



Infor LN User Guide for Intercompany Trade

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About this Guide

This document describes the purpose and general characteristics of intercompany trade. The process to set up intercompany trade and the use of intercompany trade orders are also outlined.

Assumed Knowledge

Familiarity with the business processes involved in intercompany trade, and general knowledge of the LN functionality will help you understand this guide.

References

Use this guide as the primary reference for the intercompany trade functionality. Use the current editions of these related references to research information that is not covered in this guide:

- *User Guide for Terms and Conditions*
- *User Guide for Authorization and Security*
- *User Guide for Enterprise Structures*

How to read this document

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Chapter 1: Introduction

Intercompany trade - introduction

When a project or an order, such as a sales order, is created, various entities within an organization perform activities to execute this order. For example, the sales office invoices the customer and the warehouse delivers the goods.

If the entities of an organization have their own profit and loss registration process, for each activity, internal cost and revenue transactions must be registered to balance the accounts. You can set up intercompany trade to allow the application to create internal cost and revenue transactions, and internal invoices.

Sales office S1 and warehouse W1 are part of organization A, but are located in different countries. To fulfill a sales order to an external customer, S1 instructs W1 to deliver the goods to the customer. W1 sends an internal invoice to S1 to cover the costs for the goods and the delivery.

Internal prices

Various options are available to set up transfer pricing rules or fixed amounts that determine the internal prices.

Intercompany trade orders

If you set up an *intercompany trade relationship*, the application creates *intercompany trade orders* for the entities involved to support their own profit and loss registration process. Intercompany trade orders trigger the creation of the internal cost and revenue transactions, and, if specified, the internal invoices.

On an intercompany trade order you can view the details of the intercompany trade activities, such as dates and times, the entities involved, amounts, and the transfer pricing rules on which the amounts are based. Depending on the transfer pricing rules, some pricing details are maintainable.

Approval

Intercompany trade orders can include an approval step. If approval is specified, deliveries are not allowed until the intercompany trade order is approved.

The approval process can be supported by a workflow application.

When the sales order lines of the sales order of the previous example are created, an intercompany trade order is also created. If approval is specified in the setup, W1 cannot deliver the goods to the customer until the intercompany trade order is approved.

Setup

LN distinguishes various types of internal trade processes and trade details, which are specified in *intercompany trade scenarios* and *intercompany trade agreements*. These scenarios and agreements are linked to *intercompany trade relationships*.

An intercompany trade order is created if:

- An intercompany trade relationship is present for the entities involved in the fulfillment of an order.
- The intercompany trade relationship includes an intercompany trade scenario that corresponds with the business process involving the order.

The intercompany trade order includes information of:

- The originating order lines, such as delivery dates and item quantities
- The settings of the applicable trade agreement and trade scenario
- Other master data, such as business partner information and tax data

These settings determine the amounts of the cost and revenue transactions and, if specified, the internal invoice lines. Depending on the settings, you can adjust the transfer pricing rules or the amounts of the intercompany trade order.

Chapter 2: Intercompany Trade Setup

Prerequisites for the intercompany trade setup

Before setting up the master data for intercompany trade, these enterprise modeling attributes must be set up:

- *Entities*
- *Enterprise units*
- *Internal business partners*
- *Logistic and financial companies.*

Note: The enterprise units must be linked to the appropriate internal business partners.

If freight costs are charged internally, shipping offices must be linked to the entities involved in the goods transports.

Intercompany trade setup - overview

The intercompany trade setup entails:

- Specifying the parameters controlling the intercompany trade order approval step.
- Defining *intercompany trade agreements*.
- Specifying the **intercompany trade scenario** for each intercompany trade agreement.
- For each intercompany trade agreement and linked intercompany trade scenario:
 - Specifying whether internal invoicing applies.
 - Specifying whether approval applies to the intercompany trade orders.
 - Selecting the price origins on which the internal invoices or intercompany trade transactions are based.
- Defining *intercompany trade relationships* between the parts of your organization involved in intercompany trade.
- Linking one or more intercompany trade agreements to each *intercompany trade relationship*.

Note:

Before setting up the intercompany trade functionality, complete the company setup. See Prerequisites for the intercompany trade setup.

Internal freight responsibilities

If Freight is implemented and freight costs are handled internally, you must specify the internal freight responsibilities:

- The party responsible for freight planning
- The party that must pay the freight costs

Internal terms and conditions

Optionally, you can link internal *terms and conditions agreements* to enterprise units. Internal terms and conditions are used within the context of internal *ownership*. The terms and conditions become effective when you link the terms and conditions to a relation between enterprise units. The enterprise unit relations defined for internal terms and conditions have no impact on the intercompany trade agreements linked to *intercompany trade relationships*.

To set up intercompany trade

The most efficient way to set up the intercompany trade functionality is to first define the smallest building blocks. The process:

- 1 In the **Implemented Software Components (tccom0100s000)** session, select the **Intercompany Trade** check box.
- 2 Specify the required settings in the Intercompany Trade Parameters (tcitr0100m000) session.
- 3 If required, in the Intercompany Trade Classification (tcitr1630m000) session, define *intercompany trade classifications*.
- 4 In the Intercompany Trade Agreement (tcitr1600m000) session, define an *intercompany trade agreement*.
- 5 For each intercompany trade agreement, you must specify the intercompany trade scenario to which the trade agreement applies. This determines the available transfer pricing rules used to calculate the amounts of the:
 - Internal costs and revenue bookings
 - (If specified) the internal invoices
- 6 In the Intercompany Trade Agreement - Transfer Pricing Rules (tcitr1605m000) session, for the intercompany trade agreement, specify the:
 - Price origins
 - Priorities
 - Markup or markdown percentages or amounts
 - Profit split percentage. See Profit split

The available price origins and pricing options vary for each intercompany trade scenario.

- 7 If you selected intercompany trade scenario **Subcontracting Depot Repair** for the trade agreement, you must define one or more subscenarios for each price origin as described in Subscenarios for Subcontracting depot repair.
- 8 Repeat steps 3-6 to add more intercompany trade scenarios.

- 9 In the Intercompany Trade Relationships 360 (tcitr2300m000) session, click New to start the Intercompany Trade Relationship (tcitr2600m000) session.
 - 10 In the header section of the Intercompany Trade Relationship (tcitr2600m000) session, define an intercompany trade relation.
 - 11 On the Agreements tab, add an **intercompany trade scenario** and link an *intercompany trade agreement* to the intercompany trade scenario. You can only add trade agreements with matching intercompany trade scenarios.
 - 12 Repeat step 10 to add more intercompany trade scenarios to the intercompany trade relation as required.
- Note:** If Freight is implemented and freight costs are handled internally, you must determine the party responsible for freight planning and the party that must pay the freight costs. For more information, refer to Intercompany trade scenario Freight - process and setup.

Profit split

Profit split is a method to divide the profit of an external sales transaction between the entities involved in the transaction. In LN, this applies to sales transactions in which two entities are involved. For example, the profit gained from a sales order is divided between the sales office and the warehouse.

The profit split method only applies to these *intercompany trade scenarios*:

- **External Material Delivery Sales**
- **External Material Direct Delivery**

When the intercompany trade order is created, the profit amount is calculated based on the estimated order price and the estimated *cost of goods sold (COGS)*. During invoicing, the profit is based on the actual order price and COGS.

The profit is divided according to a profit split percentage, which is defined as a default value on the applicable *intercompany trade agreement* but can be adjusted for the intercompany trade order.

The profit split percentage is defined for the selling entity, the remaining percentage goes to the buying entity.

The profit split percentage is based on the net profit or the gross profit of the sales order. This depends on the **Profit Split (Gross)** or **Profit Split (Net)** price origin specified for the *intercompany trade order*. The default price origin is defined in the applicable *intercompany trade agreement*.

Gross profit split and net profit split calculation

Gross profit:
Sales order price - COGS

Net profit:
Sales order price - COGS - discounts

The gross profit and the net profit is divided between the entities involved according to the Profit Split Percentage of the intercompany trade order.

Example

The sales office in Paris of a multinational company sells goods to a customer for EUR 1000. The customer is offered a discount of EUR 40. The goods are delivered from the warehouse in London. The warehouse incurs EUR 800 COGS.

The gross profit is $1000 - 800 = \text{EUR } 200$.

If the price origin is **Profit Split (Gross)** with a profit split percentage of 60%, the warehouse receives EUR 120 and the sales office EUR 80 (the remaining 40%). The intercompany trade price that the warehouse invoices the sales office is EUR 920:

$800 \text{ COGS} + 120 \text{ gross profit}$. The net profit for the sales office is EUR 40. This is the sales office's gross profit of EUR 80 - EUR 40 discount.

The total net profit is $1000 - 800 - 40 = \text{EUR } 160$. This is the warehouse's profit of 120 added with the sales office's net profit of 40.

If the price origin is **Profit Split (Net)** with a profit split percentage of 60%, the warehouse receives EUR 96 and the sales office EUR 64 (the remaining 40%). The intercompany trade price that the warehouse invoices the sales office is EUR 896:

$800 \text{ COGS} + 96 \text{ net profit}$. The net profit for the sales office is EUR 64. The gross profit for the sales office is EUR 104. This is the calculated net profit of EUR 64 + EUR 40 reduction.

Setup

- 1 In the Intercompany Trade Agreement (tcitr1600m000), define an *intercompany trade agreement* with either of these *intercompany trade scenarios*:
 - **External Material Delivery Sales**
 - **External Material Direct Delivery**
- 2 Click New on the Transfer Pricing Rules tab and select pricing origin **Profit Split (Gross)** or **Profit Split (Net)**.
- 3 In the Profit Split Percentage field, specify the profit percentage that the selling entity is to receive. In the preceding example, the warehouse is the selling entity.

Search sequences for intercompany trade relationships

When an order is created, such as a sales order or a warehouse transfer order, the application checks whether *intercompany trade relations* are available for the entities involved in the order. If yes, intercompany cost and revenue bookings must be posted and, if specified, internal invoices must be created based on the *intercompany trade agreements* for the applicable *intercompany trade scenarios*.

Various trade relations can be available that correspond with the entities involved in the order. Of the available relationships, the relationship defined for the most detailed level is given priority.

Example

These intercompany trade relationships correspond to the entities involved in order SLS A:

Relationship	From	To
1	Enterprise Unit A	Any Enterprise Unit
2	Enterprise Unit A	Entity sales office B

Relationship 2 is defined for a more detailed level. Therefore, relationship 2 is given priority. Consequently, the trade agreements of relationship 2 determine the amounts of the intercompany cost and revenue bookings and, if specified, the internal invoices.

The Search Sequence Intercompany Trade Relationships parameter

The setting of the Search Sequence Intercompany Trade Relationships parameter in the **Intercompany Trade Parameters (tcitr0100m000)** session determines whether the from-side or the to-side of the intercompany trade relationships is given priority.

Example

These intercompany trade relationships are present:

- From warehouse W1 to any enterprise unit
- From any enterprise unit to sales office S2

For internal invoicing between W1 and S2, both relations are applicable. If the setting in the **Search Sequence Intercompany Trade Relationships** parameter is From, the relationship of the most detailed level on the from-side is taken: From warehouse W1 To any enterprise unit. If the priority setting is To, the other relationship is given priority.

The use of Any Financial Company and Any Enterprise Unit

The intercompany trade unit types **Any Financial Company** and **Any Enterprise Unit** are used to define generic *intercompany trade relationships*, for which a few specific rules are applicable.

Any Financial Company

A relationship to **Any Financial Company** is a relationship to (the entities of) all financial companies except for the financial company that the from-element (entity, enterprise unit or financial company) belongs to.

A relationship from **Any Financial Company** is a relationship from (the entities of) all financial companies except for the financial company that the to-element (entity, enterprise unit, or financial company) belongs to.

Any Enterprise Unit

A relationship to **Any Enterprise Unit** is a relationship to (the entities of) all enterprise units, except for the enterprise unit that the from-element (entity or enterprise unit) belongs to.

A relationship from **Any Enterprise Unit** is a relationship from (the entities of) all enterprise units except for the enterprise unit that the to-element (entity or enterprise unit) belongs to.

Other than the **Any Financial Company** option, relationships to or from **Any Enterprise Unit** can include relationships to other enterprise units within the same financial company.

Example

Situation:

- Organization A has financial companies AFIN1 and AFIN2.
- Enterprise units AEU11 and AEU12 belong to AFIN1.
- Enterprise units AEU21 and AEU22 belong to AFIN2.
- Warehouse AWH20 belongs to enterprise unit AEU21.

From Warehouse AWH20 to **Any Enterprise Unit** includes all enterprise units from both AFIN1 and AFIN2, whereas from Warehouse AWH20 to **Any Financial Company** only includes the enterprise units belonging to financial company AFIN1: AEU11 and AEU12.

Internal terms and conditions relationships

If you link an internal *terms and conditions agreement* to a relationship between *enterprise units*, the internal terms and conditions agreement becomes effective. Internal terms and conditions are used within the context of internal *ownership*.

To use internal *terms and conditions agreements* for internal trade:

- 1 Define internal terms and conditions as described in Setting up terms and conditions.
- 2 In the Internal Terms and Conditions Relationships (tcitr2140m000) session, specify a relationship between the enterprise units of the entities to which the terms and conditions must apply.

You must ensure that:

- The *internal business partner* of the from- enterprise unit of the relationship is identical to the buy-from business partner of the internal terms and conditions.
 - The internal business partner of the to-enterprise unit is identical to the sold-to business partner of the internal terms and conditions.
- 3 Specify the relevant internal *terms and conditions agreement* for the enterprise unit relationship.

Setup example of external material delivery sales and freight

Modeling the internal trade flow may require setting up more than one *intercompany trade scenario*. This topic outlines the setup of intercompany trade scenarios **External Material Delivery Sales** and **Freight** for a multinational organization.

Situation

- Organization X is represented by logistical company X.
- Sales office S1 and warehouse W1 are part of organization X.
- Sales office S1 is located in Germany and is part of the German division of organization X.
- Warehouse W1 is located in The Netherlands and is part of the Dutch distribution center of organization X.
- Shipping office SHP1 is also part of the Dutch distribution center of organization X.
- Warehouse W1 is responsible for freight planning, but transport planning and all transport related matters are delegated to shipping office SHP1.
- The Dutch and the German branches of organization X have their own profit and loss registration.
- The German branch, with sales office S1, is represented by financial company XF1
- The Dutch distribution center, with warehouse W1 and shipping office SHP1, is represented by financial company XF2.

To fulfill a sales order to an external customer, S1 instructs W1 to deliver the goods to the customer. W1 sends an internal invoice to S1 to cover the costs for the goods and the delivery. The amount of the internal invoice is based on the gross sales order price. SHP1 invoices S1 for freight costs. The freight costs are based on the actual costs.

1 Enterprise modeling

The following enterprise building blocks are implemented in logistical company X:

- a The German division of organization X is defined as *enterprise unit* X-GER.
 - b Enterprise unit X-GER is linked to financial company XF1.
 - c Sales office S1 is defined as an *entity* and is linked to enterprise unit X-GER.
 - d The Dutch distribution center of organization X is defined as enterprise unit X-NL.
 - e Enterprise unit X-NL is linked to financial company XF2.
- The German and the Dutch enterprise units are linked to different *financial companies* to keep separate accounts.
- f Warehouse W1 and shipping office SHP1 are defined as *entities* and are linked to enterprise unit X-NL.

2 Freight

In the Warehouses by Shipping Office (fmfmd0185m000) session in Freight, warehouse W1 is linked to shipping office SHP1.

This is to accomplish that freight orders involving warehouse W1 are grouped into loads and shipments with W1 as the ship-from entity.

3 Intercompany trade agreements

In the Intercompany Trade Agreement (tcitr1600m000) session, these intercompany trade agreements are set up:

a EMDS-1

- The **Internal Invoice** check box is selected.
- Applicable intercompany trade scenario **External Material Delivery Sales**.
- Price origin **Sales Order Price (Gross)**, with a 5% markdown. This means that the sales office receives 5% of the revenue.

b FRGT-1

- The **Internal Invoice** check box is selected.
- Applicable intercompany trade scenario **Freight**
- Price origin **Cost-Plus**, with a 3% markup.

4 Internal Freight responsibilities

In the **Internal Freight Responsibilities (tcitr2130m000)** session, the following relationship is specified:

- From warehouse W1 To sales office S1.
- In the **Responsible for Planning** field: to specify that warehouse W1 is responsible for freight planning, **From** is selected.
- In the **Freight Costs Paid By** field: to specify that sales office S1 must pay the freight costs, **to** is selected.

5 Intercompany trade relationships

In the Intercompany Trade Relationship (tcitr2600m000) session, intercompany trade relationship X1 is defined:

- From Enterprise unit X-NL To Enterprise unit X-GER.
Note: To cover a wider range of enterprise units, you can define a trade relationship from and to the financial companies to which the enterprise units X-NL and X-GER belong.
- On the Agreements tab, these scenarios and agreements are selected:
 - *Intercompany trade scenario* **External Material Delivery Sales** and *intercompany trade agreement* EMDS-1.
 - Intercompany trade scenario **Freight** and intercompany trade agreement FRGT-1.

The from-part of the relationship applies to the entities that belong to enterprise unit X-NL. These entities are warehouse W1 and shipping office SHP1. Warehouse W1 represents the from-part for the **External Material Delivery Sales** scenario, and shipping office SHP1 represents the from-part for the **Freight** scenario.

The to- part of the relationship applies to the entities that belong to enterprise unit X-GER. This is entity sales office S1.

If an intercompany trade relationship is defined, LN creates internal cost and revenue transactions. For the from-part, LN registers costs incurred on behalf of the to-part. For the to-part, LN registers these costs as payable costs, because the to-part is indebted to the from-part.

According to trade agreement EMDS-1, LN registers these costs if based on external sales orders. The amounts are based on the gross sales order price.

According to trade agreement FRGT-1, LN registers these costs if based on freight orders. The amounts are based on the actual freight costs.

The to-part of the relationship is invoiced for these costs, because internal invoicing is specified in both trade agreements.

Chapter 3: Adopt Cost Selling Structure

Adopt selling cost structure

In large enterprises, various organizational entities can be involved in fulfilling an order or project for an external customer. For example, location A delivers subassemblies to location B, who use the subassemblies to produce an end item that is sold to the external customer. Internally, location A is the selling entity and location B is the buying entity.

For more insight into the costs of the item, the buying entity can adopt the *cost component* structure of the item or project of the selling entity. In the previous example, location B can adopt the cost structure of the subassemblies that location B buys from location A. Also, a specific cost component can be defined on which to book the intercompany trade profit margin of the selling entity.

Adopting the selling cost structure not only provides the buying entity with a detailed view of the costs, but higher management can also use this information for various types of analyses. For example, to analyze cost and profit margins for groups of business units involved in sales to particular customers or regions.

Supported scenarios and originating business objects

Adopting the selling cost structure and specifying a margin cost component is supported for most combinations of *intercompany trade scenario* and originating *business object*.

Process

Adopting the selling cost structure and specifying a margin cost component is done for the applicable *intercompany trade order*.

When the *intercompany trade order* is created, the values from the applicable *intercompany trade agreement* are defaulted to the Adopt Selling Cost Structure check box and the Margin Cost Component field of the intercompany trade order. You can modify these default settings if the order status is **Open** or **Ready for Process**.

The Adopt Selling Cost Structure check box and the Margin Cost Component field are available in these sessions:

- Intercompany Trade Orders (tcitr3100m000)
- Intercompany Trade Orders - Purchase (tcitr3100m300)
- Intercompany Trade Order (tcitr3100s000)
- Intercompany Trade Order - Purchase (tcitr3100s300)
- Intercompany Trade Order (tcitr3600m000)
- Intercompany Trade Order - Purchase (tcitr3600m300)

When the transaction lines are created, the cost component structure of the selling entity is adopted by the buying entity. The adopted cost structure is displayed in various sessions, such as:

- Sales Order Actual Delivery Line COS (tdsls4109m000)
- Inventory Receipt Transaction - Cost Details (whina1513m000)
- Integration Transactions (tfgld4582m000)

Setup

- 1 To use this functionality, select or clear the **Adopt Selling Cost Structure** check box in the Intercompany Trade Parameters (tcitr0100m000) session. This setting is defaulted to the Adopt Selling Cost Structure check box of the Intercompany Trade Agreements (tcitr1100m000) session.
- 2 For the applicable *intercompany trade agreements*, in the Intercompany Trade Agreements (tcitr1100m000) session:
 - Select the Adopt Selling Cost Structure check box.
 - Optionally, specify a profit margin cost component in the Margin Cost Component field.

Note:

The requirements for adopting the selling cost structure may differ for particular groups of entities or regions. To meet these requirements, different *intercompany trade relationships* can be required.

For example, if adopting the selling cost structure is required for *intercompany trade agreement X* between entity A and entity B, but not between entity A and the entities in region C, you must define different relationships and specify the required setting for adopting the cost structure for each relationship.

Supported scenarios and originating business objects

Adopting the selling cost structure and specifying a margin cost component is supported for most combinations of *intercompany trade scenario* and originating *business object*.

This functionality is not supported for these *intercompany trade scenarios*:

- **Freight**
- **Subcontracting Depot Repair**

External material delivery sales

Supported for sales orders, sales schedules and contract deliverables.

For sales orders, the selling cost component structure of the warehouse is used. The COGS listed on the sales order include the cost components and the intercompany margin of the shipping warehouse.

Not allowed for service orders, maintenance sales orders, or customer claims.

External material direct delivery

Supported for sales orders.

Not allowed for service orders.

For sales orders, the selling cost component structure of the purchase order is used. The COGS listed on the sales order include the cost components of the purchase order and the intercompany margin of the purchase office.

Internal material delivery

Supported, except for items linked to a project in Project.

For warehouse transfer receipts, the selling cost component structure of the shipping warehouse is used. The COGS listed on the warehouse transfer include the cost components and the intercompany margin of the shipping warehouse.

Labor

Supported for:

- Production orders
- Assembly lines
- Projects created in the Project Control module
- General hours lines from People

For assembly lines, the cost component is converted to the effective line structure.

If you select the **Adopt Selling Cost Structure** check box for the intercompany trade order, selecting a margin cost component is not mandatory.

Not allowed for service orders, maintenance work orders, or projects from the Project package.

Expenses

Supported for general expense lines from People.

An expense has only one cost component. The costs are booked on this cost component and the internal margin is added to or subtracted from these costs.

Not allowed for projects from the Project package.

PCS delivery

Supported.

WIP transfer

Supported.

The intercompany transactions are performed at actual costs. Therefore, there is no intercompany trade margin and margin cost components cannot be specified.

Adopt selling cost structure - examples

Location A manufactures subassembly 1001 and sells it to location B. Subassembly 1001 is transferred in a warehouse transfer to location B. The *intercompany trade scenario* is **Internal Material Delivery**. Location B uses subassembly 1001 to manufacture end item 1101, which is to be sold to an external customer. The table displays the total costs, the cost structure, the total revenue and the intercompany trade profit margin for location A.

Location A	Subassembly 1001	Cost component	Amount EUR
	Material	MATX	100
	Operations	OPSX	200
	Surcharges	SURX	50
	Total COGS		350
	Revenue		500
	Intercompany trade profit margin	ITMRX	150

The transfer price is EUR 500, which includes the profit margin of EUR 150 for location A. In the following table, the cost component structure of subassembly 1001 is not adopted by location B.

Location B	Subassembly 1001	Cost component	Amount EUR
	Material 1001	MAT	500

If location B adopts the cost structure from location A, a more detailed cost breakdown is displayed for subassembly 1001. In the following table, the intercompany margin cost component ITMRX is specified. ITMRX is part of the effective cost component structure of subassembly 1001:

Location B	Cost component type		Amount EUR
Subassembly 1001	Material	MATX	100
	Operations	OPSX	200
	Surcharges	SURX	50
	Intercompany trade profit margin	ITMRX	150

In the following table, ITMRX does not belong to the effective cost component structure of subassembly 1001. ITMRX is of cost component type **Material Costs**. Consequently, the amount of the intercompany trade margin is aggregated to cost component MATX:

Location B	Cost component type	Cost component	Amount EUR
Subassembly 1001	Material	MATX	250
	Operations	OPSX	200
	Surcharges	SURX	50

In the following table, ITMRX does not belong to the effective cost component structure of subassembly 1001. ITMRX is of cost component type **Obsolete**. Consequently, the amount of the intercompany trade margin is aggregated in cost component SURX:

Location B	Cost component type	Cost component	Amount EUR
Subassembly 1001	Material	MATX	100
	Operations	OPSX	200
	Surcharges	SURX	200

Specifying a margin cost component

When you select the **Adopt Selling Cost Structure** check box for an *intercompany trade agreement* or an *intercompany trade order*, selecting a *cost component* on which to book the intercompany trade profit margin of the selling entity is mandatory or optional, based on:

- The applicable *intercompany trade scenario* if you are working in the Intercompany Trade Agreements (tcitr1100m000) session.
- The combination of *intercompany trade scenario* and originating *business object* if you are working in one of the intercompany trade order sessions.

If the selected margin cost component is part of the effective cost component structure of the item or assembly line, the intercompany trade margin is booked to the margin cost component.

If the margin cost component is not part of the effective cost component structure of the item or assembly line, the intercompany trade margin is added to or subtracted from the amount of the cost component whose cost component type is identical.

If for a labor line of a production order no margin cost component is specified and the labor cost components have the same cost component type, the intercompany trade profit margin is divided proportionately among the cost components:

Operation	Operation costs	Cost component type	Cost component	Amount EUR
OPS1	100	Operations	OPS1	100
OPS2	50	Operations	OPS2	50

If the intercompany trade profit margin is 30, the margin is apportioned as follows:

Operation	Operation costs	Cost component type	Cost component	Amount EUR
OPS1	100	Operations	OPS1	120
OPS2	50	Operations	OPS2	60

Chapter 4: Intercompany Trade Scenarios

Intercompany trade scenario External material delivery sales

The ownership of the goods changes from an internal financial entity to an external business partner (or affiliated company) based on an order of another internal financial entity, which invoices the external customer.

Example

Sales office S1 and warehouse W1 are part of organization A, but are located in different countries. To fulfill a sales order to an external customer, S1 instructs W1 to deliver the goods to the customer. W1 sends an internal invoice to S1 to cover the costs for the goods and the delivery.

On the intercompany trade order, W1 is the selling entity and S1 is the buying entity.

Business processes

The **External Material Delivery Sales** scenario is used for these business processes:

- Sales process
 - A sales order with a delivering warehouse. In case of returns, credit notes are created.
 - A sales schedule with a delivering warehouse.
 - A sales order with a delivering work center (for *FAS items*).
- Service process
 - A service order with a delivering warehouse. In case of returns, credit notes are created.
 - A maintenance sales order with a delivering warehouse on a part delivery line. On a part receipt line, a credit note is created.
 - A customer claim with a delivering warehouse.
- Project
 - A project contract delivery with a delivering warehouse. In case of returns, credit notes are created.

In this scenario, the intercompany trade order is created when the originating order lines are created. The transaction lines are created when a delivery is made for the originating order. For more information, refer to Intercompany trade orders

Supported price origins

- **Cost-Plus**

- **Commercial Price**
- **Sales Order Price (Gross)**
- **Sales Order Price (Net)**
- **Sales Order Customs Value**
- **Profit Split (Gross)**
- **Profit Split (Net)**

Deliveries from work center instead of warehouse

Deliveries of *FAS items* for sales order lines can be made straight from the work center instead of a warehouse. In such cases, the From Entity field on the intercompany trade order displays the work center from which the delivery is made. On the shipment of the related warehousing order, the Ship-from Type field displays the issuing work center instead of a warehouse.

Intercompany trade if part loan changes into part delivery

Part loan deliveries for maintenance service orders are not regarded as intercompany trade. Nevertheless the application creates an intercompany trade order for a part loan line, because the part loan can change into a part delivery. A part loan changes into a part delivery if the customer does not return the loaned item. If an intercompany trade relation is present for the entities involved in the part delivery, this is an intercompany trade transaction.

If an intercompany trade order is created from a part loan line, the Part Loan check box is selected in the Intercompany Trade Orders (tcitr3100m000) session.

Before converting the part loan delivery to a part delivery, the user must approve the intercompany trade order if approval is specified for the applicable intercompany trade agreement. After the conversion, the application creates transaction lines for the intercompany trade order.

If the maintenance sales order is closed and the part loan lines are not converted to part deliveries, the relevant intercompany trade orders are cancelled.

BOM items and kit items

If the originating sales order line lists a *bill of material (BOM)* item, a parent intercompany trade order is created for the main item, and a child order is created for each of the *bill of material (BOM)* component items. If the price origin of the *intercompany trade agreement* is **Commercial Price**, the price is determined according to the setting of the Commercial Price in case of BOM Lines field in the Intercompany Trade Parameters (tcitr0100m000) session. You can change this setting on the intercompany trade order.

Similarly, if the price origin is **Sales Order Price (Gross)** or **Sales Order Price (Net)** for kit items, the sales price is apportioned to the component items.

Intercompany trade scenario External material delivery purchase

The ownership of the goods changes from an external supplier (which can be an affiliated company) to an internal financial entity based on an order of another internal financial entity, which is invoiced by the external supplier.

Example

A multinational organization has a central purchase office that buys materials for its production plants located in various countries. The purchase office buys the materials from external suppliers. The production plants are modeled as separate financial entities. The purchase office charges the production plants internally for the costs it made.

To charge the production plants, the central purchase office sends intercompany trade orders to the production plants. The charges can be based on various pricing rules, such as the purchase price paid to the external supplier.

On the intercompany trade order, the purchase office is the selling entity and the production plants are the buying entities.

Business processes

The **External (Material) Delivery Purchase** scenario is used for these business processes:

- **Purchase process**
A purchase order or purchase schedule with a receiving warehouse belonging to a different entity. The receipts can include:
 - Purchased items
 - Subcontracted items or subassemblies with or without material flow
- **Assembly Control**
A receipt for an *assembly line* from an assembly line belonging to a different *logistic company*. The receipt is based on a purchase order.
- **Job Shop Control process**
A receipt for a purchase order created for a **Production Order** WIP. The receipt includes *subcontracted service* items without material flow.
- **Service process**
Receipts of subcontracted items for a purchase order based on:
 - A service order WIP
 - A maintenance sales order WIP
- **Supplier Claim**
Receipts, returns excluded.
- **Project**
A project receipt for a purchase order

In this scenario, the intercompany trade orders are generated when the originating purchase order lines, purchase schedule lines, or the supplier claim receipt lines are created. The transaction lines are created when the receipt is completed. See Intercompany trade orders

Supported price origins

- **Cost-Plus**
- **Commercial Price**
- **Purchase Order Price (Gross)**
- **Purchase Order Price (Net)**

Intercompany trade scenario Project (PCS) Delivery

Invoicing between a project calculation office and a warehouse or other departments.

The *cost of goods sold (COGS)* of a Project Control project can be posted to the entities involved in the project. If an *intercompany trade relationship* is defined for the project calculation office and the responsible departments involved, an *intercompany trade order* and, if specified, an internal invoice is created for the calculation office and the responsible department.

In this scenario, the originating business object is a **PCS Project**. The intercompany trade order is created when the COGS details are saved in the Project COGS Distribution (tipcs3110m000) session, provided that an intercompany trade relation is present for the project office and the responsible department involved.

Related orders are not present in this scenario. The transaction lines are created when the project is closed.

Supported price origin: **Cost-Plus**

Intercompany trade scenario WIP Transfer

In case of *WIP transfers*, work in progress is transferred from one work center to another work center. Each work center is defined as an *entity*. Each entity belongs to a different internal financial entity. The shipping work center invoices the receiving work center, because ownership changes directly from one internal financial entity to another internal financial entity. Supported price origin: **Cost-Plus** (without markup).

For the intercompany trade order, the shipping work center is the selling entity and the receiving *work center* is the buying entity.

Business process

The **WIP Transfer** scenario is used in production processes:

- Job Shop Control production orders involving two operations related to work centers belonging to different financial entities.

- Assembly Control assembly orders involving two assembly lines related to work centers belonging to different financial entities.

In this scenario, invoicing or revenue and cost postings are based on actual costs. This cannot be modified.

Job Shop Control

A production order includes multiple *operations* carried out by different work centers. The production order is linked to a *calculation office*. The **WIP Transfer** scenario is applicable if an *intercompany trade relationship* is present between:

- The work centers linked to two successive operations in the production process
- The work center of the last operation and the calculation office of the production order

When an operation or an entire production order is reported complete, an *intercompany trade order* and the linked transaction lines are generated. The originating order is the warehousing order of transaction type **WIP Transfer** that transfers the semifinished goods or completed products between the work centers. In this scenario, related orders are not present.

In the **Intercompany Trade Order Transaction Lines (tcitr3110m000)** session, the production order is the purchase business object.

Assembly Control

In an assembly structure, assembly lines can be linked to different calculation offices represented by work centers. If an *intercompany trade relationship* is present between the work centers, the **WIP Transfer** scenario is applicable. The process to create the intercompany trade order and the transaction lines is similar to that of Job Shop Control. The warehousing **WIP Transfer** order is the originating order.

Intercompany trade scenario External material direct delivery

The ownership of the goods changes from one external legal entity to an external business partner based on two orders, for example a sales order and a purchase order, from different internal legal entities.

Example

To fulfill a sales order for an external customer, sales office A instructs purchase office A1 to purchase goods from an external supplier. The supplier delivers the goods directly to the external customer. Sales office A invoices the external customer. The external supplier invoices purchase office A1. To be compensated for the costs incurred, purchase office A1 sends an internal invoice to sales office A.

On the intercompany trade order, purchase office A1 is the selling entity and sales office A is the buying entity.

Business processes

The **External Material Direct Delivery** scenario is used in sales and service processes in which the goods are delivered directly from an external supplier to the external customer:

- Sales process
Sales order for which the deliveries are made from the buy-from business partner of the related purchase order.
- Service process
Service order for which the deliveries are made from the buy-from business partner of the related purchase order.

In this scenario, the originating order is a direct delivery sales or service order and the related order is the purchase order that registers the items to be delivered directly from the buy-from business partner to the customer.

The intercompany trade order is created when the purchase order related to the originating sales or service order is created, provided that an intercompany trade relation and the applicable scenario are defined for the sales office of the sales or service order and the purchase office of the related order. The transaction lines are created when a receipt is specified for the related purchase order.

Note: If approval is required, you must approve the intercompany trade order to complete the administrative receipt for the purchase order. The actual receipt at the customer's is a separate process that is not affected by the approval process of the intercompany trade order.

Supported price origins

- **Cost-Plus**
- **Commercial Price**
- **Sales Order Price (Gross)**
- **Sales Order Price (Net)**
- **Sales Order Customs Value**
- **Purchase Order Price (Gross)**
- **Purchase Order Price (Net)**
- **Profit Split (Gross)**
- **Profit Split (Net)**

Intercompany trade scenario Internal material delivery

Goods and the related ownership are transferred from one internal financial entity to another internal financial entity. For example, a warehouse transfer in which goods are transferred from one warehouse to another. Both warehouses are defined as *entities*. In this scenario, the shipping entity incurs costs on behalf of the receiving entity, or invoices the receiving entity.

Business processes

The **Internal Material Delivery** scenario is used in warehouse transfers.

In this scenario, the originating order is a *transfer order*. The intercompany trade order is created when the transfer order is created. There is no separate related order. For the intercompany trade order, the Related Business Object field is blank.

The transaction lines are created when the shipments of the outbound order lines of the transfer order are created. At this point, the issuing, or selling, warehouse can invoice the receiving warehouse. In this scenario, on the intercompany trade order the issuing warehouse is the selling organization and the receiving warehouse is the buying organization.

For one shipment from the issuing warehouse, multiple receipts can be generated in the receiving warehouse. Therefore, multiple receipts can exist on a transaction line.

Multicompany warehouse transfers

For multicompany warehouse transfers, two warehouse transfer orders are created. One in the company of the issuing warehouse, and the other in the company of the receiving warehouse. The transfer order of the issuing warehouse is the originating order of the intercompany trade order and the transfer order for the receiving company is the related order.

Child orders in subcontracting depot repair scenario

The **Internal Material Delivery** scenario is also used as **Time and Material** subscenarios in subcontracting depot repair scenarios involving child orders. For more information, refer to Subcontracting depot repair for intercompany trade - process and setup.

Supported price origins

- **Cost-Plus**
- **Commercial Price**

Intercompany trade scenario Freight - process and setup

Freight costs are invoiced by a *shipping office* to a warehouse, sales office, or other department.

If a freight order is created for an order, such as a sales order, transfer order, or purchase order, the shipping office pays the freight costs. If specified, to be compensated for the freight costs the shipping office sends an internal invoice to the sales office, warehouse or purchase office on whose behalf the freight costs are incurred. The shipping office and the other departments are defined as *entities*.

In this scenario, a shipping office is the selling entity and a warehouse, sales office or other department is the buying entity on the intercompany trade order.

The originating order is a freight order. When the freight order is created, the application checks the *entity* responsible for freight planning and the entity that must pay the freight costs. If an *intercompany trade relation* is defined between the shipping office that incurs the freight costs and the entity that must pay the freight costs, an intercompany trade order is created. The transaction lines are created when deliveries are made for the freight orders. In the **Freight** scenario, related orders are not defined.

Internal Freight setup

To use the **Freight** scenario, some specific setup is required. This entails defining:

- The entities responsible for freight planning
- The entities that must pay the freight costs
- An *intercompany trade agreement*, transfer pricing rules, and an *intercompany trade relation*.

The entities responsible for freight planning

If an order requires transportation, one of the entities involved in the fulfillment of the order is responsible for freight planning. For example, for a warehouse transfer, two warehouses are involved.

In the Responsible for Planning field of the Internal Freight Responsibilities (tcitr2130m000) session, you can specify which of the entities (warehouses in the previous example) is responsible for freight planning.

In Freight, shipping offices are linked to warehouses and - through the originating order types - to other entities.

When the freight order creation process is started, the *shipping office* linked to the entity responsible for planning is used to create freight orders, shipments, and loads in Freight.

If an order requires transportation, and a single warehouse is involved, this warehouse is responsible for freight planning in Freight. For example, this applies to a sales order in which a warehouse and a sales office are involved. In this situation, no further setup is required.

However, for warehouse transfers two warehouses are involved and for direct delivery, no warehouse is involved. By default, in these situations the from-entity is responsible for freight planning. For warehouse transfers, the from-entity is the issuing warehouse. For direct delivery, this is the purchase office. If this default setup is not required, you must specify the responsible to-entity in the Internal Freight Responsibilities (tcitr2130m000) session.

The entities that must pay the freight costs

If a warehouse and a *department* are involved in an order that requires transportation, by default, the department must pay the freight costs. For warehouse transfers, the issuing warehouse must pay by default, and for direct delivery this is the purchase office. If this default setup is not required, you must specify the responsible to-entity in the Freight Costs Paid By field of the Internal Freight Responsibilities (tcitr2130m000) session.

Intercompany trade agreement, transfer pricing rules, and trade relationship

You must also define an *intercompany trade relation* with intercompany trade scenario **Freight** in the Intercompany Trade Relationship (tcitr2600m000) session. In this relationship, the from-part is the shipping office that sends the freight invoice, and the to-part is the party that pays the freight costs. This is the default party described in the previous section or the party that you select in the Freight Costs Paid By field of the **Internal Freight Responsibilities (tcitr2130m000)** session.

Supported price origins

- **Cost-Plus**
- **Commercial Price**

Internal and external freight invoicing

In the Freight Invoicing module, freight invoices can be created for both internal and external business partners.

External business partners are the customers or suppliers on whose behalf the transportation costs are incurred. Business partners are maintained in Common. Suppliers and customers are maintained as buy-from business partners and sold-to business partners. Invoices are sent to the invoice-to business partners of the sold-to and buy-from business partners.

Internal business partners are departments in larger organizations that can be invoiced internally. In large organizations, the shipping office arranges transportation on behalf of internal business partners such as:

- *sales offices*
- *purchase offices*
- *service departments*
- *warehouses*

The shipping office receives the invoice from the carrier. In turn, the shipping office invoices the sales office, the warehouse, the service department, or the purchase office internally to be compensated for the carrier charges incurred.

In Common, shipping offices, service departments, sales offices, and purchase offices are maintained as *departments*. To enable invoices to be created for the internal business partners related to the departments, relations must be defined between the departments. Relationships are defined in the Intercompany Trade module of Common.

To create an internal invoicing relationship between two departments, two relationships must be defined.

The first relationship indicates whether the from-entity (department) or the to-entity is responsible for paying the transportation costs. This relationship is defined in the Internal Freight Responsibilities (tcitr2130m000) session.

The second relationship is between the shipping office and the responsible entity of the first relationship. The shipping office in this relation is the shipping office linked to the responsible entity of the first relationship. This relationship is defined in the Intercompany Trade Relationship (tcitr2600m000) session.

In Freight, shipping offices are linked to warehouses and - through the originating order types - to other entities.

If the responsible entity of the first relationship is also responsible in the second relationship, an internal invoice must be created.

Example

Relationship 1 Internal Freight Responsibilities (tcitr2130m000)

From-entity	To-entity	Responsible entity
Warehouse	Sales office	Sales office

Relationship 2 Intercompany Trade Relationship (tcitr2600m000)

From-entity	To-entity	Responsible entity
Shipping office	Sales office	Sales office

The responsible entity in relationships 1 and 2 is the entity that pays for the freight costs, which is the entity to which the internal invoice is sent.

Subcontracting depot repair for intercompany trade - process and setup

Operations or activities are carried out by one financial entity on behalf of another financial entity and costs are incurred, for example, material or labor, for these operations or activities.

Work center WCA1 and Service Department SDA2 are entities of organization A. Work center WCA1 belongs to financial company FA1 and Service Department SDA2 belongs to financial company FA2. Both financial companies are also part of organization A.

To fulfill a maintenance sales order for an external customer, Service Department SDA2 instructs Work center WCA1 to carry out some repairs for item R1 on behalf of the external customer. SDA2 invoices the external customer. As compensation for the costs incurred, WCA1 invoices SDA2 for materials and labor at actual costs.

Business process

This scenario applies to maintenance sales orders, and uses a parent and one or more child intercompany trade orders. On the parent order, WCA1 is the selling entity and SDA2 is the buying entity. The parent order also displays the main item, the overall price origin, and the total *cost of goods sold (COGS)* and revenues of the child orders.

A child intercompany trade order displays a repair item, labor costs, or hours booked by a service engineer. If different items are used to repair a main item, a child order is created for each repair item.

Multiple issues for the same repair item can be combined in one child order. Labor bookings from different engineers can be combined in a child order if these attributes match:

- **Work Order**
- **Labor Line**
- **Activity Line**
- **Reference Activity**
- **Task**
- **Cost Component**
- **Labor Type Cost**
- **Labor Rate Code**

The related work order displays the responsible work center and overall information such as the item to be repaired. The work order is linked to various resource lines such as material resource lines, or hours accounting lines.

When the related work order is saved, the parent intercompany trade order is created. The child intercompany trade orders are created when the work order lines are saved.

The transaction lines are created when the related work order is closed. To close the work order, the selling and buying parts of the parent and child intercompany trade orders must be approved.

Child orders in subcontracting depot repair scenario

In subcontracting depot repair scenarios with price origin time and material, the items - materials - used to repair the main item can be invoiced by the work center to the service department. This is displayed on child intercompany trade orders. For these child orders, the scenario is **Internal Material Delivery**.

Supported price origins

- **Time and Material**
- **Commercial Price**

For the subscenarios **Labor** and **Internal Material Delivery**, the price origins are:

Supported price origins

- **Cost-Plus**
- **Commercial Price**

For the subscenario **Other**, the price origins are:

Supported price origins

- **Cost-Plus**
- **Zero Price**

Setup

- 1 Work center WCA1 and Service Department SDA2 are both defined as *entities* of organization A.
- 2 In the Intercompany Trade Agreement (tcitr1600m000) session, intercompany trade agreement SDR-A1 is set up with these settings:
 - Intercompany trade scenario **Subcontracting Depot Repair**.
 - Price origin **Time and Material**
- 3 To invoice labor and expenses, in the Intercompany Trade Agreement - Transfer Pricing Rules (tcitr1605m000) session, the **Labor** subscenario is selected.
- 4 For subscenario **Labor**, price origin **Cost-Plus** is selected in the Intercompany Trade Agreement - Time and Material (tcitr1610m000) session.
- 5 In the Intercompany Trade Relationship (tcitr2600m000) session, intercompany trade relationship A1 is defined:
 - From Entity WCA1 To Entity SDA2.

To cover a wider range of entities, you can define a trade relationship from and to the enterprise units or financial companies to which the entities WCA1 and SDA2 belong.

- On the Agreements tab, *intercompany trade scenario* **Subcontracting Depot Repair** and *intercompany trade agreement* SDR-A1 is selected.

Intercompany trade scenario Labor

The *intercompany trade scenario* **Labor** is used to determine the intercompany trade amount that the department of the employee who books the hours charges internally to the department on whose behalf the hours are booked.

This scenario is also used as a **Time and Material** subscenario of the **Subcontracting Depot Repair scenario**.

Hours are booked in these sessions:

- General Hours (bptmm1111m200)
- Project Hours (bptmm1111m000)
- Production Order Hours (bptmm1120m000)
- Service Order Hours (bptmm1130m000)
- Work Order Hours (bptmm1140m000)
- Assembly Hours (bptmm1160m000)
- Project (PCS) Hours (bptmm1170m000)

These price origins are available to determine the internal amounts for hours:

Supported price origins

- **Cost-Plus**
- **Commercial Price**

Cost-Plus

The cost plus amount is based on the *actual costs* of the hours specified in the hours related sessions in People. You can add a markup percentage to this amount in the Intercompany Trade Agreement (tcitr1600m000) session.

Note: For intercompany trade orders originating from service orders or work orders, the markup percentage is determined by the setting of the Cover Overhead Costs in Employee Department check box in the People Parameters (bpmdm0100m000) session. If this check box is selected, the markup percentage is based on the *labor rate* and the service overhead rate specified for the labor rate applicable to the employee. These rates are determined in the Labor Rate Code - Rates (tcppl0191m000) or Specific Labor Rates (tcppl0192m000) sessions.

Commercial Price

The commercial price for the hours spent on a project or an order by an employee is determined by the intercompany rate specified for the *labor rate* applicable to the employee.

Additionally, you can add an intercompany rate surcharge to internally book special rates for activities such as overtime, travel time, or training time. An intercompany rate surcharge is added to a *labor type* in the Labor Type - Surcharges (tcppl0131m000) session.

Example

An employee from another department is hired at USD 40 per hour for normal time and USD 50 for overtime. For overtime, an intercompany rate surcharge of 25% is specified to compensate the employee's department.

Labor rates

Labor rates (that include the intercompany rates) can be added to an *employee*, an *employee's department* or *trade group* in these sessions:

- Employees - General (tccom0101m000)
- Departments (tcmcs0565m000)
- Employees - Project (tppdm8101m000)
- Trade Groups (tppdm0530m000)

To determine which of these labor rates is used to determine the intercompany rate for the current *intercompany trade relationship* and *intercompany trade scenario*, you can set the priority in the Search Path field of the Intercompany Trade Agreements (tcitr1100m000) session.

Intercompany rates for labor rates are specified in the Intercompany Rate field of the Labor Rate Code - Rates (tcppl0191m000) session.

Intercompany trade scenario Expenses

The *intercompany trade scenario Expenses* is used to determine the intercompany trade amount that the department of the employee who made the expenses charges internally to the department on whose behalf the expenses are made.

Expenses are booked in these sessions:

- General Expenses (bptmm1111m300)
- Project Expenses (bptmm1111m100)

These price origins are available to determine the internal expense amounts:

Supported price origins

- **Cost-Plus**
- **Commercial Price**
- **Zero Price**

Cost-Plus

The cost plus amount is based on the amount specified in the **Expense Amount** field of the General Expenses (bptmm1111m300) or the Project Expenses (bptmm1111m100) session. You can add a percentage to this amount.

Commercial Price

For general expenses, the commercial price is determined by the intercompany price of the **General Expense** code specified for the employee in the **Expense** field of the **General Expenses (bptmm1111m300)** session. Intercompany prices for general expense codes are specified in the Intercompany Price field of the **General Expense Types (bpmdm0155m000)** session.

To book project expenses, various types of expenses are available. These are grouped by cost type. For each type of expense, you can specify an intercompany price or intercompany rate that determines the commercial price:

Cost Type	Type of expense	Intercompany price or rate	Defined in session
Labor			
	Task	Intercompany Rate	Task (tppdm0615m000)
	Labor	Intercompany Rate	Project Task (tppdm6615m000)
Sundry Costs			
	Sundry Cost	Intercompany Price	Sundry Cost (tppdm0114s000)
	Sundry Cost	Intercompany Price	Project Sundry Cost (tppdm6114s000)

Zero Price

The value 0 (zero) is used for an internal invoice, because the costs are considered to be part of another invoice line, for example, the surcharge for labor or material.

The employees can book expenses to be compensated for the costs, but the expenses are not internally charged to the department on whose behalf these costs were incurred.

Subscenarios for Subcontracting depot repair

For *intercompany trade scenarios* of type **Subcontracting Depot Repair**, you must specify the price origins **Time and Material** or **Commercial Price**. For the specified price origin, you must specify one or more of these time and material subscenarios:

- **Internal Material Delivery**
- **Labor**
- **Other**

To specify a price origin and a time and material subscenario:

- 1** Select a price origin as described in step 4 in To set up intercompany trade.
- 2** Double-click the selected price origin to start the Intercompany Trade Agreement - Transfer Pricing Rules (tcitr1605m000) session.
- 3** Double-click a subscenario to start the Intercompany Trade Agreement - Time and Material (tcitr1610m000) session.
- 4** Select a price origin for the selected subscenario.
- 5** Repeat steps 1-4 as required.

Chapter 5: Intercompany Trade Orders

Intercompany trade orders

An *intercompany trade order* is created from an originating *business object* such as:

- A sales order
- A service order
- A warehouse transfer
- A project
- The hours registration of an employee

The intercompany trade order is created when the order lines or project lines of the originating business object are created, provided that an *intercompany trade relationship* with an applicable *intercompany trade scenario* is defined for the *entities* related to the originating business object. The application creates an intercompany trade order for each originating business object line.

Transaction lines and related business objects

A transaction line is linked to an intercompany trade order and displays the details of a delivery, service, or other activity performed for the originating business object. The transaction line triggers the creation of the internal cost and revenue transactions, and, if specified, the internal invoice lines.

A transaction line is created when a delivery is made or a service is rendered for the originating business object. In some scenarios, deliveries are created using related business objects, such as warehousing orders or work orders.

Intercompany trade order numbering

The application creates an intercompany trade order for each business object line of an originating business object. Intercompany trade order numbering is based on standard intercompany trade order numbering or user defined order series. For more information, refer to Intercompany trade order numbering.

Parent and child intercompany trade orders

An intercompany trade order provides the overall intercompany trade information that is applicable for the linked transaction lines. In some scenarios, however, part of the information applies only to some of the transaction lines. For example, in a **Subcontracting Depot Repair** scenario, to repair the main item various other items can be used. In such cases, the parent intercompany trade order lists the details of the main item, and the child intercompany trade orders list the details of the repair items.

Applicable intercompany trade scenarios and agreements

An intercompany trade order is created if:

- An intercompany trade relationship is present for the *entities* involved in the fulfillment of an order.
- The intercompany trade relationship includes an intercompany trade scenario that corresponds with the business process involving the order.

These settings determine the amounts of the cost and revenue transactions and, if specified, the internal invoice lines. Depending on the settings, you can adjust the transfer pricing rules or the amounts of the intercompany trade order.

Example

Sales office S1 and warehouse W1 are part of organization A, but are located in different countries. To fulfill a sales order to an external customer, S1 instructs W1 to deliver the goods to the customer. W1 sends an internal invoice to S1 to cover the costs for the goods and the delivery.

Approval

Intercompany trade orders can include an approval step. If approval is specified, deliveries are not allowed until the intercompany trade order is approved.

Both the buying and the selling organization must approve the intercompany trade orders. In the intercompany trade process the selling organization is the entity that delivers goods or renders services. The buying organization purchases goods or services.

Approval can be done automatically or manually. For example, you can specify that the selling organization must approve manually and the buying part must approve automatically.

Transaction lines and related business objects

A transaction line is linked to an intercompany trade order and displays the details of a delivery, service, or other activity performed for the originating business object. The transaction line triggers the creation of the internal cost and revenue transactions, and, if specified, the internal invoice lines.

A transaction line is created when a delivery is made or a service is rendered for the originating business object. In some scenarios, deliveries are created using related business objects, such as warehousing orders or work orders.

Related business objects

A delivery or a service is created using a related business object, such as a warehousing order or service order, in these scenarios:

- **External Material Delivery Sales**
- **External Material Direct Delivery**
- **Subcontracting Depot Repair**

- **Internal Material Delivery**

For *warehouse transfers*, for other originating business objects there are no related business objects.

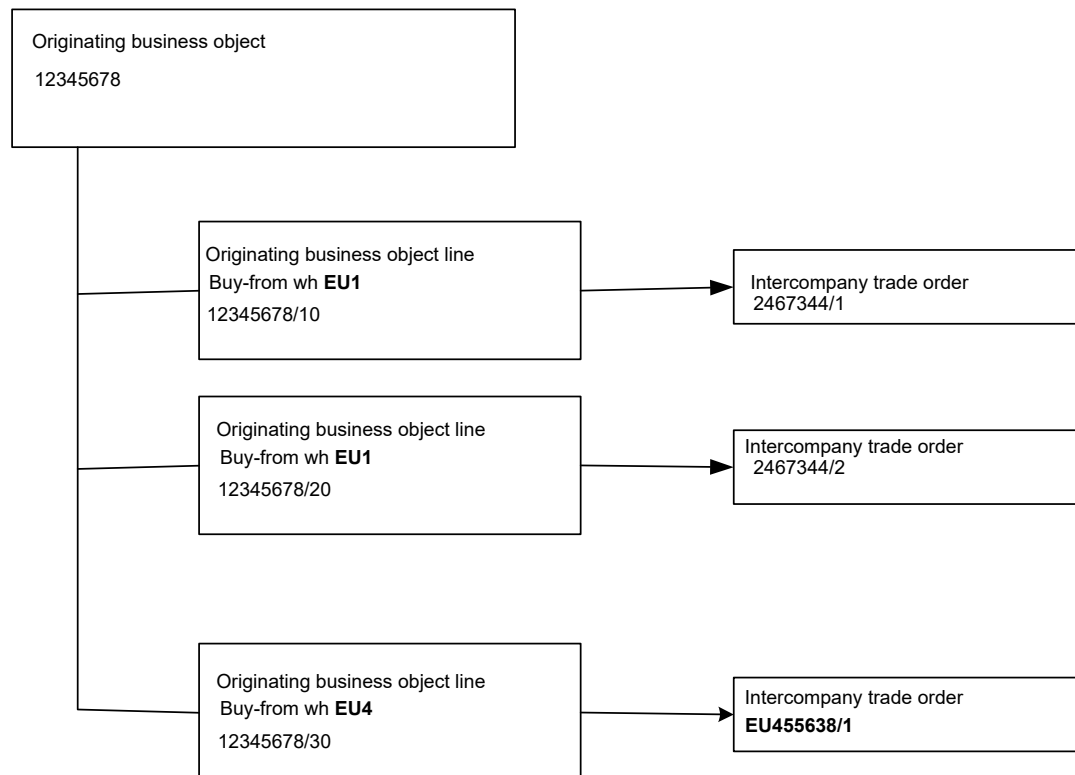
- **Labor**

If hours are booked for an order or a project, the hours booking is the related object. For general hours bookings, there are no related business objects.

- **Expenses**

If expenses are booked for an order or a project, the expense booking is the related object. For general expense bookings, there are no related business objects.

For various types of originating business objects, such as sales orders, or service orders, a transaction line is created when a shipment line is created for the related warehousing order of the originating business object line. This is displayed in the following diagram:



For originating maintenance sales orders in the Subcontracting depot repair for intercompany trade - process and setup scenario, the related business object is a work order. The transaction lines are created when the work order is saved.

For originating business objects in the External material direct delivery scenario, the purchase order used to order the goods from the supplier is the related business object.

For originating business objects in the Labor and Expenses scenarios, the related business objects are the hours and expense entries for the relevant employees in People.

Deliveries or services without related business objects

Deliveries or services are created without related business objects in these scenarios:

- Intercompany trade scenario Freight - process and setup
- Intercompany trade scenario Project (PCS) Delivery
- Intercompany trade scenario WIP Transfer

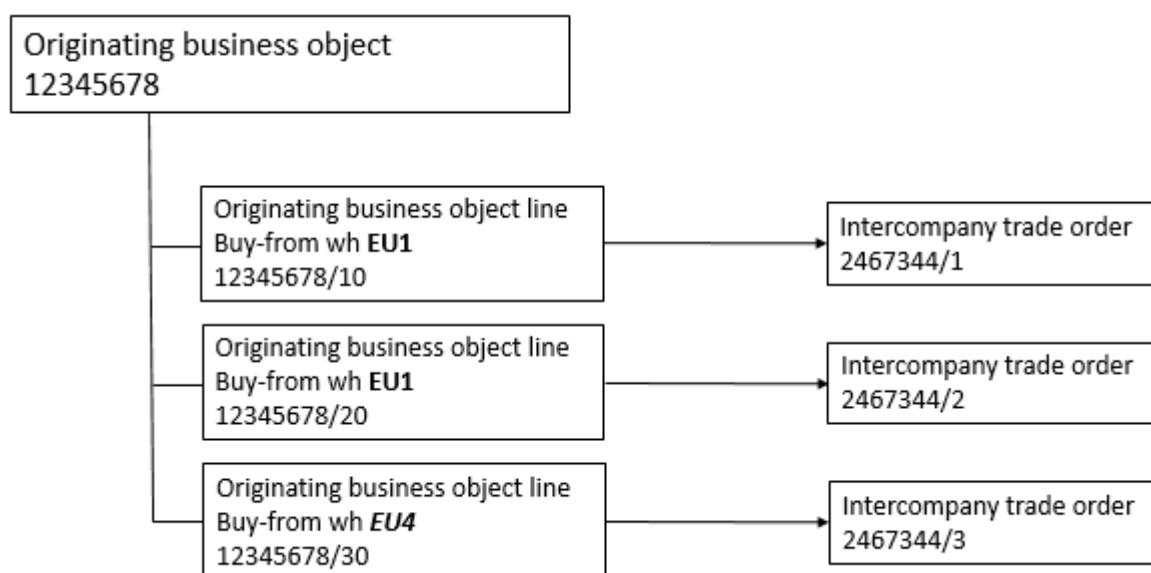
Intercompany trade order numbering

The application creates an intercompany trade order for each business object line of an originating business object. Intercompany trade order numbering is based on standard intercompany trade order numbering or user defined order series.

Standard order numbering

Standard order numbering is used if intercompany trade order series are not defined. If standard order numbering is used, the order numbers of the intercompany trade orders linked to the same originating business object are identical.

For example, if the originating business object is a sales order and the sales order has three order lines, three intercompany trade orders are created and the order numbers of the intercompany trade orders are identical. The **Order Line** field is added to make the intercompany trade order unique:



Intercompany trade order series

To provide more insight into the origin of intercompany trade orders, you can define order series for intercompany trade orders. To each intercompany trade order series, you can add these attributes:

- **User**
- **Scenario**
- **From Enterprise Unit**
- **To Enterprise Unit**

If any of these attributes of an intercompany trade order series match the attributes of an intercompany trade order, the number of the intercompany trade order is based on this series.

For intercompany trade orders whose attributes do not match the attributes defined for an intercompany trade order series, standard order numbering is used.

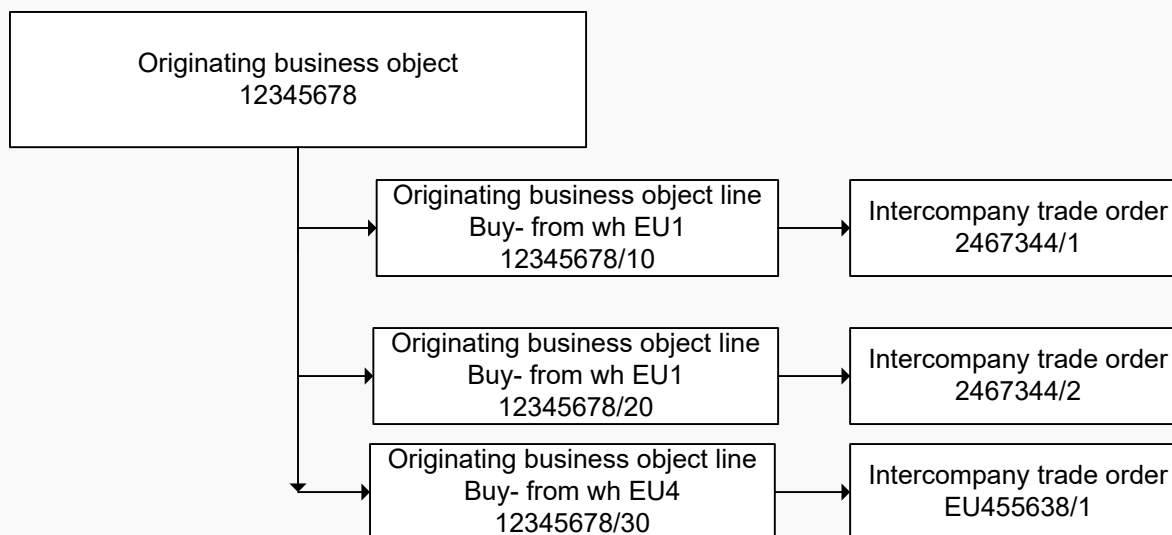
You can specify *series* for intercompany trade orders in the Intercompany Trade Order Series (tcitr0110m000) session.

Example

Buy-from Enterprise unit 4 is added as a selection criterion to intercompany trade order series 001EU4.

In originating business object lines 10 and 20, deliveries are made from a warehouse belonging to enterprise unit 1. Therefore, intercompany trade order series 001EU4 is not applicable. The order numbers of the intercompany trade orders created from these originating business object lines are identical according to the standard order numbering. The position numbers /1 and /2 help distinguish the intercompany trade orders.

In line 30, the delivery is made from a warehouse that belongs to enterprise unit 4. Therefore, intercompany trade order series 001EU4 is used to create intercompany trade order EU455638/1:



For each delivery that is made for an originating business object, a transaction line is created. The **Order Line** field is added to make the transaction line ID unique.

Parent and child intercompany trade orders

An intercompany trade order provides the overall intercompany trade information that is applicable for the linked transaction lines. In some scenarios, however, part of the information applies only to some of the transaction lines. For example, in a **Subcontracting Depot Repair** scenario, to repair the main item various other items can be used. In such cases, the parent intercompany trade order lists the details of the main item, and the child intercompany trade orders list the details of the repair items.

In the Intercompany Trade Orders (tcitr3100m000) session, the Parent Order Line field refers to the parent intercompany-trade order of an intercompany trade order. The child order adopts the order number of the parent order.

Parent and child intercompany trade orders are also used for *bill of material (BOM)* items. A parent intercompany trade order is created for the main item, and a child order is created for each of the *bill of material (BOM)* component items.

Example

Service department SDept1 creates a maintenance sales order for the repair of item A. The repair is carried out by service department SDept2, who invoice SDept1 based on materials used and hours spent. A parent intercompany trade order is created for item A with price origin **Time and Material**.

For the repair of this item, the items B1 and B2 are used and 20 hours are booked. Consequently, these additional child intercompany trade orders are created:

- Item B1
- Item B2
- 20 hours work

On both the parent and the child orders, you can maintain the details. For example, on the child orders you can change the price origin for the repair items B1 and B2, or the rate on which the work hours are based.

Transaction lines are created for both the parent and the child orders.

Intercompany trade price corrections

In various *intercompany trade scenarios*, the intercompany price is sometimes changed after the transaction lines are created. The intercompany price is based on the price of the originating object, such as the external sales price or purchase price.

If the price of the originating object is changed after the transaction lines are created, LN creates a new transaction line. For the new transaction line, the Correction check box is selected in the **Intercompany Trade Order Transaction Lines (tcitr3110m000)** session. The old transaction line is saved as the parent of the new transaction line.

Also, for the new transaction line the Parent Transaction Line field displays the position number of the parent transaction line. The origin of the intercompany price correction is displayed in the Correction Origin field of the **Intercompany Trade Order Transaction Lines (tcitr3110m000)** session.

Example- scenario External Material Delivery Sales

For a sales order, the external sales price is EUR 200. The intercompany price is based on the external sales price, but has a 10% markdown percentage. Therefore, the customer must pay EUR 200 to the sales office, and the sales office must pay EUR 180 (200 - 10%) to the warehouse that delivers the goods to the customer. After shipment, the sales price is reduced to 150. This means that the customer pays only EUR 150, and the sales office owes the warehouse EUR 135 (150 - 10%).

Consequently, these transaction lines are created:

- Transaction line 1 displaying the original intercompany sales price of EUR 180.
- Transaction line 2 displaying the intercompany sales price correction of EUR - 45. For this transaction line, the Correction check box is selected and the Parent Transaction Line field shows the position number of Transaction line 1.

Example- scenario Internal Material Delivery

In this scenario, a correction is made for a transfer order if fewer items are received than shipped. For example, if 10 items are shipped and 8 items are received, there is a shipment variance of two items. Only 8 items can be invoiced.

In the Inventory Handling Parameters (whinh0100m000) session, you can specify whether the issuing or the receiving warehouse is responsible. If the issuing warehouse is responsible, a new child transaction line is created displaying the subtracted value of the two items that were not received.

The intercompany trade-order procedure

1 Adjust and approve

The initial status of an *intercompany trade order* is **Open**. You can change the data of the intercompany trade order, such as the pricing data or the tax data.

If manual approval is specified for the intercompany trade order, both the selling and the buying part of the order must be approved before transaction lines can be created, cost and revenue transactions can be posted, or, if specified, internal invoices can be created and sent.

To approve an individual intercompany trade order, from the *appropriate menu* of the **Intercompany Trade Order (tcitr3600m000)** session or the **Intercompany Trade Order (tcitr3100s000)** session, select:

- **Seller Approve Intercompany Trade Orders** to approve the selling part.
- **Buyer Approve Intercompany Trade Orders** to approve the buying part.

You can also perform approval by batch using the Buyer Approve Intercompany Trade Orders (tcitr3200m100) and the Seller Approve Intercompany Trade Orders (tcitr3200m000) session.

Approval is also supported by a workflow application.

2 Approved - ready for further processing

When both the buying and the selling organization have manually or automatically approved the intercompany trade order, the transaction lines can be created. The order status changes to **Ready for Process**.

You can still change the pricing data of the intercompany trade order. If you do, the status reverts to **Open**. In this case, automatic approval is not allowed.

If workflow is used and, during the approval process, changes are made to the originating business object that affect the intercompany trade order, the intercompany trade order must be recalled from workflow and resubmitted after the required adjustments have been completed.

3 Transaction lines present, posting and invoicing in progress

The status is set to **In Process** if one or more transaction lines are created for the intercompany trade order. Changes to the intercompany trade order are no longer allowed. Cost and revenue transactions, and, if internal invoicing is specified, internal invoices are posted for the transaction lines. The transaction line status shows the progress of this process. See *Intercompany trade transaction lines - procedure*.

4 Posting and invoicing completed, close and remove intercompany trade order

You can close an intercompany trade order if the cost and revenue transactions and, if specified, the invoice lines of the transaction lines are posted, which is indicated by transaction line status **Posted** or **Invoiced**.

Intercompany trade orders are closed manually or batchwise using the **Close Intercompany Trade Orders (tcitr3200m200)** session. The order status is changed to **closed**.

You can remove closed and cancelled intercompany trade orders in the **Remove Intercompany Trade Orders (tcitr3200m300)** session.

Cancel, delete, or change the intercompany trade order

An originating order or order line can be cancelled or deleted, or the to- entity can be changed, before deliveries are made. These activities can be performed before or after the intercompany trade order is approved, so the status can be **Open** or **Ready for Process**.

An intercompany trade order receives the **Cancelled** status if the originating order or order line is:

- Cancelled
- Deleted
- The to-entity of the originating order is changed and no intercompany trade relation is defined for the from- entity and the new to- entity.

If the to- entity of the originating order is changed and there is an intercompany trade relationship between the from - entity and the new to- entity, a new intercompany trade order is created that overwrites the old order.

Other changes on the originating order, such as the delivery date or the item, are updated on the intercompany trade order. The status is reverted to **Open** and re-approval is required.

Intercompany trade transaction lines - procedure

1 Post to Financials

For each transaction line, cost and revenue transactions are posted to Financials. If internal invoicing is specified, the invoice lines are posted to Invoicing.

In the **Intercompany Trade Order Transaction Lines (tcitr3110m000)** session, the status of the invoicing and posting process is displayed in the Status (Selling) field for the financial company of the buy-from *enterprise unit* and in the Status (Buying) field for the financial company of the sold-to *enterprise unit*.

Transaction lines without invoicing are automatically posted to Financials, if the **Post Transaction Lines (without Invoicing) during Generation** check box is selected in the **Intercompany Trade Agreements (tcitr1100m000)** session for the applicable scenario. If cleared, posting is performed manually in the **Post Transactions (tcitr3210m100)** session.

Alternatively, you can use the **Post Transactions** option in the *appropriate menu* of the:

- **Intercompany Trade Order Transaction Lines (tcitr3110m000)** session to post an individual transaction line.
- **Intercompany Trade Orders (tcitr3100m000)** session to post the transaction lines of an intercompany trade order.

Posted transaction lines obtain the **Posted** status.

2 Release to Invoicing

If the Internal Invoice and the Release Transaction Lines to Invoicing during Generation check box is selected for the *intercompany trade agreement* on which the intercompany trade order is based, transaction lines are automatically released to Invoicing when the transaction lines are created. If the Release Transaction Lines to Invoicing during Generation check box is cleared, you must release the transaction lines in the **Release to Invoicing (tcitr3210m000)** session.

Alternatively, you can use the **Release to Invoicing** command in the *appropriate menu* of the:

- **Intercompany Trade Order Transaction Lines (tcitr3110m000)** session to release an individual transaction line.
- **Intercompany Trade Orders (tcitr3100m000)** session to release the transaction lines of an intercompany trade order.

The status of the transaction lines changes to **Released** for the sales and the purchase invoice.

3 Generate sales and purchase invoice

- Internal sales invoice

When the billable lines of the internal sales invoice are composed in the Billable Lines (cisli8110m000) session, the transaction line receives the **Invoicing in Process** status. After the internal sales invoice is posted, the selling part of the transaction line obtains the **Invoiced** status.

- Internal purchase invoice

When the internal sales invoice is posted, the internal purchase invoice can be generated in the Generate Intercompany Trade Purchase Invoices (tfacp2295m000) session. When the purchase invoice is generated, the buying part of the transaction line obtains the **Invoiced** status.

The intercompany trade order sales and purchase workbenches

The **Intercompany Trade Sales Workbench (tcitr3600m400)** and **Intercompany Trade Purchase Workbench (tcitr3600m500)** sessions help the user to efficiently process *intercompany trade orders*.

Various options are available to select and handle the intercompany trade orders that require immediate action, or to provide overviews of the user's workload over a period of time in the future. The intercompany trade order and transaction line data is displayed in a graph and in the line details sections of these sessions.

The workbench sessions display intercompany trade orders that require processing. Intercompany trade orders with status **closed** are not displayed.

Both sessions are almost identical, but the **Intercompany Trade Sales Workbench (tcitr3600m400)** session is used to display the data from the selling organization's perspective, whereas the **Intercompany Trade Purchase Workbench (tcitr3600m500)** session displays the data from the buying organization's perspective.

Header and lines sections

The header sections of the **Intercompany Trade Sales Workbench (tcitr3600m400)** and **Intercompany Trade Purchase Workbench (tcitr3600m500)** sessions include the **General**, **Additional**, and **Graph Settings** tabs.

The **General** and **Additional** tabs include a graph and various filters. The filters are used to select the intercompany trade orders and related transaction lines to be displayed in the line details sections and the graph.

The line details sections include the **Orders** and **Transaction Lines** tabs.

The **Graph Settings** tab is used to specify the preferred time periods, currency, units and so on for the graph.

Filters

On the **General** tab, these filters are available to select the intercompany trade orders and related transaction lines to be displayed in the graph and the line details sections:

- **Financial Entity**

The enterprise unit and financial company of the:

- Seller in the **Intercompany Trade Sales Workbench (tcitr3600m400)** session.
- Buyer in the **Intercompany Trade Purchase Workbench (tcitr3600m500)** session

- **Intercompany Customer**

The enterprise unit and financial company of the internal customer in the **Intercompany Trade Sales Workbench (tcitr3600m400)** session

- **Intercompany Supplier**

The enterprise unit and financial company of the internal supplier in the **Intercompany Trade Purchase Workbench (tcitr3600m500)** session

- **Orders**

The order status. For open orders, specific filters for orders requiring seller or buyer approval are available.

- **Planned Delivery Date**

Filters for planned delivery dates past due, due today, and due in the future.

- **Transaction Lines**

Transaction line status of the transaction lines related to the intercompany trade orders that match the filter settings. You can also select invoiced or posted transaction lines.

In the **Intercompany Trade Sales Workbench (tcitr3600m400)** session, you can use specific filters to view transaction lines for which invoicing is in process.

In the **Intercompany Trade Purchase Workbench (tcitr3600m500)** session, additional filters are available for transaction lines that are received:

- But not invoiced by sales.
- For which a sales invoice is present, but not invoiced by purchasing.

Note: Transaction lines are not present for intercompany trade orders with status **Open** or **Ready for Process**.

On the **Additional** tab, these filters are available to narrow down the selections made on the **General** tab:

- **Scenario**
The *intercompany trade scenario* of the intercompany trade orders
- **Specific Selection**
Additional criteria to select specific intercompany trade orders.

Graph

In the graph of the **Intercompany Trade Sales Workbench (tcitr3600m400)** session, the estimated and realized *cost of goods sold (COGS)*, revenues, profit margin, or the number of intercompany trade orders can be displayed.

In the **Intercompany Trade Purchase Workbench (tcitr3600m500)** session, the number of orders or the estimated and realized (actual) amounts can be displayed. The estimated amount is based on the intercompany trade orders and the realized amounts are based on the transaction lines.

In both workbench sessions, the data is displayed based on the period setting in the **Graph Settings** group box, in which you can specify the currency, number of periods, period type, and the first period.

Line section tabs in the Intercompany Trade Sales Workbench (tcitr3600m400) session

- **Orders**
Refers to the Intercompany Trade Orders - Sales (tcitr3100m200) session.
If you select a line, the Intercompany Trade Order - Sales (tcitr3600m200) session is started.
If you select a line and click **Details** on the *appropriate menu*, the Intercompany Trade Order - Sales (tcitr3100s200) session is started.
- **Transaction lines**
Refers to the Intercompany Trade Order Transaction Lines - Sales (tcitr3110m200) session. If you select a line, the Intercompany Trade Order Transaction Line - Sales (tcitr3610m200) session is started.

Line section tabs in the Intercompany Trade Purchase Workbench (tcitr3600m500) session

- **Orders**
Refers to the Intercompany Trade Orders - Purchase (tcitr3100m300) session.
If you select a line, the Intercompany Trade Order - Purchase (tcitr3600m300) is started.
If you select a line and click **Details** on the *appropriate menu*, the Intercompany Trade Order - Purchase (tcitr3100s300) session is started.
- **Transaction lines**
Refers to the Intercompany Trade Order Transaction Lines - Purchase (tcitr3110m300) session. If you click a line, the Intercompany Trade Order Transaction Line - Purchase (tcitr3610m300) is started.

Chapter 6: Intercompany Trade for Backorders and Return Orders

Intercompany trade for backorders and return orders

When an *intercompany trade order* is created for a *backorder* or a *return order*, the data and settings of the intercompany trade order can be retrieved from either of these sources:

- 1 The *intercompany trade agreement*
- 2 The *original ITR order*

Source 2 reduces manual data entry if the *original ITR order* is changed before the backorder or return order is created. The preferred source is defined in the intercompany trade agreement.

Example

Sales order SLS0001 includes sales order line 10. For sales order line 10, intercompany trade order ITR001 is created.

Intercompany trade order ITR001 is based on intercompany trade agreement ABC. The markup percentage for intercompany trade agreement ABC is 10%.

On intercompany trade order ITR001, a user reduces the markup percentage to 5%.

A backorder line is created for sales order line 10, because not all the items could be shipped.

Intercompany trade order ITR014 is created for the backorder line.

If the *original ITR order* is selected as the source in intercompany trade agreement ABC, the markup percentage of intercompany trade order ITR014 is 5%. This percentage is retrieved from intercompany trade order ITR001.

If the intercompany trade scenario is selected as the source in intercompany trade agreement ABC, the markup percentage of intercompany trade order ITR014 is 10% and so must be manually reduced to 5%.

Setup

The preferred source is specified in the **Intercompany Trade Agreements (tcitr1100m000)** session.

To specify the *original ITR order* as the source for intercompany trade orders based on *return orders*, select the Retrieve Original Order Settings for Return Order check box.

To specify the *original ITR order* as the source for intercompany trade orders based on *backorders*, select the Retrieve Original Order Settings for Backorder check box.

The settings of the intercompany trade agreement are used as default settings for the intercompany trade orders based on the agreement. If required, a user can change the default settings on the intercompany trade order.

Data retrieved from original ITR order

If the *original ITR order* is used as the source for an intercompany trade order, various field values are retrieved from the *original ITR order*. See Field values retrieved from original ITR order.

Availability of intercompany trade for backorders and return orders

The options to use the settings of the *original ITR order* for intercompany trade orders created for backorders or return orders are available for various *intercompany trade scenarios*. See Availability of intercompany trade for backorders and return orders.

Cancel or delete original ITR order

Whether you can cancel or delete an *original ITR order* depends on its status. See Cancel or delete original ITR order.

Availability of intercompany trade for backorders and return orders

The options to retrieve the data and settings from the *original ITR order* for *intercompany trade orders* based on *backorders* or *return orders* are available for these *intercompany trade scenarios*:

- **External Material Delivery Sales**
- **External (Material) Delivery Purchase**
- **External Material Direct Delivery**
- **Internal Material Delivery**

Field values retrieved from original ITR order

If the *original ITR order* is used as the source of an intercompany trade order, the values of these fields are retrieved from the *original ITR order*:

- Internal Invoice
- Adopt Selling Cost Structure
- COS Cost Component
- Margin Cost Component
- Currency Origin

- Currency, if the currency origin is set to **Specific**
- Price Origin
- Markdown Percentage
- Markup Percentage
- Profit Split Percentage
- Intercompany Margin Billable in Project
- Release Transaction Lines to Invoicing during Generation
- Post Transaction Lines (without Invoicing) during Generation
- Commercial Price in case of BOM Lines
- Agreed Commercial Price

Cancel or delete original ITR order

You can cancel or delete *original ITR orders* that have these statuses:

- **Open**
- **Ready for Process**
- **Closed**

To delete a closed *original ITR order*, the intercompany trade order related to the backorder or return order must have one of these statuses:

- **In Process**
- **Closed**
- **Cancelled**

Closed *intercompany trade orders* are deleted in the Remove Closed Orders session.

Status **Open** OR **Ready for Process**

If you cancel or delete an intercompany trade order with a status of **Open** or **Ready for Process**, LN checks whether the intercompany trade order is the *original ITR order* of another intercompany trade order.

If yes, these steps are completed:

- The *original ITR order* is canceled or deleted.
- Depending on the status of the intercompany trade order of the related backorder or return order, these fields are updated:
 - If the status is **Open** or **Ready for Process**, the Order Type field is set to **Not Applicable** and the Retrieve Original Order Settings check box is cleared.
 - For any other status, these fields are not changed. This is because this order is processed already using the settings of the *original ITR order*, so there is no harm deleting the *original ITR order*.

Status **Closed**

If you delete a closed intercompany trade order, LN checks if the intercompany trade order is related to another intercompany trade order as an *original ITR order*.

If yes, and the status of this related intercompany trade order is **Open** or **Ready for Process**, it is not allowed to remove the *original ITR order*. This is because the settings of the *original ITR order* are still needed to process the related intercompany trade order.

Closed *intercompany trade orders* are deleted in the Remove Intercompany Trade Orders (tcitr3200m300) session.

Chapter 7: Intercompany Trade for Hours and Expenses

Intercompany trade for labor and expenses

In People, employees can book hours and expenses for various projects or orders. The employees, orders, or projects can belong to different *departments*.

Example

A multi-national company carries out an off-shore project in Dubai. This project is managed by the head office in the Netherlands while the actual implementation is performed by staff from the local departments. The local departments charge the head office for the hours and expenses spent on the project.

If an employee books hours or expenses spent on behalf of another department, you can set up intercompany trade to determine the amount that the employee's department can internally charge the department owning the order or project that the employee helped complete.

In Financials, this amount is booked as revenues for the employee's department. For the order's department, the amount is booked as costs owed to the employee's department. If required, you can specify that the employee's department invoices the order or project's department.

The *intercompany trade scenarios* Labor and Expenses provide various options to define the rates that are used to determine these amounts.

The intercompany trade process for hours and expenses

If intercompany trade is set up for hours and expenses, the application creates *intercompany trade orders* for each hours or expense booking in the relevant sessions in People. On the intercompany trade order, a general hours or expense booking is displayed as the originating object. When hours or expenses are booked for an order or a project, the order or project is the originating object, and the hours or expense booking is the related object.

Multiple logistic companies

Hours and expenses can be booked across multiple logistic companies in these cases:

- Book hours for a project or an order in a logistic company that is different from the logistic company of the department of the employee.
- Book expenses for a project in a logistic company that is different from the logistic company of the department of the employee.

The intercompany trade process for hours and expenses

1 Book hours or expenses

If an employee books hours or expenses spent on behalf of another department, LN checks if an *intercompany trade relationship* with the *intercompany trade scenarios* Labor and Expenses is present for the employee's department and the department of the order or project.

Hours are booked in these sessions:

- General Hours (bptmm1111m200)
- Project Hours (bptmm1111m000)
- Production Order Hours (bptmm1120m000)
- Service Order Hours (bptmm1130m000)
- Work Order Hours (bptmm1140m000)
- Assembly Hours (bptmm1160m000)
- Project (PCS) Hours (bptmm1170m000)

Expenses are booked in these sessions:

- General Expenses (bptmm1111m300)
- Project Expenses (bptmm1111m100)

2 Create intercompany trade order

If such a relationship is present, an *intercompany trade order* is created for each hours or expense line that is saved.

3 Modify intercompany trade order

If required, the user can adjust the data on the intercompany trade order, such as the intercompany trade price.

4 Approve intercompany trade order

The intercompany trade order must be approved by the buying department (the owner of the order or project) and the department of the employee (the selling department). Approval can be performed automatically or manually.

Approval is also supported by a workflow application.

5 Approve hours and expenses

The hours and expenses are approved.

6 Process hours and expenses

The approved hours and expenses are processed. If intercompany trade is applicable, processing is only allowed after the intercompany trade order is approved as well. After processing, the financial transactions and the intercompany trade transaction lines are created.

7 Create intercompany trade transaction lines

When the hours and expenses are processed, the intercompany trade transaction lines are created.

The status of the intercompany trade order is set to **In Process** if one or more transaction lines are created. Changes to the intercompany trade order are no longer allowed.

8 Finance and invoicing

When transaction lines are created, the internal cost and revenue transactions, and, if internal invoicing is specified, internal invoices are posted for the transaction lines. The transaction line status shows the progress of this process. See Intercompany trade transaction lines - procedure.

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