



Process Document

Component Manufacturing Industry



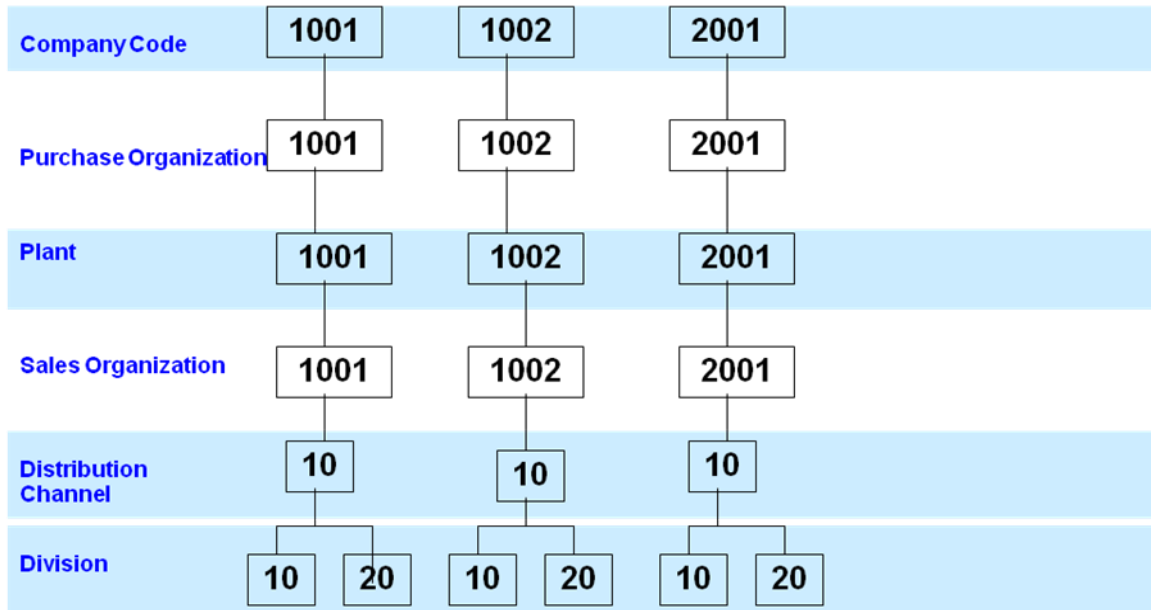
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01 SHORT PROCESS DOCUMENT FOR COMPONENT MANUFACTURING INDUSTRY

02 ORGANIZATION STRUCTURE



1001:- Domestic Unit

1002:- Domestic Unit (Export Oriented Unit)

2001:- Foreign Unit

10:- Original Equipment Manufacturer (OEM's) Sales

20:- After Market Sales

03 SALES & DISTRIBUTION PROCESS OVERVIEW

1. Domestic Sales: Domestic Sales Order processing allows creating sales order for domestic customer with minimum efforts. In addition, domestic sales order process provides – Automated pricing determination, Taxes and excise duty determination and calculation as per the domestic taxation structures, availability check, transfer of requirement to MRP, credit management. Domestic Sales Process covers following functionalities –

- A) Pre sales documents processing
- B) Sales order processing
- C) Delivery and shipment Processing
- D) Invoicing

2. Export Sales: Export Sales Order processing allow creating sales order for all the overseas customers. It deals with selling goods in the international market. Here we can cover the entire process beginning form Customer’s inquiry up to the invoice including all the export related documentations. Exports sales processing includes – creating Inquires, quotation, Pro forma Invoice, Shipping documentations, invoicing, custom and export documentations and bonds.

- A) Pre Sales Documents Processing
- B) Pro Forma / Documentary payments
- C) Sales Order Processing
- D) Delivery and shipment processing
- E) Shipment papers
- F) Invoicing
- G) Export documentations

3. Scrap Sales: Scrape material sales to the regular scrape customer or one time Customer with pricing and excise with other taxes such as TCS etc.

- Process Includes –
- A) Sales Order processing
 - B) Delivery processing
 - C) Invoicing

- 4. Sample Sales:** In sample sales usually new customers before placing a bulk order insist for a sample material. The sample material could be existing material or a new development. Dispatch of the Sample material will be free of charge, but the applicable Excise duty will be calculated.

Sample sales includes –

1. Sales Order processing
2. Delivery Processing
3. Invoicing (Free of Charge)

- 5. Scheduling Agreement:** The Scheduling Agreement is an outline agreement that is created for one or more materials and outlines the overall expected quantity of the material(s) to be delivered to the customer over a specific period of time. The scheduling agreement is used as a basis for delivering a material. In addition Scheduling Agreement provides – Automated pricing determination, Taxes and excise duty determination and calculation, availability check, transfer of requirement to MRP, credit management. Scheduling agreement Process covers following functionalities –

1. Scheduling Agreement
2. Delivery Document
3. Picking / Packing
4. Dispatch
5. Invoice/ Excise Invoice
6. Accounting.

Sales from EOU Unit →

Sales processing for 100% Export Oriented Unit is mapped in accordance with regulatory a guideline that covers –

1. Export sales – Sales to the Export customers from EOU unit with export documentation and bonds.
2. Domestic Sales –Domestic sales under permissible sales in the DTA

04 PRODUCTION PLANNING PROCESS OVERVIEW

2.1) Make To Stock Production

2.1.1) Planning With Final Assembly (40):

Planned independent requirements are consumed by incoming sales orders so that the master plan is always adjusted to suit the current requirements situation. This means that the important feature of this planning strategy is that you can react quickly to customers' requirements. The smoothing of the master plan is less important.

2.1.2) Net Requirement Planning (10):

This planning strategy is particularly useful in mass production environments. You should choose this strategy if you want production to be determined by a production plan (Demand Management) and if you do not want sales orders to influence production directly.

2.2) Make To Order production

In make-to-order production, a product is produced specifically for an individual sales order. This planning strategy is used when planning of the (parent) product is not required or not possible. Neither Demand Management is involved in this process, nor is there an allocation mechanism. Orders are taken as they come. This strategy represents a production procedure in which each product is only produced once, although over time the same or similar production processes are repeated. Each product is specifically produced for an individual customer so that the finished product is rarely placed in stock.

2.3) Rework order processing

It is sometimes necessary during or at end of a production process to execute additional operations in order to improve components or products with insufficient quality. These additional processing steps are referred to as Rework.

2.4) Scrap posting after production process

a) Operation Scrap: - Scrap that is expected in one operation for the quantity of a component to be processed. The percentage of the material processed in an operation that does not meet quality requirements. Operation scrap is entered in the routing or in the bill of material.

b) **Assembly Scrap:** - A percentage of the quantity of an assembly that does not meet the required production quality. In material requirements planning (MRP), this percentage scrap is considered for all components contained in the assembly (BOM). The only components excluded from this calculation are those for which the net operation scrap indicator is set.

c) **Component Scrap:** - The scrap that is expected to occur when a material is used in production, if the material is a component. Component scrap is used in material requirements planning to determine the input quantities of a component.

The scrap which is getting generated during the operation will be mapped as byproduct and will be maintained in the Bill of Material with negative quantity. If the produced material rejected in the quality and can not be reworked will be scrapped and the quantity of the scrap will be confirmed at the time of production order confirmation.

Assembly scrap is not applicable in Setco but operation and component scrap will be maintained in the Bill of material and routing.

05 QUALITY MANAGEMENT PROCESS OVERVIEW

1. Raw Material Inspection

Raw material receiving inspection deals with the raw material inspection. Raw material inspection deals with the checking of the entire parameters of the material depending of the companies' criteria. Samples are checked depending on lot size, and also with the IS standard sampling procedures. Depending on the results of the samples the acceptance or rejection of the material is determined. If material is ok as per the specification then it is transfer for the further use in the company. If material is not passed as per the specification then material is returned to the vendor.

2. In Process Inspection

In process inspection is very important keep birds eye on the production .Once the production get started then the periodic inspection during the entire process comes under the in process inspection. This type of inspection may have some predefined inspection points based on time or quantity. During inspection if any nonconformity results then checked the samples again and decides what to do with the material. It is very essential step before the final GR from production.

3. Final Inspection

Final inspection deals with the quality control of finished goods. Material checked once it is completely produced for a production order. Material checked thoroughly for the confirmation of the product is produced as per standards and don't have any defects.

4. Delivery Inspection-

It is necessary to do a delivery inspection for the sellable goods before leaving from the premises. Material is checked for tracing any defects or any nonconformity in the final product and to assure customer a quality product. Once material ready for dispatch, samples are checked according to lot size, samples size calculated according to standard Sampling procedure. Depending on the results and specification one quality certificate has provided to customer for his reference about the quality of product.

5. Return Inspection-

This type of inspection is very important for any organization for checking customer complaints. Whenever material received from customer it checked for any for any complaints whatever the customer get faced. Checking can do for the entire lot or samples. Depending on the results decision taken whether return material need to scrapped or reprocess. Checking of return material need to be carefully done to avoid any customer complaints and returns in future.

06 ACCOUNTS PAYABLES

The account payables application components records and managed accounting data for all vendors. It is also integral part of the purchase system: deliveries and invoices are managed according to vendors. The system automatically triggers postings in response to the operative transactions

Manual invoice/credit memo

During manual invoice process, you check and post the invoices that have received from the service agency manually. You can also check invoices if the relevant shipment cost items have already had accounts assigned to them and if they have been transfer to fi.

Credit memo is used to make the changes in invoice documents. If the vendor has delivers goods and u have already created a.p invoice you can reverse transitions partially or completely by creating an a.p credit memo .Generally credit memo created the following situations

1. returned the goods for various reasons
2. rectifying the mistakes while preparing the invoices

Vendor down payments: A down payment is must be treat as a payment. So that u can check whether you have a down payment to clear when you create a invoice, the system issue the message if there are any down payment in the vendor account that have not yet been cleared with an invoice

You can process down payments as follows

1. Directly: that is, without making a transfer posting to the payable accounts
2. Indirectly: that is, after making a transfer posting from the down payments made account to the payable account

Outgoing payment: this need to clear of vendor invoices. Generally out going payment to be made in two ways

1. Manual out going payments
2. Automatic out going payment (A.P.P program)

07 ACCOUNTS RECEIVABLES

The accounts receivables application component records and manages accounting data of all customers. It is also integral part of sales management.

Customer down payment: Down payments must not be balance with other receivables & must be displayed separately in the balance sheet. Customer down payment shown liabilities side of the balance sheet.

Customer dunning: Dunning means notices or reminders sent to customers for due line items. For calculation of dunning we are maintain dunning procedure. This dunning procedure used standard dunning areas. You can divide Ur Company into dunning areas.

Customer incoming payment: customer incoming payment is resulting to clear customer open items. You can do the incoming payments in the following ways

1. Automatic process of incoming payment: accounting statement entry, bank payment, direct debit via payment program
2. manual incoming process

SPECIAL G.I TRASATIONS: Some of the transitions specially treated while posting of balance sheet. These transitions posting through some reconciliation accounts like A.R, A.P. Following are the special g.l transitions

- Down payments
- Bills of exchange transitions
- Post dated claques
- Bank guaranties

BANK RECONCILIATION Bank reconciliation to be done in two ways

1. Manual bank statement
2. Electronic bank statement

Manual bank statement involves two steps
You enter the accounting line items in the system.
To post the line items you have entered.

In many countries to day, accounting statement data can be electronically retrieved from the bank.

Ex: multicash retrieve the desired data from the bank and generate two files from the bank data for further process

- UMSATZ.TXT (HEADER INFORMATION ON ACCOUNT STATEMENT)
- AUSZUG.TXT (LINE ITEM INFORMATION)

08 CASH POSITION&LIQUIDITY FORCASTING

The cash position supply information on the current financial situation in your bank accounts & bank clearing accounts. The cash position reproduces the activity in your bank accounts

CASH JOURNAL: Cash journal is the sub ledger of bank accounting. It is used the company's cash transitions. You can also carry out posting to g.l accounts, as well as customer, vendor accounts.

09 ASSET ACCOUNTING

The asset accounting component is used for managing & supervising fixed asset within the sap r/3 system. In sap financial accounting, it serves as a subsidiary ledger to the fi general ledger, providing detailed information on transition involving fixed assets

The following transactions involved in asset accounting

1. Acquisition of asset
2. Depreciation of asset
3. Transfer of assets (within company code, inter company code)
4. Asset down payments
5. Retirement of asset (with revenue/without revenue);(with customer/without customer)

WITHHOLDING TAX: Tax that charged at the beginning of the payment flow in some countries. Usually the party that is subject total does not pay the withholding tax over to the tax authorities himself. Withholding taxes have two types

1. Traditional withholding tax.
2. Extended withholding tax

PRODUCT COSTING It is the component in controlling to estimate or calculate the cost of the product manufactured. In product cost controlling have 3 parts

1. Standard cost estimated (with reference to B.O.M/ without reference to B.O.M)
2. Actual cost calculations (By using cost objects like product cost by period, order, product cost by sales order)
3. Variance calculations (Difference between target & actual cost)

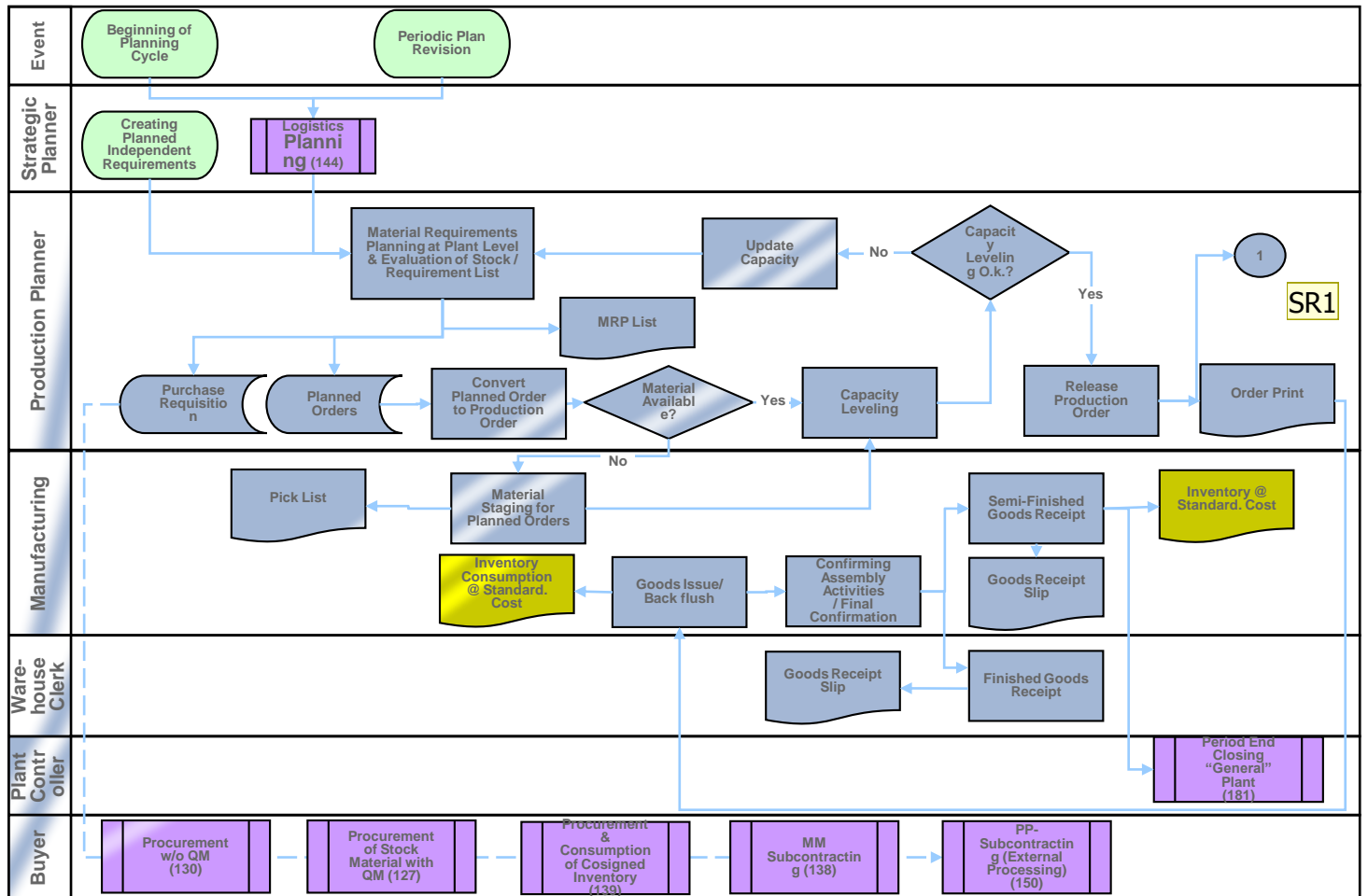
PROFITABILITY ANALYSIS Profitability analysis enables you to evaluating market segments. Which can be classified product, market segments profitability analysis are two types

1. Accounting based profitability analysis
2. Costing based profitability analysis

10 PROCESS FLOW DIAGRAMS

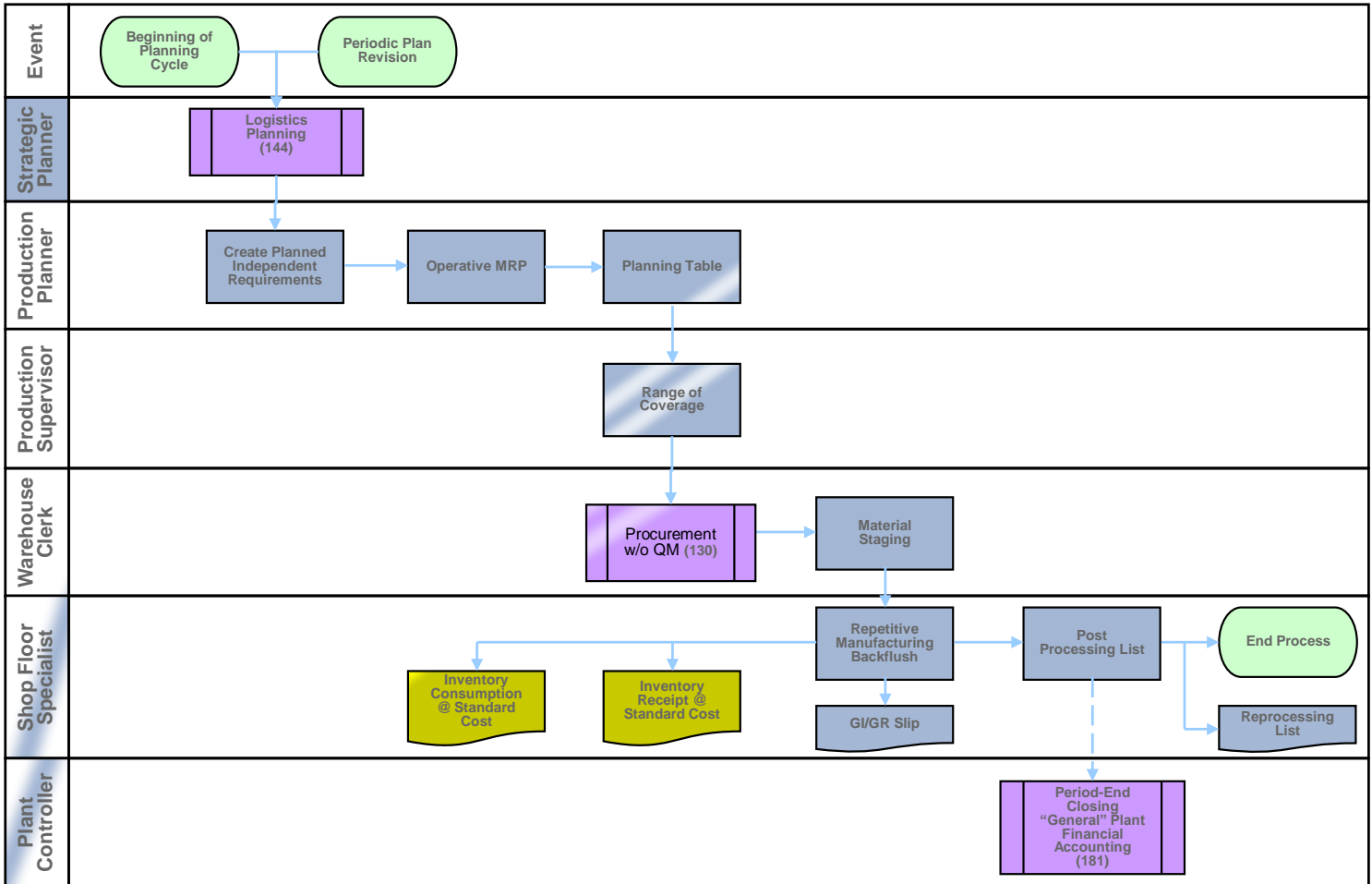
Process Flow Diagram

Make-to-Stock Production – Discrete Industry



Process Flow Diagram

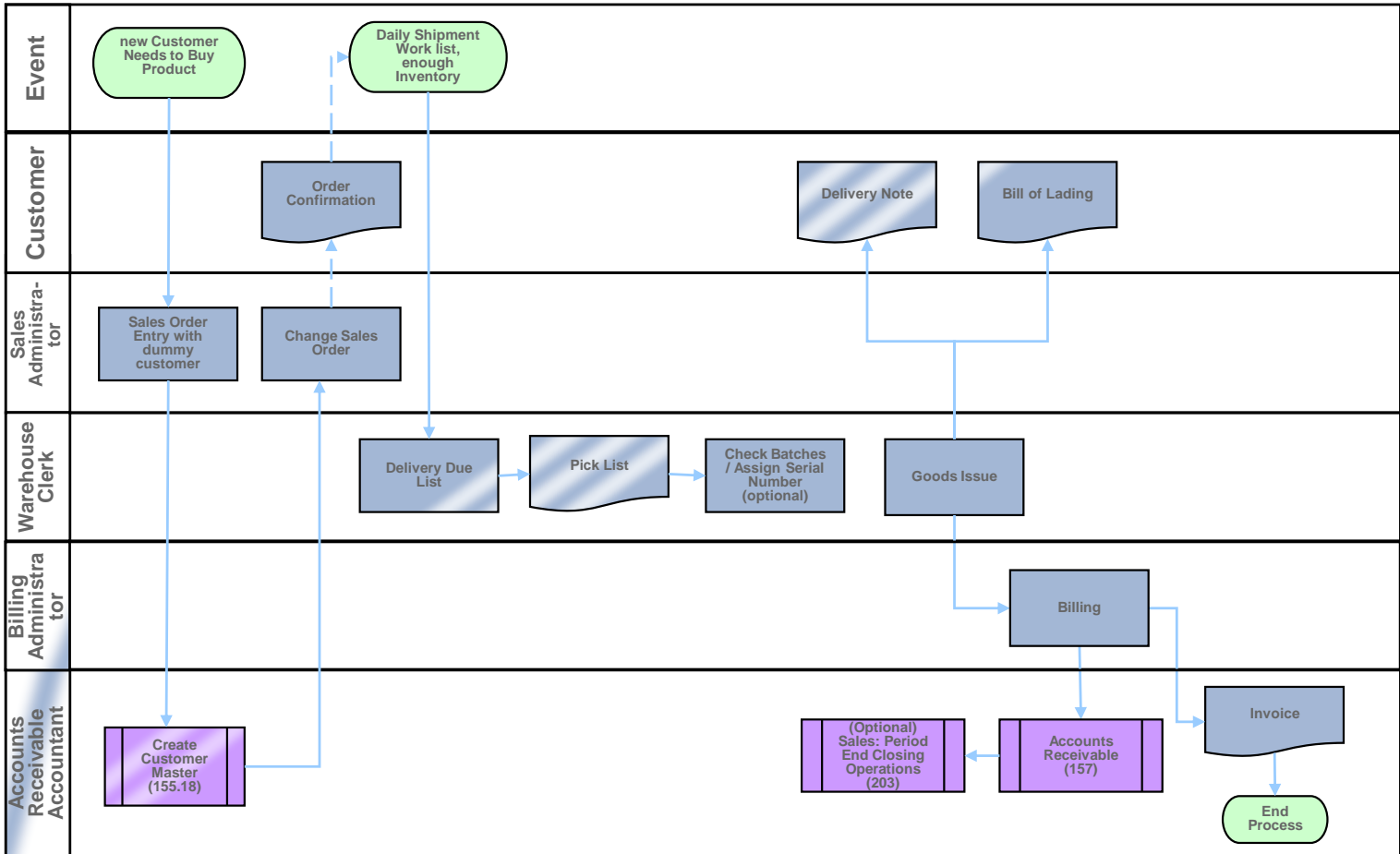
Repetitive Manufacturing



CO-PA = Profitability Analysis, MRP = Material Requirements Planning, GI/GR = Goods Issue/Goods Receipt

Process Flow Diagram

Sales Order Processing for Prospect



Note: Excise Duty not show in the flow diagram

Process Flow Diagram

Asset Accounting - Overview

