

Contract Management

Tasks to be completed when creating an operating procedure (from creation to publication)

1. Enter the Title of the procedure.
2. Add the following **Labels Labels**:
 - Region: **apac, emea, lam, nam**
 - Domain & Process using the **List of labels to be used in the PtP space**
3. Fill all fields as described
4. Once the procedure is completed, publish it using the **PtP Procure to Pay approval workflow**

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Scope



LAM



NAM

ERP



WP1

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1. Objective and Scope

1.1 Objective of this Procedure

The purpose of this document is to define the procedure of creation and maintenance of Contracts and Scheduling Agreements in SAP for LAM region, Brazilian contracts. It will define the specifics for taxes, the rules and Data's and requester's responsibility.

1.2 Scope

This Procedure applies to Contracts, Scheduling Agreement and PIR for LAM region, in WP1 system. It also specifies the role of Data Controller, inside the process of Contract Master Data using mainly the SAP ERP WP1_400 (RCS).

2. Reference Documents

Not applicable

3. Definitions

3.1 Abbreviations

Abbreviation	Description
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SBS	Solvay Business Services
LAM	Latin America
NAM	North America
WP1 or RCS_400	Local system, Rhodia legacy
PO	Purchase Orders
NCM	Nomenclature Common of Mercosul
PIR	Price Info Record
IPI	Tax over Industrialized Products (Imposto sobre Produtos Industrializados)
ICMS	Tax on Merchandise Circulation and Service (Imposto sobre Circulação de Mercadorias e Serviço)
PIS	Social Integration program (Programa de Integração Social)
COFINS	Contribution to Social Security Financing (Contribuição para o Financiamento da Seguridade Social)
CSLL	Social Contribution on Net Income (Contribuição Social sobre o Lucro Líquido)
IVA	Value added tax (Imposto Sobre Valor Agregado)
CC	Company code

3.2 Outline Agreement

An outline purchase agreement is a longer-term agreement between a purchasing organization and a vendor regarding the supply of materials or the performance of services within a certain period according to predefined terms and conditions.

In SAP System, such agreements are subdivided into:

- Contracts;
- Scheduling agreements;
- E-Catalog.

Structure of an Outline Agreement:

- Document header: Contain information related to the entire agreement. For example, the vendor information and header conditions are in the document header, such as Validity Period, Target Value, Purchasing Group, Purchasing Organization, Company Code, Payment Terms, Incoterms.
- Items: containing the information specific to the material or service, such as Material/Service description, Net Price, Material Group, Plant and Storage Location.
- Statistics on ordering activities for the item;
- Conditions, such as quantity discounts and surcharges;
- Texts.

3.2.1 Contract - WK

A Contract is a type of outline purchase agreement against which release orders (releases) can be issued for agreed materials or services as and when required during a certain overall time-frame.

Structure of a Contract:

The contract consists of items defining the individual materials, material groups, or services with prices and in many cases quantities.

An item is assigned to an item category, which defines the type of procurement (e.g. item category K for consignment, or L for subcontracting).

An item of the procurement type "external service" contains a set of service specifications. Such specifications may be hierarchically structured. The summary view of such a hierarchical structure is termed an "outline", and the individual levels of the hierarchy are referred to as "outline levels". Quantities are specified in service lines. Services can be released (ordered, or called off against the contract) at item level or at the level of the service line.

Costs can be apportioned among various Controlling objects via the account assignment.

Release orders issued against the contract are logged in the release documentation.

Over the contract validity period, certain quantities of the materials or services covered are released (called off) against the contract as and when required through the issue of purchase orders referencing the latter. Such purchase orders are thus termed "contract release orders" or simply "release orders".

3.2.2 Scheduling Agreement - LP

Scheduling Agreement (in Brazil also called PR - Programa de Remessa) is a form of outline purchase agreement under which materials are procured on predetermined dates within a certain time period.

A scheduling agreement consists of a number of items, for each of which a procurement type is defined. The following procurement types exist:

- Standard
- Subcontracting
- Consignment
- Stock transfer

Delivery of the total quantity of material specified in a scheduling agreement item is spread over a certain period in a delivery schedule, consisting of lines indicating the individual quantities with their corresponding planned delivery dates.

For scheduling agreement items involving subcontracting, it is possible to specify the materials or components to be provided to the subcontractor with respect to each scheduled delivery of the ordered item.

Conditions can apply to the entire scheduling agreement. Conditions at item level apply specifically to the material to be supplied in each case.

Scheduling agreement releases (comprising a header and the actual delivery schedule) are issued to the vendor, instructing the latter to effect deliveries of the relevant material on the dates shown.

Costs can be apportioned among various Controlling objects via the account assignment.

Vendors can issue confirmations to the relevant purchasing organization indicating their compliance or non-compliance with scheduled delivery dates.

3.3.3 Contract for E-catalog - ZWK

E-catalog is a structured collection of data about products.

E-catalogs are created mainly for materials (specific services can be included), non-critical, usually low prices. They are available in sites similar to e-commerce sites (eg. Amazon) and the access are restricted to authorized users. There is no Purchase requisition, the order is made automatically and only a financial approval is required.

To create an E-catalog, D&A team creates a generic contract in SAP to link with MDM or Mercado Eletrônico tool. The Catalog process can be consulted in the [OP LAM NAM Catalog Management](#).

4. Roles and responsibilities

Requesters	The requesters are responsible for collecting all necessary information from third parties to request creations or changes in contract, they are responsible to fill all the information in the standard form and open a ticket to 'D&A LAM/NAM' queue through Freshdesk Tool.
Data Operations Team	Data Operations Team is responsible for checking the request received to grant the data compliance and to insert all correct information in SAP accordingly with the specifics defined to each region. If Data team doesn't receive all the information needed in the form, the request will be returned.

5. General Operational Procedure

5.1 Main SAP transactions

The transactions mentioned below are used to create and update contracts in SAP.

5.1.1 Transaction ME31K (Contract Creation)

This transaction is used to create a new contract in SAP – Local system (WP1_400)

Main fields inside the transaction:

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01 – Vendor: Vendor number to whom the new contract is being created;

02 – Agreement Type: Indicator allowing differentiation between the various kinds of outline purchase agreement in the SAP system:

MK - Local quantity contract;

WK - Local value contract;

ZWK - Central value contract;

ZWP - P-Card val.contract – Not used.

ZWL - Val.Contract Extern.

03 – Agreement Date: Date of contract creation. It is automatically filled by the system when the contract is created;

04 – Purchase Organization: Organizational unit, subdividing the group according to the requirements of Purchasing.

A purchasing organization procures materials and services, negotiates conditions of purchase with vendors, and is responsible for such transactions. The materials inserted in the contract must be in the same Purchasing Organization as this set up.

05 – Purchasing Group: Key for a buyer or a group of buyers who is/are responsible for certain purchasing activities;

Press enter.

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06 – Company Code: Organization Unit in which the contract will be allocated.

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07 – Validity end: Date up to which services can be performed or materials delivered. This information needs to be provided by the requester in the form. If this information is missing, the ticket needs to be returned to the requester;

08 – Payment Terms: Key for defining payment terms composed of cash discount percentages and payment periods; The requester must inform the new payment terms (Starting with Y)

09 – Target Value: Displays the target value that is entered for each distribution at header level for a central contract;

Is not a mandatory field, but if is specified in the form must be filled in SAP.

10 – Incoterms: The Incoterms rules or International Commercial Terms are a series of predefined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law.

Incoterms specify certain internationally recognized procedures that the shipper and the receiving party must follow for the shipping transaction to be successfully completed.

5.1.2. Transaction ME31L (Scheduling Agreement Creation)

This transaction is used to create new scheduling agreements in SAP.

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11 – Vendor: Vendor number to create the new contract to;

12 – Agreement Type: Indicator allowing differentiation between the various kinds of outline purchase agreement in the SAP system:

LP – Scheduling agreement;

LPA - Scheduling agreement;

LU - Transp. sched. Agmt;

ZP - Scheduling agreement.

13 – Agreement Date: Data of the Agreement creation. It is automatically filled by the system;

14 – Purchase Organization: Organizational unit, subdividing the group according to the requirements of Purchasing;

A purchasing organization procures materials and services, negotiates conditions of purchase with vendors, and is responsible for such transactions.

15 – Purchasing Group: Key for a buyer or a group of buyers who is/are responsible for certain purchasing activities.

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16 – Company Code: Organization Unit.

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17 – Validity end: Date up to which services can be performed or materials delivered. This information needs to be provided by the requester in the form. If this information is missing, the ticket needs to be returned to the requester;

18 – Payment Terms: Key for defining payment terms composed of cash discount percentages and payment periods;

19 – Target Value: Displays the target value that is entered for each distribution at header level for a central contract;

20 – Incoterms: The Incoterms rules or International Commercial Terms are a series of predefined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law.

Incoterms specify certain internationally recognized procedures that the shipper and the receiving party must follow for the shipping transaction to be successfully completed.

5.1.3 Transaction ME32K and ME32L (Modification)

These transactions are used to edit a line in contracts or agreements. Use ME32K to edit contracts and catalogs (WK and ZWK) and ME32L to edit scheduling agreements (LP).

They both work the same way:

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21 – Agreement: Fill with agreement number.

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- 22 – Material: For every material that the company uses, it is created a material master record in the material master. This record is uniquely identified by a material number;
- 23 – Short Text: Short description of the material. Automatically filled by the system;
- 24 – Target quantity: mandatory information for LPs, quantity scheduled to be used in this contract, in this time frame;
- 25 – Order Unit: Basic unit of measure (UOM) of the material. Automatically filled by the system;
- 26 – Net Price: Net amount per unit of the material;
- 27 – Per: Specifies how many units the price is valid for. As procedure, this field must be filled with “1.000” in WK contracts.
- 28 – Order Price Unit: Indicates the unit of measurement to which the purchase order price is related;
- 29 – Material Group: Key used to group together several materials or services with the same attributes, and to assign them to a particular material group; Also called by DSF. Material Group PORG must match with Contract PORG.
- 30 – Plant: Specifies the key for a production facility or branch office within the company;
- 31 – Storage Location: Number of the storage location at which the material is stored. A plant may contain one or more storage locations - It's automatically filled by the system once the plant number is inserted.

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- 32– Select all Items in the contract;
- 33 – Deselect all Items of the contract;
- 34 – Start/End of Block: Select a block of items in the contract;
- 35 – Enter Line: Insert a new line in the contract;
- 36 – Delete a line of the contract;
- 37 – Header Details of the contract;
- 38 – Vendor Address;
- 39 – Partner of the contract;
- 40 – Release Strategy: A plan defining the release codes with which a purchase requisition item, a complete purchase requisition, or a complete external purchasing document must be released (approved) and the sequence in which release is to be effected using these codes.
For example, it is possible to establish a release strategy for all purchase requisitions with a value in excess of a certain figure.
- 41 – Messages: Create an output for the contract;
- 42 – Item Details;
- 43 – Additional Data: Used to see details of the item selected;
- 44 – Item Conditions;
- 45 – Item Text;
- 46 – Delivery Address: Address to which the order is delivered;
- 47 – Release Documentation: Historic of the PO (Purchase Order).

5.2 Contract Management

5.2.1 Requirements to create a contract

A new contract creation or modification usually is requested after a new material is bought and need to be added to a contract.

For a new contract creation, the requester needs to send a form through Freshdesk to the Data Operations Team. This request must come from an Authorized Person, or approved by such. The Data team will check if all the mandatory fields are filled and check if there is already a contract for the same vendor to avoid duplication. All information needs to be provided by requester, Data team will not analyze the information after the approval to avoid compliance issues.

Authorized users LAM: [List](#)

Form used in LAM: [Link](#)

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Mandatory information to create/modify a contract:

Header:

Company Code; Purchasing Organization; Purchasing Group, Responsible Negotiator, Name of the Supplier, Vendor Code, Currency, Payment Terms, Incoterms, Contract Validity Date;

Items:

Material Code/Description, Unit of Measure, Plant, Gross Price, Tax Rates (ICMS/IPI), IVA code, NCM code, Lead Time (In days), DSF group (If it's E-catalog).

5.2.2 Searching for an existing contract in SAP

To search for an existing contract you can use the following transactions:

5.2.2.1 Search for a contract using vendor number

Use Transaction ME2L:

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48 – Vendor: Insert the vendor number to search if there is a contract created.

49 – Choose: Select the option to search.

50 – Contract: Check the box to search a contract.

Execute the transaction (F8 to run)[blocked URL](#)

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The result presents the contract number for the vendor - Always starting with 460.

5.2.2.2 Search for contract using material number

Use Transaction ME2M:[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)

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51 – Material: Insert the material number;

52 – Scope of list: Use Z_ALV_BEST. It is a template to show the information required;

53 – Selection of parameters: Use WE103, to show only contacts and scheduling agreement valid.

54 – Choose: Press “choose” to select documents to be included in the search;[blocked URL](#)

55 – Contract: flag this option to search the contracts numbers;

Execute (F8).

5.2.2.1 Search for contract using contract data

Use Transaction ME32K:

In the first page, click on “Agreement” field and press F4 button. This window will appear:

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In here, you can choose the parameter you would like to search for:

- Insert the VD code in "Vendor" field
- Insert the start of the contract number in Purchasing Document field.
- If it's a Contract, insert *46* between stars.
- If it's E-catalog, insert *47* between stars.
- Press Enter - If a contract/E-catalog exists, it'll be selected.

5.2.3 Creating a new contract

Go to ME31K transaction:[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)

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The full description for each of these fields can be found on steps [01 to 10](#).

[57](#) – Vendor #

[57](#) – Agreement Type:

MK - Local quantity contract;

WK - Local value contract;

ZWK - Central val.contract;

[58](#) – Agreement Date (automatically filled with today's date);

[59](#) – Purchasing Organization;

[60](#) – Purchasing Group.

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[61](#) – Company Code: Fill with company code informed by requester.

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[62](#) – Validity end;

[63](#) – Payment Terms;

[64](#) – Target Value;

[65](#) – Incoterms.

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[66](#) – Material: Fill with material number;

[67](#) – Target Quantity: Fill with the target quantity, isn't mandatory for contract;

[68](#) – Net Price: Must be filled with net price (not the gross price);

[69](#) – Per: For contracts, must always be filled with 1.000.

[70](#) – Plant: Must be filled with the plant informed in the form;

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[71](#) – Tax Code: Fill with tax code (IVA) of the material. Should be determined if the material is consumption or industrialization. Below the codes:

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72 –Planned Delivery Time: Filled with the time of material delivery informed in the form. If no information is inserted in the form, it will be automatically filled with material master data's lead time. Always informed in days!

73 – NCM Code: Informed in the form.

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Save: Click on the button to save the new contract.

Note! For more information on addition of lines, check section 5.2.4 (below).

5.2.4 Calculating the taxes for contract items

In Brazil, there are some specifics about the taxes. In the contract is filled the net amount, but it is necessary to know how is calculated the amount, if just the gross amount is informed. The formula is:

$$A1 - ((A1 / (1 + C1) * C1) + (A1 * D1 * B1) + (A1 * E1) + (A1 * F1))$$

- A1 = Gross amount;
- B1 = Percentage of IPI;
- C1 = Percentage of ICMS;
- D1 = Reduction (is always 100%, if there is not Base Reduced);
- E1 = Percentage of PIS;
- F1 = Percentage of COFINS.

Another alternative is to use the factor to calculate the net amount, below the factor by percentage from taxes:

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To use the factor, multiply the gross price with the factor.

Attention: The price inside contract must be calculated always per 1.000.

I.E: The Gross Price is 10, with 18% of ICMS and 0% of IPI:

$10 \times 0,7275 * 1.000$ (factor for 18% of ICMS and 0% IPI) = **7275,00** is the net price.

5.2.5 Inserting a new line in the contract

Before inserting a new line in the contract, first check if the material isn't already inserted in the contract with the same plant as requested, check section 5.2.2.2.

Use transaction ME32K:

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Place the agreement /contract number.

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74 – Material: Fill with material number;

75 – Net Price: Fill the net price;

76 – Per: Always fill with 1.000, if OUM is MIL, then use 1.

77 – Plant: Fill with the plant informed;

78 – Storage Location: Fill with the storage location informed - It comes automatically according to the plant.

5.2.6 Updating the price in an existent line

Use transaction ME32K.

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Agreement: Fill the contract number.

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79 - Click on the item line

80 - Click on the 'Item conditions' button;

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81 - Click in "new validity period":

[blocked URL](#)

82 - Amount: Insert the net price in "amount" field;

83 - Per: fill in with 1.000 "per" field.

Save.

5.2.7 Checking the amount in a contract (NET + tax simulation)

After inserting a new line for brazilian contracts, we need to make sure the taxes are correctly inserted. Use transaction ME32K:

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Agreement: Fill the contract number.

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84 - Select the line of the item

85 - Target Quantity: Fill the number of items to check (always check with one unit of the item: insert number 1).

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86 - On the upper part of the screen, click on Item -> More Functions -> Taxes.

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When the above screen shows up, hit the "F3" button.

The following pop up will appear:

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87 - Click "Tax Details"

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88 - Net + Tax value must match with the gross price;

89 – Base Amount: Net price per items in target quantity - **R\$ 30,92 in the example;**

90 – IPI Consumption %: Percentage of IPI for the NCM - **5% in the example / ICMS Condition Value: Amount of ICMS for the price - R\$2,13 in the example;**

91 – ICMS Consumption %: Percentage of ICMS for the NCM - **18% in the example / IPI Condition Value: Amount of IPI for the price - R\$7,65 in the example;**

92 – COFINS Consumption %: Percentage of COFINS for the NCM - **7,6% in the example;** / COFINS Consumption Value: Amount of COFINS for the price - **R \$3,23 in the example;**

93 – PIS Consumption %: Percentage of PIS for the NCM - **1,65% in the example / PIS Condition Value: Amount of PIS for the price - R\$0,70 in the example;**

5.2.8 Delete and undelete a line of a contract

Use transaction ME32K.
Insert the contract number

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94 – Line: Select the Line;[blocked URL](#)[blocked URL](#)

95 – Delete: Click in delete button.

96 – Press 'Yes' to confirm.[blocked URL](#)

To undelete:

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96 – Line: Select the Line;

97 – On the upper part of the screen, click on 'Edit' > 'Reset deletion indicator'. [blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)[blocked URL](#)

5.3 Scheduling Agreement management [blocked URL](#)

5.3.1 Requirements to create a Scheduling Agreement

For a new Scheduling Agreement creation, the requester needs to send a form through Freshdesk to the Data Operations Team. This request must come from an Authorized Person, or approved by such. The Data team will check if all the mandatory fields are filled and check if there is already a Scheduling Agreement for the same vendor to avoid duplication. All information needs to be provided by requester, Data team will not analyze the information after the approval to avoid compliance issues.

5.3.2 Searching for an existing scheduling agreement in SAP

To search for an existing scheduling agreement, use the same instructions as section 5.2.2. The only change will occur when you select the 'Choose' box, instead of 'Contract' select 'Sch Agmt': [blocked URL](#)

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The results will present the vendor agreement number - Always starting with 55.

5.3.3 Creating a new Scheduling Agreement

Use ME31L transaction:

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The full description for each of these fields can be found on steps **01 to 10**.

98 – Vendor #

99 – Agreement Type:

LP - Scheduling agreement;

100 – Agreement Date (automatically filled with today's date);

101 – Purchasing Organization;

102 – Purchasing Group.

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103 – Company Code: Fill with company code informed by the requester.

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104 – Validity end;

105 – Payment Terms;

106 – Target Value: Is not mandatory field, but if specified in the form must be filled in SAP. This field indicates the maximum amount that can be created as PO;

107 – Incoterms: Fill with the Incoterms of the scheduling agreement.

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108 – Item Cat: Fill with Item Category:

- Blank - Standard
- K - Consignment
- L - Subcontracting
- S - Third-party
- T - Text

For item category L, it is mandatory to create a PIR Subcontracting.

109 – Material: Fill with material number.

110 – Target Quantity: Fill with the target quantity. This field is mandatory for scheduling agreement and must be provided by the requester.

111 – Net Price: Must be filled with net price (not the gross price). This field is mandatory and need to be provided by the requester.

113 – Plant: Must be filled with the plant informed in the form.

114 – Storage Location: The field is filled automatically according to the plant.

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115 – Tax Code: Fill with tax code of material (IVA). Must be informed by requester.

116 – GR-Based Invoice Verification: Must be un-flagged if the Tax Code is GU and GO.

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117 – Planned Delivery Time: Filled with the delivery time of the material.

118 – NCM Code: Must be filled with the NCM Code.

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Save: Click on the button to create a new scheduling agreement.

5.3.4 Calculating the taxes for Scheduling Agreement items

For scheduling agreement the price must be determined by requester (the net price). So we do not have to simulate the taxes, since the calculation will not be possible because the target quantity is a mandatory field for a scheduling agreement and Data team can't simulate the price.

5.3.5 Inserting a new line in a Scheduling Agreement

Before inserting a new line, check if the material is already inserted in the scheduling agreement with the same plant accordingly with the request (see topic [5.3.2](#)). Open the scheduling agreement using the transaction ME32L:

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Agreement: Fill with the agreement number.

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118 – Item Cat: Fill with Item Category:

- Blank - Standard
- K - Consignment
- L - Subcontracting
- S - Third-party
- T - Text

For item category L, it is mandatory to create a PIR Subcontracting.

119 – Material: Fill with material number.

120 – Target Quantity: Fill with the target quantity. This field is mandatory for scheduling agreement and must be provided by the requester.

121 – Net Price: Must be filled with net price (not the gross price). This field is mandatory and need to be provided by the requester.

123 – Plant: Must be filled with the plant informed in the form.

124 – Storage Location: The field is filled automatically according to the plant.

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125 – Tax Code: Fill with tax code (IVA) of the material. Must be informed by requester;

126 – GR-Based Invoice Verification: Must be un-flagged if the Tax Code is GU and GO.

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127 – Planned Delivery Time: Fill with the time of material delivery;

128 – NCM Code: Must be filled with the NCM Code.

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Save: Click on the button to create a line in a scheduling agreement.

5.3.6 Delete and undelete a line of a scheduling agreement

Follow the same steps as contracts: section [5.2.8](#).

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6. Appendix

End of the document.