

Compensation between customer and vendor

Table of contents

- [Table of contents](#)
- [2. Objective and Scope](#)
- [3. Definitions](#)
 - [Scope](#)
 - [ERP](#)
 - [References](#)
 - [Attachments](#)
- [4. Compensation Scenarios](#)
 - [4.1 Compensation](#)
 - [4.2 Recurrent compensations](#)
 - [4.3 Compensation clearing](#)
 - [4.4 Manual compensations](#)

2. Objective and Scope

This OP explains how to perform compensations between Customer and Vendor accounts when they belong to the same legal entity.

This operating procedure (OP) applies to all EMEA companies and customer payments for invoices factored to Solvay SA.

3. Definitions

- CCT AR: Customer Credit & Trade Accounts Receivable
- CCT CM: Customer Credit & Trade Credit Management
- CCT CCL: Customer Credit & Trade Cash Collections
- OP: Operating procedure
- 0231: PI1 system for Solvay S.A. Treasury

4. Compensation Scenarios

This OP explains how to handle Compensations between Customer and Vendor accounts whenever there is a previous agreement between both parties.

There might be three different **triggers** for the Compensation to occur:

- **Regular checking** of Compensation accounts. In this case customers/vendors are already identified and compensation is made regularly by AR team.
- **CM/CCL/ Business** chase for payment and for some reasons (ex. Liquidity problems) a customer which is also vendor request a spot compensation. AR team should follow the same requirements in order to ensure that compensation is in line with contractual agreement on the customer and vendor side.
- **Payment received** where customer proactively deducts the vendor account balance.

Compensation Legal Requirements:

- Prior agreement between the parties (customer/vendor, Credit manager and purchaser) except for recurrent compensations
- No compensations are processed in local systems (except for customers not assigned to Solvay SA);
- Compensation cannot be done for different Solvay Legal entities;
- Compensation between documents with different currencies it is not possible;
- The compensation of the invoices is mandatorily done for documents with due dates in the same accounting period and executed in the due dates accounting period.
- No compensation will be done if the third party customer is classified as "Bad debt"

4.1 Compensation



Warning

For local compensations (customers not assigned to Solvay SA), we should use document type S1

4.2 Recurrent compensations

Scope



EMEA

ERP



PI1



PF1



WP1

References

Attachments

4.2.1 Standard recurrent compensations

This chapter is related to the compensation which is performed recurrently between customers and vendors accounts with previous agreement with Solvay.

The first thing to do is to access the following file and check which customers and vendor have items to compensate and the Solvay Companies in the scope.

https://drive.google.com/file/d/1vKmcZCJ4Kk_HX5J_NPwo2O-oP1JOyK-UuYNNjGemPZc/view

Then, we can proceed with the compensation according to chapter "Compensation clearing" chapter.

4.2.2 SES Compensation (Cc 3865)

This chapter is related to the compensation which is performed between customers and vendors from company **3865 - SOLVAY ENERGY S FR**.

It is performed between the 10th and the 20th of each month.

The first thing to do is to request to ses-middle@solvay.com the creation of the file of the items to compensate and check if the invoices were issued for customers and vendors (use FBL5N transaction) and compare with the amounts in the file.

After this, an email should be sent to ses-middle@solvay.com requesting the posting of the possibly missing items. At the same time Purchasing FO Provisioning Specialist (Laetitia Chapus) should do the same exercise and fill the vendor invoices amounts in the same file so that AR team can verify in which cases a compensation can be executed.

Warning

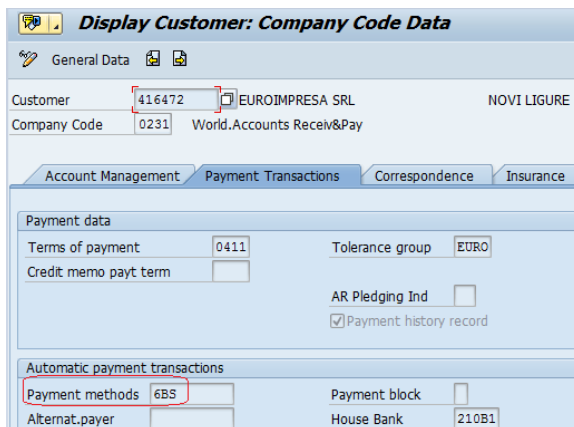
- Compensations should be done for the same business sector, meaning that we should only compensate gas invoices with gas invoices and so on
- The payments terms for these SES vendors are 20th; therefore we should proceed with the compensation maximum two days before (in case of weekends we should assure those vendors are paid before the due date).

As soon as we have the confirmation from SES and from Purchasing contact (Laetitia Chapus) and from Purchasing Service Center that all customer and vendor invoices are issued, we should proceed with the compensation as described in the chapter "Compensation clearing".

4.3 Compensation clearing

For compensations clearings, we should use transaction **ZFA_COMPENSATION**. The requirements to be able to use this transaction are:

- Payment method S inserted in customer and vendor masterdata as in the image
- Residual to be left on vendor side to be paid



Warning

For other compensation scenarios please check chapter "Manual Compensations"

If those two criterias mentioned above are fullfield, you can run transaction ZFA_COMPENSATION

Factoring Compensation

Selection options

Affiliate company code	3865	to	
Fiscal Year		to	
Document Number		to	
Currency		to	
Company Code		to	

Additional options

Customer (PRS)	162362	to	
Vendor (PRS)		to	

☐ Include payment block

Execution options

☒ Test Run

☐ Automatic selection and clear

Batch input mode

Insert company code and the customer number. Execute  with test run ticked to confirm the amounts.

Click on  until you get company code and the customer and vendor items appear in the selection

Then select the items on customer and vendor site by inserting a  on it.

Go back and take the test run and choose  **Compensate Items**

On customer site the invoice will be cleared and on vendor side we will find the residual to be paid:

Factoring Compensation

Customer Items

CoCd	Customer	Document	Year	Amount	Ccy	APR	Conti. no.	Text
WA	162362	500701129	20	1.156.665,00	EUR	3865	1902602199	

Vendor Items

CoCd	Vendor	Document	Year	Amount	Ccy	APR	Conti. no.	Text
WA	102133899	4501584799	20	455.830,50	EUR	3865	10020901730	
WA	102133899	4501584799	20	3.488.586,59	EUR	3865	10020901730	
WA	102133899	4501584799	20	288.393,00	EUR	3865	10020901730	
				4.232.810,09	EUR			

Information

Document 4501584799 was posted in company code 0231

Vendor

Company Code 102133899

Company Code 0231

Name GDF STEEL TRADING

City COUREBEVOIE

St	Assignment	DocumentNo	Type	Doc. Date	Net due dt	S	DD	Amount in local out.	LCurr	Clring doc.	Text
	3865	4501584799	21	20.05.2016	20.04.2016			3.076.144,29	EUR		Compensation

4.4 Manual compensations

There are some situations in which we are not able to use transaction ZFA_COMPENSATION due to transaction requirements and should be executed differently. Find below the possible scenarios:

- Balance between customer and vendor is zero
- Residual to be left on customer account
- Residual to be left on vendor side but when there are more than one customer/vendor account to be used in the clearing

For the two first scenarios, we can use F-32 transaction to perform the compensation clearing as below:

Open the Customer account in transaction **F-32**:

Clear Customer: Header Data

Process open items

Account ☐ Clearing Date Period

Company Code Currency

Add the Customer account and correct currency and press

Process open items

Standard Partial Pmt Res. Items WH Tax											
Account Items 1020502 STOCKMEIER CHEMIE											
Assignment	Reference	Reference K...	D., Net due d...	Curr...	D...	Disco...	D/P	EUR Gross			
00050003649964	00058810197769	1000014366	F1 01.09.2013	EUR	0	0,000		7.348,40			
00050003651916	00058810197912	1000014509	F1 05.09.2013	EUR	0	0,000		7.113,25			
00050003652673	00058810197977	1000014574	F1 06.09.2013	EUR	0	0,000		14.549,83			
00050003656117	00058810198093	1000014690	F1 08.09.2013	EUR	0	0,000		7.060,34			

Select the invoice and then press  followed by **Choose open items** :

Clear Customer Select open items

Process open items

Open item selection

Company Code: 0231

Account: 0102109518

Account Type: K

Special G/L ind: ☐ Normal OI ☒

Pmnt advice no.:

Add the **Vendor account** and **Account Type "K"** and **Process open items** :

Select the Vendor invoice

Standard Partial Pmt Res.Items WH Tax

Account items 1020502 STOOXMEIER CHEMIE (More)

Assignment	Reference	Reference K...	D...	Net due d...	Cur...	D...	Disco...	D/P	EUR Gross
00050003649964	00058810197769	1000014366	F1	01.09.2013	EUR	0	0,000		7.348,40
00050003651916	00058810197912	1000014509	F1	05.09.2013	EUR	0	0,000		7.113,25
00050003652673	00058810197977	1000014574	F1	06.09.2013	EUR	0	0,000		14.549,83
00050003656117	00058810198093	1000014690	F1	08.09.2013	EUR	0	0,000		7.060,34
7082793	7082793	1000009420	K1	01.08.2013	EUR	1	0,000	=	1.284,00-

Processing Status

Number of items: 24 Amount entered: 0,00

Display from item: 2 Assigned: 5.829,25

Reason code: Difference postings:

Display in clearing currency: Not assigned 5.829,25-

In case the balance is zero you can Save. For the cases in which there is a residual, follow the steps below:

Go to the **Res. Items** tab:

Clear Customer Create residual items

Distribute Difference Charge off diff. Editing Options Create Dispute Case

Standard Partial Pmt Res.Items WH Tax

Account items 1020502 STOOXMEIER CHEMIE (More)

Assignment	Reference	Reference K...	D...	Net due d...	Cur...	D...	Disco...	D/P	Net Amount	Residual Items	RCd
00050003649964	00058810197769	1000014366	F1	01.09.2013	EUR	0	0,000		7.348,40		
00050003651916	00058810197912	1000014509	F1	05.09.2013	EUR	0	0,000		7.113,25	5.829,25	CO
00050003652673	00058810197977	1000014574	F1	06.09.2013	EUR	0	0,000		14.549,83		
00050003656117	00058810198093	1000014690	F1	08.09.2013	EUR	0	0,000		7.060,34		
7082793	7082793	1000009420	K1	01.08.2013	EUR	1	0,000	=	1.284,00-		

Processing Status

Number of items: 24 Amount entered: 0,00

Display from item: 2 Assigned: 0,00

Reason code: Difference postings:

Currency: EUR

Display in clearing currency: Not assigned 0,00

Add the residual amount to the **Residual items** column and the **RCd "CO"**. **As the balance is a Debit to be left on Customer account the residual should be placed on the Customer Invoice. A dispute for Collections should be created "To be collected"**.

The posting is now complete and ready to be .

The two items are now cleared in 0231:

And the residual is open on Customer account:

Vendor: 0231

Company Code: 0231

Name: STOOXMEIER CHEMIE

City: KILBENBURG

St	BuKa	Reference	Assignment	Ref. Key 1	DocumentNo	Typ	Doc. Date	Net due dt	S	00	Amount in DC	Curr.	Clearing doc.	
		7082793	7082793	1000009420	4500002192	K1	19.06.2013	01.08.2013			1.284,00-	EUR	8700000109	
		00058810197912	00050003651916	1000014509	5000010171	F1	05.09.2013	05.09.2013			7.113,25	EUR	8700000109	
					8700000109	AB	10.10.2013	10.10.2013			7.113,25-	EUR	8700000109	
					8700000109	AB	10.10.2013	10.10.2013			1.284,00	EUR	8700000109	
* Clearing date 10.10.2013												0,00	EUR	

Customer: 1020502

Company Code: 0231

Name: STOOXMEIER CHEMIE

City: KILBENBURG

St	BuKa	Assignment	Ref. Key 1	DocumentNo	Typ	Doc. Date	Net due dt	S	00	Amount in DC	Curr.	Text		
		00050003651916	1000014509	8700000109	AB	10.10.2013	10.10.2013			5.829,25	EUR	Compensation		
* Clearing date 00.00.0000												5.829,25	EUR	

For the third situation referred in the possible manual scenarios (Residual to be left on vendor side but when there are more than one customer/vendor account to be used in the clearing), we should execute the compensation clearing using **FB05**

Fill the following fields as below:

Type: K1

Document date/Posting date: Current date

Currency: of the documents

Tick on Transfer posting with clearing

Post with Clearing: Header Data

Choose open items Acct model

Document Date	20.05.2016	Type	K1	Company Code	0231
Posting Date	20.05.2016	Period	5	Currency/Rate	EUR
Document Number				Translatn Date	
Reference				Cross-CC no.	
Doc.Header Text					
Clearing text					

Transaction to be processed

☐ Outgoing payment
☒ Incoming payment
☐ Credit memo
☐ Transfer posting with clearing

First line item

PstKy Account SGL Ind TType

When the selection is complete press
Choose open items :

Process open items

Open item selection

Company Code	0231
Account	1020205
Account Type	D
Special G/L ind	☐ Normal OI
Pmnt advice no.	

Add the Customer account and select
Process open items :

Select the invoice as below:

Post with Clearing Process open items

Distribute Difference Charge off diff. Editing Options Cash Disc. Due Create Dispute Case

Standard Partial Pmt Res.Items WH Tax

Account items: 1020205 BRENNITAG GMBH

Assignment	Reference	Reference K...	D... Net due d...	Curr...	D...	Disco...	D P	EUR Gross
00050003641931	00058810197766	1000014363	F1 01.09.2013	EUR	0	0,000		15.288,38

Processing Status

Number of items	1	Amount entered	0,00
Display from item	1	Assigned	15.288,38
Reason code		Difference postings	
Display in clearing currency		Not assigned	15.288,38

Then press followed by
Choose open items :

Post with Clearing Select open items

Process open items

Open item selection

Company Code	0231
Account	102106392
Account Type	K
Special G/L ind	☒ Normal OI
Pmnt advice no.	

Add the **Vendor account (s)** and **Account Type "K"** and
Process open items :

Select the vendor invoice as below:

Standard Partial Pmt Res. Items WH Tax

Account items 1020205 BRENNITAG GMBH (More)

Assignment	Reference	Reference K...	D...	Net due d...	Curr...	D...	Disco...	D/P	EUR Gross
00050003641931	00058810197766	1000014363	F1	01.09.2013	EUR	0	0,000		15.288,38
FMS026635	FMS026635	1000009473	K1	02.09.2013	EUR	2	0,000	=	34.503,80-

Processing Status

Number of items 2 Amount entered 0,00

Display from item 1 Assigned 19.215,42-

Reason code Difference postings

Display in clearing currency Not assigned 19.215,42

Go to the **Res. Items** tab:

Add the residual amount to the **Residual items** column and the **RCd "CO"**. **As the balance is a Credit to be left on Vendor account the residual should be placed on the Vendor Invoice (it will be paid according to vendor invoice payment terms).**

Save it .

Post with Clearing Create residual items

Distribute Difference Charge off diff. Editing Options Create Dispute Case

Standard Partial Pmt Res. Items WH Tax

Account items 1020205 BRENNITAG GMBH (More)

Assignment	Reference	Reference K...	D...	Net due d...	Curr...	D...	Disco...	D/P	Net Amount	Residual Items	RCd
00050003641931	00058810197766	1000014363	F1	01.09.2013	EUR	0	0,000		15.288,38		
FMS026635	FMS026635	1000009473	K1	02.09.2013	EUR	2	0,000	=	34.503,80-	19.215,42-	CO

Processing Status

Number of items 2 Amount entered 0,00

Display from item 1 Assigned 0,00

Reason code Difference postings

Currency EUR

Display in clearing currency Not assigned 0,00