# CHAPTER 5: RECEIVABLES MANAGEMENT

## Objectives

The objectives are:

- Provide a point of reference to the **Payments** tab on the **Customer Card** window.
- Explain the Cash Receipt Journal, used to post payments received.
- Explain the process of applying cash receipt payments to customer ledger entries.
- Explain the process of unapplying customer ledger entries.
- Explain the process of reversing customer ledger entries posted using journals.
- Set up Microsoft Dynamics NAV 5.0 to use payment discounts.
- Process transactions for various situations that benefit from using payment discounts.
- Set up Microsoft Dynamics NAV 5.0 to use payment tolerance.
- Process transactions for various situations that benefit from using payment tolerance.
- Explain why and when Reminders and Finance Charge Memos are used.
- Set up Microsoft Dynamics NAV 5.0 to use reminders.
- Explain the process of creating and issuing reminders.
- Set up Microsoft Dynamics NAV 5.0 to use finance charge memos.
- Explain the process of creating and issuing finance charge memos.
- Review Customer Ledger Entries and Detailed Customer Ledger Entries.

## Introduction

This section includes information on the functions related to receivables management in Microsoft Dynamics NAV 5.0.

Beginning with overviews of the windows relevant to receivables management, this section then provides explanation of:

- Applying and posting customer payments.
- Unapplying and reversing posted entries.
- Set-up and processing of payment discounts and tolerances.

This section also describes the collections management features, such as reminders and finance charge memos.

The final section provides an overview of the structure of customer ledger entries and detailed ledger entries.

*NOTE: To successfully perform all demonstrations in this section, a clean Microsoft Dynamics NAV 5.0 database must be used.*

# Customer Card and Receivables

Managing customers is an important part of managing the total finances of the company. In Microsoft Dynamics NAV 5.0, the **Payments** tab on the Customer Card is used to define how customer's payments are managed.
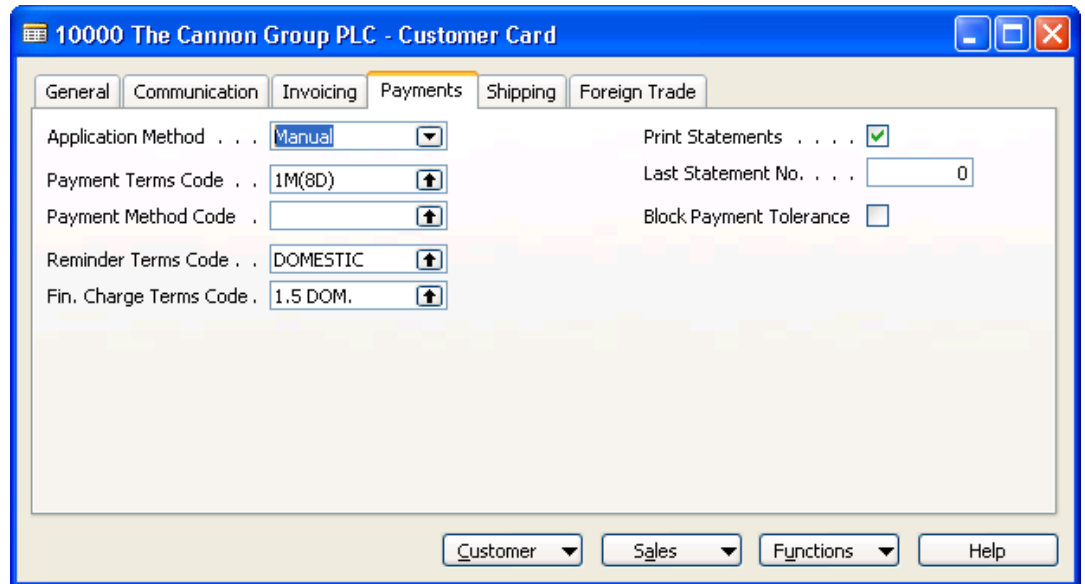


FIGURE 5.1 CUSTOMER CARD, PAYMENTS TAB

On this tab, the following payment requirements are specified:

- Payment application methods
- Payment terms and methods
- Reminder and finance charge terms
- Whether payment tolerance is allowed

These areas are described as needed in the sections relating to that functionality.

# Cash Receipt Journals Overview

The Cash Receipt Journal is used to post payments received from customers. In this section, the window is described to prepare for the following cash receipt processing.

The Cash Receipt Journal can be accessed from the following two areas on the Financial Management menu:

- Cash Management
- Receivables

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In this section, the Cash Receipts Journal is accessed from the Receivables folder.
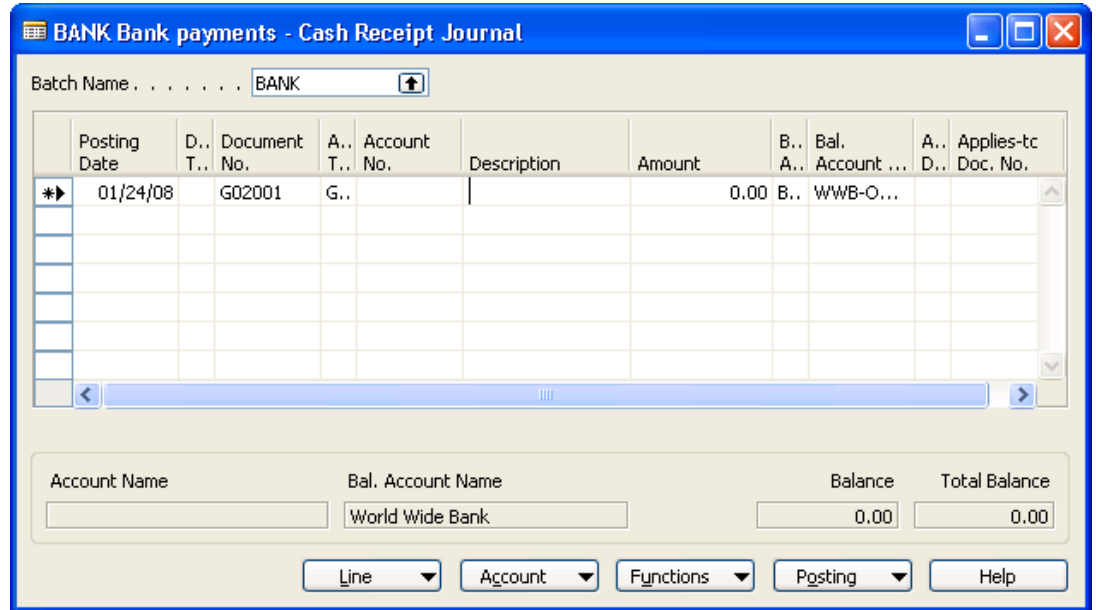


FIGURE 5.2 CASH RECEIPT JOURNAL WINDOW

The following field selections are commonly used when posting cash receipts:

- **Document Type** = Payment
- **Account Type** = Customer
- **Bal. Account Type** = Bank Account

The following fields are important when posting cash receipts:

| Field | Description |
|-------|-------------|
| **Batch Name** | Determines default balancing accounts and document numbers. |
| **Document No.** | The batch selected for the Cash Receipt Journal is set up with a No. Series, this field is automatically populated. If the **No. Series** field on the journal batch is blank, manually enter a document number. |
| **Amount** | Entered as a negative amount. |

# Applying Cash Receipt Payments

Cash receipt payments can be applied to customer ledger entries using either of the following methods:

- At the time a cash receipt is processed.
- After a cash receipt is processed without an application to an entry.

In this section, Application Methods are reviewed and then the **Apply Customer Entries** window is described. The various methods of applying cash receipts in the Cash Receipt Journal are then explained, including:

- Post a payment to a single invoice.
- Post a payment to multiple invoices.
- Post a partial payment to a single invoice.
- Post a partial payment to multiple invoices.

*NOTE: The instructions contained in the four processes above do not reference specific customer payments or invoices. To avoid conflicts with demonstrations in this section, do not use customer numbers 10000-50000 when performing these procedures.*

The final section explains applying posted payments, credit memos, and refunds from the customer card that were not applied in the Cash Receipt Journal.

## Application Methods

When payments are posted without application to an entry, the option selected in the **Application Method** field on the **Payments** tab of the customer's card determines how the open payment is managed in the customer ledger entries.

The Application Method options are:

- Manual
- Apply to Oldest

When the Manual option is selected, a payment posted to a customer's account is not applied to an invoice and remains an open payment in the customer ledger entries.

When the Apply to Oldest option is selected, a payment posted to a customer's account is automatically applied to the oldest of the customer's open entries.

The option selected does not affect how applications are made when posting a payment - however, it is important to understand how the Application Method affects the unapplied entries.

## Apply Customer Entries Window Overview

The **Apply Customer Entries** window is used to apply open customer ledger entries for the relevant customer. This window can be accessed from a variety of areas in Microsoft Dynamics NAV 5.0. In this section, however, it is accessed from the following two windows:

- **Cash Receipt Journal**, to apply payments to entries prior to posting.
- **Customer Ledger Entries**, after posting payments that have not been applied.

To open the **Apply Customer Entries** window from either of the above windows, click **Functions** > **Apply Entries.**
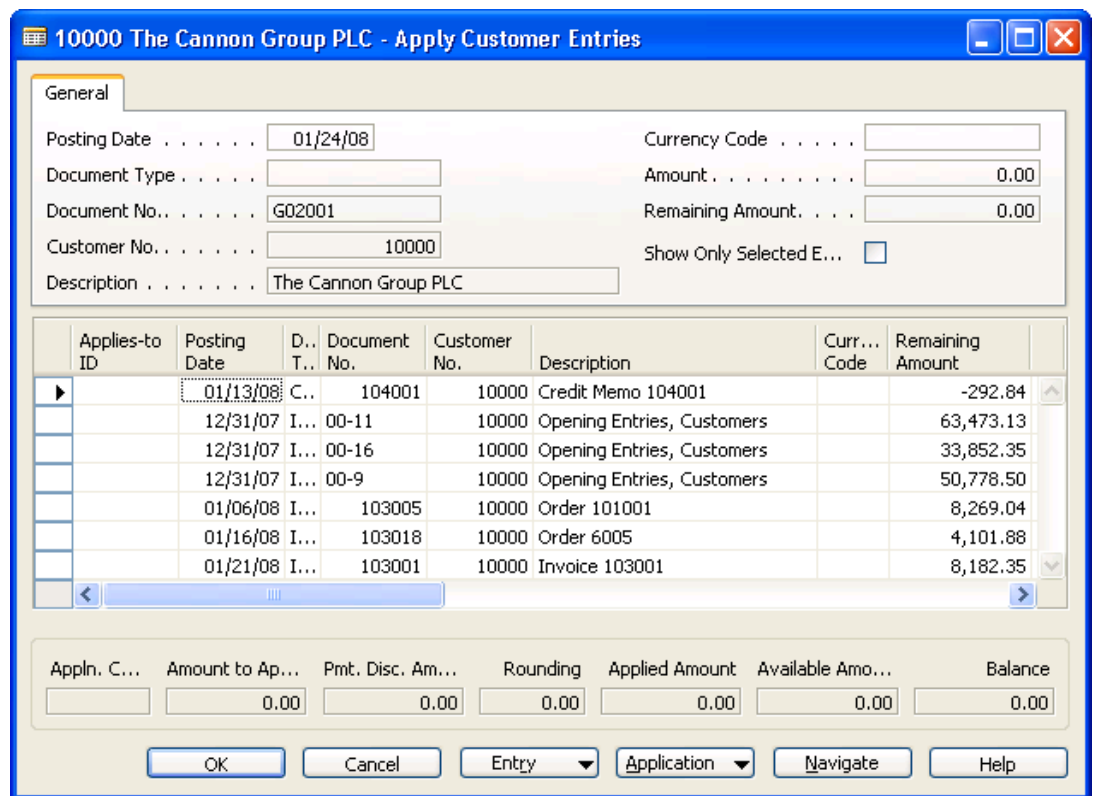


FIGURE 5.3 APPLY CUSTOMER ENTRIES WINDOW

In this section, the **Apply Customer Entries** window is accessed from both windows, based on when payments are applied.

The **Apply Customer Entries** window contains four areas:

- Header, with two tabs:
  - General
  - Options
- Lines
- Balancing application fields
- Menu buttons

The **General** tab contains the applying entry information. This entry determines if the following are offered for the entry:

- Payment discounts
- Tolerances
- Realized gains or losses on currencies

The **Options** tab is used to determine whether only the entries selected for the applying entry are displayed.

The Lines area displays each open transaction and is used to identify the entries to be applied-to. The following fields can be edited:

| Field | Description |
|---|---|
| **Applies-to ID** | Identifies who or what is making the application and is required to post the application. |
| **Amount to Apply** | Used for partial payments to specify the exact amount to apply to the applying entry. |
| **Due Date** | Indicates when an invoice is due to be paid. |
| **Pmt. Discount Date** | Indicates the date on which the amount in the entry must be paid for a payment discount to be obtained. |
| **Pmt. Disc. Tolerance Date** | Indicates the latest date on which the amount in the entry must be paid for payment discount tolerance to be granted. |
| **Remaining Pmt. Disc. Possible** | Identifies the remaining payment discount which can be received if the payment is made before the payment discount date. |
| **Max. Payment Tolerance** | Identifies the maximum tolerated amount which the amount in the entry can differ from the amount on the invoice or credit memo. |

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Below the lines are the following balancing fields, used to track the application:

- **Appln. Currency**
- **Amount to Apply**
- **Pmt. Disc. Amount**
- **Rounding**
- **Applied Amount**
- **Available Amount**
- **Balance**

For more information on these fields, press F1 to access online help.

At the bottom of the **Apply Customer Entries** window are the following menu buttons:

- Entry
- Application
- Navigate
- Help

The **Entry** menu button provides access to additional information for the line selected.

The **Application** menu button includes the following options:

| Menu Option | Function |
|---|---|
| Set Applying Entry | Used to set an entry as the applying entry in the **General** tab. Necessary when applying previously posted entries. |
| Remove Applying Entry | Used to remove the applying entry from the **General** tab. |
| Set Applies-to ID | Used to set the **Applies-to ID** field on the line for each line that is applied against the **Applying Entry** in the **General** tab. |
| Post Application | Used to post the application when applying previously posted entries. |

The **Navigate** menu button accesses the **Navigate** window for the selected line and the **Help** menu button accesses online help for the window.

## Post a Payment to a Single Invoice

To enter a payment and apply the full amount to a single invoice, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. In the **Batch Name** field, verify that the correct batch is used.
3. In the **Posting Date** field, enter the date the payment was received.
4. In the **Document Type** field, select Payment.
5. Update the **Document No.** field, if necessary.
6. In the **Account Type** field, select Customer.
7. In the **Account No.** field, click the **AssistButton** and select the customer.
8. Click **OK**.
9. Click **Functions** > **Apply Entries**.
10. Click the line with the invoice to apply the payment to.
11. Click **Application** > **Set Applies-to ID**.
12. Click **OK**.
13. Note that the **Amount** field contains the amount of the invoice. Verify that it matches the amount of the payment.
14. Ensure that the **Bal. Account Type** and **Bal. Account Number** fields indicate the proper bank account.
15. Click **Posting** > **Post**.
16. Click **Yes** to post the journal lines.
17. Click **OK**.
18. Close the **Cash Receipt Journal**.

## Post a Payment for Multiple Sales Documents

To enter and apply a payment to multiple sales documents, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. In the **Batch Name** field, verify that the correct batch is used.
3. In the **Posting Date** field, enter the date the payment was received.
4. In the **Document Type** field, select Payment.
5. Update the **Document No.** field, if necessary.
6. In the **Account Type** field, select Customer.
7. In the **Account No.** field, click the **AssistButton** and select the customer.
8. Click **OK**.
9. In the **Amount** field, enter the full payment as a negative amount.

10. Click **Functions** > **Apply Entries**.
11. Click the line with the invoice to apply the payment to.
12. Click **Application** > **Set Applies-to ID**.
13. Repeat steps 11-12 for the other invoice line(s).
14. Verify that the **Balance** field at the bottom of the window is zero (0).
15. Click **OK**.
16. Ensure that the **Bal. Account Type** and **Bal. Account Number** fields indicate the proper bank account.
17. Click **Posting** > **Post**.
18. Click **Yes** to post the journal lines.
19. Click **OK**.
20. Close the **Cash Receipt Journal**.

## Post a Partial Payment to a Single Invoice

To enter a partial payment to a single invoice, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. In the **Batch Name** field, verify that the correct batch is used.
3. In the **Posting Date** field, enter the date the payment was received.
4. In the **Document Type** field, select Payment.
5. Update the **Document No.** field, if necessary.
6. In the **Account Type** field, select Customer.
7. In the **Account No.** field, click the **AssistButton** and select the customer.
8. Click **OK**.
9. In the **Amount** field, enter the full payment as a negative amount.
10. Click **Functions** > **Apply Entries**.
11. Click the line with the invoice to apply the payment to.
12. Click **Application** > **Set Applies-to ID**.
13. Click **OK**.
14. Ensure that the **Bal. Account Type** and **Bal. Account Number** fields indicate the proper bank account.
15. Click **Posting** > **Post**.
16. Click **Yes** to post the journal lines.
17. Click **OK**.
18. Close the **Cash Receipt Journal**.

## Post a Partial Payment to Multiple Invoices

To enter a partial payment to multiple invoices, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. In the **Batch Name** field, verify that the correct batch is used.
3. In the **Posting Date** field, enter the date the payment was received.
4. In the **Document Type** field, select Payment.
5. Update the **Document No.** field, if necessary.
6. In the **Account Type** field, select Customer.
7. In the **Account No.** field, click the **AssistButton** and select the customer.
8. Click **OK**.
9. Click **Functions** > **Apply Entries**.
10. Click the line with the invoice to apply the payment to.
11. Click the **Amount to Apply** field.
12. Press **F2**.
13. Enter the amount of the partial payment for this invoice as a positive amount.
14. Repeat steps 10-13 for the other invoice line(s).
15. Click **OK**.
16. Note that the **Amount** field contains a negative amount totaling all invoices. Verify that it matches the amount of the payment.
17. Click **Posting** > **Post**.
18. Click **Yes** to post the journal lines.
19. Click **OK**.
20. Close the **Cash Receipt Journal**.

## Applying Customer Refunds

Open credit memos can be applied to the same cash receipt line as open invoices using the same process as when entering full or partial payments to multiple invoices.

Invoice and credit memo entries can also be applied to a customer refund in Microsoft Dynamics NAV. The only differences and requirements in the application process are as follows:

- In the **Cash Receipt Journal** window:
  – The **Document Type** is Refund.
  – The **Amount** is entered as a positive.
- The total amount for the applied credit memos is larger than the total applied invoice amounts.

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## Demonstration: Applying Entries After Posting

When a payment, credit memo, or refund is posted without being applied to an open customer ledger entry, it can be applied at a later time from the **Customer Ledger Entries** window.

**Scenario**: On January 18, 2008, Arnie, the accounts receivable administrator at CRONUS International Ltd., receives a payment from customer 10000 in the amount of 63,180.29. Since he does not know what invoices the payment applies to, he posts the payment to the customer account, to be applied later.

Two days later, he is notified that the payments are for:

- Invoice number 00-11, 63,473.13
- Credit memo 104001, -292.84

In this demonstration, the payment is posted to the customer account and then the entries are applied.

## Steps

To post the payment for this demonstration, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journal.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/18/08.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -63,180.29.
8. Click **Posting** > **Post**.
9. Click **Yes** to post the journal lines.
10. Click **OK**.
11. Close the **Cash Receipt Journal**.

To apply the posted payment to the open invoice and credit memo, follow these steps:

1. In the Receivables folder, click Customers.
2. Locate and select customer account 10000.
3. Click **Customer** > **Ledger Entries**.
4. Click **Functions** > **Apply Entries**.
5. Click the payment line dated 01/18/08, in the amount of -63,180.29.

6. Click **Application** > **Set Applying Entry**.
7. Notice that:

- The **General** tab in the header is populated with the payment information.
- The payment line has been removed from the lines so that it cannot be selected as an applied-to entry. In this case, it is the posting date of the payment.

1. In the lines, click the line for invoice 00-11, in the amount of 63,473.13.
2. Click **Application** > **Set Applies-to ID**.
3. Notice that the **Balance** field at the bottom of the window displays 292.84. This is the amount of the credit memo.
4. Click the line for credit memo 104001.
5. Click **Application** > **Set Applies-to ID**.
6. Notice that the **Balance** field at the bottom of the window contains 0.00.

To post the application, follow these steps:

1. Click **Application** > **Post Application**.
2. Review the **Post Application** window:

- The **Document No.** is the same as the **Document No.** of the payment in the header.
- The **Posting Date** is the same as the most recent entry included in the application.

3. Change these fields if necessary:

- Apply entries in a closed period by changing the **Posting Date** to a date in the current open period.
- Change the **Document No.** to use a different document number to identify the application postings.

4. Click **OK**.

5. Click **OK** to the message that the application was posted.

6. Close the **Apply Customer Entries** window.

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To review the posted application, follow these steps:

1. In the **Customer Ledger Entries** window, review the applied lines. Notice the **Remaining Amount** field displays a zero balance for the:

- Fully paid invoice 00-11
- Credit memo 104001
- Payment line dated 01/18/08

2. Click the payment line and click **Entry** > **Applied Entries**.

3. Notice that both the invoice and credit memo are listed.

4. Close the **Applied Customer Entries** window.

5. Click the invoice line and click **Entry** > **Applied Entries**.

6. Notice that only the payment line appears.

7. Close the **Applied Customer Entries** window.

8. Click the credit memo line and click **Entry** > **Applied Entries**.

9. Notice that only the payment line appears.

10. Close the **Applied Customer Entries**, **Customer Ledger Entries**, and **Customer Card** windows.

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*NOTE: If the payment tolerance features are not used, payment amounts are applied as follows.*

*If the payment is greater than the amount of the invoices applied to, the difference is recorded as a Remaining Amount on the payment line and all invoices are closed.*

*If the payment is less than the amount of invoices applied to, the invoices are fully applied and closed in order of date (oldest first). The difference is recorded as a Remaining Amount on the invoice(s) not fully applied to.*

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## Apply a Partial Payment After Posting

To apply a partial payment after a cash receipt has been posted, follow these steps:

1. Process a partial payment through the Cash Receipt Journal, but do not apply the payment to an invoice.
2. On the Navigation Pane, click Financial Management > Receivables > Customers.
3. Locate and select the customer.
4. Click **Customer** > **Ledger Entries**.
5. Click **Functions** > **Apply Entries**.

6. Select the payment entry that has not yet been applied and click **Application** > **Set Applying Entry**.

7. Select the partial payment entry to be applied, and click **Application** > **Set Applies-to ID**. Notice that the full amount of the entry has been set in the **Amount to Apply** field.

8. Click the **Amount to Apply** field and press **F2**.

9. Change the amount to the partial amount to be applied to the invoice. The **Balance** at the bottom of the window is now zero.

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# Lab 5.1: Apply and Post a Cash Receipt

### Scenario

On January 25, 2008, you receive a payment from customer 30000, John Haddock Insurance Co., in the amount of 116,167.75. This payment is for the following invoices:

| Invoice/Document No. | Amount |
|---|---|
| 00-10 | 76,167.75 |
| 00-13 | 40,000.00 |

As the accounts receivable administrator for CRONUS International Ltd. it is your responsibility to apply and post this payment to this customer's invoices. Use the Bank batch for this posting.

After posting, review the posted customer ledger entries.

*HINT: You must press F2 to edit the Amount to Apply field.*

### Challenge Yourself!

1. Create the payment line for customer 30000.
2. Apply the full and partial payments.
3. Post the journal lines.
4. Review the customer ledger entries.

# Lab 5.1: Apply and Post a Cash Receipt

### Scenario

On January 25, 2008, you receive a payment from customer 30000, John Haddock Insurance Co., in the amount of 116,167.75. This payment is for the following invoices:

| Invoice/Document No. | Amount |
|---|---|
| 00-10 | 76,167.75 |
| 00-13 | 40,000.00 |

As the accounts receivable administrator for CRONUS International Ltd,. it is your responsibility to apply and post this payment to this customer's invoices. Use the Bank batch for this posting.

After posting, review the posted customer ledger entries.

*HINT: You must press F2 to edit the Amount to Apply field.*

### Need a Little Help?

1. Open the Bank batch in the Cash Receipt Journal.
2. Create the payment line for customer 30000. Do not enter the amount of the check.
3. Open the **Apply Customer Entries** window.
4. Apply the full amount to **Document No.** 00-10.
5. Apply the partial payment to **Document No.** 00-13.
6. Close the **Apply Customer Entries** window.
7. Post the journal lines.
8. Open the **Customer Card** window.
9. Access the **Customer Ledger Entries** window.
10. Review the posted entries for this payment.

# Lab 5.2: Applying a Payment After Posting

**Scenario**

On January 31, 2008, you receive another payment from customer 30000 in the amount of 5,861.13. The payment does not reference any specific invoices, so you contact the customer's payables department. Unfortunately, their payables clerk has the day off.

Since it is the last day of the month, you decide to post the payment to the account and apply it later.

The next week the payables clerk from John Haddock Insurance Co. calls and tells you that the payment is for the full amount of invoice 103021 and a partial payment of 5,000.00 for invoice 103003. They have returned a portion of the product and are expecting a credit for the remaining amount of that invoice.

As the accounts payable coordinator at CRONUS International, Ltd., it is your responsibility to post the payment to the account and then apply the invoices. Use the Bank batch for this posting.

## Challenge Yourself!

1. Post the payment as specified in the scenario.
2. Apply the invoices to the payment from the **Customer Card** window as specified in the scenario.
3. Post the application.

# Lab 5.2: Applying a Payment After Posting

### Scenario

On January 31, 2008 you receive another payment from customer 30000 in the amount of 5,861.13. The payment does not reference any specific invoices so you contact their payables department. Unfortunately, the payables clerk has the day off.

Since it is the last day of the month, you decide to post the payment to the account and apply it later.

The next week the payables clerk from John Haddock Insurance Co. calls and tells you that the payment is for the full amount of invoice 103021 and a partial payment of 5,000.00 for invoice 103003. They have returned a portion of the product and are expecting a credit for the remaining amount of that invoice.

As the accounts payable coordinator at CRONUS International, Ltd., it is your responsibility to post the payment to the account and then apply the invoices. Use the Bank batch for this posting.

## Need a Little Help?

1. Open the Bank batch in the Cash Receipt Journal.
2. Create and post the payment line for customer 30000. Do not apply the invoices.
3. Open the **Apply Customer Entries** window.
4. Set the payment as the applying entry.
5. Apply the full invoice amount as specified in the scenario.
6. Apply the partial invoice amount as specified in the scenario.
7. Post the application.

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# Unapply Customer Ledger Entries

The Unapply Customer Ledger Entries functionality allows the reversal of entries while ensuring that the proper application is processed. This functionality is available from two different windows:

- **Customer Ledger Entries**
- **Detailed Cust. Ledg. Entries**

By unapplying already posted applications, closed customer ledger entries can be reopened. All G/L postings that may have derived from an erroneous application, such as payment discounts and currency gains/losses, are also corrected when an entry is unapplied.

It is important to understand that it is only possible to unapply from the bottom-up. Therefore, if an entry is applied by more than one application entry, the last application entry must be unapplied first.

## Unapplying a Ledger Entry

To unapply a ledger entry from the Customer Ledger Entries window, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.
2. Locate and select the customer to unapply entries.
3. Click **Customer** > **Ledger Entries**.
4. Click the line with the entry to unapply.
5. Click **Functions** > **Unapply Entries**. The **Unapply Customer Entries** window shows the original detailed ledger entries that can be used to unapply the original entry.
6. Click the line with the corresponding entry to unapply.
7. Click **Unapply**.
8. Click **Yes** to unapply the entries. When the entry is unapplied, a new entry is created with an opposite sign in the **Amount** field.
9. Click **OK** to the message that the entries were unapplied.

10. In the **Customer Ledger Entries** window, review the unapplied entries:

- The **Remaining Amount** field contains the relevant unapplied amount.
- The **Open** check box is checked indicating that the unapplied entries are open.

It is now possible to apply the open amount to the correct entry using the Apply Customer Entries functionality.

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## Lab 5.3: Unapply Posted Ledger Entries

### Scenario

In late January you receive a payment from customer 20000, Selangorian Ltd., for Document No. 00-8, in the amount of 50,778.50. As you begin to apply the payment you see that a temporary employee erroneously applied two credit memos to this invoice.

After further investigation, you realize that these credit memos are to be applied to the invoices that correspond to the credit memo amounts. These credit memos and invoices, in the order in which they were applied, are:

| Credit Memo | Invoice/Document No. | Amount |
|-------------|----------------------|----------|
| 104002 | 103008 | 787.40 |
| 104003 | 103014 | 1,145.33 |

As the accounts receivable administrator, it is your responsibility to correct this error. Use the Unapply Customer Entries function to reverse the application and then correctly apply the credit memos to the invoices.

The payment for Document No. 00-8 is not posted in this lab.

### Challenge Yourself!

1. Unapply the credit memos from invoice 00-8 as specified in the scenario.
2. Apply the credit memos to the correct invoices as specified in the scenario.

# Lab 5.3: Unapply Posted Ledger Entries

### Scenario

In late January you receive a payment from customer 20000, Selangorian Ltd., for Document No. 00-8, in the amount of 50,778.50. As you begin to apply the payment, you see that a temporary employee erroneously applied two credit memos to this invoice.

After further investigation, you realize that these credit memos are to be applied to the invoices that correspond to the credit memo amounts. These credit memos and invoices, in the order in which they were applied, are:

| Credit Memo | Invoice/Document No. | Amount |
|-------------|----------------------|--------|
| 104002 | 103008 | 787.40 |
| 104003 | 103014 | 1,145.33 |

As the accounts receivable administrator, it is your responsibility to correct this error. Use the Unapply Customer Entries function to reverse the application and then correctly apply the credit memos to the invoices.

The payment for Document No. 00-8 is not posted in this lab.

## Need a Little Help?

1. Open the Customer Ledger Entries for customer 20000.
2. Select the last credit memo applied and open the **Unapply Customer Entries** window.
3. Unapply the entry.
4. Select the first credit memo applied and open the **Unapply Customer Entries** window.
5. Unapply the entry.
6. Open the **Apply Customer Entries** window for credit memo 104002 and set as the applying entry.
7. Set Document No. 103008 as the Applies-to ID.
8. Post the Application and close the **Apply Customer Entries** window.
9. Open the **Apply Customer Entries** window for credit memo 104003 and set as the applying entry.
10. Set Document No. 103014 as the Applies-to ID.
11. Post the Application and close the **Apply Customer Entries** window.

# Reversal of Posted Journals

In Microsoft Dynamics NAV 5.0, erroneous customer ledger entries posted from a journal, such as the Sales Journal or Cash Receipt Journal, can be reversed to correct the entries.

The following are conditions of using this reversal functionality:

- Entries must be generated from a general journal line or from a previous reversal.
- Customer Ledger Entries cannot be applied.
- Bank Ledger Entries must not be closed by reconciliation.
- The total amount of G/L Entries must equal zero.

Before reversing an applied customer ledger entry, the entry must be unapplied.

During the reversal process, correcting entries with the same document number and posting date as the original entry are created and posted for each line in the entry. After reversing an entry, the correct entries are entered and posted manually.

This section describes how to reverse posted customer ledger entries.

## Reverse a Posted Journal Entry

To reverse a journal posting, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.
2. Locate and select the relevant customer.
3. Click **Customer** > **Ledger Entries**.
4. Unapply entries that have been applied to the entry to reverse.
5. Click the relevant entry to reverse.
6. Click **Functions** > **Reverse Transaction**. The **Reverse Transaction Entries** window displays the posted entries connected by the same transaction number.
7. Click **Reversing** > **Reverse**.
8. Click **Yes** to reverse the entries.
9. Click **OK** to the message that the entries were reversed.

10. In the **Customer Ledger Entries** window, review the original and reversed entries:

- A new entry that reverses the selected posted entry appears.
- The **Remaining Amount** field for both entries is a zero amount.
- The **Open** field does not contain a check mark, indicating that both entries are closed.

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# Lab 5.4: Reverse a Posted Journal Entry

### Scenario

When beginning balances were posted on 12/31/07 for customer 10000, an error was entered for invoice 00-1. The five and the three were transposed, therefore the erroneous amount of 25,389.25 was posted instead of the correct amount of 23,589.25.

This invoice was paid on 01/13/08 with Document No. 2596 and needs to be reversed, since it was entered through a journal.

Cassie, the accountant, asks you to make the reversing entry and she will later post the correction and refund the customer. Before you can reverse the entry, you must unapply the payment.

---

*NOTE*: *Do not reapply the other invoices unapplied during this process. These unapplied invoices are used in demonstrations later in this content.*

---

## Challenge Yourself!

1. Unapply the invoice as specified in the scenario.
2. Reverse the journal entry as specified in the scenario.

# Lab 5.4: Reverse a Posted Journal Entry

### Scenario

When beginning balances were posted on 12/31/07 for customer 10000, an error was entered for invoice 00-1. The five and the three were transposed, therefore the erroneous amount of 25,389.25 was posted instead of the correct amount of 23,589.25.

This invoice was paid on 01/13/08 with Document No. 2596 and needs to be reversed, since it was entered through a journal.

Cassie, the accountant, asks you to make the reversing entry and she will later post the correction and refund the customer. Before you can reverse the entry, you must unapply the payment.

---

*NOTE: Do not reapply the other invoices unapplied during this process. These unapplied invoices are used in demonstrations later in this content.*

---

## Need a Little Help?

1. Open the **Customer Ledger Entries** window for customer 10000.
2. Use the **Unapply Customer Entries** window to unapply invoice 00-1 from payment 2596.
3. From the **Customer Ledger Entries** window, reverse the 00-1 journal entry.

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# Set up Payment Discounts

The purpose of granting payment discounts is to provide an incentive for customers to quickly pay their outstanding amounts in full. The following are the different methods available when setting up payment discounts for an invoice:

- If the payment discount is known at the time when the invoice or sales order is entered, either:
  - Select an existing payment term.
  - Enter a new payment term for the invoice or sales order.
- If the payment discount is not determined until the invoice is paid:
  - The customer may reduce the payment without negotiating a payment discount.
  - If the discount is acceptable, adjust the payment term for the invoice after it posts.

It is also possible to calculate payment discount amounts on credit memos. This provides the ability to automatically reduce the payment discount given on invoices that the credit memo is applied to.

In this section, payment discounts are set up.

## Determine Payment Discount Calculations on Amounts

The G/L Accounts for payment discounts must be set up differently depending on whether payment discounts are calculated on amounts:

- Including VAT
- Excluding VAT

The set-up is determined by the fields selected in the **General Ledger Setup** window:

- Pmt. Disc. Excl. VAT
- Adjust for Payment Disc.

The set-up of each payment discount method is explained in this section.

---

*NOTE: In the General Ledger Setup window, the Pmt. Disc. Excl. VAT and the Adjust for Payment Disc. check boxes are mutually exclusive, meaning that only one can contain a check mark. However, both can be empty at the same time.*

*As a result, payment discount accounts cannot be entered in the Customer Posting Groups window if the Adjust for Payment Disc. check box contains a check mark. Similarly, payment discount accounts cannot be entered in the General Posting Setup window if the Pmt. Disc. Excl. VAT check box contains a check mark.*

---

## Set up Payment Discounts Calculated on Amounts Excluding VAT

To set up payment discounts calculated on amounts excluding VAT, follow these steps:

1. On the Navigation Pane, click Financial Management > Setup > General Ledger Setup.
2. Place a check mark in the **Pmt. Disc. Excl. VAT** field to calculate payment discounts on:

   - The **Amount** field in Sales documents.
   - The **Sales/Purch. (LCY)** field in General Journals.

3. Leave the **Pmt. Disc. Excl. VAT** check box unchecked to calculate payment discounts on:

   - The **Amount Including VAT** field in Sales documents.
   - The **Amount** field in General Journals.

4. Close the **General Ledger Setup** window.

---

*NOTE: If journals are used to enter sales transactions and the Pmt. Disc. Excl. VAT field is checked, an amount must be entered in the Sales/Purch. (LCY) field in the journal. If an amount is not entered, the payment discount is zero.*

---

If the **Pmt. Disc. Excl. VAT** check box contains a check mark, the following two payment discount accounts must be set up in the **Customer Posting Group** window:

| Field | Description |
|---|---|
| **Payment Disc. Debit Acc.** | G/L account used to post granted payment discount amounts when posting sales payments for the selected Customer Posting Group. |
| **Payment Disc. Credit Acc.** | G/L account used to post reductions in payment discount amounts when posting sales payments for the selected Customer Posting Group. |

To set up the payment discount accounts for Customer Posting Groups, follow these steps:

1. In the Setup folder, click Posting Groups > Customer.
2. For each Customer Posting Group using payment discounts:

- In the **Payment Disc. Debit Acc.** field, click the **AssistButton** and select the proper payment discount account.
- In the **Payment Disc. Credit Acc.** field, click the **AssistButton** and select the proper payment discount account.

3. Close the **Customer Posting Group** window.

## Set up Payment Discounts Calculated on Amounts Including VAT

If payment discounts are calculated on amounts including VAT, then VAT recalculations may need to be made if the payment discount is taken.

To set up the program to recalculate tax amounts when payment discounts are posted, follow these steps:

1. On the Navigation Pane, click Financial Management > Setup > General Ledger Setup.
2. Place a check mark in the **Adjust for Payment Disc.** field to activate the feature.
3. Close the **General Ledger Setup** window.
4. On the Setup folder, click VAT Posting Group > Posting Setup.
5. For each relevant VAT Posting Group combination, place a check mark in the **Adjust for Payment Discount** field.
6. Close the **VAT Posting Setup** window.

If the **Adjust for Payment** check box contains a check mark, the following two sales payment discount accounts must be set up in the **General Posting Setup** window.

| Field | Description |
|---|---|
| **Sales Pmt. Disc. Debit Acc.** | G/L account used to post granted payment discount amounts when posting payments for sales with the selected combination of general business and product posting groups. |
| **Sales Pmt. Disc. Credit Acc.** | G/L account used to post reductions in payment discount amounts when posting payments for sales with the selected combination of general business and product posting groups. |

To set up the payment discount accounts in the **General Posting Setup** window, follow these steps:

1. In the Setup folder, click Posting Groups > General > Posting Setup.
2. For each general posting group combination using payment discounts:

- In the **Sales Pmt. Disc. Debit Acc.** field, click the **AssistButton** and select the proper payment discount account.
- In the **Sales Pmt. Disc. Credit Acc.** field, click the **AssistButton** and select the proper payment discount account.

3. Close the **General Posting Setup** window.

## Payment Terms with Discounts

Payment discounts granted to customers are determined by the Payment Terms Code set up on the customer card and/or entered in the header of the sales order or invoice.

This section provides a brief overview of the **Payment Terms** window to describe how discounts are set up.

To access the **Payment Terms** window, on the Navigation Pane, click Financial Management > Receivables > Setup > Payment Terms.
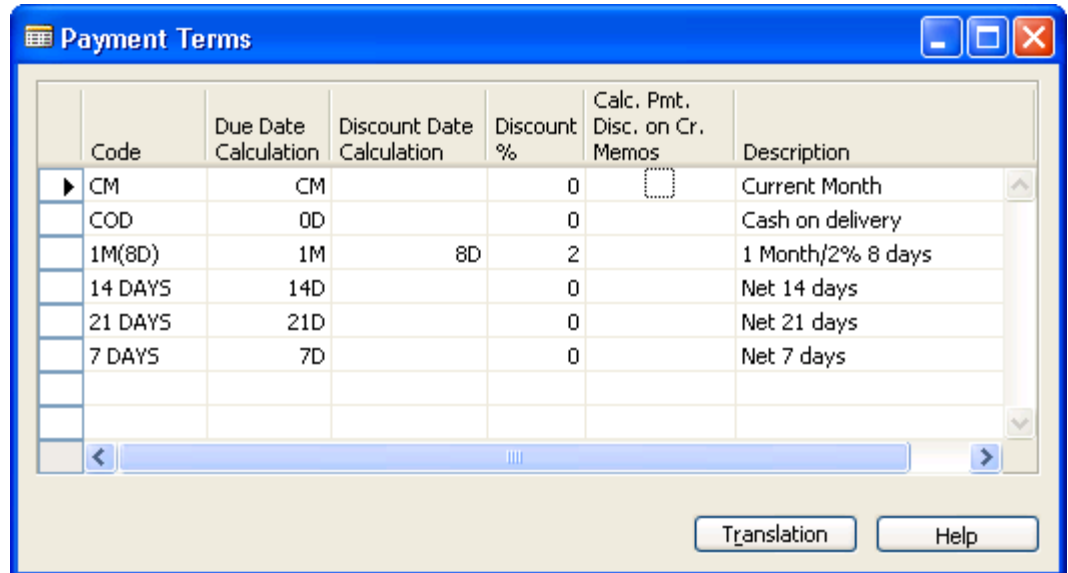
| Code | Due Date Calculation | Discount Date Calculation | Discount % | Calc. Pmt. Disc. on Cr. Memos | Description |
|------|---------------------|--------------------------|-----------|------------------------------|-------------|
| ▶ CM | CM | | 0 | ☐ | Current Month |
| COD | 0D | | 0 | | Cash on delivery |
| 1M(8D) | 1M | 8D | 2 | | 1 Month/2% 8 days |
| 14 DAYS | 14D | | 0 | | Net 14 days |
| 21 DAYS | 21D | | 0 | | Net 21 days |
| 7 DAYS | 7D | | 0 | | Net 7 days |

FIGURE 5.4 PAYMENT TERMS WINDOW

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The only Payment Term currently set up with discount capabilities is 1M(8D). This Payment Term is set up as follows:

- Payments are due within one month of the Document Date specified on the posted invoice.

- If payments are received within eight days of the Document Date specified on the posted invoice, a 2% discount is available.

- A payment discount cannot be calculated on credit memos with this payment term because the **Calc. Pmt. Disc. on Cr. Memos** check box does not contain a check mark.

## Set up Payment Discounts on Customers and Sales Documents

When payment discounts have been granted for specific customers, Payment Terms are set up on the Customer Card. Then, when a sales order or invoice is created:

- Payment terms are transferred to the header.

- Applicable discount terms are automatically applied to the order during posting.

To set up Payment Terms on customers, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.
2. Locate and select the customer to assign a Payment Term.
3. Click the **Payments** tab.
4. In the **Payment Terms Code** field, click the **AssistButton** and select the relevant Payment Term.
5. Close the **Customer Card**.

Alternatively, Payment Terms can be assigned on the sales order or invoice header if:

- Payment Terms are not specified on the customer.

- A different term needs to be assigned to a specific sales order or invoice.

## Multiple Choice Question: Set up Payment Discounts

1. On the General Ledger Setup window, what check box must contain a check mark to enter payment discount accounts in the Customer Posting Groups window?

   a. Adjust for Payment

   b. Pmt. Disc. Incl. VAT

   c. Pmt. Disc. Excl. VAT

   d. Use Payment Disc.

2. On the General Ledger Setup window, what check box must contain a check mark to enter payment discount accounts in the General Posting Setup window?

   a. Adjust for Payment

   b. Pmt. Disc. Incl. VAT

   c. Pmt. Disc. Excl. VAT

   d. Use Payment Disc.

3. On the Payment Terms window, to grant a payment discount of 3% if payment is received within ten days of the document date:

   a. Enter D10 in the Discount Date Calculation field, and 3 in the Discount % Field.

   b. Enter 10D in the Discount Date Calculation field, and 3 in the Discount % Field.

   c. Enter 10D in the Discount Date Calculation field, and .03 in the Discount % Field.

   d. Enter D10 in the Discount Date Calculation field, and .03 in the Discount % Field.

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# Process Payment Discounts

Microsoft Dynamics NAV 5.0 checks the **Pmt. Discount Date** field of the applied customer ledger entry or entries when applying:

- Payments
- Refunds
- Credit memos

If the posting date of the application is the same or earlier than the **Pmt. Discount Date** of the applied entry, a discount amount is calculated if the applied entry is fully applied.

After the sales document is posted, the payment discount possible for a sales invoice or sales credit memo is recorded on the customer ledger entry in the following fields:

- **Original Pmt. Disc. Possible**
- **Remaining Pmt. Disc. Possible**

In this section, payment discounts are processed.

## Demonstration: Post a Payment with a Discount

**Scenario**: The Cannon Group PLC, customer 10000 in CRONUS International Ltd, is set up with payment terms that allow for a 2% discount if they pay within eight days of the Document Date on their invoices.

On January 28, 2008, Arnie, the accounts receivables administrator at CRONUS International Ltd., receives a payment from customer 10000 in the amount of 8,018.70 for invoice 103001.

The full amount of invoice 103001 is 8,182.35, but because The Cannon Group PLC paid within eight days, they have taken the 2% discount and reduced their payment by 163.65.

In this demonstration, Arnie accidentally enters the payment on 01/30/08 and notices that the payment discount is not available. He then changes the date to 01/28/08 and completes the application and posting processes.

## Steps

To enter and apply the discounted payment, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/30/08.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, click the **AssistButton** and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -8,018.70.
8. Click **Functions** > **Apply Entries**.
9. Click the line for invoice 103001.
10. Click **Application** > **Set Applies-to ID**.
11. Notice that the **Balance** field at the bottom of the window is out of balance by 163.65, the amount of the discount.
12. Close the **Apply Customer Entries** window.
13. In the **Posting Date** field, enter 01/28/08 to be within the acceptable discount date range.
14. Click **Functions** > **Apply Entries**.
15. Notice that the **Pmt. Disc. Amount** field on the bottom of the window contains the discount amount of -163.65 and the **Balance** field contains a zero balance because the discount was subtracted from the payment amount.
16. Click **OK**.

To post the discounted payment, follow these steps:

1. Click **Posting** > **Post**.
2. Click **Yes** to post the journal lines.
3. Click **OK**.
4. Close the **Cash Receipt Journal**.

To review the posted Customer Ledger Entries for this payment, follow these steps:

1. In the Receivables folder, click Customers.
2. Locate and select customer 10000.
3. Click **Customer** > **Ledger Entries**.
4. Press **CTRL+END** to go to the last entries.
5. Review the line for invoice 103001:

- The **Original Amount** and **Amount** fields contain the full amount of the invoice.
- The **Remaining Amount** is zero.

1. Review the line for the payment dated 01/28/08:

- The **Original Amount** contains the amount of the payment.
- The **Amount** field contains the amount of the payment plus the discount amount.
- The **Remaining Amount** is zero.

1. Close the **Customer Ledger Entries** and **Customer Card** windows.

## Demonstration: Posting Partial Payments with Discounts

**Scenario**: Customer 40000, Deerfield Graphics, has an outstanding invoice in the amount of 1,328.88. If the invoice is paid by December 18, 2007, they can take a discount in the amount of 26.58.

On December 12, 2007, they send a payment of 651.15, which is half of the discounted amount (1328.88 - 26.58 / 2 = 651.15). On December 18, 2007 they send the remaining half of the payment.

Arnie posts both payments, successfully using the discount since both payments were received by December 18, 2007.

*NOTE: Entries are posted in the year 2007 in this demonstration.*

## Steps

To post the first partial payment on an invoice with an available discount, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 12/12/07.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, click the **AssistButton** and select Customer.
6. In the **Account No.** field, enter 40000.
7. In the **Amount** field, enter -651.15.
8. Click **Functions** > **Apply Entries**.
9. Click **Application** > **Set Applies-to ID**.
10. At the bottom of the window, notice that:

- The **Pmt. Disc. Amount** field contains a zero balance.
- The **Balance** field at the bottom of the window is out of balance by 677.73, the amount of the other half due and the full discount amount.

1. Click **OK**.
2. Click **Posting** > **Post**.
3. Click **Yes** to post the journal lines.
4. Click **OK**.

To post the remaining partial payment on an invoice with an available discount, follow these steps:

1. In the Cash Receipt Journals, in the **Posting Date** field, enter 12/18/07.
2. In the **Account No.** field, enter 40000.
3. In the **Amount** field, enter -651.15.
4. Click **Functions** > **Apply Entries**.
5. Click **Application** > **Set Applies-to ID**.
6. At the bottom of the window, notice that:

- The **Pmt. Disc. Amount** field contains -26.58, the discount amount.
- The **Balance** field contains a zero balance because the invoice was fully paid by the date specified in the **Pmt. Discount Date** on the customer ledger entry.

7. Click **OK**.

8. Click **Posting** > **Post**.

9. Click **Yes** to post the journal lines.

10. Click **OK**.

11. Close the **Cash Receipt Journal** window.

Since both payments were received by the date specified in the **Pmt. Discount Date** field, the partial payment structure is acceptable.

---

*NOTE: If an invoice is not fully paid within the discount date period, the discount is not available.*

---

## Demonstration: Add Discounts After Posting Sales Transactions

**Scenario**: On January 21, 2008, customer 20000 set up a payment discount agreement with CRONUS International Ltd., to take a 2% discount if payments are received within eight days of invoicing.

That same day, invoice 103002 was posted before the terms were changed on the customer card. On January 29, 2008, Arnie receives a payment in the amount of 6,832.34, which is 139.44 less than the invoice amount.

When he reviews the invoice, he realizes that the correct payment terms were not applied and that the discrepancy is the 2% discount. Arnie changes the discount fields on the customer ledger entries for this invoice and then posts the discounted payment.

---

*NOTE: Ensure that the year 2008 is used, as opposed to 2007 from the previous demonstration.*

---

### Steps

To change the customer ledger entries to specify acceptable discounts, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.
2. Locate and select customer 20000.
3. Click **Customer** > **Ledger Entries**.
4. On the line for **Document No.** 103002, click the **Pmt. Discount Date** field.
5. Press **F2** and enter 01/29/08.

---

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6. In the **Remaining Pmt. Disc. Possible** field, enter 139.44. Note that this amount must be entered in the same currency as the invoice.
7. Close the **Customer Ledger Entries** and **Customer Card** windows.

To enter and post the discounted payment, follow these steps:

1. In the Receivables folder, click Cash Receipt Journals.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/29/08.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, click the **AssistButton** and select Customer.
6. In the **Account No.** field, enter 20000.
7. In the **Amount** field, enter -6832.34.
8. Click **Functions** > **Apply Entries**.
9. Click the line for invoice 103002.
10. Click **Application** > **Set Applies-to ID**.
11. At the bottom of the window, notice that:

- The **Pmt. Disc. Amount** field contains -139.44, the discount amount.
- The **Balance** field contains a zero balance because the discount was available within this posting date range.

1. Click **OK**.
2. Close the **Apply Customer Entries** window.
3. Click **Posting** > **Post**.
4. Click **Yes** to post the journal lines.
5. Click **OK**.
6. Close the **Cash Receipt Journal** window.

## Demonstration: Apply Posted Payments to Sales Documents with Discounts

When applying a payment or refund to entries at the same time the payment or refund is posted, Microsoft Dynamics NAV 5.0 automatically includes payment discount information on both invoice and credit memo entries when calculating the amount of the payment or refund.

*NOTE: When applying posted payments and refunds to entries with payment discount amounts, it is recommended to only apply one payment or refund with each application of posted entries.*

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**Scenario**: On January 25, 2008, a payment from customer 10000 is received in the amount of 4,019.83. It is the end of the day and Arnie cannot match this exact amount with an invoice in the customer ledger entries - therefore, he decides to post the payment to the account and post the application when he can determine the discrepancy.

After posting the payment, he realizes that the payment is for invoice 103018. The payment applies as follows:

- Invoice amount: 4,101.88
- 2% discount amount of 82.04 was erroneously taken as 82.05
- Payment amount then is 4,019.83 (4,101.88 - 82.05)

Arnie also notices that the payment is one day past the discount date. He discusses the situation with Phyllis, the accounting manager, who instructs him to allow the discount because this is one of the company's best customers.

Since CRONUS International Ltd. is not currently set up with payment tolerance percentages, Arnie adjusts the **Remaining Pmt. Disc. Possible** amount to match the discount taken and also changes the **Pmt. Discount Date** to January 25, 2008.

To save time, Arnie changes the payment discount values in the **Apply Customer Entries** window and then applies and posts the application.

## Steps

To post the payment to the account, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/25/08.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, click the **AssistButton** and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -4,019.83.
8. Click **Posting** > **Post**.
9. Click **Yes** to post the journal lines.
10. Click **OK**.
11. Close the **Cash Receipt Journal** window.

To adjust, apply, and post the payment discount, follow these steps:

1. In the Receivables folder, click Customers.
2. Locate and select customer 10000.
3. Click **Customer** > **Ledger Entries**.
4. Click **Functions** > **Apply Entries**.
5. On the line for **Document No.** 103018, click the **Pmt. Discount Date** field.
6. Press **F2** and enter 01/25/08.
7. In the **Remaining Pmt. Disc. Possible** field, enter 82.05.
8. Press **TAB** or **ENTER** to commit the value to the field.
9. Click the payment line dated 01/25/08, in the amount of -4019.83.
10. Click **Application** > **Set Applying Entry**.
11. Click the line for **Document No.** 103018.
12. Click **Application** > **Set Applies-to ID**.
13. At the bottom of the window, notice that:

- The **Pmt. Disc. Amount** field contains -82.05, the discount amount.
- The **Balance** field contains a zero balance because the discount was adjusted to match the discount and to be available within this posting date range.

4. Click **Application** > **Post Application**.
5. Click **OK**.
6. Click **OK** to the message that the application posted.
7. Close the **Apply Customer Entries**, **Customer Ledger Entries**, and **Customer Card** windows.

## Applying Credit Memos with Payment Discounts

When posting a credit memo with a payment discount amount that has been applied to an invoice, the **Remaining Pmt. Disc Possible** amount for the invoice is reduced by the payment discount amount for the credit memo.

To apply a posted credit memo with a payment discount amount to an invoice, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.
2. Locate and select the relevant customer.
3. Click **Customer** > **Ledger Entries**.
4. Click **Functions** > **Apply Entries**.

5. Click the line with the relevant credit memo and click **Application** > **Set Applying Entry**.

6. Click the line for the invoice to be applied to the credit memo and click **Application** > **Set Applies-to ID**.

7. Click **Application** > **Post Application**.

8. Click **OK** to apply the entries.

9. Click **OK** to the message that the entries were posted.

10. Close the **Apply Customer Entries** window.

11. Review the applied entries in the **Customer Ledger Entries** window. Notice that the amount in the **Remaining Pmt. Disc. Possible** field on the invoice line is reduced by the payment discount amount on the credit memo.

12. Close the **Customer Ledger Entries** and **Customer Card** windows.

# Lab 5.5: Post a Payment with a Discount

### Scenario

On January 8, 2008, the accounts payable clerk for customer 10000 contacts you, asking if the 2% discount can still be taken on Document No. 00-9 if the payment is received on 01/09/08, even though that is a day past the payment discount date. You say that is acceptable, as this is one of your best customers.

On January 9, 2008, you receive a payment in the amount of 49,762.93. Adjust the payment discount date while applying the payment.

## Challenge Yourself!

1. Enter the as specified in the scenario.
2. Adjust and apply the invoice as specified in the scenario.
3. Post the Cash Receipt Journal.

# Lab 5.5: Post a Payment with a Discount

### Scenario

On January 8, 2008, the accounts payable clerk for customer 10000 contacts you, asking if the 2% discount can still be taken on Document No. 00-9 if the payment is received on 01/09/08, even though that is a day past the payment discount date. You say that is acceptable because this is one of your best customers.

On January 9, 2008, you receive a payment in the amount of 49,762.93. Adjust the payment discount date while applying the payment.

## Need a Little Help?

1. Enter the payment in the Cash Receipt Journal as specified in the scenario.
2. Open the **Apply Customer Entries** window.
3. Adjust the payment discount date as specified in the scenario.
4. Apply the invoice to the payment.
5. Post the Cash Receipt Journal.

# Lab 5.6: Apply Posted Partial Payments with Discounts

### Scenario

On January 8, 2008, you receive a payment from customer 10000 in the amount of 33,174.35. Even though you cannot determine what the payment applies to, you post the payment to the customer account.

Afterwards you learn that the payment is for Document No. 00-16, and because the payment was made by 01/08/08, the full discount of 677.05 is available. However, a slight error was made in the discount calculation, resulting in the customer taking a larger discount. Since this is a good customer, adjust the discount to match the amount taken: 678.00.

First post the payment but do not apply it to an invoice. Then adjust the discount amount while applying the invoice to the payment.

## Challenge Yourself!

1. Post the payment as specified in the scenario.
2. Apply the posted payment to the invoice as specified in the scenario. Remember to adjust the payment discount amount.
3. Post the application.

# Lab 5.6: Apply Posted Partial Payments with Discounts

### Scenario

On January 8, 2008, you receive a payment from customer 10000 in the amount of 33,174.35. Even though you cannot determine what the payment applies to, you post the payment to the customer account.

Afterwards you learn that the payment is for Document No. 00-16, and because the payment was made by 01/08/08, the full discount of 677.05 is available. However, a slight error was made in the discount calculation, resulting in the customer taking a larger discount. Since this is a valued customer, adjust the discount to match the amount taken: 678.00.

First post the payment but do not apply it to an invoice. Then adjust the discount amount while applying the invoice to the payment.

## Need a Little Help?

1. Post the payment in the Cash Receipt Journal as specified in the scenario. Do not apply the payment to an invoice.
2. Open the **Apply Customer Entries** window.
3. Set the applying payment entry.
4. Adjust the payment discount amount on **Document No.** 00-16.
5. Set the applies-to ID to the posted payment.
6. Post the application.

# Set up Payment Tolerance

Occasionally, a customer may underpay or overpay an invoice amount. When this occurs, there are two options available:

- Post the payments with a remaining amount. With this option, the remaining amount must be closed using other methods, such as posting an adjustment and/or contacting the customer for additional payment.
- Set up payment tolerances to close entries where there is a difference between the amount owed and the amount paid. With this option, parameters of acceptable differences are used to post the amounts to G/L accounts.

The features of using payment tolerance include:

- The ability to set the payment tolerance percentage, payment discount grace period, and the maximum payment tolerance amount.
- Determining whether to receive a warning when an application is made within the payment tolerance parameters set.
- Determining to which account to post the difference, to keep track of amounts and their frequency.
- The ability to set up different payment tolerances for different currencies.

- Working with payment tolerance on invoices and payments as well as credit memos and refunds.
- Determining customers that can be allowed to use or be blocked from payment tolerances.

In Microsoft Dynamics NAV 5.0 there are two types of payment tolerance:

- **Payment Discount Tolerance**: Allows a customer to take a payment discount even though the payment discount date has passed.
- **Payment Amount Tolerance**: Accepts a slightly greater or smaller amount as full settlement of an outstanding invoice. In the program, payment amount tolerance is called Payment Tolerance.

In this section, Payment Tolerances are set up on the following windows:

- Customer Card
- General Ledger Setup
- Chart of Accounts
- Customer Posting Groups

## Set up Payment Tolerance on Customer Cards

As a default, payment tolerance is allowed for all customers. This default can be changed on the Customer Card.

To disable payment tolerances, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.

2. Locate and select the customer to disable payment tolerance.

3. Click the **Payments** tab.

4. Place a check mark in the **Block Payment Tolerance** check box.

5. A message appears asking if payment tolerance is to be removed from all open entries. Click either:

- **Yes** to remove payment tolerance on open entries and restrict from future invoices.

- **No** to maintain the payment tolerance on open entries but restrict from future invoices.

To enable a disabled payment tolerance, follow these steps:

1. Remove the check mark from the **Block Payment Tolerance** check box.

2. A message appears asking if payment tolerance is to be allowed for open entries. Click either:

- **Yes** to allow payment tolerance on open entries and all future invoices.

- **No** to prevent payment tolerances from being available on open entries but available on future invoices.

## Set up Payment Tolerance in General Ledger Setup

In the Customer Card, payment tolerance is enabled or disabled for individual customers. The company-wide payment tolerance parameters are set up in the **General Ledger Setup** window. On the **Application** tab, specify:

- Tolerance warnings

- Tolerance percentages and maximum amounts

- Tolerance grace periods

- Tolerance G/L posting types

To access these setup parameters, on the Navigation Pane, click Financial Management > Setup > General Ledger Setup > **Application** tab.
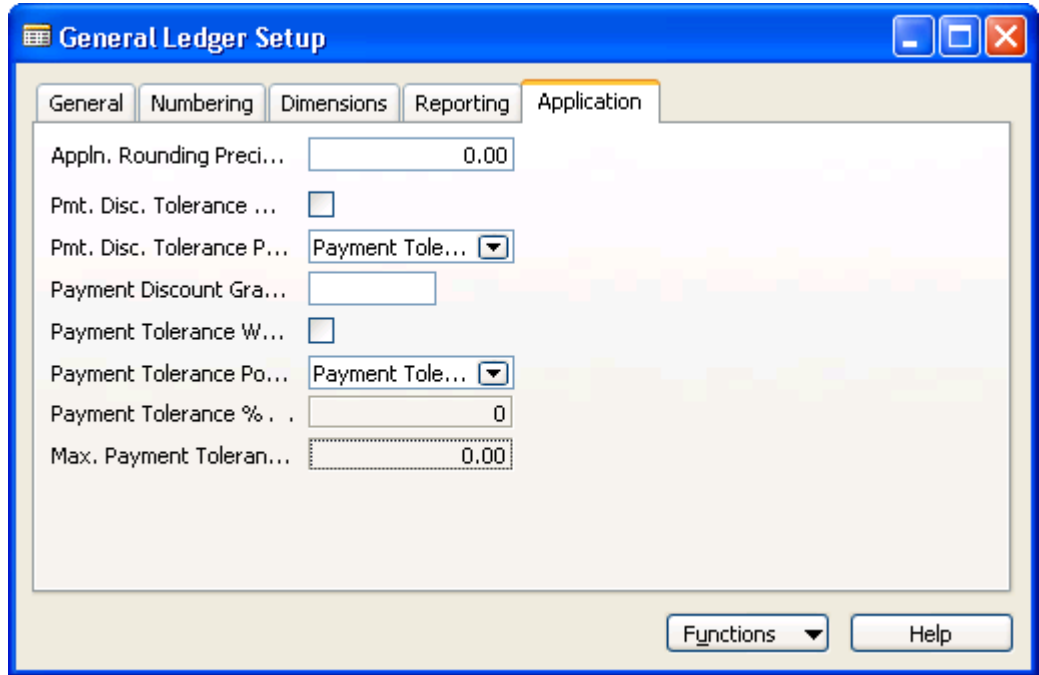


FIGURE 5.5 GENERAL LEDGER SETUP, APPLICATION TAB

The following fields are related to payment tolerance:

| Field | Description |
|-------|-------------|
| **Payment Discount Tolerance Warning** | If selected, a warning is received when an application is made between the payment discount date and the payment discount tolerance date.<br><br>If payment discount tolerances are normally allowed, do not place a check mark in this check box. |
| **Payment Discount Tolerance Posting** | Identifies the type of G/L accounts to post payment discount tolerance. There are two choices for posting:<br><br>• Payment tolerance accounts: The payment tolerance is posted to a special G/L account set up for payment tolerance.<br>• Payment discount accounts: The payment tolerance is posted as a payment discount.<br><br>These G/L accounts are specified in Customer Posting Groups, or the General Posting Setup if VAT amounts are adjusted for payment discounts. |
| **Payment Discount Grace Period** | Determines the number of days that a payment or refund can pass the payment discount due date and still receive payment discount. Specified as a date formula. For example, to allow 5 days, enter 5D. |

| Field | Description |
|---|---|
| Payment Tolerance Warning | If selected, a warning is received when an application is made and a balance is within the allowed payment tolerance amount. |
| **Payment Tolerance Posting** | Identifies the G/L accounts to post payment tolerance. There are two choices for posting:<br><br>Payment tolerance accounts: The payment tolerance is posted to a special G/L account set up for payment tolerance.<br><br>Payment discount accounts: The payment tolerance is posted as a payment discount.<br><br>These G/L accounts are specified in Customer Posting Groups, or the General Posting Setup if VAT amounts are adjusted for payment discounts. |
| **Payment Tolerance Percentage** | Determines the percentage that the payment or refund is allowed to differ from the amount on the invoice or credit memo.<br><br>This field is non-editable, but the value can be changed by running the **Change Payment Tolerance** batch job. |
| **Maximum Payment Tolerance Amount** | Specifies the maximum allowed amount that the payment or refund can differ from the amount on the invoice or credit memo.<br><br>This field is non-editable, but the value can be changed by running the **Change Payment Tolerance** batch job. |

*NOTE: With the exception of the posting parameters these fields can be used singly or in combination*

### Set up Payment Tolerance Percentages and Maximum Amounts

To change either or both the maximum payment tolerance and the payment tolerance percentage, and filter by currency, run the Change Payment Tolerance batch job, accessed from the **General Ledger Setup** window.

To run this batch job, follow these steps:

1. On the Navigation Pane, click Financial Management > Setup > General Ledger Setup.

2. Click **Functions** > **Change Payment Tolerance**.

3. Place a check mark in the **All Currencies** check box to change the tolerance setup for both local and all foreign currencies.

4. If the tolerance setup is changed for a single currency, in the **Currency Code**, click the **AssistButton** and select the relevant currency.

5. In the **Payment Tolerance %** field, enter the percent the payment or refund is allowed to differ from the invoice or credit memo amount.

6. In the **Max. Pmt. Tolerance Amount** field, enter the maximum amount that the payment or refund is allowed to differ from the invoice or credit memo amount.

7. Click **OK**.

8. In the message asking to change all open entries for unblocked customers or vendors, click **Yes** or **No** as necessary.

*NOTE: Existing open entries do not need to be updated. To only grant payment discount tolerance or payment tolerance on new entries, click **No** when asked to update existing entries.*

## Set up and Assign Payment Tolerance G/L Accounts

To post tolerance to a G/L account that is different from the normal payment discount account, the accounts must be created in the Chart of Accounts. Once the accounts are set up, they must be assigned to the following fields on Customer Posting Groups that allow payment tolerance:

- **Payment Tolerance Debit Acc.**
- **Payment Tolerance Credit Acc.**

*NOTE: In CRONUS International Ltd., accounts 9260 and 9270 have already been set up and assigned to Customer Posting Groups.*

## Demonstration: Set up Payment Tolerance

**Scenario**: Cassie, the accountant at CRONUS International Ltd., has been asked to set up payment tolerance because of the numerous underpayments received based on payment discounts.
It has been decided to allow a 1% payment tolerance for payment amounts. However, the tolerance cannot exceed 50 (LCY).

There has also been requested to:

- Receive notification if payment discount tolerance or payment tolerance is possible.
- Use special accounts for tolerance postings.
- Allow a payment discount grace period of 5 days.

In this demonstration, the new payment tolerance is set up.

## Steps

To set up the tolerance parameters, follow these steps:

1. On the Navigation Pane, click Financial Management > Setup > General Ledger Setup.

2. Click the **Application** tab.

3. Place a check mark in the **Pmt. Disc. Tolerance Warning** check box.

4. Ensure that the **Pmt. Disc. Tolerance Posting** field is set to Payment Tolerance Accounts.

5. In the **Payment Discount Grace Period** field, enter 5D.

6. Click **Yes** to update the change to existing customer and vendor ledger entries.

7. Place a check mark in the **Payment Tolerance Warning** check box.

8. Ensure that the **Payment Tolerance Posting** field is set to Payment Tolerance Accounts.

9. Click **Functions** > **Change Payment Tolerance**.

10. In the **Payment Tolerance %** field, enter 1.

11. In the **Max. Pmt. Tolerance Amount** field, enter 50.

12. Click **OK** to run the batch job.

13. Click **Yes** to update the change to existing customer and vendor ledger entries.

14. Notice that the **Payment Tolerance %** and **Max. Pmt. Tolerance Amount** fields in the **General Ledger Setup** window contain the values entered in the Change Payment Tolerance batch job.

15. Close the **General Ledger Setup** window.

# Lab 5.7: Set up a Payment Tolerance

The CFO at CRONUS International Ltd. has realized that the existing tolerance has been too strict and has created too many open balances for amounts not worth collecting.

As the accounting manager you have been asked to change the existing tolerance to allow 3% overpayment/underpayment of invoices, with a maximum tolerance of 200.00 (LCY).

The other tolerance parameters do not need to change, but all open ledger entries must be updated to reflect the new tolerance.

## Challenge Yourself

1. Run the **Change Payment Tolerance** batch job as specified in the scenario.

2. Update the open ledger entries.

# Lab 5.7: Set up a Payment Tolerance

The CFO at CRONUS International Ltd. has realized that the existing tolerance has been too strict and has created too many open balances for amounts not worth collecting.

As the accounting manager you have been asked to change the existing tolerance to allow 3% overpayment/underpayment of invoices, with a maximum tolerance of 200.00 (LCY).

The other tolerance parameters do not need to change, but all open ledger entries must be updated to reflect the new tolerance.

## Need a Little Help

1. Open the **Change Payment Tolerance** batch job.

2. Enter the tolerance percent and maximum amount as specified in the scenario.

3. Run the batch job.

4. Update the open ledger entries.

# Process Payment Tolerance

When payments do not match the invoiced amount, it is possible the customer has:

- Deducted the payment discount even though the payment discount date has been exceeded.
- Inaccurately calculated the payment discount.
- Combined the outstanding balance of two invoices and paid an incorrect amount that is an underpayment.

This section describes the application of tolerance in the instances listed above and how Microsoft Dynamics NAV 5.0 processes them.

*NOTE: To complete the demonstrations in this section, the following labs and demonstrations must be performed: Lab 5.1: Apply and Post a Cash Receipt, Lab 5.4: Reverse a Posted Journal Entry, Demonstration: Set up Payment Tolerance, and Lab 5.7: Set up a Payment Tolerance.*

## Demonstration: Discount Taken Past the Discount Date

**Scenario**: On January 10, 2008, Arnie receives a payment from The Cannon Group PLC in the amount of 49,762.93 for invoice 00-3. The invoiced amount, however, was 50,778.50.

The Cannon Group PLC has taken the payment discount two days past the discount date of January 8, 2008. Since CRONUS International Ltd. has set up a grace period of five days, this discount is acceptable.

### Steps

To post the payment using the tolerance, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/10/08.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, click the **AssistButton** and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -49,762.93.
8. Click **Functions** > **Apply Entries**.

9. Click the line for Document No. 00-3.

10. Click **Application** > **Set Applies-to ID**.

11. Notice that the **Balance** field at the bottom of the window contains the -1,015.57 difference.

12. Click **OK**. The **Payment Discount Tolerance Warning** window appears, with the options of accepting or declining the late payment discount.

13. To accept the late payment discount, click the **Post as Payment Discount Tolerance** option button.

14. Click **OK**.

15. Click **Posting** > **Post**.

16. Click **Yes** to post the journal lines.

17. Click **OK**.

18. Close the **Cash Receipt Journal** window.

## Review Posted Payment Tolerance Entries

When entries are applied, and balances are posted as payment tolerance or payment discount tolerance, a separate Detailed Customer Ledger Entry is posted with the amount of the tolerance.
The Entry Types for the tolerance entries are:

- Payment Discount Tolerance: Contains the amount of discount that was allowed even though the payment discount has passed.

- Payment Tolerance: Contains the amount of the underpayment or overpayment that was accepted to close the applied entries.

If Microsoft Dynamics NAV 5.0 is set up to adjust VAT amounts for payment discounts, the VAT amounts are also adjusted for any tolerance allowed.

To review the posted entries from the Discount Taken Past the Discount Date demonstration, follow these steps:

1. In the Receivables folder, click Customers.

2. Locate and select customer 10000.

3. Click **Customer** > **Ledger Entries**.

4. Notice that the **Remaining Amount** is zero for:

- **Document No.** 00-3
- Payment line dated 01/10/08

5.  Click the payment line and then click **Entry** > **Detailed Ledger Entries**.

6.  Review the lines, making note of the values in the **Entry Type** field:

    - The first line is the Initial Entry of the payment, and contains the amount of the payment.
    - The second line is the Payment Discount Tolerance, and contains the accepted payment discount amount.
    - The third line is the Application, and contains the net amount of the two lines, which matches the invoice total.

7.  Close the **Customer Ledger Entries** and **Customer Card** windows.

If the difference had not been posted as a discount tolerance, the 1,015.57 balance would appear as a remaining amount on the invoice line. By accepting the late payment discount, the invoice and payment are

## Demonstration: Discount Calculated Incorrectly

**Scenario**: On January 7, 2008, Arnie receives a payment from The Cannon Group PLC in the amount of 66,181.31 for invoice 00-6. The invoiced amount, however was 67,704.67.
Arnie reviews the possible discount amounts and notices that while the payment was received within the discount period, the amount was calculated incorrectly. The Cannon Group PLC has taken a 2.25% discount rather than 2%. Since CRONUS International Ltd. has set up a 3% payment tolerance, this discount is acceptable.

To post the payment using the tolerance, follow these steps:

1.  On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.

2.  Ensure that the Bank batch is selected.

3.  In the **Posting Date** field, enter 01/7/08.

4.  In the **Document Type** field, click the **AssistButton** and select Payment.

5.  In the **Account Type** field, click the **AssistButton** and select Customer.

6.  In the **Account No.** field, enter 10000.

7.  In the **Amount** field, enter -66,181.31.

8.  Click **Functions** > **Apply Entries**.

9.  Click the line for Document No. 00-6.

10. Click **Application** > **Set Applies-to ID**.

11. Notice that the **Balance** field at the bottom of the window contains the -1,523.36 difference.

12. Click **OK**. The **Payment Tolerance Warning** window appears, with the options of posting the difference as a payment tolerance or leave it as a remaining amount on the customer account.

13. To accept the tolerance, click the **Post the Balance as Payment Tolerance** option button.

14. Click **OK**.

15. Click **Posting** > **Post**.

16. Click **Yes** to post the journal lines.

17. Click **OK**.

18. Close the **Cash Receipt Journal** window.

To review the posted entries, follow these steps:

1. In the Receivables folder, click Customers.

2. Locate and select customer 10000.

3. Click **Customer** > **Ledger Entries**.

4. Notice that the **Remaining Amount** is zero for:

- **Document No.** 00-6
- Payment line dated 01/07/08

5. Click the payment line and then click **Entry** > **Detailed Ledger Entries**.

6. Review the lines, making note of the values in the **Entry Type** field:

- The first line is the Initial Entry of the payment, and contains the amount of the payment.
- The second line is the Payment Tolerance, and contains the payment tolerance amount of the additional discount taken.
- The third line is the Payment Discount, and contains the original payment discount amount.
- The fourth line is the Application, and contains the net amount of the three lines, which matches the invoice total.

7. Close the **Customer Ledger Entries** and **Customer Card** windows.

If the difference had not been posted as a payment tolerance, the 1,523.36 would appear as a remaining amount on the invoice line. By accepting the tolerance, the invoice and payment are closed.

## Demonstration: Erroneous Totaling of Two Invoices

**Scenario**: On January 30, 2008, Arnie receives a payment from John Haddock Insurance Co. in the amount of 116,564.07 for the following invoices:

- Document No. 00-13, 40,399.29
- Document No. 00-15, 76,167.75

When posting the payment, Arnie realizes that the payment is 2.97 less than the total of the two invoices. Since this is within the payment tolerance range, he continues with posting to close the entries.

## Steps

To post the payment using the tolerance, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.
2. Ensure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/30/08.
4. In the **Document Type** field, click the **AssistButton** and select Payment.
5. In the **Account Type** field, click the **AssistButton** and select Customer.
6. In the **Account No.** field, enter 30000.
7. In the **Amount** field, enter -116,564.07.
8. Click **Functions** > **Apply Entries**.
9. Click the line for Document No. 00-13.
10. Click **Application** > **Set Applies-to ID**.
11. Click the line for Document No. 00-15.
12. Click **Application** > **Set Applies-to ID**.
13. Notice that the **Balance** field at the bottom of the window contains the 2.97 difference.
14. Click **OK**. The **Payment Tolerance Warning** window appears.
15. To accept the tolerance, click the **Post the Balance as Payment Tolerance** option button.
16. Click **OK**.

17. Click **Posting** > **Post**.

18. Click **Yes** to post the journal lines.

19. Click **OK** and close the **Cash Receipt Journal** window.

To review the posted entries, follow these steps:

1. In the Receivables folder, click Customers.

2. Locate and select customer 30000.

3. Click **Customer** > **Ledger Entries**.

4. Notice that the **Remaining Amount** is zero for:

- **Document No.** 00-13
- **Document No.** 00-15
- Payment line dated 01/30/08

5. Click the payment line and then click **Entry** > **Detailed Ledger Entries**.

6. Review the entry lines:

- The first line is the Initial Entry of the payment, and contains the amount of the payment.
- The second line is the Payment Tolerance, and contains the accepted payment tolerance amount.
- The third line is the Application, and contains the net amount of the two lines, that matches the actual net amount of the two invoices.

7. Close the **Customer Ledger Entries** and **Customer Card** windows.

If the difference had not been posted as a payment tolerance, the 2.97 balance would appear as a remaining amount on the line for invoice 00-15 because it was the last invoice applied. By accepting the tolerance, the invoices and payment are closed.

## Review Payment Tolerance History

To obtain an overview of the payment tolerance allowed over time for a specific customer, statistics provide periodic and cumulative totals relative to the payment amounts, in local currency (LCY).

To view a customer's statistics, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.

2. Locate and select the customer to review.

3. Click **Customer** > **Statistics**.

4. Click the **Sales** tab.

| Field | Description |
|---|---|
| Pmt. Discounts (LCY) | Contains the LCY value of discounts that have been taken on or before the Pmt. Discount Date. |
| Pmt. Disc. Tol. (LCY) | Contains the LCY value of discounts that have been taken after the Pmt. Discount Date but within the payment discount grace period. |
| Pmt. Tolerances (LCY) | Contains the LCY value of underpayments and overpayments that have been accepted in relation to the customer. |

The fields related to discounts and tolerances are:

5. Close the **Customer Statistics** and **Customer Card** windows

# Lab 5.8: Process a Payment Tolerance

At the end of December 2007, customer 20000, Selangorian Ltd., signed an agreement to receive a 2% discount on all payment received within eight days of the invoice's Document Date. Before the change could be made on the customer card, Document No. 00-8 was posted. Your first step is to add the following to this invoice:

- Discount date of January 8, 2008
- Discount amount of 1,015.57

On January 7, 2008, you receive the payment for the invoice in the amount of 49,635.98. While this payment is within the discount range, the discount amount taken (1,142.52) is greater than the granted amount (1,015.57).
Although the underpayment falls within the acceptable tolerance range, the accounting manager decides that the customer is responsible for this discrepancy because they took a 2.25% discount rather than the allowed 2%.
Therefore, you need to post the payment with a remaining amount. You will later contact the customer for an additional payment and remind them of the discount terms.

## Challenge Yourself!

1. For customer 20000, update the payment discount date and amount as specified in the scenario.

2. Enter and apply the payment as specified in the scenario.

3. Decline the tolerance and post the journal line.

# Lab 5.8: Process a Payment Tolerance

At the end of December 2007, customer 20000, Selangorian Ltd., signed an agreement to receive a 2% discount on all payment received within eight days of the invoice's Document Date. Before the change could be made on the customer card, Document No. 00-8 was posted. Your first step is to add the following to this invoice:

- Discount date of January 8, 2008
- Discount amount of 1,015.57

On January 7, 2008, you receive the payment for the invoice in the amount of 49,635.98. While this payment is within the discount range, the discount amount taken (1,142.52) is greater than the granted amount (1,015.57).
Although the underpayment falls within the acceptable tolerance range, the accounting manager decides that the customer is responsible for this discrepancy because they took a 2.25% discount rather than the allowed 2%.
Therefore, you need to post the payment with a remaining amount. You will later contact the customer for an additional payment and remind them of the discount terms.

## Need a Little Help!

1. Open the **Customer Ledger Entries** window for customer 20000.

2. Update the **Pmt. Discount Date** and **Remaining Pmt. Disc. Possible** for Document No. 00-8 as specified in the scenario.

3. Open the **Cash Receipt Journal** window.

4. Enter the payment as specified in the scenario.

5. Open the **Apply Customer Entries** window.

6. Apply **Document No.** 00-8 to the payment.

7. Decline the tolerance.

8. Post the journal line.

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# Reminders and Finance Charge Memos

Management of receivables includes checking whether amounts due are paid on time. If customers have overdue payments, it is necessary to determine when and how to send reminders. In addition, it may be necessary to debit their accounts for interest and/or fees.

Microsoft Dynamics NAV 5.0 provides the ability to generate reminders and finance charge memos.

- Reminders are used to prompt customers to pay overdue amounts and to inform them of possible interest payable on overdue amounts.
- If customers refuse to pay overdue amounts after receiving reminders, a finance charge memo can be issued that contains interest charges.

In the following sections, reminders and finance charge memos are set up, created, and issued.

# Set up and Assign Reminder Terms

Reminder Terms specify when and how reminders are created. For example, if three reminder levels are set up for a Reminder Term that only allows five reminders:

- Microsoft Dynamics NAV 5.0 allows a given invoice to appear on up to five reminders (the first one on level 1, the second on level 2, and the rest on level 3).
- Once an invoice appears on five reminders, all reminders to the customer are blocked until that particular invoice is paid.
- Even if the customer has other overdue invoices that have not yet reached the maximum, no further reminders can be created.

Once the reminder terms are created, the **Reminder Terms Code** are entered on the relevant customer cards.

In this section Reminder Terms are set up.

## Reminder Terms

To access Reminder Terms, on the Navigation Pane, click Financial Management > Receivables > Setup > Reminder Terms.
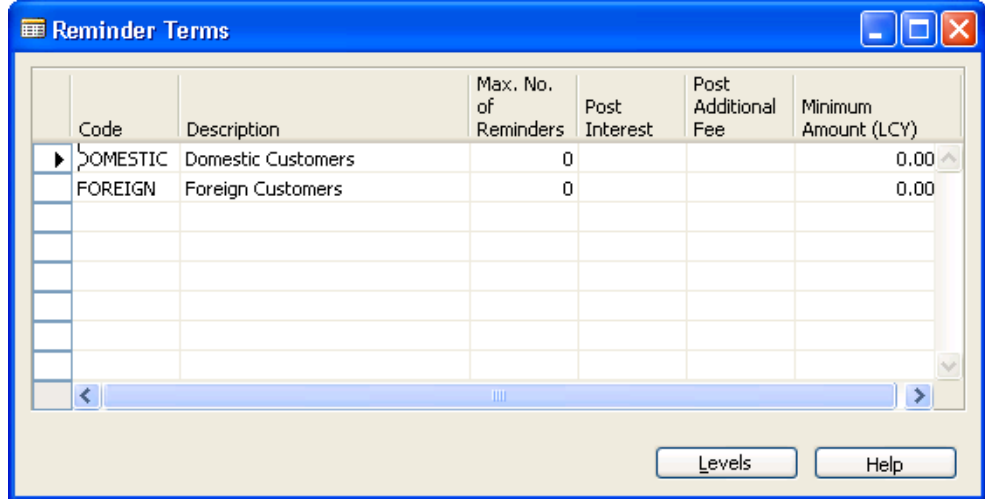


FIGURE 5.6 REMINDER TERMS WINDOW

The **Reminder Terms** window contains the following fields:

| Field | Description |
|-------|-------------|
| **Code and Description** | Unique identifier and short description of the reminder. |
| **Max. No. of Reminders** | Identifies the maximum number of reminders that can be created for an invoice. |
| **Post Interest** | If selected, any interest listed on the reminder must be posted to the G/L and customer accounts when the reminder is issued. |
| **Post Additional Fee** | If selected, any additional fee listed on the reminder must be posted to the G/L and customer accounts when the reminder is issued. |
| **Minimum Amount** | Identifies the minimum amount that must be owed before a reminder is created. |

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Reminder Levels are used to define when reminders can be created and what charges and texts they must include.

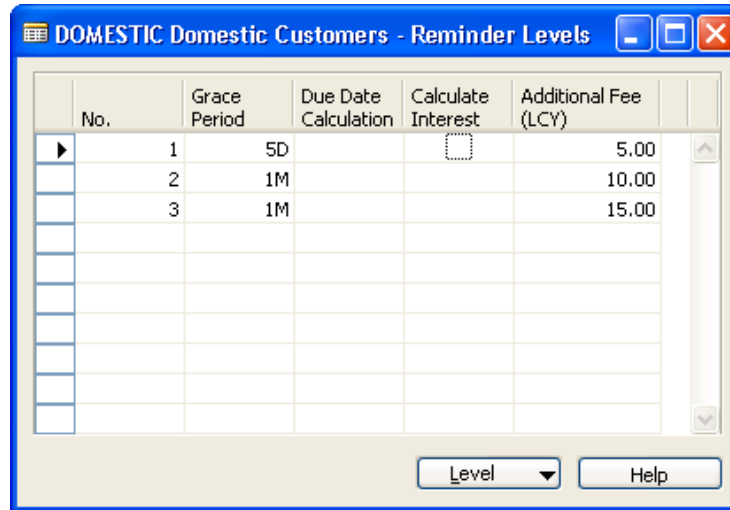To access Reminder Levels from the **Reminder Terms** window, click **Levels**.



FIGURE 5.7 REMINDER LEVELS WINDOW

The **Reminder Levels** window contains the following fields:

| Field | Description |
|---|---|
| No. | Identifies the level of the selected Reminder Term. The next consecutive number is automatically generated when a new level is added. Level 1 is the first reminder that is sent regarding an overdue amount. Level 2 is the second reminder, and so on. <br><br> • When reminders are created, Microsoft Dynamics NAV 5.0 keeps track of how many reminders have been created previously and uses the current level number to determine which conditions apply. <br> • When a reminder has been issued on the last level, the terms of this level apply to any succeeding reminders that are created. |
| Grace Period | Specifies the period of time that must pass from the due date or from the date of the previous reminder before a reminder is created. This field is required on each level. <br><br> • When Microsoft Dynamics NAV 5.0 determines whether the first reminder should be created, it compares the document date on the reminder header to a date that is calculated as the due date of the outstanding invoice plus the grace period for the first level. <br> • Any succeeding reminders are created if the document date is after the date of the last issued reminder plus the grace period. |

| Field | Description |
|---|---|
| Due Date Calculation | Indicates the date formula used to determine how the due date is calculated on the reminder. The due date is calculated from the document date. |
| Calculate Interest | If selected, interest is calculated on the reminder lines and displayed on the reminder. Interest is calculated based on the Finance Charge Terms Code selected on the customer card. |
| Additional Fee (LCY) | Identifies the amount of the additional fee in LCY that will be displayed on the reminder. |

The following shows how Grace Periods and Due Date Calculations are used on an invoice due the 29th of January (01/29):

| Rem. Level | Invoice Due Date / Prior Reminder Due Date | Grace Period in Rem. Terms | Due Date Calc. in Rem. Terms | Document Date of Reminder | Reminder Due Date |
|---|---|---|---|---|---|
| 1 | 01/29 | 3D | 5D | 02/02 | 02/07 |
| 2 | 02/07 | 5D | 1W | 02/13 | 02/20 |
| 3 | 02/20 | 5D | 2D | 02/26 | 02/28 |

## Reminders and Currency

Additional fees can also be created for each reminder level in foreign currencies. To access the **Currency for Reminder Level** window, click **Level > Currencies**.

For each reminder level code and corresponding reminder level number, define foreign currency information that consists of a currency code and an additional fee.

## Beginning and Ending Text

Beginning and ending text lines can:

- Be added for each reminder level for each reminder term.
- Contain instructions regarding payment and consequences of non-payment.
- Include several pre-defined text variables.

To access Beginning or Ending Texts from the **Reminder Levels** window, click
**Level > Beginning Text** or **Ending Text**.
In either the **Beginning - Reminder Text** or **Ending - Reminder Text** windows,
the following text variables can be entered:

- %1 = Document Date (from the reminder header)
- %2 = Due Date (from the reminder header)
- %3 = Interest Rate (from Finance Charge Terms)
- %4 = Remaining Amount (from the reminder header)
- %5 = Interest Amount (from the reminder header)
- %6 = Additional Fee (from the reminder header)
- %7 = Total (Remaining Amount + Interest Amount + Additional Fee + VAT)
- %8 = Reminder Level (from the reminder header)
- %9 = Currency Code (from the reminder header)
- %10 = Posting Date (from the reminder header)

## Demonstration: Create a Reminder Term

**Scenario**: Arnie is informed that a new reminder term must be set up for
customers who consistently pay after the due date. The name of this reminder
term is Late, with a description of Consistently Late Payers.
This reminder term contains three levels including the following criteria:

| Level | Grace Period | Due Date | Additional Fee | Beginning Text | Ending Text |
|-------|--------------|----------|----------------|----------------|-------------|
| 1 | 3 days | 5 days | 10.00 | Please remit payment immediately. | |
| 2 | 5 days | 1 week | 15.00 | | Payment was due (due date from the header). Remit payment immediately. |
| 3 | 5 days | 2 days | 20.00 | | This is the (reminder level from the header) reminder we have sent. Your account is delinquent and has been sent to a collection agency. |

Additional fees are not posted to customer or G/L accounts and interest must be
calculated for all levels but is also not posted.
When finished, Arnie assigns this Reminder Terms Code to customer 20000,
Selangorian, Ltd.

## Steps

To create the Reminder Term Code and two levels, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Setup > Reminder Terms.

2. Press **F3** to insert a line.

3. In the **Code** field, enter Late.

4. In the **Description** field, enter Consistently Late Payers.

5. Click **Levels**.

6. For level 1, in the **Grace Period** field, enter 3D.

7. In the **Due Date** field, enter 5D.

8. Place a check mark in the **Calculate Interest** check box.

9. In the **Additional Fee** field, enter 10.

10. Click **Level** > **Beginning Text**.

11. In the first line, enter Please remit payment immediately.

12. Press **TAB** or **ENTER**.

13. Close the **Beginning - Reminder Text** window.

14. Click the next line.

15. For level 2, in the **Grace Period** field, enter 5D.

16. In the **Due Date** field, enter 1W.

17. Place a check mark in the **Calculate Interest** check box.

18. In the **Additional Fee** field, enter 15.

19. Click **Level** > **Ending Text**.

20. In the first line, enter Payment was due %2. Remit payment immediately.

21. Press **TAB** or **ENTER**.

22. Close the **Ending - Reminder Text** window.

To enter the third level, follow these steps:

1. In the Reminder Levels window, click the next line.

2. For level 3, in the **Grace Period** field, enter 5D.

3. In the **Due Date** field, enter 2D.

4. Place a check mark in the **Calculate Interest** check box.

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5. In the **Additional Fee** field, enter 20.

6. Click **Level** > **Ending Text**.

7. In the first line, enter This is the %8 reminder we have sent.

8. In the second line, enter Your account is delinquent and has been sent to a collection agency.

9. Press **TAB** or **ENTER**.

10. Close the **Ending - Reminder Text**, **Reminder Levels**, and **Reminder Terms** windows.

To assign the Reminder Term to customer 20000, follow these steps:

1. In the Receivables folder, click Customers.

2. Locate and select customer 20000.

3. Click the **Payments** tab.

4. In the **Reminder Terms Code** field, click the **AssistButton** and select LATE.

5. Click **OK**.

6. Close the **Customer Card** window.

# Lab 5.9: Set up a Reminder Term

CRONUS International Ltd. has three troublesome customers who are consistently late to pay invoices. As the accounts receivable administrator you have been asked to set up a new reminder term named TOP3, with a description of Top 3 Late Payers.

You also need to send a reminder every 14 days, with a maximum of four reminders before the account is sent to collections. This reminder only includes one level with an ending text that informs the customer of the current reminder number and that after the fourth notice, the account will be sent to collections. When the Reminder Term is set up, assign it to the following customers: 10000, 40000, and 50000.

*NOTE*: *Use the appropriate text variable to designate the reminder number in the ending text.*

## Challenge Yourself!

1. Create the new reminder term as specified in the scenario.

2. Enter the level as specified in the scenario.

3. Assign the Reminder Terms Code to the three customers specified in the scenario.

# Lab 5.9: Set up a Reminder Term

CRONUS International Ltd. has three troublesome customers who are consistently late to pay invoices. As the accounts receivable administrator you have been asked to set up a new reminder term named TOP3, with a description of Top 3 Late Payers.

You also need to send a reminder every 14 days, with a maximum of four reminders before the account is sent to collections. Include an ending text that informs the customer of the current reminder number and after the fourth notice, the account will be sent to collections.

When the Reminder Term is set up, assign it to the following customers: 10000, 40000, and 50000.

*NOTE: Use the appropriate text variable to designate the reminder number in the ending text.*

### Need a Little Help!

1. Open the **Reminder Terms** window.

2. Create the new reminder term as specified in the scenario.

3. Open the **Reminder Levels** window.

4. Enter the level as specified in the scenario.

5. In the **Ending - Reminder Text** window, use the appropriate text variable.

6. Open the Customer Card for customer 10000.

7. Enter the TOP3 Reminder Terms Code.

8. Assign the code to customer 40000 and 50000.

# Create and Issue Reminders

In Microsoft Dynamics NAV 5.0, a reminder is similar to an invoice. To create a reminder, a reminder header and one or more reminder lines must be filled in. Reminders can be created using either of the following methods:

- Automatically create reminders using the Create Reminders batch job.
- Manually fill in a header and use the Suggest Reminder Lines batch job to fill in the lines.

The Create Reminders batch job is used when generating reminders for all customers. Reminders are typically created manually when only one reminder is needed for a single customer.

In this section, Reminders are created using both methods.

## Create Reminders Batch Job Overview

The **Create Reminders** batch job uses information from the customer card to determine the relevant terms for the reminder. There are other extensive options, such as:

- Applying a number of predefined text options.
- Flexible interest rates.
- Other fees when creating reminders for customers.
- Choosing whether or not interest and/or fees must be posted to the relevant G/L and customer accounts.

To access the Create Reminders batch job, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Reminders.

2. Click **Functions** > **Create Reminders**.

The **Create Reminders** batch job contains three tabs:

- Customer
- Cust. Ledger Entries
- Options

The Customer and Cust. Ledger Entries tabs are used to filter the information used to create the reminders. Note that regardless of the selections made on these tabs, reminders are only created for customers with outstanding balances.

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The **Options** tab contains the following fields:

| Field | Description |
|---|---|
| Posting Date | Date that appears as the posting date on the header of the reminder. |
| Document Date | Date that appears as the Document Date on the header of the reminder.<br>This date is used for any interest calculations and to determine the due date of the reminder. |
| Only Entries with Overdue Amounts | If selected, the batch job only inserts open customer entries with a due date earlier than the Document Date specified above.<br>If not selected, the bottom of the reminder contains the amounts owed by the customer but are not yet due. |
| Use Header Level | If selected, the Reminder Level in the reminder header is used to determine whether to calculate interest for a specific reminder line.<br>If not selected, the Reminder Level on each reminder line is used to determine whether to calculate interest or not. |

**Example of the Use Header Level option**

A customer has two overdue amounts:

- The first amount already appeared in a reminder and is now at Level 2 when the next reminder is created.

- The second amount has not appeared in a reminder before and is therefore at Level 1 when the next reminder is created.

In this situation, the reminder header has a Reminder Level of 2 since it uses the highest level from the lines.
If Reminder terms are set up with Level 2 having interest calculated while Level 1 does not and the **Use Header Level** check box contains a check mark, the following occurs when the batch job is run:

- The Reminder Level from the header is used.

- Interest is calculated for both lines in the reminder.

*NOTE: The batch job only inserts customer ledger entries that are in the currency represented by the currency code on the reminder header. The batch job creates one reminder per currency for which there is overdue customer ledger entries.*

## Demonstration: Create Reminders Automatically

**Scenario**: Beginning in 2008, Arnie is required to run reminders for all open customer entries. It is February, 1 2008 and he needs to run the reminders for open entries as of January 31, 2008. This is the first time reminders have been run for customers so they are all using Level 1.

After running the **Create Reminders** batch job, he reviews the reminders for customers 20000.

## Steps

To create a reminder using the Create Reminder batch job, follow these steps:

1.  On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Reminders.

2.  Click **Functions** > **Create Reminders**.

3.  Click the **Options** tab.

4.  In the **Posting Date** field, enter 01/31/08.

5.  In the **Document Date** field, enter 01/31/08.

6.  Place a check mark in the **Only Entries with Overdue Amounts** check box.

7.  Click **OK**.

To review a reminder based on customer set-up, follow these steps:

1.  Locate a reminder for customer 30000, John Haddock Insurance Co.

2.  Since only overdue amounts were included in the batch job, notice that the Due Dates for invoices are prior to January 31, 2008.

3.  Click the **Posting** tab.

4.  Note that the **Reminder Terms Code** is Domestic. Click the **AssistButton** in this field.

5.  Click **Levels** and review the **Additional Fee** for Level 1. Note that the fee is 5.00.

6.  Click **Level** > **Beginning Text**.

7.  Note that no beginning text has been specified for this Reminder level.

8.  Close the **Beginning - Reminder Text** window.

9.  Click **Level** > **Ending Text**.

10. Note that the text states Please remit your payment of %7 as soon as possible. The %7 text variable represents a Total (Remaining Amount + Interest Amount + Additional Fee + VAT). This text appears on the Reminder.

11. Close the **Ending - Reminder Text**, **Reminder Levels**, and **Reminder Terms** windows.

12. On the **Reminder** window, notice the following lines based on the Reminder Terms:

- Additional fee of 5.00.
- Ending text of Please remit your payment of (total amount) as soon as possible.

To review another reminder based on customer set up, follow these steps:

1. Locate a reminder for customer 32656565, Antarcticopy.

2. Notice that only past due invoices are listed.

3. Click the **Posting** tab.

4. Note that the **Reminder Terms Code** is Foreign. Click the **AssistButton** in this field.

5. Click **Levels** and review the **Additional Fee** for Level 1. Note that there is no fee set up.

6. Click **Level** > **Currencies**.

7. Note that there is a 4.5 currency fee for EUR.

8. Close the **Currencies for Reminder Level** window.

9. Click **Level** > **Beginning Text**.

10. Note that no beginning text has been specified for this Reminder level.

11. Close the **Beginning - Reminder Text** window.

12. Click **Level** > **Ending Text**.

13. Note that the same text used for Domestic is used for Foreign.

14. Close the **Ending - Reminder Text**, **Reminder Levels**, and **Reminder Terms** windows.

15. On the **Reminder** window, notice:

- In the header, the Currency for this customer is EUR.
- In the lines:
  - Additional fee of 4.50 for the currency.
  - Ending text of Please remit your payment of 3,748.79 as soon as possible.

## Create Reminders Manually

Reminders can be created manually directly in the **Reminders** window. After the header is created, invoice lines can be added using the **Suggest Reminder Lines** batch job.
The **Suggest Reminder** batch job creates reminder lines using options similar to those in the **Create Reminders** batch job:

- Filter customer ledger entry types.
- Suggest only overdue amounts.

*NOTE: To calculate interest based on the **Reminder Level** in the reminder header, place a check mark in the **Use Header Level** check box in the reminder header instead of the **Reminder Level** on each reminder line before running the **Suggest Reminder Lines** batch job.*

For more information about the **Suggest Reminder Lines** batch job, press F1 to access online help.

To create reminders manually, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Reminders.
2. Press **F3** and **ENTER** to insert a new reminder.
3. In the **Customer No.** field, click the **AssistButton** and select the relevant customer.
4. Click **OK**.
5. Press **TAB** or **ENTER** to populate the header.
6. In the **Posting Date** field, enter the date this reminder is to be issued.
7. In the **Document Date** field, enter the date the reminder is created. Remember that this date is used to:

- Determine whether a reminder is created.
- Calculate interest.
- Calculate the due date of the reminder.

8.  Place a check mark in the **Use Header Level** check box to base the interest calculations the header level than the line level.

9.  Click **Functions** > **Suggest Reminder Lines**.

10. Click the **Cust. Ledger Entry** tab.

11. Filter as needed on the document types to include in the reminder lines.

12. Click the **Options** tab.

13. Place a check mark in the **Only Entries with Overdue Amounts** to include only overdue invoices in the reminder lines.

14  Click **OK** to generate the reminder lines.

## Change Beginning and Ending Text

The beginning and ending text can be changed on reminders using the Update Reminder Text batch job. This batch job changes the text associated with the current Reminder Terms level to the text associated with a different level.

---

*NOTE: The **Reminder Level** is linked to the **Reminder Terms Code** on the reminder header.*

---

To change reminder text, follow these steps:

1.  In the **Reminders** window, with the header and lines created, click **Functions** > **Update Reminder Text**.

2.  Click the **Options** tab.

3.  In the **Reminder Level** field, enter the level number containing the preferred text.

4.  Click **OK**.

The reminder lines are updated with the new text.

## Issue Reminders

After the reminder header and associated reminder lines have been created, the reminder must be issued, which is the process of posting the reminders.
When a reminder is issued, Microsoft Dynamics NAV 5.0 posts entries according to the Reminder Terms specifications, such as whether interest and/or additional fees are posted to the customer's account and the general ledger.
Prior to issuing reminders, a Test Report can be run to review the pre-printed document. To run the test report, follow these steps:

1. On the **Reminder** window, locate and select the reminder to review.

2. Click **Issuing** > **Test Report**.

3. Click **Preview** to view the document on the screen or click **Print** to print the document for review.

4. Close the open windows.

To issue reminders, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Reminders.

2. Locate and select the reminder to issue.

3. Click **Issuing** > **Issue**.

4. The **Reminder** tab contains the reminder number of the selected reminder. A group of reminders can be issued by entering the number range in the **No**. field.

5. Click the **Options** tab.

6. Place a check mark in the **Print** check box to print the issued reminder(s).

7. Place a check mark in the **Replace Posting Date** check box to change the existing posting date on the reminder header(s).

8. If replacing the posting date, enter the new date in the **Posting Date** field.

9. Click **OK**.

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To issue all reminders from the **Reminder List** window, follow these steps:

1. In the **Reminders** window, with all reminders ready to be issued, click **Reminder** > **List** to open the **Reminder List** of open reminders.

2. Highlight all lines and click **Issuing** > **Issue**.

3. Click the **Options** tab and complete as needed.

4. Click **OK**.

5. Close the **Reminders** window.

## View or Print Issued Reminders

Issued reminders can be viewed and printed from the **Issued Reminder** window. Information cannot be entered, changed, or deleted in this window.
To view an issued reminder, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Issued Reminders.

2. Locate the issued reminder.

To print an issued reminder, follow these steps:

1. In the **Issued Reminder** window, locate and select the reminder to print.

2. Click **Print.**

3. Click the **Options** tab.

4. Place a check mark in the **Show Internal Information** check box to include internal information, such as dimensions, on the printed reminder.

5. Place a check mark in the **Log Interaction** check box to create a reminder interaction on the customer's Contact Card.

6. Click **Print**.

7. Close the **Issued Reminder** window.

# Lab 5.10: Create and Issue Reminders

It is the beginning of March 2008 and reminders must be created and issued for past due customer entries as of February 29, 2008, using the conditions of the header level to all reminder lines.

Issue reminders for customers 43687129 and 47563218 only, without printing or changing the posting date. Review the issued reminders

## Challenge Yourself!

1. Run the **Create Reminders** batch job as specified in the scenario.

2. Issue the reminders as specified in the scenario.

3. Locate and review the issued reminders as specified in the

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# Lab 5.10: Create and Issue Reminders

It is the beginning of March 2008 and reminders must be created and issued for past due customer entries as of February 29, 2008, using the conditions of the header level to all reminder lines.
Issue reminders for customers 43687129 and 47563218 only, without printing or changing the posting date. Review the issued reminders.

## Need a Little Help!

1.  Open the **Reminder** window.

2.  Run the **Create Reminders** batch job for all past due entries as of February 29, 2008.

3.  Issue the reminder for customer 43687129.

4.  Issue the reminder for customer 47563218.

5.  Open the **Issued Reminder** window.

6.  Locate and review the issued reminders for customers 43687129 and 47563218.

# Set up and Assign Finance Charge Items

A Finance Charge Memo is:

- A document that contains information about calculated interest on outstanding balances.
- Used to inform a customer that the outstanding balance is increased by an interest amount.

Before creating finance charge memos, the conditions for finance charge calculations must be set up in the **Finance Charge Terms** window. After Finance Charge Terms are set up, they are assigned to Customer Cards for use when calculating finance charges on open entries.

In this section, Finance Charge Terms are explained and set up.

## Finance Charge Items

To access Reminder Terms, on the Navigation Pane, click Financial Management > Receivables > Setup > Reminder Terms.
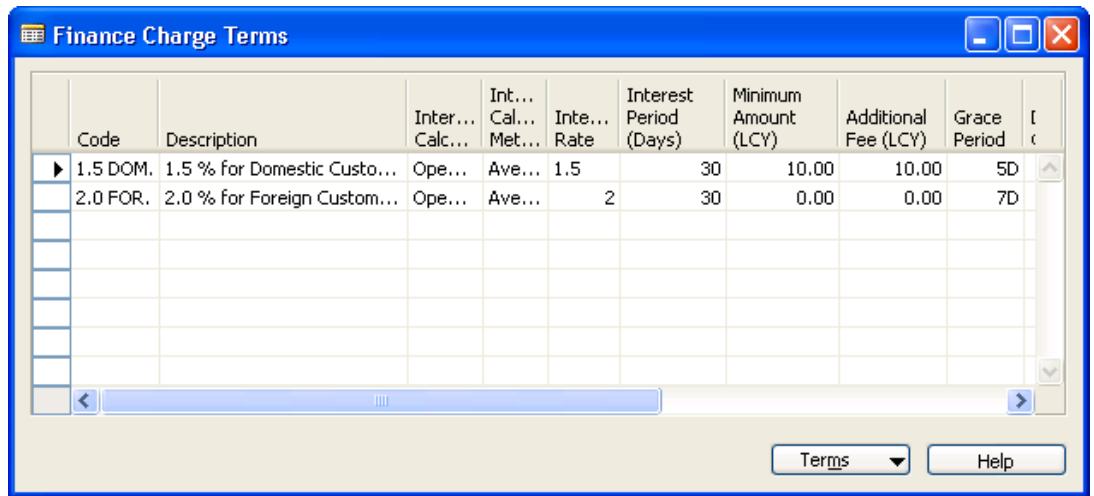


FIGURE 5.8 FINANCE CHARGE TERMS WINDOW

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The **Finance Charge Terms** window contains the following fields:

| Field | Description |
|-------|-------------|
| **Code and Description** | Unique code and short description of the finance charge term. |
| **Interest Calculation** | Determines which entries are used in the interest calculation on finance charge memos. The options are:<br><br>• Open Entries<br><br>• Closed Entries<br><br>• All Entries |
| **Interest Calculation Method** | Determines the interest calculation method for this set of finance charge terms. The options are:<br><br>• Balance Due Method: The finance charge is a percentage of the overdue amount. Finance Charge = Overdue Amount * (Interest Rate / 100)<br><br>• Average Daily Balance Method: This method takes into account how many days the payment is overdue. Finance Charge = Remaining Amount * (Days Overdue / Interest Period)*(Interest Rate/100) |
| **Interest Rate** | Identifies the finance charge percentage charged when this finance charge type is used. |
| **Interest Period (Days)** | Identifies the number of days related to the interest rate. For example, 12% for 360 days or 1% for 30 days. |
| **Minimum Amount (LCY)** | Specifies the minimum interest charge in local currency (LCY). |
| **Additional Fee** | Identifies a charge in addition to the finance charge. |
| **Grace Period** | Determines the number of days the customer's invoice may go unpaid before a finance charge is assessed. |
| **Due Date Calculation** | Indicates the date formula used to determine how the due date is calculated on the finance charge. This date is calculated from the document date. |

| Field | Description |
|---|---|
| Line Description | Identifies a description to be used in the Description field on the finance charge memo lines. Text variables can be used in this description.<br><br>For the list of text variables, press F1 to access online help. |
| **Post Interest** | If selected, interest listed on the finance charge memo must be posted to the G/L and customer accounts when the finance charge memo is issued. |
| **Post Additional Fee** | If selected, additional fees listed on the finance charge memo must be posted to the G/L and customer accounts when the finance charge memo is issued. |

Similar to Reminder Terms, Finance Charge Terms can also be set up with Beginning and Ending Text and Currency fees. These three options are accessed on the **Terms** button from the **Finance Charge Terms** window.

For a list of the text variables available for Finance Charge Terms, press **F1** in the **Beginning** (or **Ending**) - **Finance Charge Text** window.

## Demonstration: Create a Finance Charge Term

**Scenario**: Two days ago Arnie set up new reminder terms for customers who consistently pay late. He now needs to set up a Finance Charge Term for these customers using the following criteria:

- Interest is calculated on open customer entries using the Average Daily Balance method.

- Intereste rate is 11% with an interest period of 360 days.

- Includes the following line description: (Interest rate)% finance charge of (Remaining amount on the customer ledger entry).

- Only calculated interest is posted.

- Includes the following ending text: Please pay the total of (Total (Remaining Amount + Interest Amount + Additional Fee + VAT).

In this demonstration, the 11 LATE Finance Charge Term is set up and then assigned to customer 20000.

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## Steps

To create the finance charge term, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Setup > Finance Charge Terms.

2. Press **F3**.

3. In the **Code** field, enter 11 Late.

4. In the **Description** field, enter Consistently Late Payers.

5. Ensure that the **Interest Calculation** is set to Open Entries.

6. Ensure that the **Interest Calculation Method** is set to Average Daily Balance.

7. In the **Interest Rate** field, enter 11.

8. In the **Interest Period (Days)** field, enter 360.

9. In the **Line Description** field, enter %4% finance charge of %6.

10. Ensure that the **Post Interest** check box contains a check mark.

11. Click to remove the check mark in the **Post Additional Fee** check box.

12. Click **Terms** > **Ending Text**.

13. In the first line, enter Please pay the total of %7.

14. Close the **Ending - Finance Charge Text** and the **Finance Charge Terms** windows.

To assign the finance charge term to customer 20000, follow these steps:

1. In the Receivables folder, click Customers.

2. Locate and select customer 20000.

3. Click the **Payments** tab.

4. In the **Fin. Charge Terms Code** field, click the **AssistButton** and select 11 LATE.

5. Click **OK**.

6. Press **TAB** or **ENTER**.

7. Close the **Customer Card** window.

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# Lab 5.11: Set up a Finance Charge Term

In Lab 5.9 you set up the TOP3 Reminder Terms, you now need to set up a
Finance Charge Term to be assigned to these customers.
Set up a Finance Charge Term for these customers using the following criteria:

- Code: 10 TOP3, Description: Top 3 Late Payers,

- Interest is calculated on all customer entries using the Average Daily
  Balance method.

- Use a 10% interest rate with an interest period of 180 days.

- Additional Fee of 20.00

- Includes the following line description: (Interest rate)% finance
  charge of (Remaining amount on the customer ledger entry).

- Calculated interest and Additional Fees are posted.

- Includes the following ending text: Please pay the total of (all
  amounts including interest and fees).

When the Finance Charge Term is set up, assign it to the following customers:
10000, 40000, and 50000.

## Challenge Yourself!

1. Enter the new finance charge term as specified in the scenario.

2. Assign the new Finance Charge Code to the customers as specified
   in the scenario.

# Lab 5.11: Set up a Finance Charge Term

In Lab 5.9 you set up the TOP3 Reminder Terms, you now need to set up a Finance Charge Term to be assigned to these customers.
Set up Finance Charge Term for these customers using the following criteria:

- Code: 10 TOP3, Description: Top 3 Late Payers,

- Interest is calculated on all customer entries using the Average Daily Balance method.

- Use a 10% interest rate with an interest period of 180 days.

- Additional Fee of 20.00

- Includes the following line description: (Interest rate)% finance charge of (Remaining amount on the customer ledger entry).

- Calculated interest and Additional Fees are posted.

- Includes the following ending text: Please pay the total of (all amounts including interest and fees).

When the Finance Charge Term is set up, assign it to the following customers: 10000, 40000, and 50000.

## Need a Little Help?

1. Open the **Finance Charge Terms** window.

2. Enter the new finance charge term as specified in the scenario.

3. Open the **Ending - Finance Charge Text** window.

4. Enter the ending text as specified in the scenario.

5. Open the Customer Card for customer 10000 and assign the 10 TOP3 Finance Charge Code.

6. Assign the 10 TOP3 **Finance Charge Code** to customers 40000 and 50000.

# Create and Issue Finance Charge Memos

Finance charge memos are composed of a header and lines and are created using processes similar to reminders.
Finance charge memos can be created using either of the following methods:

- Automatically create reminders using the Create Finance Charge Memos batch job.
- Manually fill in a header and use the Suggest Fin. Charge Memo Lines batch job to fill in the lines.

The Create Finance Charge Memo batch job is used when generating reminders for all customers. Finance charge memos are typically created manually when only one is needed for a single customer.

In this section, Finance Charge Memos are created using both methods.

## Create Finance Charge Memos Batch Job Overview

The **Create Finance Charge Memos** batch job creates finance charge memos for customers with overdue amounts, including:

- Open entries where payment is overdue.
- Closed entries where payment was late.

The batch job:
- Uses information from the customer card to determine the relevant terms for the finance charge memo.
- Calculates finance charges according to the following conditions defined on the customer's Finance Charge Terms.
- Checks customer ledger entries to determine if any payments are overdue (or for closed entries, were overdue when paid by the customer).
- Inserts the overdue customer ledger entries into the Finance Charge Memo lines and calculates finance charges on each line.

*NOTE: Ensure that all open credit memos are applied to existing open invoices before calculating finance charges. Because credit memos have negative balances, the finance charge function generates an error when attempting to calculate on that open record.*

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To access the **Create Finance Charge Memos** batch job, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Finance Charge Memos.

2. Click **Functions** > **Create Finance Charge Memos**.

The **Create Finance Charge Memos** batch job contains three tabs:

- Customer
- Cust. Ledger Entries
- Options

The **Customer** and **Cust. Ledger Entries** tabs are used to filter the information used to create the finance charge memos. Note that regardless of the selections made on these tabs, reminders are only created for customers with outstanding balances.

The **Options** tab contains the following fields:

| Field | Description |
| --- | --- |
| **Posting Date** | Date that appears as the posting date on the header of the finance charge memo. |
| **Document Date** | Date that appears as the Document Date on the header of the finance charge memo. This date is used to: <br><br> • Determine the due date for the finance charge memo. <br><br> • Determine which customer ledger entries to insert in the finance charge memo lines. If the Average Daily Balance method is used for interest calculation, this date is used to calculate finance charges on each overdue customer ledger entry. |

*NOTE: The batch job only inserts customer ledger entries that are in the currency represented by the currency code on the finance charge memo header. The batch job creates one finance charge memo per currency for which there are entries on which interest is calculated.*

## Demonstration: Create Finance Charge Memos Automatically

**Scenario**: Beginning in 2008, Arnie is required to create finance charge memos for all open customer entries. It is February, 1 2008 and he needs to run the reminders for open entries as of January 31, 2008.

After running the **Create Finance Charge Memos** batch job, he reviews the memo for customer 20000.

## Steps

To create a finance charge memo using the Create Finance Charge Memos batch job, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Finance Charge Memos.

2. Click **Functions** > **Create Finance Charge Memos**.

3. Click the **Options** tab.

4. In the **Posting Date** field, enter 01/31/08.

5. In the **Document Date** field, enter 01/31/08.

6. Click **OK**.

To review a finance charge memo, follow these steps:

1. Locate the memo for customer 30000, John Haddock Insurance Co.

2. Notice that all invoices are past due as of January 31, 2008.

3. Click the **Posting** tab.

4. Note that the **Reminder Terms Code** is 1.5 DOM. Click the **AssistButton** in this field.

5. Notice that there is:

- A 1.5% interest calculated with an interest period of 30 days.

- An additional fee of 10.00.

- A line text referencing the interest rate and the amount due.

6. Click **Terms** > **Beginning Text**.

7. Note that no beginning text has been specified for this Finance Charge Term.

8. Close the **Beginning - Finance Charge Text** window.

9. Click **Level** > **Ending Text**.

10. Note that the text references paying the total amount of overdue invoices and interest and additional fees.

11. Close the **Ending - Finance Charge Text** and **Finance Charge Terms** windows.

12. On the **Finance Charge Memo** window, notice the following lines based on the Finance Charge Terms:

- Line text of 1.5% finance charge of (overdue invoice amount).
- Additional fee of 10.00
- Ending text of Please pay the total of (total amount).

## Create Finance Charge Memos Manually

Finance charge memos can be manually created directly in the **Finance Charge Memos** window. After the header is created, invoice lines can be added using the **Suggest Fin. Charge Memo Lines** batch job.

This batch job creates finance charge memo lines using similar filtering options as the **Create Finance Charge Memos** batch job.

*NOTE: The batch job first deletes any existing lines in the finance charge memo before inserting the new lines created by running the batch job.*

For more information about the **Suggest Fin. Charge Memo Lines** batch job, press F1 to access online help.

To create finance charge memos manually, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Finance Charge Memos.
2. Press **F3** and **ENTER** to insert a new finance charge memo.
3. In the **Customer No.** field, click the **AssistButton** and select the relevant customer.
4. Click **OK**.
5. Press **TAB** or **ENTER** to populate the header.
6. In the **Posting Date** field, enter the date this finance charge memo is to be issued.
7. In the **Document Date** field, enter the date the finance charge memo is created. Remember that this date is used to:

- Calculate interest.
- Calculate the due date of the finance charge memo.

8. Click **Functions** > **Suggest Finance Charge Memos Lines**.

9. Click the **Cust. Ledger Entry** tab.

10. Filter as needed on the document types to include in the memo lines.

11. Click **OK** to generate the finance charge memo lines.

## Update Beginning and Ending Text

If existing beginning or ending text has been erroneously modified on a finance charge memo, use the **Update Finance Charge Text** batch job to revert the text to the original text set up on the Finance Charge Term.
To change finance charge memo text, follow these steps:

1. In the **Finance Charge Memo** window, with the header and lines created, click **Functions** > **Update Finance Charge Text**.

2. Click **OK**.

The lines are updated with the new text.

---

*NOTE: If text has been changed on the Finance Charge Term, it is recommended to run the **Suggest Fin. Charge Memo Lines** batch job to update the lines.*

---

## Issue Finance Charge Memos

After the finance charge memo header and associated lines have been created, the finance charge memo must be issued, which is the process of posting the finance charge memo.

When a finance charge memo is issued, Microsoft Dynamics NAV 5.0 posts entries according to the Finance Charge Terms specifications, such as whether interest and/or additional fees are posted to the customer's account and the general ledger.

Prior to issuing finance charge memos, a Test Report can be run to review the pre-printed document. To run the test report, follow these steps:

1. On the **Finance Charge Memo** window, locate and select the finance charge memo to review.

2. Click **Issuing** > **Test Report**.

3. Click **Preview** to view the document on the screen or click **Print** to print the document for review.

4. Close the open windows.

To issue finance charge memos, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Finance Charge Memos.

2. Locate and select the finance charge memo to issue.

3. Click **Issuing** > **Issue**.

4. The **Finance Charge Memo** tab contains the number of the selected finance charge memo. A group of finance charge memo can be issued by entering the number range in the **No**. field.

5. Click the **Options** tab.

6. Place a check mark in the **Print** check box to print the issued finance charge memo(s).

7. Place a check mark in the **Replace Posting Date** check box to change the existing posting date on the finance charge memo header(s).

8. If replacing the posting date, enter the new date in the **Posting Date** field.

9. Click **OK**.

To issue multiple finance charge memos from the **Finance Charge Memo List** window, follow these steps:

1. In the **Finance Charge Memo** window, click **Memo** > **List**.

2. Highlight all lines to be issued and click **Issuing** > **Issue**.

3. Notice that the **Finance Charge Memo** tab references a filter of Marked entries.

4. Click the **Options** tab and complete as needed.

5. Click **OK** and close the **Finance Charge Memo** window.

## View or Print Issued Finance Charge Memos

Issued finance charge memos can be viewed and printed from the **Issued Finance Charge Memo** window. Information cannot be entered, changed, or deleted in this window.

To view an issued finance charge memo, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Issued Finance Charge Memos.

2. Locate the issued finance charge memo.

To print an issued finance charge memo, follow these steps:

1. In the **Issued Finance Charge Memo** window, locate and select the finance charge memo to print.

2. Click **Print.**

4. Click the **Options** tab.

5. Place a check mark in the **Show Internal Information** check box to include information that is only for internal use on the printed report.

6. Place a check mark in the **Log Interaction** check box to create a finance charge memo interaction on the customer's Contact Card.

7. Click **Print**.

8. Close the **Issued Finance Charge Memo** window.

## Interest Calculation in Finance Charge Memos

The entries suggested in finance charge memos, and the amount of interest calculated in finance charge memos, depends on the selections made in **Interest Calculation** and **Interest Calculation Method** fields in the **Finance Charge Terms** window.

The interest calculation rules for finance charge terms are summarized as follows:

| Interest Calculation | Interest Calculation Method | Customer Ledger Entries Suggested in Finance Charge Memo | Base Used to Calculate Interest |
|---|---|---|---|
| Balance Due | Open Entries | Open entries at **Document Date** of Finance Charge Memo. | Remaining Amount of each finance charge memo line. |
| Balance Due | Closed Entries | No Finance Charge Memo created. | No Finance Charge Memo created. |
| Balance Due | All Entries | Open entries at **Document Date** of Finance Charge Memo. | Remaining Amount of each finance charge memo line. |
| Average Daily Balance | Open Entries | Open entries at **Document Date** of Finance Charge Memo. | Remaining Amount of each finance charge memo line. |
| Average Daily Balance | Closed Entries | Closed entries at **Document Date** of Finance Charge Memo Open at their **Due Date.** | Remaining Amount at the Due Date of each closed entry suggested. |
| Average Daily Balance | All Entries | The combined entries for the Open and Closed Entries options. | Same base as the Open and Closed Entries options. |

## Interest Calculation in Reminders

In contrast to finance charge memos, customer ledger entries suggested in reminders are only open entries at the **Document Date** of the reminder.

If the reminder is assigned a finance charge term with an **Interest Calculation Method** of:

- Balance Due:
  - The **Interest Calculation** field has no effect.
  - The amount of interest calculated for each reminder line suggested is based on the **Remaining Amount** of the reminder line.

- Average Daily Balance, the **Interest Calculation** field has the following effect:
  - If Open Entries or All Entries is selected in the **Interest Calculation** field, the amount of interest calculated for each reminder line suggested is based on the **Remaining Amount** of the reminder line.
  - If Closed Entries is selected in the **Interest Calculation** field, the amount of interest calculated for each reminder line suggested is based on the **Remaining Amount** of the related customer ledger entry on its **Due Date**. This allows interest to be calculated on the full invoice amount of partially applied entries if they were overdue at the time the partial payment was applied.

# Lab 5.12: Create and Issue Finance Charge Memos

It is the beginning of March 2008 and finance charge memos must be created and issued for past due customer entries as of February 29, 2008.

Issue a finance charge memo for customer 42147258 only, without printing or changing the posting date. Review the issued finance charge memo.

## Challenge Yourself!

1. Run the **Create Finance Charge Memos** batch job as specified in the scenario.

2. Issue the finance charge memo as specified in the scenario.

3. Locate and review the issued finance charge memo as specified in the scenario.

# Lab 5.12: Create and Issue Finance Charge Memos

It is the beginning of March 2008 and finance charge memos must be created and issued for past due customer entries as of February 29, 2008.

Issue a finance charge memo for customer 42147258 only, without printing or changing the posting date. Review the issued finance charge memo.

## Need a Little Help?

1. Open the **Finance Charge Memo** window.

2. Run the **Create Finance Charge Memos** batch job for all past due entries as of February 29, 2008.

3. Issue the finance charge memo for customer 42147258.

4. Open the **Issued Finance Charge Memo** window.

5. Locate and review the finance charge memo issued for customer 42147258.

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# Analyzing Receivables

Customer Ledger Entries are posted entries from sales orders, sales invoices, sales credit memos, journal lines, finance charge memos, reminders, and refunds. The amount on each customer entry is a flow field, which gathers information from a Detailed Customer Ledger Entry.

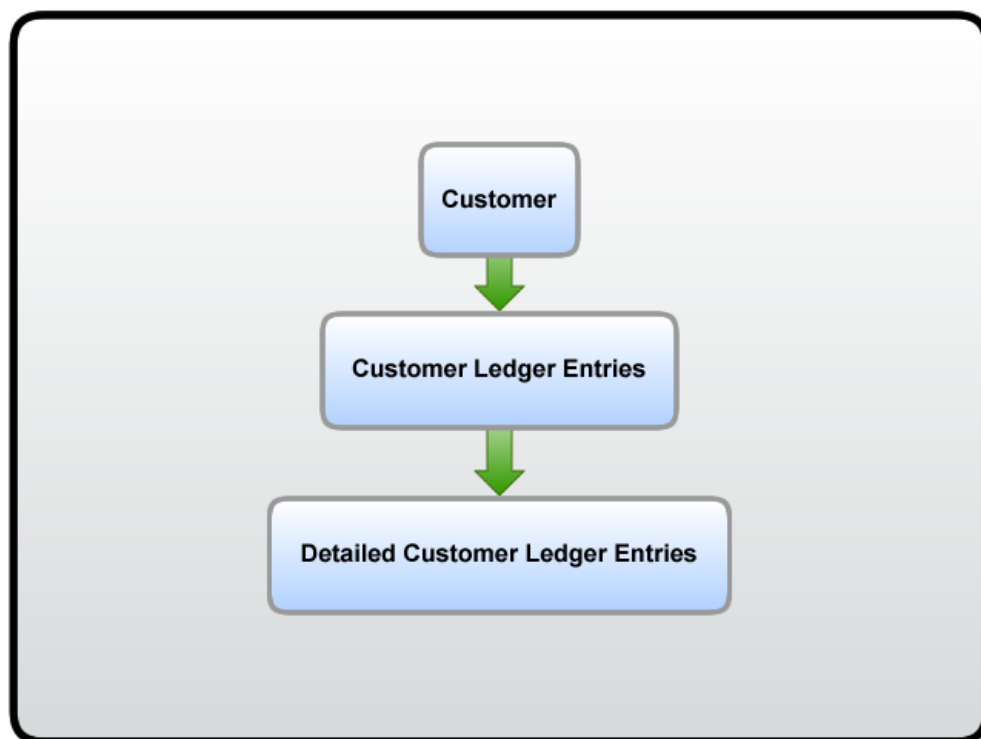The hierarchy of posted customer entries is as follows:



FIGURE 5.9 STRUCTURE OF POSTED CUSTOMER ENTRIES

Detailed Customer Ledger Entries contain the actual amounts of the posted entries. Besides the original entry and the applied entry, Detailed Customer Ledger Entries include any adjustments made to the customer ledger entry, including:

- Payment discounts.
- Realized and unrealized losses and gains due to changes in the currency exchange rate.
- Application rounding and corrections due to the rounding of different currencies.

In this section, Customer Ledger Entries and their related Detailed Customer Ledger Entries are reviewed.

## Review Ledger Entries

ETo provide an understanding of how Customer Ledger Entries and Detailed Customer Ledger Entries are used to analyze receivables, entries posted to customer 10000 throughout this content are reviewed.

To review the ledger entries, follow these steps:

1. On the Navigation Pane, click Financial Management > Receivables > Customers.

2. Locate and select customer 10000.

3. Click **Customer** > **Ledger Entries**.

4. Review the posted entries, noticing that there are:

- Multiple opening entries created using a journal.
- Multiple payments, created from a general journal and the Cash Receipt Journal.
- Multiple invoices and a credit memo created from sales documents.
- Closed and open entries

5. Click the **Amount** field for any line. Notice that an **AssistButton** appears. Clicking this **AssistButton** accesses the Detailed Customer Ledger Entries that calculate the value in the field.

6. On the line for **Document No.** 00-11, click **Entry** > **Detailed Ledger Entries** to view all the entries posted to this entry.

The **Entry Type** field is automatically populated when the detailed customer ledger entry is created, and contains several options. Some of the most common are:

- Initial Entry: the entry is an invoice, payment, credit memo, finance charge memo, or reminder.
- Application: two or more customer ledger entries are applied to each other.
- Payment Discount: payment discount granted.
- Payment Tolerance: payment tolerance granted.
- Payment Discount Tolerance: payment discount tolerance granted.

The other Entry Types are related to multicurrency and VAT. For more information on these types, press **F1** to access online help.

# Summary

In this section, the processes of managing receivables in Microsoft Dynamics NAV 5.0 were explained.

In addition to overviews of the windows used in managing receivables, multiple types of customer payments were processed, posted payments were unapplied and reversed, and then the use of payment discounts and tolerances were set up and demonstrated.

The ability to manage collections was addressed in the reminders and finance charge memos sections, and the final section provided a review of Customer Ledger Entries and Detailed Customer Ledger Entries.

Understanding the processes and functionality available when managing receivables helps ensure that payments are applied and posted correctly, thus reducing the amount of open balances.

# Test Your Knowledge

## Multiple Choice Questions

1. Where are Application Methods specified?

   a. Cash Receipt Journal

   b. Apply Customer Entries window

   c. Customer Card

   d. Customer Ledger Entries

2. In what window are actual posted customer entries amounts located?

   a. Posted Customer Ledger Entries window

   b. Customer Ledger Entries window

   c. Detailed Ledger Entries window

   d. Detailed Cust. Ledg. Entries window

## Fill in the Blanks

Instruction: Fill in the blanks to test your knowledge of this section.

1. Payment _____ is used to manage customer over- and underpayments.

2. _____ are used to prompt customers to pay overdue amounts.

3. Payment _____ are an incentive for customers to quickly pay their outstanding amounts fully.

4. Finance charge memos contain information about calculated _____ on outstanding balances.

# Lab 5.1 Solution: Apply and Post a Cash Receipt

### Scenario

On January 25, 2008, you receive a payment from customer 30000, John Haddock Insurance Co., in the amount of 116,167.75. This payment is for the following invoices:

| Invoice/Document No. | Amount |
|---|---|
| 00-10 | 76,167.75 |
| 00-13 | 40,000.00 |

As the accounts receivable administrator for CRONUS International Ltd. it is your responsibility to apply and post this payment to this customer's invoices. Use the Bank batch for this posting.

After posting, review the posted customer ledger entries.

*HINT: You must press F2 to edit the Amount to Apply field.*

## Step by Step

1.  On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.

2.  Ensure that the Bank batch is selected.

3.  In the **Posting Date** field, enter 01/25/08.

4.  In the **Document Type** field, click the **AssistButton** and select Payment.

5.  In the **Account Type** field, click the **AssistButton** and select Customer.

6.  In the **Account No.** field, enter 30000.

7.  In the **Amount** field, enter -116,167.75.

8.  Click **Functions** > **Apply Entries**.

9.  Locate and select the line for **Document No.** 00-10.

10. Click **Application** > **Set Applies-to ID**.

11. Locate and select the line for **Document No.** 00-13.

12. Click the **Amount to Apply** field and press **F2**.

13. Enter 40000.

14. Verify that the **Balance** field at the bottom of the window is 0.00.

15. Click **OK**.

16. Click **Posting** > **Post**.

17. Click **Yes** to post the journal lines.

18. Click **OK**.

19. Close the **Cash Receipt Journal** window.

20. In the Receivables folder, click Customers.

21. Locate and select customer 30000, John Haddock Insurance Co.

22. Click **Customer** > **Ledger Entries**.

23. Review the posted entries. Notice that:

- **Document No.** 00-10 has a **Remaining Amount** of 0.00.
- **Document No.** 00-13 has a **Remaining Amount** of 40,399.29.
- The payment line posted on 01/25/08 has a **Remaining Amount** of 0.00.

24. Close the Customer Ledger Entries and Customer Card windows.

# Lab 5.2 Solution: Applying a Payment After Posting

### Scenario

On January 31, 2008 you receive another payment from customer 30000 in the amount of 5,861.13. The payment does not reference any specific invoices so you contact their payables department. Unfortunately, the payables clerk has the day off.

Since it is the last day of the month, you decide to post the payment to the account and apply it later.

The next week the payables clerk from John Haddock Insurance Co. calls and tells you that the payment is for the full amount of invoice 103021 and a partial payment of 5,000.00 for invoice 103003. They have returned a portion of the product and are expecting a credit for the remaining amount of that invoice.

As the accounts payable coordinator at CRONUS International, Ltd., it is your responsibility to post the payment to the account and then apply the invoices. Use the Bank batch for this posting.

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.

2. Ensure that the Bank batch is selected.

3. In the **Posting Date** field, enter 01/31/08.

4. In the **Document Type** field, click the **AssistButton** and select Payment.

5. In the **Account Type** field, click the **AssistButton** and select Customer.

6. In the **Account No.** field, enter 30000.

7. In the **Amount** field, enter -5,861.13.

8. Click **Posting** > **Post**.

9. Click **Yes** to post the journal lines.

10. Click **OK**.

11. Close the **Cash Receipt Journal** window.

12. In the Receivables folder, click Customers.

13. Locate and select customer 30000.

14. Click **Customer** > **Ledger Entries**.

15. Click **Functions** > **Apply Entries**.

16. Click the payment line dated 01/31/08, in the amount of -5,861.13.

17. Click **Application** > **Set Applying Entry**.

18. Click the line for **Document No.** 103021, in the amount of 861.13.

19. Click **Application** > **Set Applies-to ID**.

20. Locate and select the line for **Document No.** 103003.

21. Click the **Amount to Apply** field and press **F2**.

22. Enter 5000 and press **TAB** or **ENTER**.

23. Click **Application** > **Post Application**.

24. Click **OK**.

25. Click **OK** to the message that the application was posted.

26. Close the **Apply Customer Entries**, **Customer Ledger Entries**, and **Customer Card** windows.

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# Lab 5.3 Solution: Unapply Posted Ledger Entries

### Scenario

In late January you receive a payment from customer 20000, Selangorian Ltd., for Document No. 00-8, in the amount of 50,778.50. As you begin to apply the payment you see that a temporary employee erroneously applied two credit memos to this invoice.

After further investigation, you realize that these credit memos are to be applied to the invoices that correspond to the credit memo amounts. These credit memos and invoices, in the order in which they were applied, are:

| Credit Memo | Invoice/Document No. | Amount |
|---|---|---|
| 104002 | 103008 | 787.40 |
| 104003 | 103014 | 1,145.33 |

As the accounts receivable administrator, it is your responsibility to correct this error. Use the Unapply Customer Entries function to reverse the application and then correctly apply the credit memos to the invoices.

The payment for Document No. 00-8 is not posted in this lab.

### Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Customers.

2. Locate and select customer 20000.

3. Click **Customer** > **Ledger Entries**.

4. Click the line for credit memo 104003 in the amount of -1,145.33.

5. Click **Functions** > **Unapply Entries**.

6. Click **Unapply**.

7. Click **Yes** to unapply the entries.

8. Click **OK** to the message that the entry was unapplied.

9. Click the line for credit memo 104002 in the amount of -787.40.

10. Click **Functions** > **Unapply Entries**.

11. Click **Unapply**.

12. Click **Yes** to unapply the entries.

13. Click **OK** to the message that the entry was unapplied.

14. With the line for credit memo 104002 selected, click **Functions** > **Apply Entries**.

15. With the line for credit memo 104002 selected, click **Application** > **Set Applying Entry**.

16. Click the line for Document No. 103008.

17. Click **Application** > **Set Applies-to ID**.

18. Click **Application** > **Post Application**.

19. Click **OK** to post the application.

20. Click **OK** to the message that the application was posted.

21. Close the **Apply Customer Entries** window.

22. Click the line for credit memo 104003

23. Click **Functions** > **Apply Entries**.

24. With the line for credit memo 104003 selected, click **Application** > **Set Applying Entry**.

25. Click the line for Document No. 103014.

26. Click **Application** > **Set Applies-to ID**.

27. Click **Application** > **Post Application**.

28. Click **OK** to post the application.

29. Click **OK** to the message that the application was posted.

30. Close the **Apply Customer Entries**, **Customer Ledger Entries**, and **Customer Card** windows.

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# Lab 5.4 Solution: Reverse a Posted Journal Entry

**Scenario**

When beginning balances were posted on 12/31/07 for customer 10000, an error was entered for invoice 00-1. The five and the three were transposed, therefore the erroneous amount of 25,389.25 was posted instead of the correct amount of 23,589.25.

This invoice was paid on 01/13/08 with Document No. 2596 and needs to be reversed, since it was entered through a journal.

Cassie, the accountant, asks you to make the reversing entry and she will later post the correction and refund the customer. Before you can reverse the entry, you must unapply the payment.

---

*NOTE: Do not reapply the other invoices unapplied during this process. These unapplied invoices are used in demonstrations later in this content.*

---

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Customers.

2. Locate and select customer 10000.

3. Click **Customer** > **Ledger Entries**.

4. With the line for **Document No.** 00-1 selected, click **Functions** > **Unapply Entries**.

5. Click the first line for **Document No.** 00-1.

6. Click **Unapply**.

7. Click **Yes** to unapply the entry.

8. Click **OK** to the message that the entry was unapplied.

9. With the line for **Document No.** 00-1 selected, click **Functions** > **Reverse Transaction**.

10. Click **Reversing** > **Reverse**.

11. Click **Yes** to reverse the entries.

12. Click **OK** to the message that the entry was reversed.

13. Close the **Customer Ledger Entries** and **Customer Card** windows.

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# Lab 5.5 Solution: Post a Payment with a Discount

### Scenario

On January 8, 2008, the accounts payable clerk for customer 10000 contacts you, asking if the 2% discount can still be taken on Document No. 00-9 if the payment is received on 01/09/08, even though that is a day past the payment discount date. You say that is acceptable because this is one of your best customers.

On January 9, 2008, you receive a payment in the amount of 49,762.93. Adjust the payment discount date while applying the payment.

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.

2. Ensure that the Bank batch is selected.

3. In the **Posting Date** field, enter 01/09/08.

4. In the **Document Type** field, click the **AssistButton** and select Payment.

5. In the **Account Type** field, click the **AssistButton** and select Customer.

6. In the **Account No.** field, enter 10000.

7. In the **Amount** field, enter -49762.93.

8. Click **Functions** > **Apply Entries**.

9. In the line for **Document No.** 00-9, click the **Pmt. Discount Date** field.

10. Press **F2** and enter 01/09/08.

11. With this line selected, click **Application** > **Set Applies-to ID**.

12. Notice that the **Balance** field at the bottom of the window contains a zero balance.

13. Click **OK**.

14. Click **Posting** > **Post**.

15. Click **Yes** to post the journal lines.

16. Click **OK**.

17. Close the **Cash Receipt Journal**.

# Lab 5.6 Solution: Apply Posted Partial Payments with Discounts

**Scenario**

On January 8, 2008 you receive a payment from customer 10000 in the amount of 33,174.35. Even though you cannot determine what the payment applies to, you post the payment to the customer account.

Afterwards you learn that the payment is for Document No. 00-16, and because the payment was made by 01/08/08, the full discount of 677.05 is available. However, a slight error was made in the discount calculation, resulting in the customer taking a larger discount. Since this is a good customer, adjust the discount to match the amount taken: 678.00.

First post the payment but do not apply it to an invoice. Then adjust the discount amount while applying the invoice to the payment.

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Cash Receipt Journals.

2. Ensure that the Bank batch is selected.

3. In the **Posting Date** field, enter 01/08/08.

4. In the **Document Type** field, click the **AssistButton** and select Payment.

5. In the **Account Type** field, click the **AssistButton** and select Customer.

6. In the **Account No.** field, enter 10000.

7. In the **Amount** field, enter -33174.35.

8. Click **Posting** > **Post**.

9. Click **Yes** to post the journal lines.

10. Click **OK**.

11. Close the **Cash Receipt Journal** window.

12. In the Receivables folder, click Customers.

13. Locate and select customer 10000.

14. Click **Customer** > **Ledger Entries**.

15. Click **Functions** > **Apply Entries**.

16. Locate and select the payment line dated 01/08/08, in the amount of -33,174.35.

17. Click **Application** > **Set Applying Entry**.

18. Locate the line for **Document No.** 00-16, and click the **Remaining Pmt. Disc. Possible** field.

19. Press **F2** and enter 678.00.

20. With this line selected, click **Application** > **Set Applies-to ID**.

21. Notice that the **Balance** field at the bottom of the window contains a zero balance.

22. Click **Application** > **Post Application**.

23. Click **OK**.

24. Click **OK** to the message that the application posted.

25. Close the **Apply Customer Entries**, **Customer Ledger Entries**, and **Customer Card** windows.

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# Lab 5.7 Solution: Set up a Payment Tolerance

### Scenario

The CFO at CRONUS International Ltd. has realized that the existing tolerance has been too strict and has created too many open balances for amounts not worth collecting.

As the accounting manager you have been asked to change the existing tolerance to allow 3% overpayment/underpayment of invoices, with a maximum tolerance of 200.00 (LCY).

The other tolerance parameters do not need to change, but all open ledger entries must be updated to reflect the new tolerance.

## Step by Step

1. On the Navigation Pane, click Financial Management > Setup > General Ledger Setup.

2. Click **Functions** > **Change Payment Tolerance**.

3. In the **Payment Tolerance %** field, enter 3.

4. In the **Max. Pmt. Tolerance Amount** field, enter 200.

5. Click **OK** to run the batch job.

6. Click **Yes** to update the change to existing customer and vendor ledger entries.

7. Close the **General Ledger Setup** window.

# Lab 5.8 Solution: Process a Payment Tolerance

### Scenario

At the end of December 2007, customer 20000, Selangorian Ltd., signed an agreement to receive a 2% discount on all payment received within eight days of the invoice's Document Date. Before the change could be made on the customer card, Document No. 00-8 was posted. Your first step is to add the following to this invoice:

- Discount date of January 8, 2008
- Discount amount of 1,015.57

On January 7, 2008, you receive the payment for the invoice in the amount of 49,635.98. While this payment is within the discount range, the discount amount taken (1,142.52) is greater than the granted amount (1,015.57).

Although the underpayment falls within the acceptable tolerance range, the accounting manager decides that the customer is responsible for this discrepancy because they took a 2.25% discount rather than the allowed 2%.

Therefore, you need to post the payment with a remaining amount. You will later contact the customer for an additional payment and remind them of the discount terms.

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Customers.

2. Locate and select customer 20000.

3. Click **Customer** > **Ledger Entries**.

4. On the line for **Document No.** 00-8, click the **Pmt. Discount Date** field.

5. Press **F2** and enter 01/08/08.

6. In the **Remaining Pmt. Disc. Possible** field, enter 1015.57.

7. Close the **Customer Ledger Entries** and **Customer Card** windows.

8. In the Receivables folder, click Cash Receipt Journals.

9. Ensure that the Bank batch is selected.

10. In the **Posting Date** field, enter 01/07/08.

11. In the **Document Type** field, click the **AssistButton** and select Payment.

12. In the **Account Type** field, click the **AssistButton** and select Customer.

13. In the **Account No.** field, enter 20000.

14. In the **Amount** field, enter -49,635.98.

15. Click **Functions** > **Apply Entries**.

16. Click the line for **Document No.** 00-8.

17. Click **Application** > **Set Applies-to ID**.

18. Click **OK**. The **Payment Tolerance Warning** window appears

19. To decline the tolerance, ensure that the **Leave the Balance as Remaining Amount** option button is selected.

20. Click **OK**.

21. Click **Posting** > **Post**.

22. Click **Yes** to post the journal lines.

23. Click **OK**.

24. Close the **Cash Receipt Journal** window.

# Lab 5.9 Solution: Set up a Reminder Term

### Scenario

CRONUS International Ltd. has three troublesome customers who are consistently late to pay invoices. As the accounts receivable administrator you have been asked to set up a new reminder term named TOP3, with a description of Top 3 Late Payers.

You also need to send a reminder every 14 days, with a maximum of four reminders before the account is sent to collections. Include an ending text the informs the customer of the current reminder number and after the fourth notice, the account will be sent to collections.

When the Reminder Term is set up, assign it to the following customers: 10000, 40000, and 50000.

*NOTE: Use the appropriate text variable to designate the reminder number in the ending text.*

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Setup > Reminder Terms.

2. Press **F3** to insert a line.

3. In the **Code** field, enter TOP3.

4. In the **Description** field, enter Top 3 Late Payers.

5. In the **Max. No. of Reminders** field, enter 4.

6. Click **Levels**.

7. For level 1, in the **Grace Period** field, enter 1W.

8. Click **Level** > **Ending Text**.

9. In the first line, enter This is reminder number %8.

10. In the second line, enter After the fourth reminder, your account will be sent to collections.

11. Press **TAB** or **ENTER**.

12. Close the **Ending - Reminder Text**, **Reminder Levels**, and **Reminder Terms** windows.

13. In the Receivables folder, click Customers.

14. Locate and select customer 10000.

15. Click the **Payments** tab.

16. In the **Reminder Terms Code** field, click the **AssistButton** and select TOP3.

17. Click **OK**.

18. Repeat steps 12-15 for customers 40000 and 50000.

19. Close the **Customer Card** window.

# Lab 5.10 Solution: Create and Issue Reminders

### Scenario

It is the beginning of March 2008 and reminders must be created and issued for past due customer entries as of February 29, 2008, using the conditions of the header level to all reminder lines.

Issue reminders for customers 43687129 and 47563218 only, without printing or changing the posting date. Review the issued reminders.

### Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Reminders.

2. Click **Functions** > **Create Reminders**.

3. Click the **Options** tab.

4. In the **Posting Date** field, enter 02/29/08.

5. In the **Document Date** field, enter 02/29/08.

6. Ensure that the **Only Entries with Overdue Amounts** check box contains a check mark.

7. Place a check mark in the **Use Header Level** check box.

8. Click **OK**.

9. Locate and select the reminder for customer 43687129.

10. Click **Issuing** > **Issue**.

11. Click **OK**.

12. Locate and select the reminder for customer 47563218.

13. Click **Issuing** > **Issue**.

14. Click **OK**.

15. Close the **Reminder** window.

16. In the Periodic Activities folder, click Issued Reminders.

17. Locate and review the issued reminders for customers 43687129 and 47563218.

18. Close the **Issued Reminder** window.

# Lab 5.11 Solution: Set up a Finance Charge Term

### Scenario

In Lab 5.9 you set up the TOP3 Reminder Terms, you now need to set up a Finance Charge Term to be assigned to these customers.

Set up Finance Charge Term for these customers using the following criteria:

- Code: 10 TOP3, Description: Top 3 Late Payers,
- Interest is calculated on all customer entries using the Average Daily Balance method.
- Uses a 10% interest rate with an interest period of 180 days.
- Additional Fee of 20.00
- Includes the following line description: (Interest rate)% finance charge of (Remaining amount on the customer ledger entry).
- Calculated interest and Additional Fees are posted.
- Includes the following ending text: Please pay the total of (all amounts including interest and fees).

When the Finance Charge Term is set up, assign it to the following customers: 10000, 40000, and 50000.

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Setup > Finance Charge Terms.

2. Press **F3**.

3. In the **Code** field, enter 10 TOP3.

4. In the **Description** field, enter TOP 3 Late Payers.

5. In the **Interest Calculation** field, click the **AssistButton** and select All Entries.

6. Ensure that the **Interest Calculation Method** is set to Average Daily Balance.

7. In the **Interest Rate** field, enter 10.

8. In the **Interest Period (Days)** field, enter 180.

9. In the Additional Fee field, enter 20.

10. In the **Line Description** field, enter %4% finance charge of %6.

11. Ensure that the **Post Interest** and **Post Additional Fee** check boxes contain check marks.

12. Click **Terms** > **Ending Text**.

13. In the first line, enter Please pay the total of %7.

14. Close the **Ending - Finance Charge Text** and the **Finance Charge Terms** windows.

15. In the Receivables folder, click Customers.

16. Locate and select customer 10000.

17. Click the **Payments** tab.

18. In the **Fin. Charge Terms Code** field, click the **AssistButton** and select 10 TOP3.

19. Click **OK**.

20. Repeat steps 16-19 for customers 40000 and 50000.

21. Close the **Customer Card** window.

# Lab 5.12 Solution: Create and Issue Finance Charge Memos

### Scenario

It is the beginning of March 2008 and finance charge memos must be created and issued for past due customer entries as of February 29, 2008.

Issue a finance charge memo for customer 42147258 only, without printing or changing the posting date. Review the issued finance charge memo.

## Step by Step

1. On the Navigation Pane, click Financial Management > Receivables > Periodic Activities > Finance Charge Memos.

2. Click **Functions** > **Create Finance Charge Memos**.

3. Click the **Options** tab.

4. In the **Posting Date** field, enter 02/29/08.

5. In the **Document Date** field, enter 02/29/08.

6. Click **OK**.

7. Locate and select the finance charge memo for customer 42147258.

8. Click **Issuing** > **Issue**.

9. Click **OK**.

10. Close the **Finance Charge Memo** window.

11. In the Periodic Activities folder, click Issued Finance Charge Memos.

12. Locate and review the finance charge memo issued for customer 42147258.

13. Close the **Issued Finance Charge Memo** window.

# Quick Interaction: Lessons Learned

Take a moment and write down three Key Points you have learned from this chapter:

1.

2.

3.

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# Solutions

### Test Your Knowledge

### Multiple Choice Questions

1. Where are Application Methods specified?

    a.  Cash Receipt Journal

    b.  Apply Customer Entries window

    **c.  Customer Card**

    d.  Customer Ledger Entries

2. In what window are actual posted customer entries amounts located?

    a.  Posted Customer Ledger Entries window

    b.  Customer Ledger Entries window

    c.  Detailed Ledger Entries window

    **d.  Detailed Cust. Ledg. Entries window**

### Fill in the Blanks

Instruction: Fill in the blanks to test your knowledge of this section.

1. Payment _____ is used to manage customer over- and underpayments. [Answer: tolerance]

2. _____ are used to prompt customers to pay overdue amounts. [Answer: Reminders]

3. Payment _____ are an incentive for customers to quickly pay their outstanding amounts fully. [Answer: discounts]

4. Finance charge memos contain information about calculated _____ on outstanding balances. [Answer: interest]