/R Summary Data</b></p>	<p>A/R summary data is used in <a href="#">Decentralized Credit Management [Page 30]</a>. This data enables several decentralized SD systems to operate active Credit Management in conjunction with a central FI system. It contains all the (summarized) information on a credit management account (in a credit control area) that is necessary for the credit check in SD.</p> <p>Even in a non-distributed system, it may be advisable to run the SD credit check against this A/R summary since reading this data is much less time-consuming than repeatedly reading open items (thus improving system performance.)</p> <p>The data determined in this way from the A/R summary can be integrated in the credit overview in line layout variants. You can then identify those credit management accounts for which the credit check will report an error when the next incoming orders are made.</p>
<p><b>Risk Category</b></p>	<p>In order to classify customers according to the risk they represent and to trigger the relevant checks, you can assign a risk category to a customer. This risk category determines which checks the system should carry out when processing orders in Sales and Distribution.</p>
<p><b>Credit Representative Groups</b></p>	<p>You can assign credit management employees to a credit representative group. The credit representative group is transferred into the order and can be used as a selection criterion for evaluations and release functions.</p>
<p><b>Customer Credit Group</b></p>	<p>You can define groups of customers in accordance with your company's needs. Customers can for example be grouped by industry, country, or other criteria that help you carry out Credit Management more specifically. The credit representative can use these groups to select blocked documents for processing and to generate reports for statistical analysis.</p>
<p><b>Customer Group</b></p>	<p>You can group customers into customer groups according to criteria that you yourself define. For example, you can group customers by industry or country. The customer group enables you to process this customer group more specifically or to carry out evaluations for this customer group.</p>
<p><b>Texts</b></p>	<p>At credit control area level, you can enter memos for each customer. You define this memo as a certain text type (for example, internal information). Which text types are relevant depends on the way your system is configured. For each text type, you can create a new text in another language.</p> <p>Central texts for a customer are entered in the customer master record in the general data area.</p> <p>If texts for this customer exist, the <i>Text exists</i> field is marked.</p> <p>See also: <a href="#">Entering Texts [Ext.]</a></p>

**Creating Credit Data**

<b>Storing Documents on the Customer</b>	<p>If you implement SAP's ArchiveLink, you can store documents for each customer. You can then scan annual reports into the system, assign them to a customer and display them using the master record display function.</p> <p>The system creates documents for a customer in the general data area of the customer master record.</p> <p>To display a document for a customer at the credit control area level, or to assign a new document, on the <i>Customer Credit Management Change: Status</i> screen, choose <i>Extras</i> → <i>Documents</i>. The system displays a dialog box in which the linked documents are shown. You can also assign a new document to the customer here.</p> <p>See also: <a href="#">Assigning Documents [Ext.]</a></p>
--	--

4. Save your data.

**Result**

You have created the credit data for a customer.

## Credit Limits for Groups of Customers

### Use

You can assign a credit limit to a group of customers, as well as to an individual customer. If a company has different branches, you would define the credit limit for just one customer in this group (the head office) and this customer account then becomes the credit account.

### Procedure

1. To assign a credit account to a branch account, from the [Credit Management \[Ext.\]](#) screen, choose *Master data* → *Change*.

Enter the name of your customer, the corresponding credit control area and select the *Status* indicator.

The system displays the *Change Customer Credit Management: Status* screen.

2. Choose the function *Edit* → *Change credit account*. In the dialog box that appears, you can enter the credit account (the account number of the customer you are using) to set the credit limit for the entire group.

After you choose ENTER, the system contains the credit limit of the branch as 0.00. The *Credit account* field displays the account number of the customer for which the reference credit limit is defined.



You can only specify a credit account within a credit control area.

The accumulating total of receivables is recorded both for the reference customer and the "dependent" customer. However, the system checks **only** against the reference customer as to whether the credit limit has been exceeded.

When displaying the credit account, you can view which customers are referenced to this account. To do this, from the credit account master data screen, choose *Edit* → *Cust. for credit acct.*

### Result

You have assigned a credit account to a branch account.

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**Defining Credit Limits for New Customers**

## Defining Credit Limits for New Customers

### Use

**If you create a master record for a new customer, but do not define any credit data, no credit control is performed for this customer.** If you want a new customer to be automatically subject to credit control, then you need to create a credit control area for new customers.

### Procedure

1. In Customizing, choose *Enterprise Structure* → *Definition* → *Financial Accounting* → *Maintain credit control area*.
2. Now choose *Edit* → *New entries*.  
Enter a *Credit control area* (for example NEW) and enter data in at least one of the *Risk category*, *Credit limit*, and *Rep.group* fields.
3. Save your data.

### Result

You have now created a credit control area for new customers for which a credit check is effective as soon as the customer has been created.

## Processing Credit Data

All of the following functions are accessed from the [Credit Management \[Ext.\]](#) screen.

Function	Menu path	Further information
Changing Credit Data	<i>Master data → Change</i>	
Displaying Credit Data	<i>Master data → Display</i>	<a href="#">Displaying Credit Data [Page 22]</a>
Making Mass Changes	<i>Master data → Mass changes</i>	The system may prevent you from making postings to customers if the date of the next credit limit check has already passed. To prevent this happening, you can reset the date to a later date for a certain specified number of customers.
Displaying Changes to Credit Data	<i>Master data → Display changes.</i>	To display changes to credit data on a cross-account basis, use report RFDKLIAB.
Deleting Credit Data	<i>Master data → Change.</i> Enter the name of your customer, the corresponding credit control area and select either <i>Status</i> or <i>Central data</i> . Choose <i>Credit management → Delete → Central data</i> or <i>Control area data</i> .	
Resetting Credit Limits		<a href="#">Resetting Credit Limits [Page 23]</a>

## Displaying Credit Data

# Displaying Credit Data

## Use

Monitoring a customer's credit situation.

## Procedure

1. From the [Credit Management \[Ext.\]](#) screen, choose *Master data* → *Display*.

By choosing *Extras* and *Environment*, you can display a customer's payment data, dunning data, and view the payment history.

2. Choose the views *Overview* and *Status* and choose *Enter*.

On the *Customer Credit Management Display: Overview* screen, the system displays the individual credit limit, the existing total liabilities, and the credit limit used (percentage).

The Day Sales Outstanding (DSO) figure is also displayed. The DSO figure is an index of the relationship between outstanding receivables and sales achieved over a given period. In the standard system, this figure is calculated by taking into account current receivables, and a period of 3 months plus the days of the current month. When displaying the credit management data for a given customer, the basis on which the DSO figure is calculated can be viewed by choosing *Extras* → *DSO calculation*.

In Customizing for Financial Accounting, you can define other parameters by which DSO is calculated. You do so in the activity *Define Preliminary Settings for Credit Management*.

If you have recorded the customer's payment history (see the indicator *Rec.pmnt hist.* indicator under *Payment transactions* view in the customer master record) or made other internal specifications, this data is also displayed here.

3. Choose *Enter*. The system displays the *Customer Credit Management Change: Status* screen

on which the following data is displayed:

- Receivables from sales (unless they are marked as disputed items)
- Special liabilities relating to special G/L transactions which you marked as credit limit-relevant (down payments for example)
- Sales value

By choosing *Extras* → *Sales value* you can break the sales value down into open orders, open deliveries and open billing documents.

- Credit exposure

When you post a customer invoice or create a billing document, the system automatically adds the amount to the existing receivables or to the receivables from special G/L transactions. When you post the incoming payment, the amount is subtracted from current receivables.

## Resetting Credit Limits

### Use

You need to reset credit limits if you have:

- Assigned a company code to a new control area
- Changed the assignment of company codes to control areas
- Changed the currency of a control area
- Altered the classification of a difference reason code from disputed to non-disputed (or vice versa).

### Procedure

1. From the [Credit Management screen \[Ext.\]](#), choose *Tools* → *Reset credit limit*.
2. Enter one or more customers, one or more credit control areas, and any further selections you require.
3. Choose *Program* → *Execute in background*.

### Result

The customer's credit limit is now reset.

## Sales and Distribution Functions in Credit Management

**Sales and Distribution Functions in Credit Management**

All of the following information functions are accessed from the [Credit Management \[Ext.\]](#) screen.

<b>Function</b>	<b>Menu path</b>
Processing blocked sales and distribution documents from a list	→ <i>Exceptions</i> → <i>Blocked SD documents</i>
Processing blocked sales and distribution documents from the SAPoffice inbox	→ <i>Exceptions</i> → <i>Mail/inbox</i>
Processing blocked sales orders	<i>Sales and distribution docs</i> → <i>Sales and distrib. documents blocked for delivery</i>
Processing incomplete sales and distribution documents	<i>Sales and distribution docs</i> → <i>Incomplete SD documents</i>
Processing deliveries	<i>Sales and distribution docs</i> → <i>Deliveries</i>
Processing billing documents	<i>Sales and distribution docs</i> → <i>Billing documents</i>

## Sources of Information in Credit Management

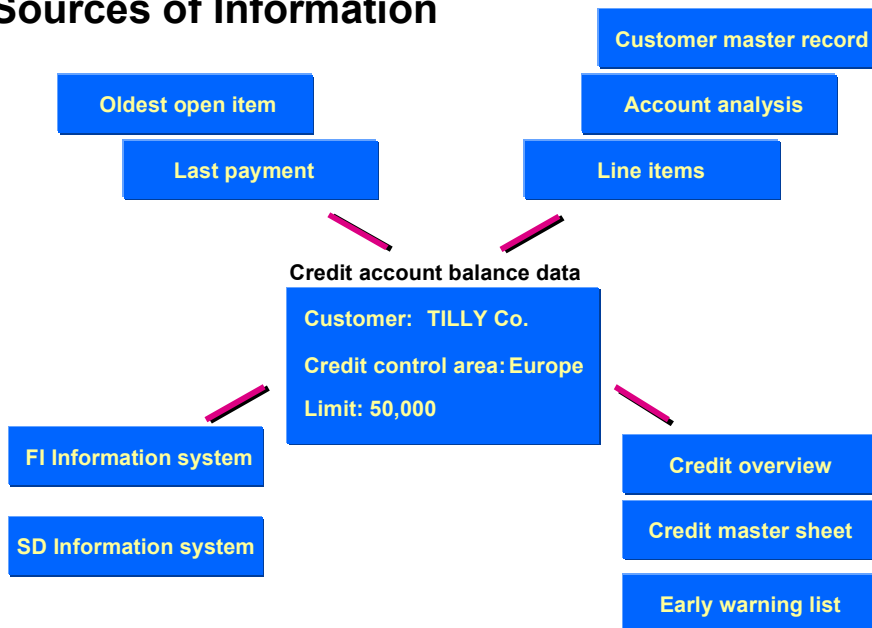
### Use

Credit Management contains a range of functions to assist you in processing blocked sales and distribution documents, and to help investigate critical cases.

### Features

The following graphic illustrates these sources.

### Sources of Information



The following section describes the different ways in which you can access information in Credit Management. The table under “Activities” describes how to access these various functions.

- Customer master record
 

The customer master record contains the data (address, telephone and fax number, dunning procedure, sales data and so on) that you require to be able to conduct business with the customer. To learn how to display a customer master record, see [Displaying Customer Master Records \[Ext.\]](#)
- Account analysis
 

The account analysis function enables you to call up information on a customer account. You can then view the customer’s payment history (for example, do they usually qualify for cash discount? How many days early do they pay their items on average?). This information assists you in assessing a customer’s liquidity and likely payment record in the future.

## Sources of Information in Credit Management

- Line items, line item longest overdue, most recent payment
- Credit master sheet
 

The credit master sheet displays such credit data as the current and maximum credit limit, and the total of deliveries, orders, and invoices outstanding.
- Credit overview
 

The credit overview shows certain additional data including dunning data, open items and texts on the customer.
- Early warning list
 

This list displays which customers are to viewed as critical as determined by the credit check in the *Sales and Distribution* (SD) application component. A customer is classified as critical if, based on the data that you defined under [Automatic Credit Control \[Page 34\]](#) (in Customizing for *Credit Management* under *Sales and Distribution* → *Basic Functions* → *Credit Management/Risk Management* → *Credit Management*), he or she would not satisfy the following checks (carried out using the information from the [A/R summary \[Ext.\]](#)), either now or in the near future:

  - a. Longest outstanding open item
  - b. Overdue open items
  - c. Highest dunning level permitted
  - d. Next date on which customer is checked
  - e. Age of the data in the A/R summary
  - f. Percentage of credit limit used up
- Financial Information System (FIS)
 

You can use the FIS to carry out customer evaluations online, structured according to your own requirements. Due date analyses, payment history evaluations, and DSO figure calculations are just some of the functions you can perform.

You can summarize or breakdown the data produced in these reports - from open item display to the customer credit management data - to whatever degree you require. You can also edit and present the data from the reports graphically.
- Sales Information System (SIS)
 

The SIS enables you to collect, summarize, and evaluate data from sales and distribution processing.

## Activities

You access the information functions from the [Credit Management \[Ext.\]](#) screen.

Function	Menu path	Further information
Account analysis	<i>Account</i> → <i>Analysis</i>	For more information, see <a href="#">Account Analysis [Ext.]</a>
Line items	<i>Item</i> → <i>Display</i>	

Sources of Information in Credit Management

<p>Oldest due item</p>	<p><i>Master data → Display</i></p> <p>Enter customer and credit control area. Choose <i>Continue</i></p> <p><i>Extras → Oldest item</i></p>	<p>A dialog box appears with the most important data for this item (document number, amount, days in arrears).</p>
<p>Last payment</p>	<p><i>Master data → Display</i></p> <p>Enter customer and credit control area. Choose <i>Continue</i></p> <p><i>Extras → Last payment</i></p>	<p>The system displays the date, amount, and currency of the last payment.</p>
<p>Credit master sheet</p>	<p><i>Credit management info system → Credit master sheet</i></p>	<p>For more information, choose <i>Help → Application help</i>          You can also access this function from the R/3 screen by choosing <i>Accounting → Financial accounting → Accounts receivable → Periodic processing → Info system → Report selection → Credit management.</i></p>
<p>Credit overview</p>	<p><i>Credit management info system → Overview</i></p>	<p>See above</p>
<p>Early warning list</p>	<p><i>Credit management info system → Early warning list</i></p>	<p>See above</p>
<p>Financial Information System (FIS)</p>	<p><i>Environment → Financial Accounting → Info system</i></p>	<p>For more information, see the <a href="#">Financial Information System [Ext.]</a></p>
<p>Sales Information System (VIS)</p>	<p><i>Environment → Sales and distribution → Info system</i></p>	<p>For more information, see the <a href="#">Sales Information System [Ext.]</a></p>

## Postings Without Credit Limit Checks

# Postings Without Credit Limit Checks

## Use

You can exclude the following postings from the credit limit check:

- Special G/L transactions
- Postings with an alternative reconciliation account

## Features

### Special G/L transactions

You can specify whether each special G/L transaction should be included in the credit limit check. In the standard system, down payments are included in this check, but not down payment requests.

When checking the credit limit, the system updates three comparison totals. These include:

- Open receivables
- Special G/L transactions (e.g. down payments and bills of exchange)
- Sales order values, value of goods to be delivered, and billing document value from SD

When the system checks as to whether the credit limit has been exceeded, down payments received are deducted from the receivables. If you do not want them to be deducted, you will need to change the system default values.

You do this in Customizing for *Accounts Receivable and Accounts Payable* by choosing *Business Transactions → Down Payment Received → Define Reconciliation Accounts for Customer Down Payments*

1. Carry out this activity.
2. Choose one of the entries under *Sp.G/L*.  
The system displays the *Chart of Accounts Entry* dialog box.
3. Enter a chart of accounts.
4. Choose *Goto → Properties*.
5. Ensure that the field *Rel.to credit limit* is not selected.

### Alternative reconciliation account

By making use of an additional (alternative) reconciliation account, you can exclude certain postings from being subject to the credit management update. Proceed by first defining this account in Customizing for *Accounts Receivable and Accounts Payable*, and then setting the indicator *Recon. acct ready for input* in the G/L account master record.

This function is used in Japan, where various “safe” receivables often need to be excluded from the credit management update. “Safe” receivables include prepayments and accrued income, and payment by letters of credit.

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**Postings Without Credit Limit Checks**

For more information on this topic, see the Implementation Guide (IMG) for *Accounts Receivable and Accounts Payable* under *Credit Management* → *Business Transaction: Credit Monitoring* → *Define Reconciliation Accts Without Credit Management Update*.

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**Credit Management in Distributed Systems**

## Credit Management in Distributed Systems

### Use

You can carry out credit checks from Sales and Distribution (SD) in the following scenario:

#### Central Financial Accounting and decentralized SD processing

The decentralized Sales and Distribution units all have independent credit management. This means maintenance of credit master data, checks in SD, and releasing via the credit manager are all carried out decentrally.

As only credit-relevant data for the corresponding Sales and Distribution unit is available for credit checks on the decentralized Sales and Distribution units for the sales order, delivery and goods issue, and credit account data is also needed from the head office (for example, sum of open items, oldest open item, maximum dunning level), Financial Accounting (FI) makes the **A/R Summary** available.

With the help of the **A/R Summary**, the credit data can be collected in the central system, and sent, via ALE distribution functions, to decentralized Sales and Distribution processing, and can be evaluated. The A/R summary presents the inquiry in Financial Accounting for credit checks.

As the credit-relevant SD data (open sales order, delivery and billing document values) is not distributed, there are specific prerequisites for working with distributed systems.

### Prerequisites for Working With Distributed Systems

When working with distributed systems, one of the following terms must be fulfilled:

- The decentralized Sales and Distribution units must be available via separate credit control areas (there must not be a multiple assignment).
- or
- Different customers must be assigned to each of the decentralized Sales and Distribution units (there must not be a multiple assignment).
- or
- Credit checks in the decentralized Sales and Distribution units can be carried out with reference to FI data (for example, static credit limit check without open credit values from Sales and Distribution, dunning level etc.)

### A/R Summary

#### Degree of ageing

You can set the allowed degree of ageing in Customizing for Sales, under *Basic Functions* → *Credit Management/Risk Management* → *Credit Management* → *Define Automatic Credit Control*.

Under *Checks in financial accounting/ old A/R summary*, you can enter the permitted degree of ageing for the A/R summary, in the fields *Permitted days* and *Permitted hours*. Here, you can define how old the A/R summary can be, in order to be called up for a check. If the permitted degree of ageing for the A/R summary is exceeded in the credit check, then the document is blocked.

## Credit Management in Distributed Systems



Fields *allowed days* and *allowed hours* are only available for entry if you have entered an X in field *Read A/R Summary* in Customizing. The path is: *Accounts Receivable and Accounts* → *Credit Management* → *Credit Control Account* → *Make basic settings for credit management*.

**Updating**

The A/R summary is either sent periodically (with the help of the report RFCMCRCV) from central Financial Accounting to the decentralized Sales and Distribution units according to ALE distribution model or, if an obsolete A/R summary is presented, updated for the credit check by the system per remote function.

In order that the system is burdened as little as possible, SAP recommends you stick to the following order:

1. Program run: Incoming payments in central FI
2. Program run: Distribution A/R summary from central FI to decentralized Sales and Distribution units
3. Program run: Renewed credit check for blocked sales documents in decentralized Sales and Distribution units

**Status Management for Obsolete A/R Summary**

If the A/R summary is obsolete, the credit status *Credit data obsolete* is set. This means that the document is blocked, and appears in the credit representative's worklist. In Customizing for Sales, in the section *Automatic Credit Control*, for the single, aforementioned checks, for which FI data is necessary, you can define whether a warning appears in the obsolete data, or whether a status is set.

If you are working with the A/R summary, and would like to re-process obsolete data, it is recommended that you set a status.

## Reports for Credit Management

## Reports for Credit Management

The following table provides an overview of all the reports available to you in the area of credit management

Program	Function
RFDKLI10	Customers with missing credit data This report checks the data for the credit limit for completeness, and produces the corresponding error lists. These can be used to re-maintain the corresponding definitions manually, or per Batch Input.
RFDKLI20	Reorganization of credit limit for customers This report enables you to reorganize the credit limit information in the control areas.
RFDKLI30	Short overview credit limit The report lists the central and control area-related data per customer.
RFDKLI40	Overview credit limit The report provides you with an extensive overview of the customer's credit situation.
RFDKLI41	Credit master sheet The credit master sheet enables you to display and print out the customer master data for a single account, which is needed for the area of credit management.
RFDKLI42	Early warning list The early warning list enables you to display and print out customers in credit management, who are viewed as critical customers in the area of credit checks in SD.
RFDKLI43	Master data list The master data list enables you to display and print out customers' credit cards. In particular, you can display information not contained in the standard system, for example, user-defined fields or external data, which you have created with specific additional software.
RFDKLI50	Mass change credit limit data This report allows quick mass change for master data in credit management.
RFDKLIAB	Change display, credit management With this report, you can display changes for credit management master data for all accounts.
RVKRED06	Checking blocked credit documents The report checks all blocked documents from credit view. The report is started in the background, and should run after the incoming payments programs.

Reports for Credit Management

RVKRED77	<p>Reorganization credit data SD</p> <p>The report enables you to reorganize open credit, delivery and billing document values. It is used, for example, when updating errors occur.</p>
RVKRED08	<p>Checking sales documents which reach the credit horizon</p> <p>The report checks all sales documents, which reach the dynamic credit check horizon, as new. The report runs periodically, and should run at the start of a period. The period for the 'date of the next credit check' is proposed from the current date, with the help of the period split for open sales order values.</p>
RVKRED09	<p>Checking the credit documents from credit view</p> <p>Released documents are only checked if the validity period for the release has run out (number days).</p>
RVKRED88	<p>Simulation reorganization credit data SD</p>

In order to execute a report

1. Choose *System* → *Services* → *Reporting*.
2. Enter the name of the report.
3. Choose *Program* → *Execute*.
4. Enter the selection criteria.
5. Choose *Program* → *Execute* or *Program* → *Execute and Print*.

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**Automatic Credit Controls in SD**

## Automatic Credit Controls in SD

You can specify automatic credit checks to meet your own credit management needs. The checks can be carried out at various times during the sales order cycle, from order receipt to delivery.

Within delivery processing, you can further specify that a credit check is carried out when a delivery is created or when goods are issued. You specify data for automated credit control in *Customizing for Sales and Distribution*. For detailed information about how to enter this data, see the *SD Implementation Guide*.

## Defining an Automated Credit Check

According to your credit policy, you define risk categories and assign them to individual customers, along with specific credit limits. In addition, you define credit groups for document types, known as **document credit groups**. Document credit groups combine order types and delivery types for credit control purposes. You can define a credit check for any valid combination of the following data:

- Credit control area
- Risk category
- Document credit group



This check is defined for a particular credit control area and for sales orders where the customer has risk category RK2 (medium risk).

Risk category	
RK1	High risk
RK2	Medium risk

Customer	
Miller	
Risk category	RK2

Transaction types	
OR	Standard order Credit group 01
LF	Delivery Credit group 02

Credit check			
Credit control area	EURO	Europe	
Risk category	RK2	Medium risk	
Doc.credit group	01	Credit group	standard order
Checks		Warning	Error Block
Static credit limit.....:			
x	Credit limit horizon.....:	2 months	x x
x	Maximum document value.....:	10,000.00	x
Next review date for customer.....:			
x	Maximum dunning levels allowed.:	'3'	x
Oldest open items.....:			

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**Defining an Automated Credit Check****System Response**

You can define for each checking rule whether the system reacts with an error or a warning. In the case of a warning, the system automatically enters a credit status in the document and saves the document. The status text describes the result of the credit check. It tells you, for example, if the document was blocked because the customer's credit limit was exceeded. Depending on the requirements you define, the document is blocked for further processing for reasons of credit.

## Different Types of Credit Checks

You can define any of the following credit checks for various combinations of credit control area, risk category, and document credit group:

- **Static Credit Limit Check**

The customer's credit exposure may not exceed the established credit limit. The credit exposure is the total combined value of the following documents:

  - Open orders
  - Open deliveries
  - Open billing documents
  - Open items (accounts receivable)

The open order value is the value of the order items which have not yet been delivered. The open delivery value is the value of the delivery items which have not yet been invoiced. The open invoice value is the value of the billing document items which have not yet been forwarded to accounting. The open items represent documents that have been forwarded to accounting but not yet settled by the customer.
- **Dynamic Credit Limit Check with Credit Horizon**

The customer's credit exposure is split into a static part; open items, open billing, and delivery values (see above), and a dynamic part, the open order value. The open order value includes all undelivered or only partially delivered orders. The value is calculated on the shipping date and stored in an information structure according to a time period that you specify (days, weeks, or months). When you define the credit check, you can then specify a particular horizon date in the future (for example: 10 days or 2 months, depending on the periods you specify). For the purposes of evaluating credit, you want the system to ignore all open orders that are due for delivery after the horizon date. The sum of the static and dynamic parts of the check may not exceed the credit limit.
- **Maximum Document Value**

The sales order or delivery value may not exceed a specific value which is defined in the credit check. The value is stored in the currency of the credit control area. This check is useful if the credit limit has not yet been defined for a new customer. It is initiated by a risk category which is defined specifically for new customers.
- **Changes Made to Critical Fields**

The credit check is triggered by changes made in the document to values in any of the credit-sensitive fields. According to your Customizing settings, the system runs a check credit between changes or differences in the sales order data against the default values in the customer master record. Examples of such fields are **terms of payment** and **fixed value dates**.
- **Date of Next Review**

Uses the date of the next credit review as a trigger for an automatic credit check. If you process a sales order after a customer's next review date has already gone by, the system automatically carries out a credit check.
- **Overdue Open Items**

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**Different Types of Credit Checks**

The relation between open items which are more than a certain number of days overdue and the customer balance may not exceed a certain percentage.

- **Oldest Open Item**

The oldest open item may not be more than a specified number of days overdue.

- **Maximum Number of Dunning Levels Allowed**

The customer's dunning level may only reach a specified maximum value.

- **User-Defined Checks**

If you want to carry out checks other than the standard checks, you can define your own checks in the appropriate **user exits** in Customizing for Sales.

## Subsequent Functions in Credit Checks

### Use

**The result of each check is stored in the document and is used to calculate the overall status.** The subsequent functions are the same for all the checks, namely credit limits, payment cards, export credit insurance, and documentary payments.

### Features

Using the credit status, you can block the following functions during order processing:

- Creating material reservations
- Creating purchase requisitions
- Creating production orders/planned orders
- Creating delivery due indices
- Printing order confirmations
- Creating deliveries

In Shipping you can use the credit status to block the following functions:

- Picking
- Packing
- Posting goods issue
- Printing delivery notes

For particularly important or urgent credit problems, you can use output control to specify that electronic mail messages are automatically sent to the appropriate credit representative.

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**Reviewing and Releasing Credit Holds**

## Reviewing and Releasing Credit Holds

To ensure quick and effective processing of credit holds, the SAP R/3 System offers your credit personnel a working environment that can be tailored to your own needs. A credit representative can generate an overview list of credit holds to be processed and, depending on his or her authorizations, process each document accordingly.

For more information on creating and processing work lists in Credit Management, see [Worklists in Credit Management \[Page 41\]](#).



As of Release 3.0D, you can stop all processing of a blocked sales document until it is released by the credit personnel. To do this, maintain variable message number 134 in the IMG.

## Work Lists for Credit Management

### Use

Credit personnel can create overview lists of the credit holds (blocked sales orders) and deliveries that they are authorized to process. They can search for documents by entering the following selection criteria:

- Credit control areas
- Credit representative group
- Next shipping date
- Credit account
- Risk category
- Customer credit group

### Features

#### Data in the Overview List

The overview list is the basis for the credit representative's work. The most important data is as follows:

- Next shipping date
- Credit account (customer number or name)
- Document number
- Credit value (document value)
- Currency
- Credit limit used (in percentage)
- Terms of payment
- Risk category
- Total status of credit check
- Credit status (blocking reasons)
- Date on which the document was created
- Credit representative who entered data
- Document value class

#### Processing Blocked Sales and Distribution Documents

The credit representatives can sort the overview list according to various criteria and can specify exactly how the list is displayed. They can then review the credit situation of any customer and, according to credit policy, decide how to continue processing the sales and distribution documents.

The credit representative can do any of the following:

**Work Lists for Credit Management**

1. Grant the credit limit and release the document.
2. Do not grant the credit limit and cancel the document.
3. Forward the blocked document to another representative.
4. Recheck blocked documents.
5. Redetermine the priority criteria for blocked documents. This enables you to give priority to and release several documents with a low document value until their credit limit is completely used up, instead doing so for a single document with a high document value that has already exceeded its credit limit.

**See also:**

[Creating Work Lists for Credit Management \[Page 43\]](#)

## Creating Work Lists for Credit Management

### Procedure

1. In the initial screen, choose *Accounting* → *Financial accounting* → *Accounts receivable* and then *Environment* → *Credit management*.
2. Choose *Exceptions* → *Blocked sales docs*.
3. Enter your selection criteria. For example, you can select documents by credit control area, credit representative group, and other criteria, such as risk category.
4. Choose *Execute*.

The system displays a list of the blocked documents that meet your selection criteria.

After you carry out a particular task (for example, releasing a document), the system displays a status in the column to the left of your list. In addition to the tasks mentioned above, you can also branch to related credit information, such as credit control area data, and reports that summarize customer-related credit histories.



Credit control area: Europe (Euro)

Credit representative: European credit office

Customer Name	Credit Limit	Document	Date	Value
Smith	68%	477	June 14	12000
Smith	68%	567	June 30	11500
Murray	110%	500	June 30	5000

### Result

#### Processing Overview Lists

After an overview list has been generated, the credit representative can review each document and choose to:

- Release documents for further processing
- Decline to extend credit
- Re-run the credit check
- Process documents
- Branch to credit-relevant texts in the customer master or the document
- Display the document flow
- Forward the document for review by another credit representative group

For more information, see [Credit Management \[Ext.\]](#).

**Creating Work Lists for Credit Management**

## Informing Credit Representatives Automatically

An interface to electronic mail provides fast communication of urgent credit problems. For example, each credit manager and representative can be defined as an internal mail partner. Urgent credit problems can be routed directly to the appropriate individual for immediate action. Credit personnel also have access to SAPscript word processing and can record credit-related text in either the document or in the scratch pad in the customer master. In addition, credit personnel have access to online credit, financial, and sales information systems.

### **See also:**

For details on the information systems at your disposal, see the following online guides:

- Sales Information System
- Financial Information System

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**Risk Management for Receivables in SD**

## Risk Management for Receivables in SD

### Purpose

As well as Credit Management, there are several other ways to guarantee payments including letters of credit, export credit insurance, and payment cards. These forms of payment guarantees are all integrated in the Risk Management for Receivables component, providing you with an efficient tool for guaranteeing the payment of all billing values that arise in sales and distribution processes.

### Integration

You can only use Risk Management for Receivables if you are also using the Sales and Distribution component.

### Features

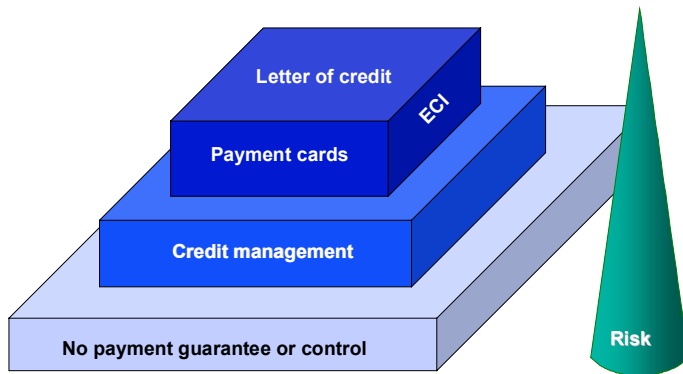
The following forms of [payment guarantee \[Page 48\]](#) are available in the Risk Management component:

- Documentary payment (for example, letters of credit).
- Payment cards
- Export credit insurance (external link)

The form of payment guarantee controls how you guarantee the payment of a sales document item (for example, using a private guarantee, payment card, unconfirmed or confirmed letter of credit, or export credit insurance). In the first step you can use a secure form of payment such as a letter of credit to try and minimize the payment risk as much as possible. If this is insufficient, you can turn to Credit Management to create a credit limit for restricting the risk. In this way, Credit Management enables you to secure values yet to billed that could not be guaranteed using a form of payment guarantee.

The following graphic shows how credit and risk management work together to minimize your risks.

## Minimizing the Risk in Receivables



SAP AG

The vertical axis shows the size of the risk related to the type of guarantee on the horizontal axis. The risk decreases according to the type of payment guarantee in use. For example, the risk is greatest if you use no payment guarantees and is at a minimum when you use letters of credit. (See also [Calculating the Credit Value \[Page 53\]](#)).



For information about the different areas and Customizing settings you need in the Implementation Guide (IMG) for Credit and Risk Management, see [Settings for Credit and Risk Management: Overview \[Page 55\]](#).

## Forms of Payment Guarantee

# Forms of Payment Guarantee

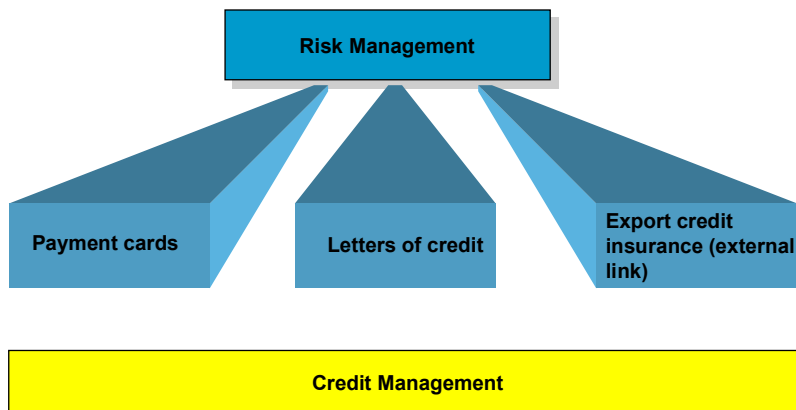
## Definition

The form of payment guarantee controls how the payment of a sales document item is guaranteed.

In Risk Management for Receivables you can use both credit management as well as the following forms of payment guarantee:

- Financial documentary payments (for example, letters of credits or documentary collection). In payment transactions for foreign trade, the letter of credit contains the payer's order to the bank, instructing them to pay a sum to the recipient of the letter of credit by a certain time, or that this sum should be paid by the bank of the payee. The letter of credit is therefore a reliable guarantee for both exporter and importer. The exporter has the assurance that the bank is liable for payment and the importer can expect the delivery to take place as normal.
- Export credit insurance (external link)  
This can be used to ensure against a customer who might fail to pay. You can link to external export credit insurance via an interface.
- Payment cards  
Authorized payment cards also provide a guarantee that payment will be made.

## Different Forms of Payment Guarantee



## Use

The form of payment guarantee that you will choose to use, depends on the type of business transaction that is being processed. In foreign trade, letters of credit are the most common form of payment guarantee whereas payment cards are increasingly useful in the retail sector.

If neither of these two forms of payment guarantee come into play, you can then turn to credit management in order to minimize your risks. In a credit limit check, the guaranteed value is taken from the credit exposure.



The payment of an order has been guaranteed for up to 50,000 USD in the form of a payment card but the total value of the order is 70,000 USD. You have defined a credit limit of 30,000 USD for the customer but the remaining 20,000 USD that have not been guaranteed with a payment guarantee are covered by Credit Management.

In Customizing, you can use the requirements for each credit check to control that a credit check is not run, even if all the items have been guaranteed.



You can find more information on financial documents in the SD Foreign Trade documentation for documentary payments.

## Comparing Different Forms of Payment Guarantee

The forms of payment guarantee detailed here, provide all the possible ways to guarantee against the risk in receivables. The differences between them are listed in the master data and the following table provides a comparison of these differences:

	Credit Management	Export credit insurance	Letter of credit	Payment cards
<b>Determining key in the order</b>	Credit account	Contract number	Letter of credit number	Authorization number
<b>Limit</b>	Credit limit	Insurance limit	Letter of credit limit	Authorization limit
<b>Sales order level</b>	Header level	Item level	Business data	Several authorization numbers per order
<b>Update balance</b>	Open credit values Open items	Open ins. values Open items	Open order , delivery, billing values	Values from current document
<b>Check</b>	Credit limit against credit exposure	Insurance limit against insurance exposure	Letter of credit limit against letter of credit exposure	Authorization limit against authorization exposure

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Forms of Payment Guarantee

## Determining the Form of Payment Guarantee

### Use

As more than one form of payment guarantee can be activated, you need a priority list to determine which form of guarantee should be used at a certain time.

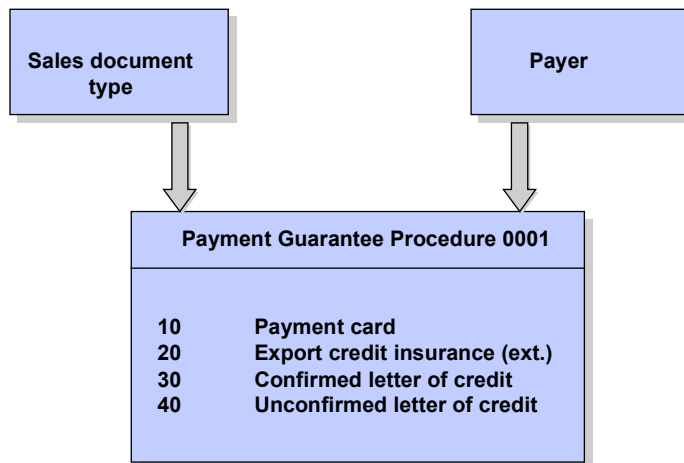
This list is contained in the payment guarantee procedure which you can define in Customizing for Sales and Distribution. It contains all the forms of payment guarantee permitted for the payer and document type, and controls the sequence in which the system assigns the sales document items to the forms of payment guarantee.

The system cannot assign a form of payment guarantee to a document if it has not been defined in the payment guarantee procedure.

The payment guarantee procedure is dependent on the customer and a document payment guarantee procedure. These can be determined in Customizing for Sales and Distribution.

- Customer payment guarantee procedure  
If you enter a sales document for a certain customer, the system uses the customer payment guarantee procedure to determine which payment guarantee procedure to use.
- Document payment guarantee procedure  
If you specify a certain type of sales document, the system uses a document payment guarantee procedure to determine which payment guarantee procedure to use.

The system combines the key for the document payment guarantee procedure in the sales document header and the key for the customer payment guarantee procedure in the customer master record to determine the payment guarantee procedure.



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**Determining the Form of Payment Guarantee**

The system accesses the form of payment guarantee using the payment guarantee category and the following rules:

- Payment cards are activated first if a payment card has been entered in the document.
- Financial documentary payments are immediately active.
- External export credit insurance is activated, if a valid contract exists.

**Requirements**

You can also use requirements in Customizing (under *Sales and Distribution* → *Basic Functions* → *Credit Management/Risk Management* → *Receivables Risk Management* → *Define forms of payment guarantee*) to determine when the system should not use a payment guarantee for the payment guarantee procedure you have entered. (For example, you might not require guarantees for the payment of item values of less than 10 USD or for a certain product group).

## Calculating the Credit Value

In risk management, the credit value of a sales order is calculated as follows:

**Total value = open confirmed quantities \* credit price**

(In the standard system the credit price is calculated by totaling the net value plus taxes.)

**Guaranteed value = total value \* guaranteed factor**

**Credit value = total value - guaranteed value**

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**Displaying an Amount Guaranteed for Payment**

## Displaying an Amount Guaranteed for Payment

The amount of a receivable guaranteed for payment is stored in the line item and can therefore be displayed when displaying documents, the line item itself and in the credit overview (with line layout variants).

The field *Payment guarantee amount* (field name ABSBT) can be included in line layout variants.

## **Settings for Credit Management and Risk Management: Overview**

The table below lists the most important settings that you make in Customizing for *Credit Management*. The relevant Implementation Guide (IMG) provides a detailed description of the individual activities.

## Creating credit data

Settings for	Access via	Menu path	
<b>Creating credit data</b>  (Determine credit limit for customer)		Accounting application	<i>Accounting</i> → <i>Financial accounting</i> → <i>Accounts receivable</i> → <i>Credit management</i> → <i>Master data</i> → <i>Change</i>
<b>Credit control area</b>	Credit control area	<i>Enterprise Structure Customizing</i>	<i>Enterprise Structure</i> → <i>Structure maintenance</i> → <i>Definition</i> → <i>Financial Accounting</i> → <a href="#">Maintain Credit Control Area [Ext.]</a>
	Company code - Credit control area	<i>Enterprise Structure Customizing</i> and <i>Financial Accounting Customizing</i>	<i>Enterprise Structure</i> → <i>Structure maintenance</i> → <i>Assignment</i> → <i>Financial Accounting</i> → <a href="#">Assign Company Code to Credit Control Area [Ext.]</a> and <i>Financial Accounting</i> → <i>Accounts Receivable and Accounts Payable</i> → <i>Credit Management</i> → <i>Credit Control Account</i> → <a href="#">Assign Permitted Control Areas to Company Code [Ext.]</a>
	Company code - Credit control area	<i>Enterprise Structure Customizing</i>	<i>Enterprise Structure</i> → <i>Structure maintenance</i> → <i>Assignment</i> → <i>Sales and Distribution</i> → <a href="#">Assign Sales Organization to Company Code [Ext.]</a>
<b>Subdividing the credit control area</b>	Credit representative groups	<i>Financial Accounting Customizing</i>	<i>Financial Accounting</i> → <i>Accounts Receivable and Accounts Payable</i> → <i>Credit Management</i> → <i>Credit Control Account</i> → <a href="#">Define Credit Representative Groups [Ext.]</a>
	Credit representative	<i>Financial Accounting Customizing</i>	<i>Financial Accounting</i> → <i>Accounts Receivable and Accounts Payable</i> → <i>Credit Management</i> → <i>Credit Control Account</i> → <a href="#">Define Credit Representative Groups [Ext.]</a>
	Risk category	<i>Financial Accounting Customizing</i>	<i>Financial Accounting</i> → <i>Accounts Receivable and Accounts Payable</i> → <i>Credit Management</i> → <i>Credit Control Account</i> → <a href="#">Define Risk Categories [Ext.]</a>
<b>Sending a document with SAPoffice</b>		<i>Sales and Distribution Customizing</i>	<i>Sales and Distribution</i> → <i>Basic Functions</i> → <i>Credit Management/Risk Management</i> → <i>Credit Management/Risk Management Settings</i> → <a href="#">Enter settings [Ext.]</a>

**Defining credit limit checks for sales and distribution processing**

<p><b>Defining credit limit checks for sales and distribution processing</b></p>	<p>Automatic credit control</p>	<p><i>Sales and Distribution Customizing</i></p>	<p><i>Sales and Distribution → Basic Functions → Credit Management/Risk Management → Credit Management → <a href="#">Define Automatic Credit Control [Ext.]</a></i></p>
<p><b>Risk management for receivables</b></p>	<p>Define form of payment guarantee</p>	<p><i>Sales and Distribution Customizing</i></p>	<p><i>Sales and Distribution → Basic Functions → Credit Management/Risk Management → Receivables risk management → <a href="#">Define Forms of Payment Guarantee [Ext.]</a></i></p>
	<p>Define and assign payment guarantee procedures</p>	<p><i>Sales and Distribution Customizing</i></p>	<p><i>Sales and Distribution → Basic Functions → Credit Management/Risk Management → Receivables risk management → <a href="#">Define Forms of Payment Guarantee [Ext.]</a></i></p>