# Infor LN Service User Guide for Contract Management

## Publication Information

# Table of Contents

# About this document

This guide provides information about the various processes in Contract Management and the procedure to create contract quotations, contract templates, contracts, contract installments, contract coverage and contract revenue recognition.

**Objectives**

This document is designed to meet the objectives described below. It is assumed that you already have a general understanding of LN Service.

Understand the following concepts :
- Contract templates
- Contract quotes
- Contract control
- Contract changes
- Contract installments
- Indexation
- Contract coverage and contract costs

To perform the following tasks:
- To create contract quotes
- To create service contracts
- To create contract installments
- To close contracts

**Document summary**

This guide explains the various processes in the Contract Management and the procedure to create contract quotes, 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 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.

**Comments?**

We continually review and improve our documentation. Any remarks/requests for information concerning this document or topic are appreciated. Please e-mail your comments to [documentation@infor.com](mailto:documentation@infor.com) .

In your e-mail, refer to the document number and title. More specific information will enable us to process feedback efficiently.

**Contacting Infor**

If you have questions about Infor products, go to Infor Concierge at https://concierge.infor.com/ and create a support incident.

If we update this document after the product release, we will post the new version on the Infor Support Portal. To access documentation, select **Search Browse Documentation**. We recommend that you check this portal periodically for updated documentation.

If you have comments about Infor documentation, contact documentation@infor.com .

# Chapter 1
# Introduction

1

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 Installation groups.
- Include reference activities in a contract.
- Record the financial performance on the servicing agreements to gain insight into the profitability of the composed contract.
- To specify terms and conditions required by the warranties or service order quotations.

## 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 Invoicing module in 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**.

# 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 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
- Helpdesk 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.

# Chapter 3
# Master Data Setup

**3**

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 Installation group lines.
- Discount scheme: Define Installation group 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 <u>contract types</u> 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 <u>service contract templates</u>. 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 Quote procedures

4

This chapter explains the contract quote procedures.

# Contract quotes

You can use the menu group to create and configure <u>service-contract quotes</u>.

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

## Service contract quote- contents

A service-contract quote consists of:

- The <u>service-contract quote header</u>, which contains, for example, information about the <u>business partners</u>, invoicing, and installments.
- The terms and conditions for the service-contract quote, the extent of coverage and the pricing.
- The <u>installation group</u> and/or <u>serialized items</u> covered by the service-contract quote.
- Details of the <u>maintenance plans</u> that belong to any of the selected Installation groups or models.

You can use the type of terms and their specification to change the conditions of the service-contract quote 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 quote, or copy one or more <u>service-contract templates</u> into the service-contract quote.

After you create a service-contract quote, 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 quote are finalized, you can print the <u>service-contract quote documents</u> and send the documents to the business partner. The details are fixed and you cannot make any further changes to the service-contract quote terms

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

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

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

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

**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 quote.

# 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 Quotes (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 **Make Correction** command in the Contract Quotes (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 **Accept Quote** command in the Contract Quotes (tsctm2100m000) details session. The service contract quotation status must be **Printed**. You can perform the following activities:

- **Accept**: the <u>business partner</u> 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 **Make 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 Quote to Contract (tsctm2200m000) session to select the service-contract quotations to process.

Once processed, use the Move Service Contract Quotes 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 Quotes 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

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 Quote Configuration Lines (tsctm1110m200) session.
- The sales and cost prices for the coverage terms are displayed in Contract Quote Coverage Terms (tsctm1120m200) session.
- The total sales and cost amounts for the contract quotation are displayed in the Contract Quotes (tsctm2100m000) session.

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

- Contract Quote Configuration Lines (tsctm1110m200)
- Contract Quote Coverage Terms (tsctm1120m200)
- Contract Quotes (tsctm2100m000).

# To print contract quotation documents

When you print service-contract quotations, you can print the following:
- Alist 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 Quotes (tsctm2401m000) session.

## Print the documents that must be sent to the business partner

Use the Print Contract Quote 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 Quote 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 Quote 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 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

# Chapter 5
# Service Contracts

**5**

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.

**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 **Period Unit** field of **Change Conditions** 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...** 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 **Change Conditions** 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

**Important!**

Coverage and cost terms are copied to the new contract period only if the expiry date of the associated configuration line matches the expiry date of the service contract. Only those configurations lines are copied for which the expiry date matches the expiry date of the service contract.

The effective and expiry dates of the renewed configuration match those of the service contract renewal. Therefore, the configuration is active throughout the renewal duration.

Based on the renewal duration, either one or two methods can be used to copy coverage and cost terms:

- If service contract duration and renewal duration *differ*, the **Only Active** method as outlined below is used.

- If service contract duration and renewal duration *match*, LN displays a dialog box with the following options:

  - **Only Active**
    Only active coverage and cost terms are copied.

    - **Coverage Terms**
      Coverage terms for which the expiry date matches the expiry date of the service contract are copied. The effective and expiry dates of the coverage terms renewal and the service contract renewal match to ensure that the coverage terms are active throughout the renewal duration.

    - **Cost Terms**
      Cost terms are calculated in proportion to the change in the duration of coverage terms.

  - **All**
    Cost and coverage terms of a service contract are copied:

    - **Coverage Terms**
      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**
      Cost and sales amounts 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 <u>service contracts</u>.

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 installation group covered by the service contract.
- Details of any maintenance plans that belong to the covered installation groups.

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 installation group.

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 canceled 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 control 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
- Helpdesk 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 <u>appropriate</u> 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 **Cancel 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 <u>service contract header</u> details in the Service Contracts (tsctm3100m000) session.
2. On the <u>appropriate</u> menu, click **Configuration Line**.
3. In the Contract Configuration Lines (tsctm1110m300) session, link <u>installation group</u> and <u>serialized items</u> to the service contract.
4. If the terms must be specified in detail, select the desired term, click **Coverage Terms** on the <u>appropriate</u> menu to start the Contract Terms (tsctm1120m300) session, and add the <u>coverage terms</u>.
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 <u>cost terms</u>.
6. After you enter all the desired terms and conditions, you can print the <u>service contract documents</u> by means of the Print Service Contract Documents (tsctm3400m000) session.

**Note**

- At least one Installation group 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 Installations, 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 Installations. 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 Quote 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.

- **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 <u>installation group</u> and or serialized items that are specified in the contract or contract quotation. You must determine the value of the entire Installation group, the single (not related) serialized items, as well as the service BOM items that are linked to an Installation group.

You can determine the value of the Installation group in the following ways:

## Sales Value of Configuration

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

## Detailed explanation of the numbers included in Figures 1 and 2

1: Determine the application

2 and 3: Determine Installation groups and serialized items for contract quotations

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

4: Determine Installation groups for contracts

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

5 and 6: Read Installation group structures and physical breakdown in:

- Configuration Management (CFG)
- Installation group

For the Installation group defined in a service contract, service-contract quotation, or service-order quotation, and the entire serialized item structure of that Installation group, 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. LN uses the serialized item's sales price. If the serialized item price is found, 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.

## 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, LN calculates the value of the Installation groups that are defined in the service contract or the contract quotation. LN calculates these Installation group as shown in Figure 1.

**Note**

Click Detailed explanation of the numbers included in Figures 1 and 2

## 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 Installation groups/items. The process is shown in Figure 2.

**Note**

Click Detailed explanation of the numbers included in Figures 1 and 2

## Detailed explanation of the numbers mentioned in figures 1 and 2

1: Determine the application.

2 and 3: Determine Installation groups and serialized items for contract quotations.

An Installation group or an item can be defined for each record in the Service Order Quote Configuration Lines (tsctm1110m400) session. Expired items and serialized items are not used.

4: Determine Installation groups for contracts.

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

5 and 6: Read Installation group structures and physical breakdown in:

- Configuration Management (CFG)

## Installation Group

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

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

## Serialized item

For each Installation group, 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 Installation group, the item breakdown that is defined for the item is read. If no item breakdown is present, LN cannot determine the price. If an item breakdown is defined, LN uses the item's service price that is defined in the Items - Service (tsmdm2100m000) session.

## 7 Aggregate prices

LN totals the prices of all Installation groups 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, LN supports the following pricing methods:

- **Installation Group/Item Pricing**: LN uses the recommended prices defined in the Contract Item Price Lists (tsctm0115m000) session.
- **Sales Value of Configuration**: 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**: LN uses the service price list to determine the budgeted cost and sales amount per coverage term. As a result, LN does not consider the prices of the cost terms when calculating the sales and cost amount of the service contract.
- **Budgeted Service Costs**: 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 Config.** | | | X |
| **Budgeted Service Costs** | X | X | X |

## Step 1 - Calculate prices of cost terms:

You can manually fill the standard costs 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 standard cost/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. 32)*.
- **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:

$$Price = \frac{Duration\ of\ Phase}{Total\ Duration} * Budgeted\ Price$$

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. 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:* 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. LN calculates the cost amount of the coverage term in the same way.

## Step 3 - Calculate Prices of Terms

LN calculates the amounts of all terms. The surcharge/discount terms affect these terms. 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 an Installation group.
- The service contract lines related to a service contract.

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

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 <u>business partner</u>.

Use the Contract Quote Coverage Terms (tsctm1120m200) session to specify a value in the <u>Coverage Terms</u> parameter .

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

- **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.

# 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 Range** tab, specify the range of service-contract documents you want to print.
4.  On the **Currency 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 **Installation Group/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 **Installation Group/Item Pricing** percentage defined in the session is used to index the **Calculated Sales Price** 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 Sales Amount** 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, 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 Date** 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. 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, 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 appropriate 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 appropriate 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 appropriate menu, click Activate Contract Change. The active contract is then modified to reflect the changes.

**Note**

- For every change applied to a contract, LN 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 **Change Conditions** 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.

**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 contact.

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 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. 44)*.

# 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 appropriate 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 **Change Conditions** 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 installation groups, 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 **Change Conditions** 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**.

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

# Search path for service contracts

When you initiate a call, or create a service order or a MSO (maintenance sales order), a transaction is generated for the item and serial combination. When Infor LN searches for an appropriate service contract for this transaction, the exact match of the item-serial combination for this contract and the transaction is no longer mandatory.

Infor LN search for the service contract in the following sequence:

- Serial
- Item – Installation Group
- Installation Group
- Item

**Note**

Infor LN applies the most detailed match.

The following scenario explains how the same items have different coverage because the Installation Group or the item (without a Installation Group) is linked to different service contracts:

## Step 1:

The serialized items are sold to the sold-to-BP initially using a sales order

- Sales order 1 with n lines with serialized item A ser 123456, serialized item B ser 123123, serialized item C serial 345345 – linked to Installation Group 1

- Sales order 2 with n lines with serialized item A ser 789005, serialized item B ser 234234, serialized item C serial 456456 – linked to Installation Group 2

- Sales order 3 with n lines with serialized item A ser 333333, serialized item B ser 333334, serialized item C serial 333335 – not linked to a Installation Group

## Step 2:

The service contracts are defined. Service Contract 1 and 2 at Installation Group level and Service Contract 3 at item level

In the Service Contract, the conditions per Installation Group-ITEM combination or ITEM are specified :

**Note**: Same item used for different contracts.

- SERVICE CONTRACT 1 (invoice all work) customer xyz
- Start from Jan-1-2011
- Installation Group 1 Item A repair coverage 100 euro
- Installation Group 1 Item B repair coverage 120 euro
- Installation Group 1 Item C repair coverage 210 euro

- SERVICE CONTRACT 2 (e.g. all work warranty) customer xyz

- Start from Dec-1-2011
- Installation Group 2 Item A repair coverage 50 euro
- Installation Group 2 Item B repair coverage 52 euro
- Installation Group 2 Item C repair coverage 53 euro
- SERVICE CONTRACT 3 Customer 333
- <no Installation Group specified> Item A coverage 300 euro
- SERVICE CONTRACT 4 Customer 333
- <no Installation Group specified> Item A coverage 375 euro

### Step 3:

Service jobs are registered for the items that have a service contract

In this example, service jobs are registered using a MSO.

- MSO order 1 for customer xyz -- Item A, ser 123456 : Infor LN identifies the Installation Group (Installation Group 1) to which the item belongs, and the service contract. This leads to a repair coverage of 100 euros.
- MSO order 2 for customer xyz – Item A ser 789005 : Infor LN identifies that the item is part of Installation Group 2 and identifies the service contract for Installation Group 2 and item A. This leads to a repair coverage of 50 euro coverage, Example under warranty.
- MSO order 3 for customer 333 – Item A ser 333333 : LN searches at the next more generic level. LN identifies the service contracts 3 and 4 for item A. LN selects the last contract identified (service contract 4 in this case) and applies the conditions. This leads to a repair coverage of 375 euros.

# Search path for labor rates (Service contract)

For service contracts and service quotations, LN allows you to specify the search criteria to retrieve labor rate code when you define labor cost terms. Based on this defaulted labor rate code the cost and sales rates are used to calculate the cost and sales amount of the labor cost term.

The **Search Path** field in the Contract Management Parameters (tsctm0100m000) session allows you to define three attributes that the LN uses to retrieve labor rate codes.

LN retrieves the labor rate in the following order:

- Level 1
- Level 2
- Level 3

LN uses this search criterion to determine the labor rate for a service contract or a service quotation. If the labor rate is not specified at Level 1, the labor rate specified at level 2 is considered. If the labor rate is not specified at Level 2, the labor rate specified at level 3 is considered.

The labor rate can be defaulted from the following possible values defined for each level:
- Department
- Service Area
- Serialized Item Group
- Installation Group
- Reference Activity
- Task
- Skill
- Not Applicable

## Example

Default labor rate code is retrieved from the Task associated with the labor cost term defined in the Contract Labor Terms (tsctm1132m300) session. If no Task is specified, it is retrieved from the Reference Activity defined in the Contract Configuration Lines (tsctm1110m300) session. If no labor rate code is defined for the Reference Activity, the labor rate code is retrieved from the Service Department of the Reference Activity.

**Note**

ERP Enterprise does not allow you to select the same option at any two levels. For example, if level 1 is set to Department, the second and third level cannot be set to Department.

The second level can only be set when the value in first level is not set to 'Not Applicable'. The third level can only be set when the value in second level is not set to 'Not Applicable'.

# Contract Terms for Service Contract and Service Contract Quotation

For a contract, you can specify whether a contract line is a coverage line, a pricing line, or a combination of two.

## Coverage terms

A coverage term stores agreements on the duration, the cost covering method, and the costs of the agreements. This can be created for (a combination of) a service contract (quotation), installation group, coverage type, term type, or sequence number. The cost and sales amounts of the term are also stored. The defined coverage terms are valid for the 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 specified in the cost terms.

The contract quotation **Coverage Term** and the contract **Coverage Line** are defined in Contract Quote Coverage Terms (tsctm1120m200) and Contract Terms (tsctm1120m300) sessions.

# Pricing terms

You can configure the pricing terms for the configuration line in the service contract or service contract quotation. This configuration pricing term can also be used as a pricing template. For a configuration line, you can select a price term of the type time and material (with detailed pricing data) or the fixed repair price. The time & material is used to define a sales price for the material, labor, or other costs. The fixed price is used as a fixed repair price for the maintenance and/or service performed for the item. To set up the pricing term, you must set the **Contract Price Type** field to **Time and Material** or **Fixed Repair Price** in the Contract Configuration Lines (tsctm1110m300) session.

> **Note**
>
> - The **Contract Price Type** field is enabled only if the **Prices** checkbox is selected in the Contract Configuration Lines (tsctm1110m300) session.
> - The pricing terms can be used only when the **Use Prices in Service Contracts** checkbox is selected in Contract Management Parameters (tsctm0100m000) session.

## Contract coverage and contract pricing terms

For a service order, you can configure the coverage terms as well as the pricing terms (of the type time and material only) for the same configuration line. The sales prices for the transactions are first defined by LN and then the coverage terms are defined. The sales price on the cost terms is the agreed price, however, the covered sales amount and covered cost amount is the coverage.

> **Note**
>
> - The **Contract Price Type** field is enabled only if the **Prices** checkbox is selected in the Contract Configuration Lines (tsctm1110m300) session.
> - The pricing terms can be used only when the **Use Prices in Service Contracts** checkbox is selected in Contract Management Parameters (tsctm0100m000) session.

## Fixed prices

To define the contract pricing term of the type **Fixed Repair Price**, you can set the **Contract Price Type** field to **Fixed Repair Price** in the Contract Configuration Lines (tsctm1110m300) session. A fixed price is a commitment based on an agreed price. When more or less time, material, etc., is spent, only the gross margin is affected and the customer pays only the agreed price. If a fixed price is configured per order, each transaction (field service activity or maintenance sales order part maintenance line) is invoiced for the specified service contract price; irrespective of the cost booked against that order.

# Using price terms and coverage terms

You can use coverage terms and/or price terms for a service contract applicable for service orders/maintenance sales orders.

# Using price terms of the type Time and Material for service orders

- For service orders, LN retrieves the sales price from service contract price terms. This sales price is used for the service cost lines. The **Price Origin** is set to **Service Contract**
- If service contract price terms are not defined, the sales price is defaulted from the price books, labour rates (regular pricing data); the **Price Origin** is set to **Other**.
- If the sales price is not applicable because the service cost line is covered by a fixed price, the **Price Origin** is set to **Not Applicable**.

For service order actual costs:

- The sales price defined for the price term is retrieved from the service contract price terms. The **Price Origin** is set to **Service Contract**.
- If the sales price is not found, the sales price on the material cost lines is based on the regular pricing data, the sales price on the labor cost lines is based on applicable labor rates, and the sales price on the other cost line is based on applicable regular pricing data. The **Price Origin** is set to **Other**.
- If the sales price is changed manually then the **Price Origin** is set to **Manual**
- If the sales price is not applicable because costs are covered by a quotation or a fixed price, the **Price Origin** is set to **Not Applicable**.

**Note**

If a price term for labor is defined for the pricing contract, the labor rate is defaulted with the sales price defined for the price term. If the sales price is not defined for the price terms, the labor rate is defaulted based on the search path defined in the Service Order Parameters (tssoc0100m000) session. The contract is not included in the search path because the contract is always leading.

# Using price terms of the type Time and Material for maintenance sales orders

- For maintenance sales orders, LN retrieves the sales price defined for the price term related to the cost type. The **Price Origin** is set to **Service Contract**.
- If the sales price is not found, the sales price is based on the regular pricing data. The **Price Origin** is set to **Other**.
- If the sales price is changed manually, the **Price Origin** is set to **Manual**.
- If the sales price is not applicable because costs are covered by a quotation or a fixed price, the **Price Origin** is set to **Not Applicable**.

# Using contract coverage and price terms of the type Time and Material

When coverage cost terms as well as the pricing terms are applicable for every transaction, LN first applies the price term (time and material) for the transactions and then the coverage terms. Since a

service contract can be used for price terms (for time & material) as well as coverage terms, LN uses an indicator to determine if price terms are applicable or coverage terms are applicable.

## Using price term of the type Fixed Price for service orders

For service orders, LN retrieves the sales price from service contract price terms. The service order, service order activity is invoiced for the agreed sales price defined in the service contract, irrespective of cost booked against that order. The service order invoice line is created in Service Order Fixed Prices (tssoc2115m000) session, that includes the sales price and the invoice data. The sales price on the service order invoice line is the agreed sales price defaulted from the agreed fixed price in the service contracts. The **Price Origin** is set to **Service Contract**.

## Using price term of the type Fixed Price for maintenance sales orders

For maintenance sales order part lines, if the pricing method is set to **Fixed Order Price**, the sales price in the maintenance sales order part line is the agreed sales price. The sales price is defaulted only if the item is defined in the Maintenance Sales Order - Part Lines (tsmsc1110m000) session.

For part maintenance lines with pricing method set to **Fixed Order Price**:

- The sales price is retrieved from the service configuration lines. The **Price Origin** is set to **Service Contract**
- If the sales price is not defined for the service configuration line, the sales price is based on the **Sales Price** defined in the Items - Service (tsmdm2100m000) session. The **Price Origin** is set to **Other** in Maintenance Sales Order - Part Lines (tsmsc1110m000) session.
- If the sales price is added manually, the **Price Origin** is set to **Manual**.
- If the sales price is not defined, the sales price is based on the regular pricing data.

The coverage line is created with the price term set to Fixed Repair Price method, to save the sales price and invoice data. The sales price on the service order invoice line is the agreed sales price, which is defaulted by the agreed fixed price in service contracts. The price origin on this line is populated with the price origin of the maintenance part lines. For all other coverage lines linked to the maintenance part lines, the **Price Origin** is set to **Not Applicable** in the Maintenance Sales Order - Part Lines (tsmsc1110m000) session.

## Search path for applicable pricing terms and/or coverage terms

To determine the applicable pricing terms and/or coverage terms, LN uses the following search path:

- Based on installation group and item without a serial number. LN searches for:
  a. The terms defined for the installation group and the item.
  b. The terms defined for the installation group only.
  c. The terms defined for the item.
- Based on installation group. LN searches for the terms defined for the installation group.
- Based on serialized item. LN searches for:

    **a.** The terms defined for the serialized item

    **b.** The terms defined for the parent item of the serialized item (if a parent item exists)

    **c.** The terms defined for the installation group and the item.

    **d.** The terms defined for the installation group only.

    **e.** The terms defined for the item.

# Chapter 6
# Service Contract Installments

**6**

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 <u>service-contract</u> quotation or a <u>service contract</u> by means of <u>installment templates</u>. After insertion, you can alter the details suggested by the template, if required.

The accepted installment is passed over to the Invoicing module of 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 LN generates contract installments

LN generates contract installments when:
- A service contract is activated.
- A contract change is closed.

When a contract is activated or renewed, LN generates the installments for each configuration, based on:
- The effective date and the expiry date on the contract configuration line
- The <u>installment template</u>
- The <u>contract discount scheme</u>. The amounts are distributed evenly across the installments.

When an <u>indexation</u> or an <u>incidental change</u> is closed, LN either adjusts installments or generates new installments that reflect the resulting differences in the cost and sales amounts.

LN generates new installments when:
- A new configuration is added
- The expiry date on the configuration line is extended. LN generates installments after the previous expiry date on the configuration line.
- A penalty amount is specified. For the penalty amount, LN creates a single installment.

In all other cases, 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, LN creates a new installment for the same planned invoice date.

■ If the difference results in a decrease, 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 Date** 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. 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, 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:
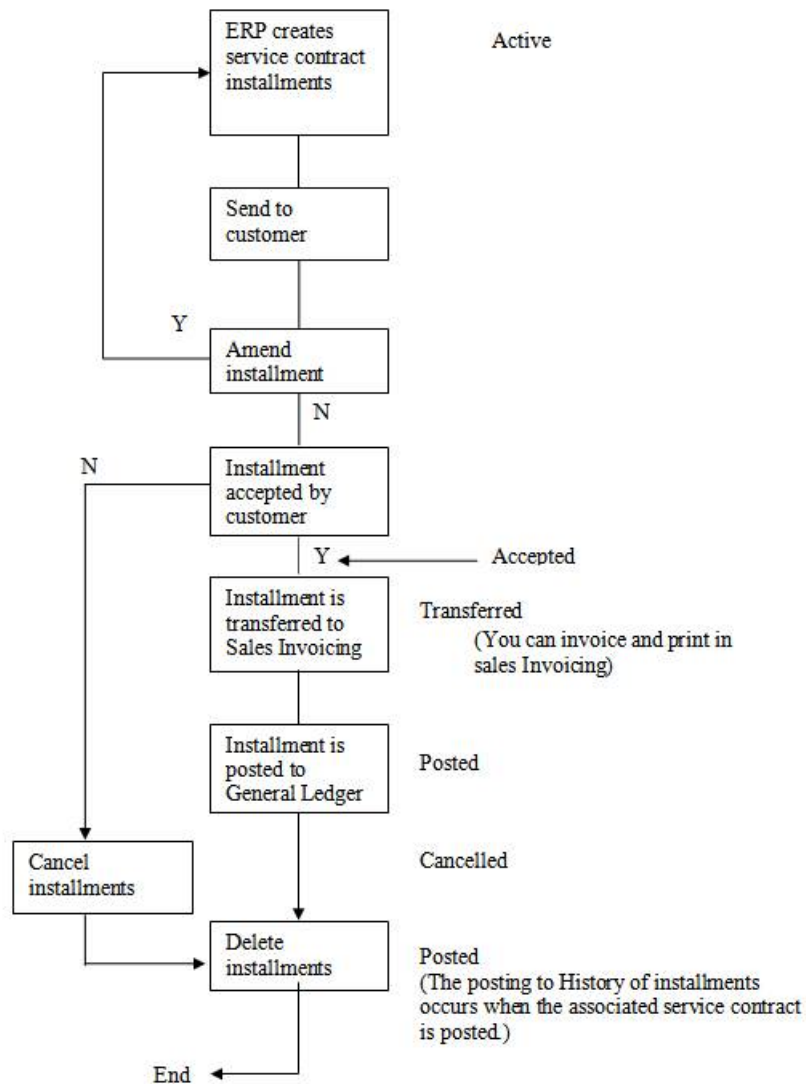
# To use installment templates

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 Quotes (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

Installation group A:

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

Installation group B - 4 x Inspections:

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

## Example

Sales Price Contract (for Installation group 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 Installation group A and B):

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

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

- Budgeted
- Price Lists

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

# Chapter 7
# Close Service Contract

<div style="text-align: right;">7</div>

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 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 <u>Service-contract quotation header</u>
- The <u>Service contract header</u>

Use the Move Service Contract Quotes 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**. LN deletes the service contract quotations from the Contract Quotes (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**. 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**

### appropriate menu

Commands are distributed across the **Views**, **References**, and **Actions** menus, or displayed as buttons. In previous LN and Web UI releases, these commands are located in the *Specific* menu.

### 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's status determines if you can carry out transactions. The transactions type (sales orders, invoices, payments, shipments) is defined by the business partner's role.

### 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 quote

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

## contract-quote documents

The documents that are printed in the Print Contract Quote 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 quote is changed to Printed, at which point the details become fixed and changes to the quote 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 quote is unchanged.

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

## contract quote header

The contract quote header contains all the data that is entered in Contract Quotes (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 quotes 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 (quote), installation group, 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.

## GM

See: *gross margin (p. 65)*

## 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 quote, a service order or a service order quote. 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.

## installation group

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

## 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 quotes 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/installation groups for the purpose of long term preventive maintenance.

### 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 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**
- **Installation Group/Item Pricing**

### renewal with indexation

If the contract change type is **Renewal with Indexation**, contract is renewed and indexed simultaneously. Indexation is applied to all configuration lines irrespective of the pricing method.

### 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 (installation groups or serialized items) to be maintained, the coverage terms, and the agreed price.

## service contract change

Following are the 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.
- **Renewal with Indexation**: The option allows you to perform indexation and renewal at the same time.

## 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 quote

A service-order quote 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, payment terms and delivery terms are listed in the header. The data about the activities and materials are entered on the quote 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

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

The agreement with the sold-to business partner can include:

- Default price and discount agreements
- Sales order defaults
- Delivery terms
- The related ship-to and invoice-to business partner

### terms

A set of contract, quote 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**

## 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.

# Index