

SWIM

SKF World-class Invoice Management

Business Transaction

Vendor Invoice

Light version

Rev 05

| | | | |
|---|-----------------|----------------------------------|-----|
| Uppgjord (även faktaansvarig om annan) - Prepared (also subject responsible if other) | | Nr - No. | |
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| Dokansv/Godk - Doc respons/Approved | Kontr - Checked | Datum - Date | Rev |
| | | 2010-02-05 | 05 |
| | | File BT_Vendor_Invoice-05.doc | |

BUSINESS TRANSACTION Vendor Invoice, Light version

Enclosures

Compilation of invoice information elements, rev 03 or later

Abstract

Business transaction *Vendor Invoice* is electronically issued by suppliers to an SKF company in order to request payment according to the conditions set out in the referred Purchase Order or in the general agreement between SKF and the supplier.

The invoice will be transmitted to SKF using a standard electronic message such as the EDIFACT-message INVOIC belonging to message directory D.03A. Such message mapping specification will be specified separately. SKF has decided to apply the the guidelines specified by the automotive industry globally, i.e. the **Global Invoice**.

Application area

This document is created within the SKF project SEIM (SKF Electronic Invoice Migration), in close co-operation with SKF projects SWIM and SITS. The purpose is to specify the business requirements regarding Vendor Invoice to fully comply with legal requirements and to perform invoice matching automatically in the SWIM system solution. The document will also be used to develop a Common Message Format in the SKF internal message service, to specify the interaction formats and also support the SKF vendor's system implementation.

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Revisions history

| Rev | Issuer | Date | Remarks |
|-----|-----------------|------------|--|
| 01 | Christer Edgren | 2008-04-08 | First draft for review. |
| 02 | Christer Edgren | 2008-10-28 | Minor modifications |
| 03 | Christer Edgren | 2009-09-08 | Updated after co-ordination with the WSM mapping specification received from IBS. Some clarifications in text have been added. Difference between additional charge and extra cost is explained. New and updated version of compilation of elements is included. |
| 04 | Christer Edgren | 2009-09-23 | Textual clarifications, supplementary charges table modified, inclusion of home currency support |
| 05 | Christer Edgren | 2010-02-05 | Embedded compilation has been replaced covering an improved description of the conditions for use of information elements and aligned with SKF Message Implementation Guidelines for Global Invoice. |

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1 GENERAL

Below please find a description of the *Vendor Invoice* according to the SWIM standard template for specifying business transactions. This version of the Vendor Invoice is made limited with the purpose to be used in situations when invoicing procedures follow common and established standards.

1.1 INTRODUCTION

1.1.1 General

This document describes the business requirements on information contents to be transferred as an invoice from a supplier to an SKF company. The document provides important guidance for the suppliers planning to issue different types of invoices via EDI, e.g. commercial invoice, credit note or debit note.

1.1.2 Document purpose

The purpose of the document is to specify the necessary business requirements regarding *Vendor Invoice*:

1. Document the information contents requirements in the information interface between the supplier and SKF
2. Act as a basis for the definition of electronic exchange format, including the mapping into the selected standard messages, e.g. EDIFACT INVOIC D.03A.
3. Be a basis for verifying the information contents in both parties internal systems
4. Be a part of the EDI-agreement documentation between SKF and selected suppliers

1.2 FIELD OF APPLICATION

The *Vendor Invoice* business transaction can be used both externally and internally within SKF, in situations a unit in SKF is both a buyer and a supplier. It can be applied for both domestic and international invoicing in countries where SKF has operations. The information contents will fulfil the demands of various legislations, e.g. given by the European rules of the directive EG/2001/115 and later also directive 2006/112/EG.

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The document is not intended to become the basis for developing Self-billed invoice. Such a document will be issued separately.

1.3 PRINCIPLES AND BUSINESS RULES

This document describes the gross requirements of information items to be included in an invoice. The requirements reflect both the needs of an original (commercial) invoice and of a credit/debit note. Credit/debit notes are corrective transactions used in certain cases, but must always refer to the original invoice.

The main intention of this document is to identify the data fields in the concerned application systems.

The Business transaction *Vendor Invoice* may be used regardless of the type of ordering process (project, systems, product sales, office supply, service, direct or indirect material, call-off, etc).

In order to comply with the new legislation in Europe, it is recommended to always use party identification codes in close connection with complete party names and addresses.

A *Vendor Invoice* is always officially exchanged between two legal entities, in this document called Seller and Buyer. Complete information related to these parties is always mandatory.

A *Vendor Invoice* will in most cases also cover information regarding supplementary parties, e.g. ship-to (consignee) and ship-from (consignor). The reason for that is to be able to relate the invoice flow to the material flow and to cater for effective invoice matching and VAT validation.

2 FUNCTIONAL DEFINITION

The supplier initiates the *Vendor Invoice* to request payments regarding provided products or services. The message *Vendor Invoice* is issued to request payment according to the conditions set out in the Purchase Order and the general commercial agreement between the supplier and SKF.

A *Vendor Invoice* must always refer to the original *Purchase Order*. The reference to purchase order will in this specification always be on line level. In case of goods deliveries, SKF strongly recommends to also refer to the concerned delivery note. This is also specified on line level.

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SKF requests the following information objects in the vendor invoice:

Invoice type (commercial invoice, credit note or debit note)

Invoice number

Invoice date

SKF buying company name and legal address

Supplier (seller, also called vendor) name and legal address

If Supplier is installed within European Union, and goods are forwarded to a European Union place:

- VAT number of supplier's company
- VAT number of the SKF buying company

Ship-to address

Name/employment number of SKF contact person

Bank name and address and bank account number together with IBAN Code of Bank Account, or Swift Code of Bank Account

Currency invoiced

Agreed payment terms

SKF product code

Description of goods/service provided

Reference to SKF Purchase Order

Reference to Delivery note

Invoiced quantity of goods or service supplied, and if relevant per product code

Invoiced unit of measure, should be the same as stated on the purchase order

Unit price of goods or service supplied, and if relevant, per product code

Invoice due date

Total invoice amount exempt VAT

Total invoice amount (amount to be paid)

VAT rates applicable to invoice amount before tax

Break down of total VAT per VAT rate, if applied

For detailed information of the contents, please study the compilation of Vendor Invoice Business Transaction information items imbedded in the end of this document.

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2.1

ADDITIONAL CHARGES AND EXTRA COSTS

There are two types of supplementary charges which may occur on invoices to SKF. SKF has defined these supplementary charges as either *Additional charges or Extra costs*. The differentiation and understanding of these two types are of utmost importance for invoice matching resulting in timely payments.

Additional charges refer to the entire delivery of the order and should be invoiced as a stand alone cost on the invoice (i.e Freight, Packaging, Customs tax). Furthermore, occurrence of Additional charges is dependent on what delivery terms have been negotiated with the supplier.

SKF has categorised additional charges in the Table 1 below.

Extra costs are item specific and do not have dependency on the delivery terms. Thus extra costs occur on line level (product level) of the invoice and are directly linked to the item. Examples of extra costs are scrap and alloy surcharges.

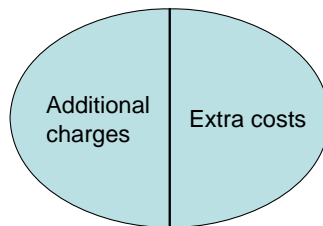


Figure 1 - Two categories of supplementary charges

| Charge type | Code by Edifact | SKF internal code | Additional Charge or Extra Cost |
|--|-----------------|-------------------|---------------------------------|
| Freight | FC | 1 | Additional Charge |
| Packing | PC | 2 | Additional Charge |
| Customs, Duties, Royalties | ABV | 3 | Additional Charge |
| Tooling | ABG | 4 | Additional Charge |
| Set-up charges | SU | 5 | Additional Charge |
| Additional Charges (Other) | ABK | 8 | Additional Charge |
| Local sales tax | LS | 9 | Additional Charge |
| State tax | TS | 9 | Additional Charge |
| Other taxes | TX | 9 | Additional Charge |
| Minimum amount costs for quantity based surcharges | ACD | N/A | Extra cost |
| Surcharges general | ABN | N/A | Extra Cost |
| Scrap surcharges | ABM | N/A | Extra Cost |

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| | | | |
|------------------|-----|-----|------------|
| Alloy surcharges | ACO | N/A | Extra Cost |
|------------------|-----|-----|------------|

Table 1 - Compilation of supplementary charges used by SKF

It is normally not possible to exactly forecast the amounts of supplementary charges invoiced by the supplier. Instead SKF and the supplier will – in one way or another – agree which type of additional charges that are permitted and also the max amount accepted per invoice.

Both additional charges and extra costs will internally in SKF be handled per invoice and not per invoice line. This is of course a flexibility limitation but the reasons are due to SKF internal solutions. A consequence of this limitation is that extra costs can only be related to one and only one invoice line. An invoice holding extra costs can therefore only comprise of one invoice line.

3

STRUCTURE

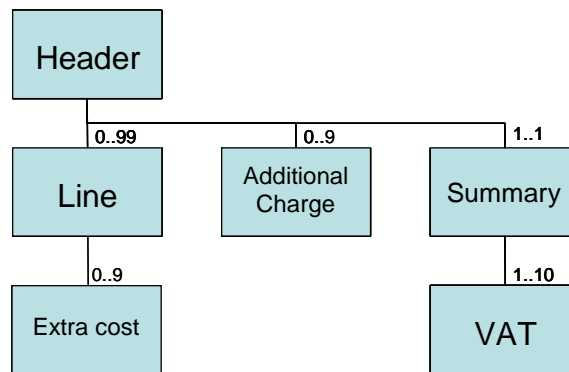


Figure 2 - Vendor invoice logical structure

As a general rule SKF recommends limiting the number of invoice lines to 99 per issued invoice. However SKF is able to handle more lines if motivated from a business perspective. A vendor invoice can comprise of additional charges and extra costs as indicated in Figure 2. Note that if extra costs are charged only one invoice line per invoice is accepted.

Additional charges are typically freight and package costs related to the whole shipment and to the entire invoice. Additional charges will be provided as a specific invoice line using a dummy product number (SKF suggests “123456789”). This dummy number has to be agreed between SKF and the supplier and has the purpose to uniquely classify this invoice line as an additional charge.

Extra costs will always refer to the concerned product and the invoice line specifying this product.

In addition a vendor invoice will always contain one summary area comprising of various total invoice amounts.

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In case an invoice refers to more than one tax rate, the individual tax rates have to be specified separately as an extension of the Summary, i.e. VAT in Figure 2.

4 INFORMATION CONTENTS

4.1 INVOICE HEADER

The following information objects are identified within *Vendor Invoice*:

| <i>Information objects</i> | <i>Comments</i> |
|---------------------------------|---|
| General | Identification, invoice date, invoice and home currency and other references |
| Buyer Information | The legal party within the customer domain to whom an invoice normally is sent. Information related to buyer must always be present. |
| Ship-to party information | The party from which the order in most cases is initiated and to which the order will be shipped, i.e. consignee. In SKF information related to ship-to has to be present even if the same as Buyer. |
| Seller party information | The legal party supplying the order and invoicing the customer |
| Payee party information | The party to whom the payment is to be made. The information is recommended to be used even if the same as Seller |
| Financial institute information | Information related to the financial institute (bank) executing the payment according to the requirements specified by the Seller. |
| Ship-from party information | The party from which the order will be shipped, i.e. consignor. Recommended to be used in international invoicing. In international business relations it is essential to specify from what country the goods are shipped, even if the invoice is issued in the country of the seller. |
| Payment conditions | Conditions related to the payment as presented by the seller |
| Delivery conditions | Delivery conditions expressed on the invoice, e.g. INCOTERMS |
| Shipment conditions | Mode of transport, weight and volumes |

| | | | | |
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4.2 INVOICE LINE

| <i>Information objects</i> | <i>Comments</i> |
|--|---|
| Product and service information | Attributes related to the invoiced product or service |
| Quantity | Invoiced quantity |
| Price and amounts | Unit price and the total invoice line amount |
| References and dates | Reference to other documents/messages, e.g. PO and delivery note. |
| Information related to tax and customs | Attributes related to tax and customs. |

4.3 ADDITIONAL CHARGE AND EXTRA COST

Contains an additional charge or extra cost code, description and amount of the concerned type of additional charge or extra cost

4.4 INVOICE SUMMARY

Contains a number of total amounts related to the entire invoice

4.5 INVOICE SUMMARY PER TAX RATE

Contains a limited number of attributes related to each tax rate used in the invoice

4.6 DETAILED INFORMATION CONTENTS

Please study the attached compilation of invoice information items



VI-compilation of
elements-05.xls