

Vendors

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Invoice Verification for SAP®

- ▶ Learn Everything You Need for Invoice Verification and its Role in FI and MM
- ▶ Discover Best Practices to Configure and Maximize the Use of this Functionality
- ▶ Keep User Input to a Minimum and Automate the Process
- ▶ Avoid Commonly-Made Mistakes

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2 Specific Functions in Detail

This chapter will provide the information you need to design and use the main functions within SAP Invoice Verification. Detailed configuration information is described in Chapter 4, and that chapter will also show you how to set up the functionality in a way that best suits your business or your client.

2.1 The Goods Receipt-Based Invoice Verification (GR-Based IV) Flag

This one flag has been responsible for more problems in invoice verification than any other flag or setting available. So please fully understand its use before you apply it. It seems at first that this flag that should be set every time, given that you want your invoices to be matched against your goods receipts (GR), but this is not what this flag does.

This flag indicates that the invoice should be verified against an individual goods receipt rather than a purchase order (PO) line (in version ERP 6 this field title has changed slightly to GR-BSD IV). Using this flag incorrectly can bring about overly complex business processes and can make the SAP Invoice Verification function appear weak. We would hazard a guess that if you are experiencing significant problems with your invoice verification functions you have probably used this flag extensively. The main design problem is that the flag does not actually do what its name suggests.

Before you consider using this flag, you must realize that it is definitely not a flag that you set to ensure that the invoice is verified against goods receipts. Standard invoice verification in SAP already does this for POs that involve goods receipts. There is no flag to turn this on or off, as it involves basic three-way matching, and there would be no point in having an invoice verification function that does not check the goods receipt data when it is available. Figure 2.1 shows the GR-BASED IV flag on the item INVOICE tab of a purchase order (as viewed using transaction ME23N).

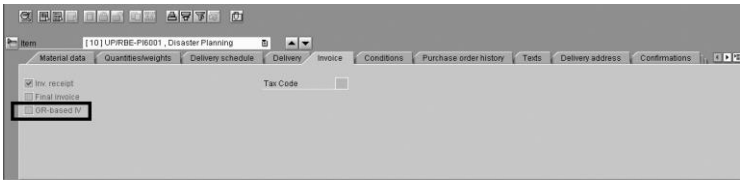


Figure 2.1: GR-based IV Flag on the Item Details of the Purchase Order

2.1.1 What Does the GR-Based IV Flag Do?

To understand the flag's function, you have to think of it as a *delivery-note-based* invoice verification flag rather than a *goods-receipt-based* invoice verification flag. If you switch it on, then you can verify your invoices against individual receipts posted for the purchase order line instead of a single line summary of receipts posted for the purchase order line. This is very useful if your vendor insists on sending you invoices that detail each delivery instead of a summarized invoice that just shows one line for each line on the purchase order.

There are many reasons, however, why you should try to get the vendor to submit summarized invoices. The main

reason is that it will take longer if you have to match individual receipts. Moreover, some invoices may be blocked for payment, not because we believe that the vendor should not be paid but simply because we cannot match the invoice lines against the appropriate receipts that we have posted. It is far better to pay the vendor if you know that you actually owe them the money, instead of risking vendor action by defaulting because you can't match the payment to an individual receipt.

Suppose you receive an invoice from a vendor for a total of € 1,000 for 100 pieces of an item. The invoice shows 20 different deliveries for varying quantities, with a delivery-note number alongside each. The total you have received is 100 pieces, and the purchase order price is € 10 each. The total quantity proposed by the system thus matches the total value of the invoice. For some reason, however, the individual delivered quantities do not match, perhaps because your goods-receiving department transposed a couple of delivery note numbers. With the GR-based IV flag set *on*, you have to investigate what happened, and this will take time. So you cannot pay the vendor, even though it is asking for a payment that matches exactly what it is entitled to.

In more than one implementation, this has caused vendors to refuse to take any more orders from the company because payments are constantly being made late, or not at all. If the flag had been set *off* instead, the invoice could have been matched quickly and accurately and paid on time.

2.1.2 The Risks of Setting the Flag Off

You should remember that by using three-way matching in invoice verification, the system will not pay a vendor

an amount that is not actually owed to that vendor (based on the goods receipts that have occurred and the purchase order price). So, if the flag is set *off*, there is no greater risk of overpaying the vendor than there is with the flag set *on*. The only risk that increases is the risk of paying for the wrong delivery. Even if this occurs, you will not have overpaid, nor will you pay for the delivery twice (three-way matching will prevent this).

If the total value and quantity match, but the wrong delivery note has been paid for, there is no significant damage. When the other delivery arrives for the same value and quantity, this invoice will be paid and the end result will be the same. If the total value and quantity do not match, the invoice will not balance, and either will be investigated or blocked for payment. Again, no damage will be done.

It could be argued that by having the flag set *on* you will highlight errors earlier in the process because there is a more detailed matching during invoice verification. The problem with this argument is that you now will have a more complicated process on every invoice even if it is correct and matches fully, and the vendor will not be overpaid in any case. The low risk, the time saved on every invoice posted, and the likelihood that vendors will be paid on time are advantages to setting the flag *off*.

2.1.3 The Risks of Setting the Flag On

The main problem here is that you will not be able to post an invoice before you have posted the goods receipt, and you may wish to do so. There can be many benefits to posting an invoice even if the goods receipt has not yet been posted; we will cover these benefits later in this chapter.

Here is the basic concept behind using the flag: No goods receipt equals no invoice. In this way, you are adding complexity to the process for little or no benefit. If you receive an invoice before the goods receipt has been posted, and you have the flag set *on*, then you have two main options.

You can exit the transaction and file the paper invoice for re-keying at a later date when the goods receipt has been posted (although, it isn't clear how you will know when this has happened). Alternatively, you can park the invoice for later processing. Either way, you now will have to process the invoice at least twice and possibly more often if you think the goods receipt has been posted and it hasn't.

It is important to ensure that the invoice-parking function is not used as a regular step in the invoice verification process. It has a specific use, and that is to allow the user to exit the transaction before all of the data has been entered or verified, without losing the data entered so far. By using the GR-based IV flag, you will increase the need for parking and therefore increase the complexity of the process.

This parking function is designed to be used when you don't have time to finish the transaction; perhaps you have to deal with another call, or you have to go home and you don't want to lose the data you have keyed. It should not be used just because the goods receipt hasn't yet been posted. It is certainly not designed to be used as part of the total process of matching invoices. If you use it this way, you will find that it does not have all the functionality you need, and you will therefore experience various problems, such as missed invoices and duplicates. You may find that some parked invoices are overlooked and remain on file for some time. For exam-

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