

User's Guide for Contract Management

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About this document

Objectives

This user's guide is designed to meet the objectives described below. It is assumed that you already have a general understanding of Infor ERP LN Service.

Understand the following concepts:

- Contract templates
- Contract quotations
- Contract control
- Contract changes
- Contract installments
- Indexation
- Contract coverage and contract costs

To perform the following tasks:

- To create contract quotations
- To create service contracts
- To create contract installments
- To close contracts

Document summary

This user's guide explains the various processes in the Contract Management module and the procedure to create contract quotations, contract templates, contracts, contract installments, contract coverage and contract revenue recognition.

How to read this document

This document is assembled from online Help topics. As a result, references to other sections in the manual are presented as shown in the following example:

For details, refer to the Infor ERP LN Service Online Help.

Please refer to the Table of Contents to locate the referred section.

Underlined terms indicate a link to a glossary definition. If you view this document online and you click on underlined text, you jump to the glossary definition at the end of this document.

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-

This chapter provides a brief introduction of Contract Management functionality.

Overview of the Contract Management (CTM) module

Service contracts are an important part of contract management that detail the obligations between the service supplier and the business partner. Service contracts increase the predictability of the service business with steady revenue streams.

The function of the Contract Management module is to provide the user with the facilities to manage a service contract from creation through to deletion.

You can use the Contract Management module to do the following:

- Create templates for contracts.
- Customize a contract template to include the appropriate terms and conditions.
- Adapt the contracts to fit several agreements by using different pricing methods and different schemes that can be adapted to different clusters.
- Include reference activities in a contract.
- Record the financial performance on the servicing agreements to gain insight into the profitability of the composed contract.

Service contract quotations

You can set up service-contract quotations manually. You can also use service contract templates created in advance. Terms and conditions are linked to the service-contract quotation.

Service contract templates

The contract template enables the user to set up most of the requirements of a service contract or service-contract quotation in advance.

A service contract can be prepared directly with or without the use of service contract templates for a business partner without the necessity of the service-contract quotation stage. Terms and conditions are linked to the service contract.

Service orders

When a service contract becomes active, the contract interacts with the Service Order Control module to create actual service orders. The service orders ensure that the work is carried out. Interaction also occurs with the Sales Invoicing module in Central Invoicing. This setup enables you to invoice the business partner for the work performed.

Contract History

To review the details of a service contract at a later date, you can store them in history before deletion. Service contract details can be stored in history before deletion when the status of the contract is **Active**, **Expired**, or **Closed**.

You can also use the Contract Management module to specify terms and conditions required by the **warranties** or **service order quotations**.

Contract Management (CTM)

Use the Contract Management module to maintain the following:

- Warranties
- Service-contract quotations
- Service-contract templates
- Service contracts
- Installment templates for service contracts
- Service-contract installments
- Terms and coverage terms for service contracts, service-contract quotations, warranties, and service-order quotations.

You can also:

- Process service-contract quotations to service contracts.
 - Transfer service-contract installments to Central Invoicing.
 - Store all history data related to service contracts, service-contract quotations, and service-contract installments.
-

Chapter 2

Contract Management Concepts

2

This chapter provides a brief description of the concepts in Contract Management module.

Contract history

Use the contract management history to view details of the terms and conditions posted to history.

The history data is derived from contract quotations, service contracts, and contract installments.

You can use the history data to examine details such as customer history, gross margins actually achieved, and so on. You can observe and use the trends to determine the sources of costs incurred.

Contract types

You can categorize service contracts based on common features such as line of business area, country, products, and so on. Examples of contract types include the following:

- Full service contract
- Help desk contract
- Annual contract

You can use contract types to generate or transfer installments for a group of contracts.

Use the **Contract Types (tsctm0105m000)** session to define the contract types.

Service contract installments

Service contract installments enable you to invoice the contract sales amounts and the service activity amounts.

When a service contract is posted to history, the associated installments are also posted to history.

Invoice methods for service contracts.

A number of methods are available that you can use to invoice a contract:

- The invoice method you choose determines the type of installments, and the number of installments generated.
- The invoice method also determines the billing method. The billing can be carried out before the work order is started or after the work order is completed.
- The invoice method is linked to the service contract by means of an installment template.

Contract discount schemes

A discount scheme defines the discount percentage of a contract over a period of time.

The discount scheme defines the discount percentage of a contract during the period when the warranty is valid for the item. You can include an initial warranty period during which no invoices are sent to the customer.

You can also use a discount scheme independently from a warranty, for example, if you agree on a once only discount with your customer.

Use the **Contract discount schemes (tsctm0110m000)** session to define a contract discount scheme.

This chapter describes the steps you must follow to set up the master data for the Contract Management module.

Contract management - master data

Use the Master Data menu group to maintain information within service contract master data. Use master data to set parameters that control the operations of service-contract quotations and service contracts in the Contract Management module. You can also define the service contract types and the service contract templates here. Finally, a session is provided that enables you to track changes made to the terms and conditions that are made in this module.

You can use master data to maintain data to use the following features of the Contract Management module:

- Contract types: Group service contracts based on common features.
- Installment templates: Define methods for creating the templates.
- Contract Item price list: Provide nominal prices which are offered and used when you define service contract cluster lines.
- Discount scheme: Define cluster level discounts for customers. The discounts are multilevel and can be segregate according to fixed periods as defined in the templates.

Contract Management Parameters (tsctm0100m000) session

Use the Contract Management Parameters (tsctm0100m000) session to define parameters for:

- The service contract quotation's number group.
 - The service contract's number group.
 - The effectivity period of service contract quotations and the expiry warning period of service contracts.
 - The number of printed copies of documents specific to the business partners.
-

- The operation of gross margin control.
- The operation of historical archiving.

contract types

Use contract types to group service contracts within your organization. Service contracts can be categorized based on similarities and shared characteristics, such as:

- Line of business
- Country
- Area
- Discount
- Products

Use the Contract Types (tsctm0105m000) session to define service contract types. Each service contract type is identified by a numeric code. You can also generate a printed copy of the service contract types.

Contract Templates (tsctm0150m000)

Use the Contract Templates (tsctm0150m000) session to maintain service contract templates. You can use service contract templates to create service contract quotations and service contracts that have similar features. You can also create a printed copy of the service contract template.

Contract changes

Use the Contract Changes (tsctm3120m000) session to keep track of the changes made to terms and conditions. Use the session to identify a problem that has occurred in the application session and the source of the change.

Contract item price lists

A contract item price list

Contract discount schemes

Chapter 4

Contract Quotation procedures

4

This chapter explains the contract quotation procedures.

Contract quotations

You can use the menu group to create and configure service-contract quotations.

You can use the Call Management module to register a request for a service-contract quotation, or a service contract.

Service contract quotation- contents

A service-contract quotation consists of:

- The service-contract quotation header, which contains, for example, information about the business partners, invoicing, and installments.
- The terms and conditions for the service-contract quotation, the extent of coverage and the pricing.
- The clusters and/or serialized items covered by the service-contract quotation.
- Details of the maintenance plans or maintenance predictions that belong to any of the selected clusters or models.

You can use the type of terms and their specification to change the conditions of the service-contract quotation in a flexible manner. As an example, the cost amounts and the sales amounts are varied and the calculated result appears to the user.

Create a service contract

You can manually create a service-contract quotation, or copy one or more service-contract templates into the service-contract quotation.

After you create a service-contract quotation, you can simulate the prices. For example, you can vary the pricing methods to calculate and display various final

totals. You can select the best pricing method within the required gross margin, or search permission to quote outside of this range.

After the details of a service contract quotation are finalized, you can print the service-contract quotation documents and send the documents to the business partner. The details are fixed and you cannot make any further changes to the service-contract quotation terms

The business partner reviews the service-contract quotation, and decides whether to accept, cancel, or modify the service-contract quotation.

You can make the modifications as required by the business partner.

You can process the accepted service-contract quotation to activate the service contract.

You can post the processed and cancelled service-contract quotations to history and then delete the quotations.

Note

The amount of information that is posted to history is controlled by settings in the Contract Management Parameters (tsctm0100m000) session.

You must specify an installment template for a service-contract quotation.

Contract quotation status

A contract quotation can have different status. The status of the contract quotation determines the type of activities you can execute in the contract quotation.

Free

After creation the service-contract quotation has the **Free** status.

You can change the details of the service contract quotation when the status is set to **Free**.

Printed

If the Print command is used in the Contract Quotations (tsctm2100m000) session to print contract quotation documents (external), the status changes to **Printed**.

Note

To correct the status of a service-contract quotation at this point, choose the **Correction** command in the Contract Quotations (tsctm2100m000) details session. You can use to change the status to the following:

- **Free**
- **Accepted (for Contract)**
- **Canceled**

Accepted (for Contract)

After you select the service-contract quotation, choose the **Approval** command in the Contract Quotations (tsctm2100m000) details session. The service contract quotation status must be **Printed**. You can perform the following activities:

- **Accept:** the business partner has approved the service contract quotation, and the status changes to **Accepted (for Contract)**.
- **Modify:** the business partner wants some changes made to the service contract quotation. The status reverts to **Free**.
- **Reject:** the business partner does not accept the proposed service contract quotation. The status changes to **Canceled**.
- **Cancel:** this option returns you to the details session, without any change of status.

Note

If you want to correct the status of a service contract quotation, choose the **Correction** command. You can change the status to:

- **Free**
- **Accepted (for Contract)**
- **Canceled**

Processed

Once the service contract quotation is **Accepted (for Contract)**, you can process it to a service contract.

Use the Process Quotation to Contract (tsctm2200m000) session to select the service-contract quotations to process.

Once processed, use the Move Service Contract Quotations to History (tsctm2280m000) session to select the service- contract quotations that must be posted to history.

Note

The amount of information that is posted to history is controlled by settings in the Contract Management Parameters (tsctm0100m000) session.

Canceled

The service contract quotations that are **Canceled** can be posted to history and are then deleted.

Use the Move Service Contract Quotations to History (tsctm2280m000) session to select the service-contract quotations that must be posted to history.

Note

The amount of information that is posted to history is controlled by settings in the Contract Management Parameters (tsctm0100m000) session.

Contract quotation price simulation

ERP LN provides contract quotation price information, to enable you to control and review the costs associated with the terms and conditions.

The sales and cost amounts for the contract quotation are displayed in the following sessions:

- The sales and cost amounts for the contract configuration lines are displayed in **Contract Quotation Configuration lines (tsctm1110m200)** session.
- The sales and cost prices for the coverage terms are displayed in **Contract Quotation coverage terms (tsctm1120m200)** session.
- The total sales and cost amounts for the contract quotation are displayed in the **Contract Quotation (tsctm2100m200)** session.

The cost and sales price are calculated automatically and the changes are displayed in the following sessions:

- **Contract Quotation Configuration lines (tsctm1110m200)**
- **Contract Quotation coverage terms (tsctm1120m200)**
- **Contract Quotation (tsctm2100m200).**

To print contract quotation documents

When you print service-contract quotations, you can print the following:

- A list of service-contract quotations.
 - Documents that must be sent to the business partner.
 - Print a copy for internal review.
-

Print a list of quotations

Use the Print Contract Quotations (tsctm2401m000) session.

Print the documents that must be sent to the business partner

Use the Print Contract Quotation Documents (tsctm2400m000) session, with the **Print What** field set to **External Document**. The status of the service contract quotation changes to **Printed**. After you set the status of the service contract quotation to **Printed**, the details are fixed and you cannot make any further changes to the service-contract quotation.

Reprint the external document

Use the Print Contract Quotation Documents (tsctm2400m000) session, with the **Print What** field set to **Reprint (External)**. The status of the service contract quotation remains unchanged.

Note

Use the **Options** tab to specify:

- If the technical attachments must be printed.
- The currency in which the sales amounts must be printed.

Print a copy for internal review

To print a copy of a document that is sent to the business partner for internal use, use the Print Contract Quotation Documents (tsctm2400m000) session with the **Print What** field set to **Internal Document**. The status of the service contract quotation remains unchanged.

You can use the **Internal Document** for various uses. For example:

- The service contract quotation can receive separate financial approval before ERP LN prints the final documents.
- You can make changes to the service-contract quotation details after review.

Note

Use the **Options** tab to specify:

- If the coverage attachments must be printed (internal document only)
 - If the technical attachments must be printed
 - The currency in which the sales amounts must be printed
-

This chapter explains the contract management procedures.

Contract Renewal

Service contract describes the terms and conditions between the service provider and the customer. Service contracts can be renewed to provide extended services and thereby, additional stream of revenue to the service organization.

Concept

Contract Renewal: Renewals option allow you to extend the contract period beyond its current duration. You can renew a service contract for any time duration and copy the cost and coverage terms. When you renew a contract, you can also add more configuration lines, change the cost amount and sales amount of the configuration lines, change the cost and the sales amount of the coverage terms and so on.

Note

You can set the **Type** field to **Renewal with Indexation** in the Contract Changes (tsctm3120m000) session, only if the following check boxes are selected in the Service Contracts (tsctm3100m000) session:

- **Contract Renewal**
- **Price Indexation**

Contract Renewal Duration

Flexible Contract Renewal Duration

You can change the contract renewal duration when the contract status is set to **Free** or **Active**. Flexible contract renewal duration enables you to create service contract renewal of different time periods.

Complete the following steps to create a renewal for an existing service contract:

1. Enter the new contract renewal duration in the **Renewal Period** field of *Contract Changes* tab in the **Service Contracts (tsctm3100m000)** session.
2. Save the service contract.
3. Open the **Contract Changes (tsctm3120m000)** session. Use one of the following methods to open the session:
 - Click *Contract Changes* icon on the toolbar.
 - Click *Contract Changes* in the specific menu.
4. Create a new contract change of type *Renewal*.
5. Save the contract.
 - The duration of the created renewal is specified in Step 1. The renewal duration determines the method based on which the coverage and cost terms are copied. Following are the two possible scenarios that pertain to renewal duration:
 - Different Duration : When the service contract duration and renewal duration are different, only the active coverage and cost terms are renewed.
 - Same Duration : When the service contract duration and renewal duration are same, a dialog box is displayed with two methods by which the coverage and cost terms are copied and renewed.
 - Only Active : Renews only the active coverage and cost terms.
 - All : Renews all the coverage and cost terms.
 - Cancel : Renewal is not saved.
6. Click **Activate Contract Change** on the toolbar or select the option from the **Specific** menu to activate the renewed contract.

Note

For **Original Contract** with status set to **Free**, the modified value in the **Renewal Period** field of **Contract Changes** tab in the **Service Contracts (tsctm3100m000)** session, must be equal to or less than the original service contract duration. The reason being, the original contract considers the service contract renewal duration as its activation period. For all subsequent renewals of the contract, the renewal duration can be greater than the contract duration.

Update contract duration and expiry date in the contract

To change the duration you can modify the value in the **Renewal Period** field of *Contract Changes* tab in the **Service Contracts (tsctm3100m000)** session. The contract duration and expiry date are updated in the contract after you activate the contract change of type renewal.

Example

A service contract is defined with effective date as January 01 2006 and expiry date as December 31 2006. The service contract is renewed for another year. Following data is updated in the contract:

- Contract Duration : 2 years
- Expiry Date : December 31 2007.

Copy Coverage and Cost Terms

Copy Coverage and Cost Terms

Important!

The coverage and cost terms are copied to the new contract period only when the expiry date of the associated configuration line match with the expiry date of the service contract. Only those configurations lines are copied for which the expiry date matches with the expiry date of the service contract.

The effective and expiry date of the renewed configuration is same as service contract renewal. Therefore, the configuration is active throughout the renewal duration.

Based on the renewal duration, one of the following two scenarios are used to copy the coverage and cost terms :

- Scenario 1 : *Different Duration*: When the service contract duration and renewal duration are different, **Only Active** method as outlined below is used to copy the cost and coverage terms.
- Scenario 2 : *Same Duration*: When the service contract duration and renewal duration are same, a dialog box is displayed with two methods by which the coverage and cost terms are copied.
 - **Only Active**: Only the active coverage and cost terms are copied.
 - **Coverage Terms**: The coverage terms for which the expiry date matches with the expiry date of the service contract are copied. The effective and expiry date of the coverage terms renewal and the service contract renewal are same to ensure that the coverage terms are active through out the renewal duration.
 - **Cost Terms**: The cost terms are calculated in proportion to the change in the duration of coverage terms.
 - **All**: The cost and coverage terms of a service contract are copied in the following manner:
 - **Coverage Terms**: The coverage terms that are linked to a configuration are extended for the same duration in the year for which the contract is renewed.

- **Cost Terms:** The cost and sales amount do not change as the coverage terms are extended for the same duration in the year for which the contract is renewed.
- **Cancel:** The renewal is not saved.

Service contracts

The Service Contracts menu group is used to create and control service contracts.

The Call Management module provides functionality to register a request for a service contract or a service-contract quotation.

A service contract consists of the following:

- The service-contract header, which contains information about the business partners, invoicing, and installments.
- The terms and conditions for the service-contract quotation, such as the extent of coverage, the pricing, along with budget information.
- The clusters covered by the service contract.
- Details of any maintenance plans that belong to the covered clusters.

The type of terms, and their specification, enable you to vary the conditions of the service contract in a flexible manner. For example, you can vary the type of gross margin control, along with the budget control, and the calculated results can be displayed to the user.

You can create a service contract manually, or copy one or more service-contract templates to the service contract.

After you create a service contract, you can perform price simulations. By varying, for example, the pricing methods, you can calculate and display various final totals and choose within the required gross margin, or seek permission to quote outside this range.

After the details of a service contract are finalized, the service-contract documents can be printed and sent to the business partner.

The business partner reviews the service contract, and decides whether to accept, cancel, or modify the service contract.

Modifications are made according to the business partner's requirements.

An accepted service contract quotation can be processed to become an active service contract. Only one service contract can be active for any cluster.

Service orders can be linked to an active service contract. In this case, the terms and conditions of the service contract are applied to the service order.

Installments are linked to the service contract. These installments govern the type, number, and time at which invoices are sent to the business partner.

An active service contract can be cancelled manually, for example, if the sold-to business partner requests this course of action.

If the expiry date of a service contract is reached, the contract's status is set to **Expired**. To renew the service contract, the expired service contract is copied to a new contract.

After the financial processing is completed for a cancelled or expired service contract, the contract's status is set to **Closed**. **Closed** service contracts can be posted to history and deleted.

Note

If a service contract is posted to history, the invoice installments associated with the service contract are also posted to history at the same time.

The settings in the Contract Management Parameters (tsctm0100m000) session controls the amount of information that is posted to history.

An installment template must be specified for a service contract.

Contract types

You can categorize service contracts based on common features such as line of business area, country, products, and so on. Examples of contract types include the following:

- Full service contract
- Help desk contract
- Annual contract

You can use contract types to generate or transfer installments for a group of contracts.

Use the **Contract Types (tsctm0105m000)** session to define the contract types.

Service contract status

Define a service contract

The status of the service contract is set to **Free** after you define the service contract

Activate a service contract

1. Select the specific service contract.
-

2. Click **Activate Contract** in the Service Contracts (tsctm3100m000) details session. The status of the service contract must be **Free**.

Note

You can link service orders to a service contract once the status is set to **Active**.

Set service contracts to Expired

To expire a service contract, the status of the service contract must be **Active**.

Use the Expire Service Contracts (tsctm3200m000) session to set the status of the service contract to **Expired**.

Note

You can also use this session to generate a warning to indicate the expiry of a service contract.

Cancel a service contract

Note that to cancel a service contract, the status of the service contract must be **Free** or **Active**.

1. Select the service contract in the Service Contracts (tsctm3100m000) session.
2. On the **Specific** menu, click one of the following commands:
 - The installments that do not require any further invoicing are cancelled.
 - You can also issue a closing installment to close financially the service contract.
 - **Delete Maintenance Planning**: To remove any provision for planned maintenance.
3. Start the details session:
4. Click **Abort Contract** to start the Cancel Service Contract (tsctm3203m000) session.
5. Enter the cancellation reason.

Note

The status of the service contract is set to **Canceled**.

Close a service contract

You can close a service contract with a status **Canceled** or **Expired**.

To select the service contracts that must be processed, use the Close Service Contracts (tsctm3201m000) session .

To create service contracts

To create service contracts, take the following steps:

1. Enter the service contract header details in the Service Contracts (tsctm3100m000) session.
2. On the **Specific** menu, click **Configuration Line**.
3. In the Contract Configuration Lines (tsctm1110m300) session, link clusters and serialized items to the service contract.
4. If the terms must be specified in detail, select the desired term, click **Coverage Terms...** on the **Specific** menu to start the Contract Coverage Terms (tsctm1120m300) session, and add the coverage terms.
5. If the coverage terms must be specified in detail, select the desired coverage term, click **Cost Terms...** to start the related cost term session, for example, the Contract Traveling Terms (tsctm1130m300) session, and add the cost terms.
6. After you enter all the desired terms and conditions, you can print the service contract documents by means of the Print Service Contract Documents (tsctm3400m000) session.

Note

- At least one cluster or item must be linked to the service contract.
- Use the Print Service Contracts (tsctm3401m000) session to print a list of all the service contracts.

To use service contracts

Use the service contract to do the following:

- Specify the terms and conditions covered by the service contract.
- Vary the cost parameters to achieve the desired returns (profits).
- Manage the stages of a service contract.

After you create the service contract, you can perform the price simulations. You can vary the pricing method and the gross margin to calculate and display various final totals and select the most appropriate total.

You can identify a service contract by the various stages the contract undergoes. The status changes after interaction with the business partner. You can use the Service Contracts (tsctm3100m000) session, the detailed sessions, and the print sessions to interact with the business partner.

The status levels to which a service contract can be set are the following:

- Free
- Active
- Expired
- Canceled
- Closed

Moving a service contract to history

If the status of a service contract is set to **Closed**, use the Copy Service Contracts to History (tsctm3280m000) session to select the service contracts to move to history.

Note

The amount of information that is moved to history is controlled by parameter settings in the Contract Management Parameters (tsctm0100m000) session.

To use templates in contract management

Templates for service contracts and service-contract quotations are prepared in advance. You can use the templates to save time as you need not retype similar information.

Templates are generic and can be made specific to the item with a definition of price per period. These templates are not specific to customers and do not have specific cluster lines, but the templates themselves are specific to items.

Contract templates provide an easy, predefined way to copy terms and agreements into contracts. You can define coverage terms, and cost terms within each template and copy these into the respective cluster lines. You can also set the effective dates for the templates to ensure that you always use the most recent templates.

You can link templates with items while you define the item price lists. The templates contain the price defined on each template as the suggested or the defaulted price information is always used in the service contracts.

Templates for service contracts and service-contract quotations are prepared in advance. You can use the templates to save time as you need not type similar information repeatedly.

In Service, you can use the following templates:

- Templates for installment templates.
 - Templates for service-contract quotations and service contracts.
-

To use terms in contract management

Terms contain the details of the agreements between the business partners

You can define terms and conditions for the following:

- A service-contract template
- A service-contract quotation
- A service contract
- A service-order quotation
- A warranty

For example, you must define a greater number of terms for a service contract than for a warranty.

A set of terms has the same overall structure. The elements are inserted as required.

The levels in a set of terms are:

- Header
- Configuration lines
- Coverage terms
- Cost terms

Coverage terms - phasing examples

Phasing can be determined by:

- Period:
 - Phase 1 takes two years
 - Phase 2 takes two years
 - Phase 3 takes one year
- Counter limit of the main counter of the affected reference serialized item:
 - Phase 1 up to 1,000 kms
 - Phase 2 up to 5,000 kms
 - Phase 3 up to 10,000 kms
- A combination of period and counter limit:
 - Phase 1 takes two years or up to 1,000 kms

Example 1

- **Phase 1:**
Ceiling cost covering method with a ceiling of USD 500. As a result, the first USD 500 are fully covered by the service contract or service contract template.
-

- Phase 2:**
Coverage Percentage cost covering method with a percentage of 10 percent. Of the costs above USD 500, 10 percent is covered by the service contract or template.

Example 2

Phase	Duration	Coverage	Price
1	2.5 yr	50% Disc.	$(2.5/4) * (0.50 * 100) = 31.25$
1	1.0 yr	25% Disc.	$(1.0/4) * (0.25 * 100) = 6.25$
1	0.5 yr	10% Disc.	$(0.5/4) * (0.10 * 100) = 1.25$
Total	4.0 yr		38.75

Coverage terms - phased vs. non-phased

A coverage term stores agreements about the duration, the cost covering method, and the costs of the contract agreements. You can link the coverage term to one of the following types of terms, such as:

- Material
- Labor
- Tooling
- Subcontracting
- Helpdesk
- Freight
- Uptime
- Traveling
- Other
- All

Phased and non-phased coverage terms

- Template coverage terms are phased when you fill in the number of periods and the period unit. Otherwise, the terms are considered non-phased.

- Contract/warranty coverage terms are phased when you define the start date and the end date. Otherwise, the terms are considered non-phased.

Use phased terms and non-phased terms

Use phased coverage terms to define periodical ceilings, for example:

- Ceilings on consumables (only n toners per quarter for a copier)
- Ceilings on number of calls (only n calls per quarter)

Use non-phased coverage terms to consider the coverage of a term for the entire period for which the configuration line is valid.

Copy a template to a contract

If you copy a template to a contract and the template header duration is less than the contract renewal duration, the template coverage terms is made proportional to the contract duration for non-phased coverage terms.

Example:

- Template header duration: One year
- Contract renewal duration: Two years
- Non-phased template coverage term ceiling: EUR 1,000
- Resulting coverage term ceiling on contract: EUR 2,000

When you copy a template that contains a phased coverage term, the coverage term on the contract is also phased .

Example:

- Template header duration: One year
- Contract renewal duration: One year
- Template coverage term: One month
- Resulting number of coverage terms on contract: 12

Cost covering method

The cost covering method provides a flexible method to recover service costs from the business partner.

Use the **Contract Quotation Coverage Terms (tsctm1120m200)** session to specify a value in the Coverage Terms parameter .

If a coverage term varies over time (phasing) or some counter value, the phase term (or terms) will contain the specified method.

The available methods are the following:

- **Fixed Price**
Service costs are covered by a 100% discount.
- **Ceiling**
The maximum cost amount that is agreed with the business partner. You can charge for any costs that are lower than this value charged for.
- **Coverage Percentage**
All service costs are charged for at a discounted rate.
- **Ceiling on Coverage Percentage**
All the aggregated service costs are charged at a discounted rate, provided that the total amount charged does not exceed the ceiling price. Any costs that are higher than the ceiling price value are charged for at the standard rate.
- **Exclusion**
Terms are excluded from the contract coverage.
- **Own Risk**
Terms are excluded from the contract coverage until a set ceiling amount or coverage percentage is reached. When the ceiling amount is reached, or when the end date of the coverage term is reached, the coverage is offered on the other coverage terms. Note that this covering method is not applicable to warranty coverage terms.

Note

- If the coverage term has more than one phase, each phase can use a different cost-covering method.
- If multiple cost-covering methods are required for each phase, the methods are placed in the associated phase term.

Price calculation

Price calculation is carried out for all clusters and or serialized items that are specified in the contract or contract quotation. You must determine the value of the entire cluster, the single (not related) serialized items, as well as the service BOM items that are linked to a cluster.

You can determine the value of the cluster in the following ways:

Sales Value of Configuration

The value of the entire cluster is determined by the total of the prices of all items that are part of the cluster.

Detailed explanation of the numbers included in Figures 1 and 2

1: Determine the application

2 and 3: Determine clusters and serialized items for contract quotations

You can define a cluster or an item for each record in the Service Order Quotation Configuration Lines (tsctm1110m400) session. The (serialized) items that are expired are not used.

4: Determine clusters for contracts

The sales value or price list is determined by the clusters for which the service contract is defined in the Contract Configuration Lines (tsctm1110m300) session determine the sales value or price list. If no clusters are defined for the service contract, ERP LN does not calculate the price.

5 and 6: Read cluster structures and physical breakdown in:

- Configuration Management (CFG)
- Cluster

For the cluster defined in a service contract, service-contract quotation, or service-order quotation, and the entire serialized item structure of that cluster, ERP LN carries out the following checks:

If the **Covered by Contract** check box is not selected, the serialized item, and the item's underlying structure is skipped. ERP LN uses the serialized item's sales price. If the serialized item price is found, ERP LN does not check for prices in this serialized item's underlying structure.

Budgeted Service Costs

The price is the total sales amount of all defined terms and coverage terms.

Detailed explanation of the numbers identified in Figures 1 and 2

1: Determine the application.

2 and 3: Determine clusters and serialized items for contract quotations.

A cluster or an item can be defined for each record in the Service Order Quotation Configuration Lines (tsctm1110m400) session. The serialized items that have expired are not used.

4: Determine clusters for contracts.

The clusters for which the service contract is defined in the Contract Configuration Lines (tsctm1110m300) session determine the sales value or price list. If no clusters are defined for the service contract, ERP LN does not calculate a price.

5 and 6: Read the cluster structures and physical breakdown in:

- Configuration Management (CFG)
 - Cluster
-

For the cluster defined in a service contract, service-contract quotation, or service-order quotation, as well as for the entire serialized item structure of that cluster, ERP LN performs the following check:

If the **Covered by Contract** check box is not selected, the serialized item, and the item's underlying structure, is skipped. ERP LN uses the serialized item's sales price. If the serialized item price is found, ERP LN does not check for prices in this serialized item's underlying structure.

Item Pricing

The contract price for the covered configuration is based on the recommended sales prices for the combination of item, contract template, and duration. These prices are maintained in the Contract Item Price Lists (tsctm0115m000) session.

Sales value of the Configuration

If you select this pricing method, ERP LN calculates the value of the clusters that are defined in the service contract or the contract quotation. ERP LN calculates these cluster as shown in Figure 1.

Detailed explanation of the numbers identified in Figures 1 and 2

1: Determine the application.

2 and 3: Determine clusters and serialized items for contract quotations.

A cluster or an item can be defined for each record in the Service Order Quotation Configuration Lines (tsctm1110m400) session. The serialized items that have expired are not used.

4: Determine clusters for contracts.

The sales value or price list is determined by the clusters for which the service contract is defined in the Contract Configuration Lines (tsctm1110m300) session. If no clusters are defined for the service contract, ERP LN will not calculate a price.

5/6 Read cluster structures and physical breakdown in

Configuration Management (CFG)

Cluster

For the cluster that is defined in a service contract, service-contract quotation, or service-order quotation, and the entire serialized item structure of that cluster, ERP LN carries out the following checks:

If the **Covered by Contract** check box is not selected, the serialized item and its underlying structure is skipped. ERP LN uses the serialized item's sales price.

If the serialized item price is found, ERP LN does not check for prices in this serialized item's underlying structure.

Note

Click for a detailed explanation of the numbers mentioned in figure 1. (p. 5-?)

Item Pricing

If you select this pricing method, the value of the contract or contract quotation is based on the planned or predicted activities, which are linked to the clusters/items. The process is shown in Figure 2.

Detailed explanation of the numbers identified in Figures 1 and 2

1: Determine the application.

2 and 3: Determine clusters and serialized items for contract quotations.

A cluster or an item can be defined for each record in the Service Order Quotation Configuration Lines (tsctm1110m400) session. Expired items or serialized items are not used.

4: Determine clusters for contracts.

The clusters for which the service contract is defined in the Contract Configuration Lines (tsctm1110m300) session determines the sales value or price list. If no clusters are defined for the service contract, ERP LN will not calculate a price.

5 and 6: Read cluster structures and physical breakdown in:

- Configuration Management (CFG)
- Cluster

For the cluster defined in a service contract, service-contract quotation, or service-order quotation, as well as for the entire serialized item structure of that cluster, ERP LN performs the following check:

If the **Covered by Contract** check box is not selected, the serialized item, as well as the item's underlying structure, is skipped. ERP LN uses the serialized item's sales price. If the serialized item price is found, ERP LN does not check for prices in this serialized item's underlying structure.

Note

Click for a detailed explanation of the numbers mentioned in figure 2. (p. 5-?)

Detailed explanation of the numbers mentioned in figures 1 and 2

1: Determine the application.

2 and 3: Determine clusters and serialized items for contract quotations.

A cluster or an item can be defined for each record in the Service Order Quotation Configuration Lines (tsctm1110m400) session. Expired items and serialized items are not used.

4: Determine clusters for contracts.

The clusters for which the service contract is defined in the Contract Configuration Lines (tsctm1110m300) session determines the sales value or price list. If no clusters are defined for the service contract, ERP LN will not calculate a price.

5 and 6: Read cluster structures and physical breakdown in:

- Configuration Management (CFG)

Cluster

For the cluster defined in a service contract, service-contract quotation, or service-order quotation, as well as for the entire serialized item structure of that cluster, ERP LN performs the following check:

If the **Covered by Contract** check box is not selected, the serialized item and its underlying structure is skipped. ERP LN uses the serialized item's sales price. If the serialized item price is found, ERP LN does not check for prices in this serialized item's underlying structure.

Serialized item

For each cluster, the structure is read top-down to check the **Covered by Contract** check box for the serialized item. If this check box is cleared, the serialized item is skipped. This also applies to all underlying child serialized items.

Note

The **Covered by Contract** check box does not apply to serialized items of service-order quotations.

The price of the serialized item at the highest level in the serialized item structure is used.

Item

If an item is defined as a top serialized item in the cluster, the item breakdown that is defined for the item is read. If no item breakdown is present, ERP LN cannot determine the price. If an item breakdown is defined, ERP LN uses the item's service price that is defined in the Items - Service (tsmdm2100m000) session.

7 Aggregate prices

ERP LN totals the prices of all clusters and serialized items and calculates the percentage.

To calculate contract prices

To calculate the price of a service contract, a service-contract quotation, or a service-order quotation.

Note

For this calculation, ERP LN supports the following pricing methods:

- **Item Pricing:** ERP LN uses the recommended prices defined in the Contract Item Price Lists (tsctm0115m000) session.
- **Sales Value of Configuration:** ERP LN only calculates the total sales and cost amount of the service contract. As a result, the cost and coverage terms do not have any price specification.
- **Activity Price:** ERP LN uses the service price list to determine the budgeted cost and sales amount per coverage term. As a result, ERP LN does not consider the prices of the cost terms when calculating the sales and cost amount of the service contract.
- **Budgeted Service Costs:** ERP LN calculates the budgeted cost and sales amount of a coverage term as the sum of the term's cost terms.

Perform the following steps to calculate the price of a service type covered by a service contract:

- Step 1: Calculate prices of cost terms.
- Step 2: Calculate prices of coverage terms.
- Step 3: Calculate prices of terms.

The following table shows the necessary steps for each method.

Pricing Method	Step 1	Step 2	Step 3
Item Pricing			
Sales Value of Con- fig.			X
Budgeted Service Costs	X	X	X

Step 1 - Calculate prices of cost terms:

You can manually fill the cost prices and sales amounts of a cost term or you can retrieve a maintenance plan from the Service Planning & Concepts module. You can specify the cost terms that must be excluded, for example, the material

costs in case of a service order quotation. The cost price/sales amount of the excluded line is zero. The prices of the cost terms only affect the total service contract (quotation) price, if the pricing method is **Budgeted Service Costs**. In the other situations the prices of a cost term are necessary to calculate the estimated service-order costs and the actual service-order costs.

Step 2 - Calculate prices of coverage terms:

The cost-covering method and the coverage phase affects the cost and sales price of the coverage terms. This step is based on the budgeted cost and sales amount. You can also use the budgeted amounts to monitor the budgets of the service contract/quotation.

The following is the output of Step 2:

- The budgeted cost and sales amount of each coverage term
- Cost and sales amount of coverage terms

Substeps

2.1 Calculate budgeted cost and sales amounts of coverage terms: The calculation of the budgeted cost and sales amounts depends on the pricing method:

- **Sales Value of Configuration;** Not applicable.
- **Activity Price;** The budgeted cost and sales amounts are determined by means of the *Price calculation (p. 5-12)* .
- **Budgeted Service Costs;** The budgeted cost and sales amounts are the sum of its underlying cost terms.

2.2 Calculate effects of coverage phase: Assume that the costs are equally divided over time. In this case the effects of coverage phasing can be calculated according to a linear model.

Example: The budgeted price of a coverage term (including the coverage method effects) is 100 and the total duration is four years.

Phase	Duration	Coverage	New Price
1	2.5 Y	Disc. 50%	$(2.5/4) * 0.5 * 100 = 31.25$
2	1 Y	Disc. 25%	$(1/4) * 0.25 * 100 = 6.25$
3	0.5 Y	Disc. 10%	$(0.5/4) * 0.1 * 100 = 1.25$
TOTAL	4 Y	-	=38.75

General Formula: $\text{Duration of Phase Price} = \frac{\text{Duration of Phase}}{\text{Total Duration}} * \text{Budgeted Price}$

In this example, the coverage phase starts after the previous phase. In the following example the coverage phase starts at the same time as the previous phase.

Phase | Starts | Duration | Nett. Duration

-----+-----+-----+-----
 1 | - | 1 Y | 1 Y 2 | equal to | 2 Y | (2-1) = 1 Y 3 | after
 | 1 Y | 1 Y

The nettable duration of phase 2, is the time that phase 2 lasts longer than phase 1.

ERP LN uses this nettable duration to calculate the price of a coverage term.

Phase | Duration | Coverage | New Price

-----+-----+-----+-----
 1 | 2.5 Y | Disc. 50% | $(2.5/4) * 0.5 * 100 = 31.25$ 2 | 1 Y
 | Disc. 25% | $(1/4) * 0.25 * 100 = 6.25$ 3 | 0.5 Y | Disc.
 10% | $(0.5/4) * 0.1 * 100 = 1.25$

----- TOTAL 4 Y = 38.75

General Formula: Duration of Phase Price = -----
*Budgeted Price Total Duration

In this example, the coverage phase starts after the previous phase. In the following example the coverage phase starts at the same time as the previous phase.

Phase Starts	Duration	Nett. Duration
1 -	1 Y	1 Y
2 equal to	2 Y	(2-1) = 1 Y
3 after	1 Y	1 Y

The nettable duration of phase 2, is the time that phase 2 lasts longer than phase 1. ERP LN uses the nettable duration to calculate the price of a coverage term.

2.3 Calculate the effects of the cost-covering method: In the following scheme the formula of the new cost and sales amount are described for the following covering methods.

Covering Method	Cost Amount (CA)	Sales Amount (SA)
Fixed Price	CA _r	SA _r
Discount	(D/100) * CA _r	(D/100) * SA _r
Discount Ceiling	(Ceil/SA _r) * (CA/SA) _r * CA _r	(Ceil/SA _r) * CA _r
Price Ceiling	(Ceil/SA _r)*(CA/SA) _r * CA _r	(Ceil/SA _r) * CA _r

where:

CA_r = Budgeted Cost Amount

SA_r = Budgeted Sales Amount

D = Discount percentage

Ceil = Ceiling amount

2.4 Calculate the cost and sales amount of the coverage term: ERP LN uses this substep to calculate the cost and sales amount of the coverage terms. The sales amount of the coverage term is the sum of the sales amount of all coverage phases. ERP LN calculates the cost amount of the coverage term in the same way.

Step 3 - Calculate Prices of Terms

ERP LN calculates the amounts of all terms. The surcharge/discount terms affect these terms. ERP LN also aggregates the budgeted cost and sales amounts of the coverage terms to the terms.

The terms that are related to the service contract lines are distinguished into two types:

- The service contract lines related to a cluster.
- The service contract lines related to a service contract.

If the terms are split up by cluster, ERP LN calculates the service contract lines that are related to the cluster. These service contract lines are the sum of the total lines with the same cluster. So, ERP LN totals the budgeted cost/sales amounts and the spent cost/sales amounts of the total lines.

ERP LN updates the calculated service contract lines with the surcharge/discount terms that are related to the service contract (contract-header level).

Cost covering method

The cost covering method provides a flexible method to recover service costs from the business partner.

Use the **Contract Quotation Coverage Terms (tsctm1120m200)** session to specify a value in the Coverage Terms parameter .

If a coverage term varies over time (phasing) or some counter value, the phase term (or terms) will contain the specified method.

The available methods are the following:

- **Fixed Price**
Service costs are covered by a 100% discount.
 - **Ceiling**
The maximum cost amount that is agreed with the business partner. You can charge for any costs that are lower than this value charged for.
 - **Coverage Percentage**
All service costs are charged for at a discounted rate.
-

- **Ceiling on Coverage Percentage**
All the aggregated service costs are charged at a discounted rate, provided that the total amount charged does not exceed the ceiling price. Any costs that are higher than the ceiling price value are charged for at the standard rate.
- **Exclusion**
Terms are excluded from the contract coverage.
- **Own Risk**
Terms are excluded from the contract coverage until a set ceiling amount or coverage percentage is reached. When the ceiling amount is reached, or when the end date of the coverage term is reached, the coverage is offered on the other coverage terms. Note that this covering method is not applicable to warranty coverage terms.

Note

- If the coverage term has more than one phase, each phase can use a different cost-covering method.
- If multiple cost-covering methods are required for each phase, the methods are placed in the associated phase term.

Service-contract price simulation

ERP LN provides various views of the information to enable you to control and review the costs associated with the terms and conditions.

Select the service contract in the Service Contracts (tsctm3100m000) session. The **Specific** menu in this session includes the following commands:

- **Totals:** Click to view the service contract totals in the Contract Totals by Term Type (tsctm1501m300) session. The displayed totals contain any surcharges or discounts applied at both header level and terms level. The view is sorted by cost type and the totals are derived from all the clusters attached to the service contract.
 - **Coverage Terms:** Click to view the service contract totals, sorted by service type, in the **Configuration Totals by Coverage Type (tsctm1505m300)** session. The displayed totals contain the surcharges or discounts applied at the terms level. The totals are derived from the cluster selected (if the service contract is split by the cluster. Otherwise, the totals refer to all the clusters attached to the service contract.
 - To view the costs attributed to a particular term, sorted by cost type, select the desired term in the **Configuration Totals by Coverage Type** session, and choose the **Detailed by Cost Type** command in the **Specific** menu to use the Configuration Line Totals by Coverage Type and Term Type (tsctm1500m300) session.
-

If you make adjustments to the terms or conditions, click **Recalculate Prices** on the **Specific** menu to start the **(Re)calculate Prices** session.

Contract discount schemes

A discount scheme defines the discount percentage of a contract over a period of time.

The discount scheme defines the discount percentage of a contract during the period when the warranty is valid for the item. You can include an initial warranty period during which no invoices are sent to the customer.

You can also use a discount scheme independently from a warranty, for example, if you agree on a once only discount with your customer.

Use the **Contract discount schemes (tsctm0110m000)** session to define a contract discount scheme.

To print service-contract documents

To print service-contract documents, take the following steps:

1. Start the **Print Service Contract Documents (tsctm3400m000)** session.
2. In the **Print What** field, select **Internal Document** or **External Document**, as required.
3. On the **Selection** tab, specify the range of service-contract documents you want to print.
4. On the **Options** tab, select the coverage and technical attachments you want to include in the print and the currencies in which the cost and sales amounts must be printed.
5. Click **Print**.

Note

If you print a service contract document, the status of the service contract remains unaffected.

To print service contracts

You can use the session to:

- Print internal documents.
-

- Print external documents

To print service contracts:

1. Start the Print Service Contracts (tsctm3401m000) session.
2. Specify the range of service contracts you want to print.
3. Select the appropriate check boxes to specify the text attachments you want to print.
4. In the **Sort by** field, select the sorting order.
5. Click **Print**.

Service contract changes

You cannot change active service contracts in the same way that you change service contracts with the status **Free**. In Service, contract changes can be classified into following types:

- Contract Renewal
- Indexation
- Incidental Changes

Contract Renewal

The **Contract Renewal** option allows you to extend the contract period. You can renew a service contract for any duration of time and copy the cost and coverage terms. When you renew a contract, you can also add more configuration lines, change the cost amount and sales amount of the configuration lines, change the cost and the sales amount of the coverage terms and so on.

Price Indexation

The **Price Indexation** option allows you to increase the contract amount. The increase in contract amount can be because of economic changes, to counter the effect of inflation, to counter currency fluctuations and so on.

- The service contract change type indexation can be applied only when the Pricing Method of the configuration lines is set to **Cluster/Item Pricing** in the Service Contracts (tsctm3100m000) session or in the Contract Configuration Lines (tsctm1110m300) session.
 - If the **Update from Contract Price List** check box in the Indexation Percentages (tsctm0161m000) session is not selected, the **Cluster/Item Pricing** percentage defined in the session is used to index the **Calculated** and the **Sales Price** in the Contract Configuration Lines (tsctm1110m300) session.
-

- If the **Update from Contract Price List** check box in the Indexation Percentages (tsctm0161m000) session is selected, the sales price is updated with the latest price from the Contract Item Price Lists (tsctm0115m000) session.

The **Calculated** and the **Sales Amount** in the Contract Configuration Lines (tsctm1110m300) session is indexed proportionally, based on the period between the **Change Effective Date** and **Expiry Date** specified in Contract Changes (tsctm3120m000) session.

- If the **Type** field is set to **Renewal with Indexation** in the Contract Changes (tsctm3120m000) session, Infor ERP LN renews the contract and applies indexation, simultaneously. Indexation is applied irrespective of the pricing method defined for the configuration lines.

Incidental Changes

The **Incidental Changes** option allows you to make the changes such as addition of configuration lines, changes to prices / discounts, changes to coverage terms / cost terms and so on, to the contract agreement.

Impact of Indexation or Incidental Changes on Installments when Contract Change is Activated.

When indexation or incidental change is activated, the indexed amount is split between the installments that meet the following criteria:

- Installments with status **Free** in the Contract Installments (tsctm4100m000) session
- Installments which have start date in the **Effective Period** field (in the Contract Installments (tsctm4100m000) session) that is equal to or greater than the **Change Effective Date** (in the Contract Changes (tsctm3120m000) session).

The indexed amount is not split between the installments that are manually created.

There are no installments with status **Free** in the Contract Installments (tsctm4100m000) session, when the Indexation or Incidental change is applied. Infor ERP LN, generates a new installment with the indexed amount in the Contract Installments (tsctm4100m000) session on the activation of the contract change. The **Planned Invoice Date** for the new installment is same as the **Change Effective Date** in the Contract Changes (tsctm3120m000) session.

if the Indexation amount or Incidental change amount is not zero, Infor ERP LN adds the amount to the installment amount. Thereafter, the indexation / incidental change amount is reset to zero.

The status of the installment can be changed only when:

- When the indexation amount or incidental change amount is zero. The status of the Installment can be changed to following:
 - **Accepted**
 - **Canceled**
- The contract change is activated.

To make changes to a single contract

To make changes to a single contract, take the following steps:

1. In the Service Contracts (tsctm3100m000) session, on the **Specific** menu, click Contract changes.
2. In the Contract Changes (tsctm3120m000) session, click **New** to start the details session.
3. In the **Type** field, select the type of change:
 - Renewal
 - Incidental Changes
 - Indexation
 - renewal with indexation
4. Enter a description.
5. Make the appropriate changes. If required, use the commands on the **Specific** menu to change the configurations and/or coverage terms, or to view contract totals.
6. Click **Save**.
7. In the Contract Changes (tsctm3120m000) session, check the amounts. If, at this point, you modify the change-effective time (default: current date), you must recalculate the prices and verify the changed amounts.
8. To confirm the changes, in the Contract Changes (tsctm3120m000) details session, on the **Specific** menu, click Activate Contract Change. The active contract is then modified to reflect the changes.

Note

- For every change applied to a contract, Service generates new installments, which you can review in the Contract Installments (tsctm4100m000) session.
 - You can only make changes to a service contract if, on the **Contract Changes** tab in the Service Contracts (tsctm3100m000) session, the change type-specific check box for that contract was selected before the contract is selected.
 - You cannot make incidental changes to a range of contracts.
-

- You can set the **Type** field to **Renewal with Indexation** in the Contract Changes (tsctm3120m000) session, only if the following check boxes are selected in the Service Contracts (tsctm3100m000) session:
 - **Contract Renewal**
 - **Price Indexation**

Contract Renewal

Service contract describes the terms and conditions between the service provider and the customer. Service contracts can be renewed to provide extended services and thereby, additional stream of revenue to the service organization.

Concept

Contract Renewal: Renewals option allow you to extend the contract period beyond its current duration. You can renew a service contract for any time duration and copy the cost and coverage terms. When you renew a contract, you can also add more configuration lines, change the cost amount and sales amount of the configuration lines, change the cost and the sales amount of the coverage terms and so on.

Note

You can set the **Type** field to **Renewal with Indexation** in the Contract Changes (tsctm3120m000) session, only if the following check boxes are selected in the Service Contracts (tsctm3100m000) session:

- **Contract Renewal**
- **Price Indexation**

Indexation

To accommodate fluctuations in the economy, and for the benefit of the service organization, you can revalue a service contract. Due to inflation, the costs of material, labor, tools, travel, and so on, can vary and as a result you must change the current agreements made in service contracts accordingly. You can use indexation in the Contract Management module to implement these changes automatically, if specified in the service contract.

Based upon the indexation, the current contract costs and prices must be recalculated. Indexation cannot lead to a new service-contract. You must determine the following dependencies :

- Contract installments are regenerated based on a changed contract amount, which influences Sales Invoicing.
- Changes affect accounts receivable, such as additional invoices and credit notes, which influences the Accounts Receivable ledger.

- Changes affect forecasted revenues and costs, which influences the General Ledger accounts.

If you use indexation, the cost prices and sales prices can be updated by a percentage:

- Service activities under contract (defined in the Service Planning & Concepts module).
- Term type.

Note

- To use indexation in a service contract, before you activate a contract, you must select the **Price Indexation** check box for the specific contract on the Contract Changes tab in the Service Contracts (tsctm3100m000) session.
- To apply indexation and renew a service contract simultaneously, set the **Type** field in the Contract Changes (tsctm3120m000) session to **Renewal with Indexation**.
- To apply indexation to a single contract, use the Contract Changes (tsctm3120m000) session.
- To apply indexation to multiple contracts, use the Generate Contract Changes (tsctm3202m000) session. For more information, refer to *To apply indexation to multiple contracts (p. 5-28)*.

To apply indexation to multiple contracts

To apply indexation to multiple contracts, perform the following steps:

1. In the Service Contracts (tsctm3100m000) session, on the **Specific** menu, click **Generate Contract Changes** to start the Generate Contract Changes (tsctm3202m000) session.
 2. Specify a range.
 3. Select the **Indexation** check box.
 4. Make changes to the effective date, if necessary.
 5. Select the indexation template. You can select the template only when the indexation template is not defined in the Service Contracts (tsctm3100m000) session.
 6. To activate the changes immediately, select the **Activate Created Indexation** check box. If you do not select the check box, you must activate the changes one by one later.
 7. Click **Process**.
-

Note

- For indexation, indexation term amounts are recalculated according to index definition.
- For every change applied to a contract, Service generates new installments, which you can review in the Contract Installments (tsctm4100m000) session.
- You can apply indexation to a service contract when the **Price Indexation** check box for the specific contract in the **Contract Changes** tab in the Service Contracts (tsctm3100m000) session is selected before the contract is activated.

Incidental changes

Incidental changes refer to any changes in an active service contract in terms of covered configurations, types of coverage, and terms and conditions.

You can create a contract change of the type Incidental change when you want to make a change to the existing contract.

The contract change is created with the status **Free**.

Incidental changes must be made effective for the contract in order to provide coverage using the new contract definitions. A contract change often leads to a change in the contract price and effects the current contract installments. If a penalty is related to an incidental change, a separate contract installment is created.

The total incidental change correction amount is calculated as the difference in the total contract prices of the contract before starting the incidental change and when making the incidental change active.

You can make incidental changes to the coverage of an active service contract. You can do any of the following:

- Add or delete clusters, serialized items, service types, terms, coverage terms and/or cost terms.

Note

- To enable incidental changes to a service contract, before you activate a contract, you must select the **Incidental Changes** check box for the specific contract on the **Contract Changes** tab in the Service Contracts (tsctm3100m000) session. Use the session to specify a penalty to be charged to the customer whenever an incidental change is made.
 - To make incidental changes to a contract, use the Contract Changes (tsctm3120m000) session.
-

To print service contracts about to expire

1. Start the Expire Service Contracts (tsctm3200m000) session.
2. Enter the appropriate expiry date range.
3. Select the **List of Contracts to be Expired** check box.
4. Click **Process**.

To mark service contracts for expiry

Use the Expire Service Contracts (tsctm3200m000) session to mark the service contracts for expiration.

A service contract can have the status set to **Active** even though the contract period is completed. You cannot use this contract to allocate contract coverage. You can set the status to expired and then close the contract and transfer the contract to history.

Mark contracts for expiry

You can also mark contracts for expiry. The status of the contract is not set to expired but the contract has the status **Marked for Expiry** for all the service contracts that fall within the defined input selection range and with the expiry date after the current date.

Note

You cannot make changes to expired contracts.

Service contract expiry process

1. Start the Expire Service Contracts (tsctm3200m000) session.
2. Enter the maximum selection range for the required component, for example, the sold-to BP.
3. Select the **Mark Contracts for Expiry** check box.
4. Select the **Process Report** check box and the **Error Report** check box, as required.
5. Click **Process**.

Within the specified range, select the **Marked for Expiry** check box in the details session of the service contracts. .

Note

Contracts that are marked for expiry cannot be renewed after expiration.

To expire service contracts

1. Start the Expire Service Contracts (tsctm3200m000) session.
2. Enter the maximum selection range for the required component, for example, the sold-to BP.
3. Select the **Expire Contracts** check box.
4. Select the **Process Report** check box and the **Error Report** check box, as required.
5. Click **Process**.

ERP LN sets the status to **Expired** for the service contracts of which the expiry date is reached.

This chapter explains the contract management procedures.

Service contract installments

Service contract installments enable you to invoice the contract sales amounts and the service activity amounts.

When a service contract is posted to history, the associated installments are also posted to history.

Invoice methods for service contracts.

A number of methods are available that you can use to invoice a contract:

- The invoice method you choose determines the type of installments, and the number of installments generated.
- The invoice method also determines the billing method. The billing can be carried out before the work order is started or after the work order is completed.
- The invoice method is linked to the service contract by means of an installment template.

Service contract installments

The invoicing details for the service contract or service-contract quotation are specified on the **Invoicing** tab in the details sessions.

Service contracts Invoicing

The chosen invoice method determines the type, and number, of installments that are presented. The invoice method also determines whether the invoices are presented before work begins or after completion.

The invoice method is linked to a [service-contract](#) quotation or a [service contract](#) by means of [installment templates](#). After insertion, you can alter the details suggested by the template, if required.

The accepted installment is passed over to the Sales Invoicing module of Central Invoicing, which handles the printing of the installment documents. This module also notifies the Financials package of this event. The module returns the invoice date, invoice number, and posting date for use in the Contract Management module.

You can cancel an installment only when the status is set to **free** or **accepted**.

When a service contract is posted to history, the associated installments are also posted to history.

Note

The settings in the Contract Management Parameters (tsctm0100m000) session, control the level of detail posted to history.

How ERP LN generates contract installments

Infor ERP LN generates contract installments when:

- A service contract is activated.
- A contract change is closed.

When a contract is activated or renewed, Infor ERP LN generates the installments for each configuration, based on:

- The effective date and the expiry date on the contract configuration line
- The [installment template](#)
- The [contract discount scheme](#). The amounts are distributed evenly across the installments.

When an [indexation](#) or an [incidental change](#) is closed, Infor ERP LN either adjusts installments or generates new installments that reflect the resulting differences in the cost and sales amounts.

Infor ERP LN generates new installments when:

- A new configuration is added
 - The expiry date on the configuration line is extended. Infor ERP LN generates installments after the previous expiry date on the configuration line.
-

- A penalty amount is specified. For the penalty amount, Infor ERP LN creates a single installment.

In all other cases, Infor ERP LN adjusts the existing installments with status **Free** that cover the duration from the change effective date until the expiry date of the configuration. Any contract discount amount is also adjusted.

Note

If the installment status is already **Accepted**, the following applies:

- If the difference results in an increase, Infor ERP LN creates a new installment for the same planned invoice date.
- If the difference results in a decrease, Infor ERP LN creates a credit note. All **Free** installments that fall after the configuration expiry date are canceled.

Impact of Indexation or Incidental Changes on Installments when Contract Change is Activated.

When indexation or incidental change is activated, the indexed amount is split between the installments that meet the following criteria:

- Installments with status **Free** in the Contract Installments (tsctm4100m000) session
- Installments which have start date in the **Effective Period** field (in the Contract Installments (tsctm4100m000) session) that is equal to or greater than the **Change Effective Date** (in the Contract Changes (tsctm3120m000) session).

The indexed amount is not split between the installments that are manually created.

There are no installments with status **Free** in the Contract Installments (tsctm4100m000) session, when the Indexation or Incidental change is applied. Infor ERP LN, generates a new installment with the indexed amount in the Contract Installments (tsctm4100m000) session on the activation of the contract change. The **Planned Invoice Date** for the new installment is same as the **Change Effective Date** in the Contract Changes (tsctm3120m000) session.

if the Indexation amount or Incidental change amount is not zero, Infor ERP LN adds the amount to the installment amount. Thereafter, the indexation / incidental change amount is reset to zero.

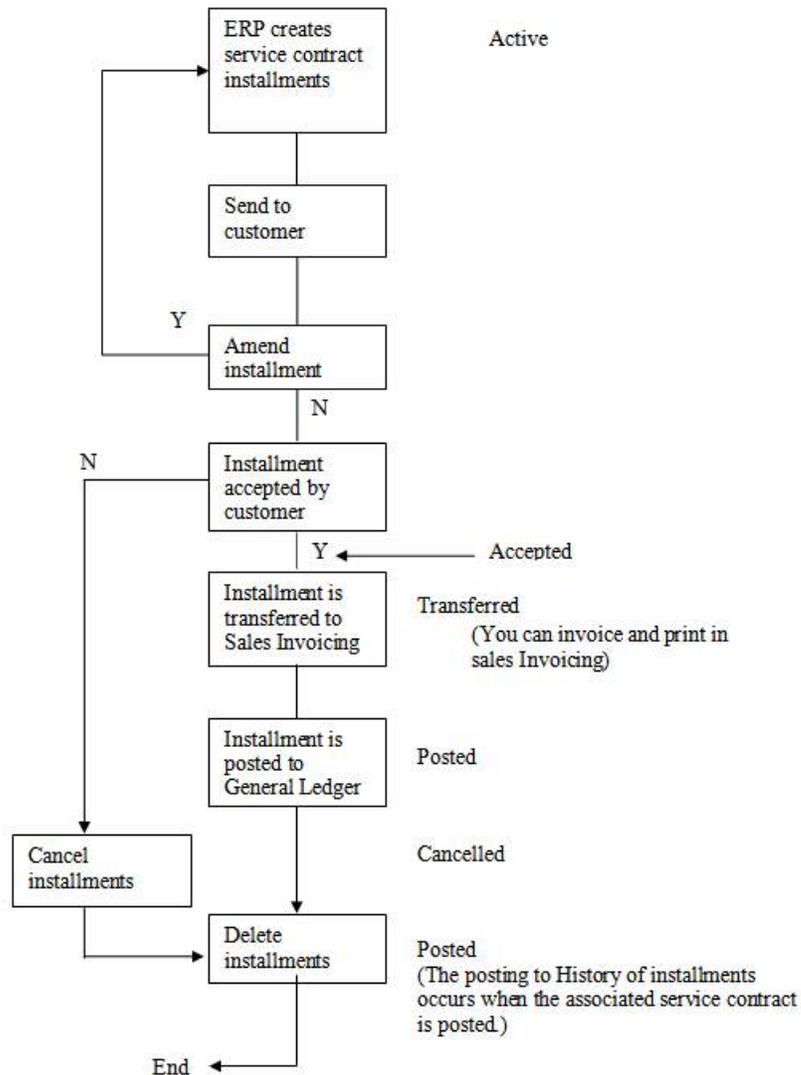
The status of the installment can be changed only when:

- When the indexation amount or incidental change amount is zero. The status of the Installment can be changed to following:
 - **Accepted**
 - **Canceled**
- The contract change is activated.

Service-contract installments process

Service-contract installments process:

The following figure explains the service contract installments process:



To use installment templates

Installment templates enable you to generate installments when the service organization operates with a set of predetermined installment conditions.

You must define the Installment templates before you enter the header data in the service-contract template of the service contract or service-contract quotation. You can use the installment templates to prepare specific details of an installment in advance. The creation time for the installment strategy is reduced and the same terms and conditions are applied under similar circumstances.

Create an installment template

Use the Print Installment Templates (tsctm4410m000) session to create and print the installment templates.

On the template header, you can enter the following data in regard to the template:

- A description of the template
- The interval between installments
- The date on which the installment is invoiced
- The shift period that must be used for invoicing.
- The number of financial periods.

Using the installment templates:

You can use installment templates when you enter header data of the service contract or the service-contract quotation. You must create the installment template in:

- The **Installment Template** field of the Contract Quotations (tsctm2100m000) session for a service-contract quotation.
- The **Installment Template** field of the Service Contracts (tsctm3100m000) session for a service contract.

To use service contract installments

The installment status indicates the various stages of an installment. The status of an installment changes after each interaction .

An installment can have any of the following statuses:

- **Free**
 - **Accepted**
 - **Transferred**
-

- **Posted**
- **Canceled**

Service contract installments - example pricing

Cluster A:

- Sales Value: 100,000
- Service: Eight percent of the sales value
- Payment: 12 times annually

Cluster B - 4 x Inspections:

- Sales amount: $4 \times 1000 = 4000$
- Costs amount: $4 \times 800 = 3200$
- Payment four times annually

Example

Sales Price Contract (for Cluster A and B):

- A: 8,000 annually = 667 monthly
- B: 4,000 annually = 1,000 quarterly

Invoice scheme:

- January: $667 + 1,000 = 1,667$
- February: 667
- March: 666
- Etc.

Example

Costs Price Contract (for Cluster A and B):

- A: No costs can be entered
- B: 3,200 annually = 800 quarterly

Gross Margin (GM) can only be based on the following pricing methods:

- Budgeted
- Price Lists

GM in this case is: $(4000 - 3200) / 4000 = 20$ percent

Chapter 7

Close Service Contract



7

This chapter explains the contract management procedures.

Contract history

Use the contract management history to view details of the terms and conditions posted to history.

The history data is derived from contract quotations, service contracts, and contract installments.

You can use the history data to examine details such as customer history, gross margins actually achieved, and so on. You can observe and use the trends to determine the sources of costs incurred.

Contract management - history

The **Contract Management History** menu group enables you to view the historical data stored by ERP LN. You can print or delete the data.

The data is derived from the following modules in Contract Management

- [Service-Contract Quotations](#)
- [Service Contracts](#)
- [Service-Contract Installments](#)

You can use one of the following settings in the Contract Management Parameters (tsctm0100m000) session to select the amount of information stored before deletion

- **None**
 - **Header**
 - **Header & Terms**
-

Note

If you select the **Header & Terms** option, the consumption of disk resources is high.

Depending on the context you can store the following two sets of header information:

- The Service-contract quotation header
- The Service contract header

Use the Move Service Contract Quotations to History (tsctm2280m000) session to move service contract quotations to history. The status of the service contract quotation must be set to **Processed** or **Canceled**. ERP LN deletes the service contract quotations from the Contract Quotations (tsctm2100m000) session after moving the data into history.

Use the Copy Service Contracts to History (tsctm3280m000) session to move the service contracts to history. The status of the service contract must be set to **Closed**. ERP LN deletes the service contract from the Service Contracts (tsctm3100m000) session after moving the data into history. The installments are moved when the associated service contract is moved to history.

Appendix A

Glossary



A

business partner

A party with whom you carry out business transactions, for example, a customer or a supplier. You can also define departments within your organization that act as customers or suppliers to your own department as business partners.

The business partner definition includes:

- The organization's name and main address.
- The language and currency used.
- Taxation and legal identification data.

You address the business partner in the person of the business partner's contact. The business-partner status determines if you can carry out transactions. The transactions type (sales orders, invoices, payments, shipments) is defined by the business partner's role.

cluster

A set of serialized items that have the same location and are owned by the same business partner. Grouping serialized items into a cluster enables you to maintain them collectively.

contract discount scheme

If services or terms of a warranty overlap with the services of a contract agreement for an item, a discount or reduction in terms on the contract price can be offered. The discount scheme defines the contract's discount percentage during the period when the warranty is valid for the item. This enables you to include an initial warranty period during which no invoices are sent to the customer. You can also use a discount scheme independently from a warranty, for example, if you agree on a once-only discount with the customer.

contract installment

Period over which the contract revenues (installment amounts) and the forecast contract costs are distributed. Contract installments are defined by year and contract.

contract quotation

A quotation to a business partner for the provision of a service contract.

contract-quotation documents

The documents that are printed in the Print Contract Quotation Documents (tsctm2400m000) session.

Two types can be printed:

- External documents
- Internal documents

External document

This type of document is used to print the actual documents that must be sent to the business partner. The status of the quotation is changed to Printed, at which point the details become fixed and changes to the quotation terms are prevented.

Internal document

This type of document is used to print a copy for internal use of the actual document that must be sent to the business partner. The status of the quotation is unchanged.

Example

- The quotation can receive separate financial approval before printing the final documents.
- The quotation details can still be amended after review.

contract quotation header

The contract quotation header contains all the data that is entered in Contract Quotations (tsctm2100m000) session.

contract renewal

Changes to service contracts that are the result of a new duration period.

contract template

A standard set of contract terms and conditions. A template can be used as a basis for contract quotations and service contracts.

contract type

A way of categorizing contracts based on similarities and shared characteristics. Each contract type is identified by an alphanumeric code of up to three characters.

cost terms

A detailed specification of a coverage term.

coverage terms

A coverage term stores agreements on the duration, the cost covering method and the costs of these agreements. This can be created for (a combination of) a service contract (quotation), cluster, coverage type, term type, or sequence number.

The cost amounts and sales amounts of the term are also stored.

The defined coverage terms are valid for the entire duration of the service contract. It is also possible to phase these terms, depending on time or on the value of the main counter of a counter model.

The coverage terms can be further specified in the so-called cost terms.

gross margin

The difference between the sales amount and the standard costs against standard costs.

How the gross margin is calculated depends on the setting of the **Margin Base** field in the Service Order Parameters (tssoc0100m000) session.

Acronym: GM

header data

The general information of a service contract, a service contract quotation, a service order or a service order quotation. The header data can consist of descriptive, business partner, financial, invoice, and duration data.

incidental changes

A type of service contract change that results from adding or removing items. or from adding, removing, or changing coverage terms and/or cost terms.

indexation

To raise or to lower contract prices by means of a user-defined percentage.

installment template

A template specifying an invoice method, the interval between two installments, the installment variant and the method in which the number of financial periods of an installment should be specified. The template can be used in contract quotations and service contracts.

item breakdown

A standard item's list of constituent components. The item breakdown can be displayed as a multilevel structure or as a single-level structure, and can be used as input for a physical breakdown.

maintenance planning

The list of activities planned for serialized items/clusters for the purpose of long term preventive maintenance.

maintenance prediction

The expected moments, on a relative timescale, when a specific measurement type does not meet specific norm values. As a result, specific reference activities must be carried out by way of preventive maintenance. A maintenance prediction can be a part of a maintenance concept, and is used for condition-based maintenance (CBM) in the first place, and for fine-tuning the maintenance concept in the second place. Maintenance predictions are optional to use. If present, maintenance predictions serve as input for the maintenance plan.

number group

A group of first free number series that you can assign to a specific use.

For example, you can assign a number group to:

- Business partner codes
- Purchase contracts
- Sales orders
- Production orders
- Service orders
- Warehousing orders
- Freight orders

Within a number group you can define multiple series. Each series is identified by the series code. The series numbers that ERP LN generates consist of the series code followed by the first free number in the series. Series codes of the same number group have the same length.

pricing method

The method indicating how the contract price is determined.

The following pricing methods are available:

- **Sales Value of Configuration**
- **Budgeted Service Costs**
- **Cluster/Item Pricing**

serialized item

An item that is uniquely identified by the item code (manufacturer part number) in combination with the serial number.

service contract

A sales agreement between a service organization and a customer for a specific period, that states the configurations (clusters or serialized items) to be maintained, the coverage terms, and the agreed price.

service contract changes

Following are the three types of contract changes:

- **Renewal:** The option allows you to extend the contract period beyond its current validity duration.
 - **Incidental Changes:** The option allows you to implement changes to an existing contract. Changes such as addition/deletion of one or more configuration lines, changes to price and discounts, and so on are categorized as incidental changes.
 - **Indexation:** The option allows you to change the contract price based on the changes in the value of consumer price index.
-

service-contract documents

The documents that are printed in the Print Service Contract Documents (tsctm3400m000) session.

Two types can be printed:

- External documents
- Internal documents

External document

This type of document is used to print the actual documents that must be sent to the business partner.

Internal document

This type of document is used to print a copy for internal use of the actual document that must be sent to the business partner.

Example

- The contract can receive separate financial approval before printing the final documents.
- The contract details can still be amended after review.

service contract header

The service contract header contains all the data that is entered in the Service Contracts (tsctm3100m000) session.

service-order quotation

A service-order quotation is a statement of price, terms of sale, and description of services and materials, that can be sent to a prospective business partner. The business partner data, terms of payment and terms of delivery are listed in the header. The data about the activities and materials are entered on the quotation lines.

service type

The service classification that service providers offer. The service type determines which availability type applies to a service order header, and provides a default order procedure and coverage type.

sold-to business partner

Usually a customer's purchase department; the business partner who orders goods or services from your organization, that owns the configurations you maintain, or for whom you perform a project.

Details of the agreement with the sold-to business partner can include:

- Default price and discount agreements.
- Sales order defaults.
- Terms of delivery.
- The related ship-to and invoice-to business partner.

terms

A set of contract, quotation or warranty conditions, related to a type of maintenance.

Per coverage type and term type, conditions and price agreements are stored in the coverage terms, which can be further specified in the cost terms.

Example

All conditions related to:

- Long cyclic maintenance
- Helpdesk support
- Field problem solving

term type

Categories used to group costs. Term types enable you to have a more detailed view of the source of costs.

The Contract Management module in Service distinguishes the following term types:

- **Material**
 - **Labor**
 - **Tooling**
 - **Traveling**
 - **Subcontracting**
 - **Help Desk**
 - **Other**
 - **Uptime**
 - **All**
-

warranty

A guarantee that a component is repaired free of charge or at reduced costs if it does not work according to the agreed specifications within a warranty period.

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