

CHAPTER 5: RECEIVABLES MANAGEMENT

Objectives

The objectives are:

- Reference the Payments FastTab on the Customer Card.
- Explain the Cash Receipt Journal, which is used to post payments received.
- Explain the process of applying cash receipt payments to customer ledger entries.
- Explain the process of unapplying entries to customer ledger entries.
- Explain the process of reversing customer ledger entries posted with using journals.
- Set up Microsoft Dynamics NAV 2009 to use payment discounts.
- Process transactions for various situations that benefit from payment discounts.
- Set up Microsoft Dynamics NAV 2009 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 2009 to use reminders.
- Explain the process of creating and issuing reminders.
- Set up Microsoft Dynamics NAV 2009 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

Microsoft Dynamics® NAV 2009 Receivables Management is used to manage the customers for a company. All information for a customer is kept in a Customer Card, which also includes all customer ledger entries and detailed ledger entries.

The basic functions in Receivables Management are:

- Applying and posting customer payments.
- Unapplying and reversing posted entries.
- Setup and processing payment discounts and tolerances.

The system also has a collections management feature to keep track of reminders and other finance charge memos.

NOTE: To successfully perform all demonstrations in this course, a clean Microsoft Dynamics NAV 2009 database must be used.

Customer Card

Managing customers is an important part of managing the total finances of the company. In Microsoft Dynamics NAV 2009, the Customer Card contains six FastTabs:

- General
- Communication
- Invoicing
- Payments
- Shipping
- Foreign Trade

Each FastTab includes a function to manage the customers the best way. The customer card also has two FactBoxes with the Customer Sales History and Customer Statistics to help users gain information about a specific customer's account.

FIGURE 5.1 CUSTOMER CARD

Customer Card and Receivables

The **Payments** FastTab on the Customer Card is used to define how customer's payments are managed.

The screenshot displays the 'Edit - Customer Card - 10000 - The Cannon Group PLC' window. The 'Payments' FastTab is active, showing the following configuration:

- Application Method:** Manual
- Payment Terms Code:** 1M(8D)
- Payment Method Code:** (empty)
- Reminder Terms Code:** DOMESTIC
- Fin. Charge Terms Code:** 1.5 DOM.
- Print Statements:**
- Last Statement No.:** 0
- Block Payment Tolerance:**

The right-hand pane shows the following data:

Customer Sales History	
Customer No.:	10000
Quotes:	0
Blanket Orders:	0
Orders:	4
Invoices:	0
Return Orders:	0
Credit Memos:	0
Pstd. Shipments:	6
Pstd. Invoices:	3
Pstd. Return Re...:	1
Pstd. Credit Me...:	1

Customer Statistics - ...	
Customer No.:	10000
Balance (LCY):	168,364.41
Outstanding ...:	1,612.50
Shipped Not ...:	525.50
Outstanding ...:	6.63
Shipped Not ...:	525.50
Outstanding ...:	0.00
Total (LCY):	170,502.41
Credit Limit (...):	0.00
Overdue Am...:	-292.84
Sales YTD (L...):	17,100.96

FIGURE 5.2 CUSTOMER CARD - PAYMENTS FASTTAB

On this FastTab, the following payment requirements are specified:

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

Cash Receipt Journals Overview

The Cash Receipt Journal is used to post payments received from customers.

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

- Cash Management
- Receivables

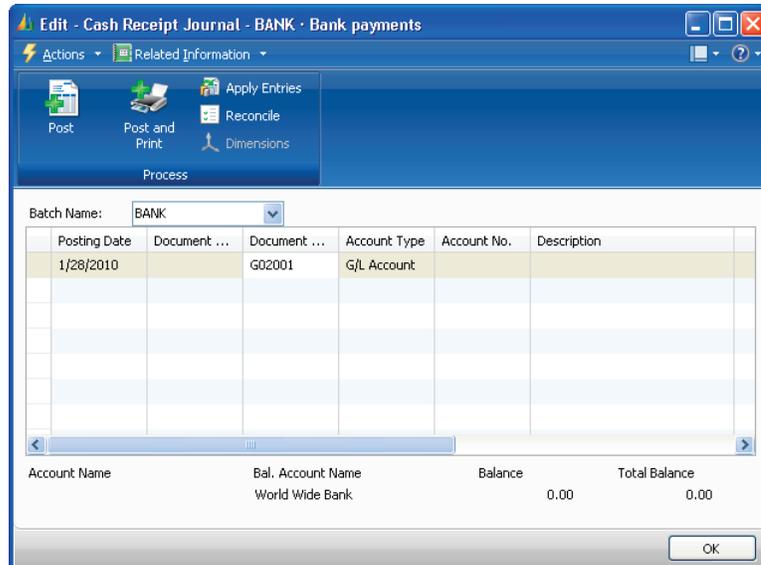


FIGURE 5.3 CASH RECEIPT JOURNAL WINDOW

Use the following field selections when you post cash receipts:

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

The following fields are important when posting cash receipts:

- **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

Users can apply cash receipt payments to customer ledger entries using either of the following methods:

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

The various methods of applying cash receipts in the Cash Receipt Journal are:

- 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 that were discussed earlier do not reference specific customer payments or invoices. To avoid conflicts with demonstrations in this lesson, do not use customer numbers 10000-50000 when performing these procedures.*

Application Methods

When users post payments without application to an entry, the option selected in the **Application Method** field on the **Payments** FastTab 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 users post a payment; however, the user must 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 various areas in Microsoft Dynamics NAV 2009, including from the following two windows:

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

To open the **Apply Customer Entries** window from either of these windows, click **Apply Entries**.

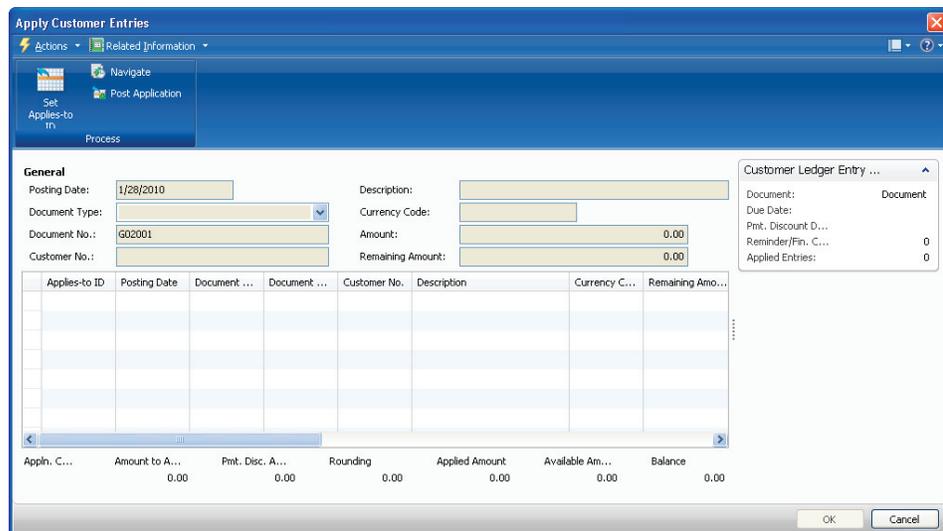


FIGURE 5.4 APPLY CUSTOMER ENTRIES

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

- General Header
- ActionPane
- Lines
- Balancing application fields
- FactBox

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

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

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

- **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 that can be received if the payment is made before the payment discount date.
- **Max. Payment Tolerance** - identifies the maximum tolerated amount that the amount in the entry can differ from the amount on the invoice or credit memo.

Underneath 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

The **Related Information** menu in the **Apply Customer Entries** window includes the following options:

- Entry
- Application

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

The **Application** menu includes the two options:

- **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** FastTab.
- **Post Application** - used to post the application when users are applying previously posted entries.

These can also be accessed from the Action Pane.

From the Actions menu, Navigate Menu, you can access the Navigate window for the selected line..

The FactBox on the Apply Customer Entries Card displays the **Customer Ledger Entry Details**.

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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **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 **Type** field, select Customer.
6. In the **Account No.** field, click the **drop-down list** and select the customer.
7. Click **Apply Entries**.
8. Click the line with the invoice to apply the payment to.
9. Click **Set Applies-to ID**.
10. Click **OK**.
11. Notice that the Amount field contains the amount of the invoice. Verify that it matches the amount of the payment.
12. Make sure that the **Bal. Account Type** and **Bal. Account Number** fields indicate the bank account.
13. Click **Post**.
14. Click **Yes** to post the journal.
15. Click **OK**.
16. 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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **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 **Type** field, select Customer.
6. In the **Account No.** field, click the drop-down list and select the customer.
7. Click **OK**.
8. In the **Amount** field, enter the full payment as a negative amount.
9. Click **Apply Entries**.
10. Click the line with the invoice to apply the payment to.
11. Click **Set Applies-to ID**.
12. Repeat steps 11-12 for the other invoice line(s).
13. Verify that the **Balance** field at the bottom of the window is zero (0).
14. Click **OK**.
15. Make sure that the **Bal. Account Type** and **Bal. Account Number** fields indicate the bank account.
16. Click **Post**.
17. Click **Yes** to post the journal
18. Click **OK**.
19. 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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **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 **drop-down list** and select the customer.
8. Click **OK**.
9. In the **Amount** field, enter the full payment as a negative amount.

10. Click **Apply Entries**.
11. Click the line with the invoice to apply the payment to.
12. Click **Set Applies-to ID**.
13. Click **OK**.
14. Make sure that the **Bal. Account Type** and **Bal. Account Number** fields indicate the bank account.
15. Click **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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **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 drop-down list and select the customer.
8. Click **OK**.
9. Click **Apply Entries**.
10. Click the line with the invoice to apply the payment to.
11. Click the **Amount to Apply** field.
12. Enter the amount of the partial payment for this invoice as a positive amount.
13. Repeat steps 10-13 for the other invoice line(s).
14. Click **OK**.
15. Notice that the **Amount** field contains a negative amount totaling all invoices. Verify that it matches the amount of the payment.
16. Click **Post**.
17. Click **Yes** to post the journal lines.
18. Click **OK**.
19. Close the **Cash Receipt Journal**.

Applying Customer Refunds

Users can apply open credit memos to the same cash receipt line as open invoices when they are 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 2009. 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.

Demonstration: Applying Entries After Posting

When a user posts a payment, credit memo, or refund without applying them to an open customer ledger entry, he or she can apply it later from the **Customer Ledger Entries** window.

Scenario: On January 18, 2010, Arnie, the accounts receivable administrator at CRONUS International Ltd., receives a payment from customer 10000 in the amount of 63,180.29. Because 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: Applying Entries After Posting

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journal**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/18/10.
4. In the **Document Type** field, click the drop-down list 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 **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 **Ledger Entries**.
4. Locate and select payment line dated 01/18/10 in the amount of -63,180.29.
5. Click **Actions**, point to **Functions**, and then select **Apply Entries**.
 - Notice that the General Header is populated with the informations from the payment.
 - All payments are removed from the lines so that they cannot be selected as an applied-to entry.
6. In the lines, click the line for invoice 00-11 in the amount of 63,473.13.
7. Click **Set Applies-to ID**.
8. Notice that the **Balance** field at the bottom of the window displays 292.84. This is the amount of the credit memo.
9. Click the line for credit memo 104001.
10. Click **Set Applies-to ID**.
11. Notice that the **Balance** field at the bottom of the window contains 0.00.

To post the application, follow these steps:

1. Click **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 it is 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 determine the application postings.

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

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 01/18/10
2. Click the payment line, click **Related Information**, point to **Entry**, and then select **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, click **Related Information**, point to **Entry**, and then select **Applied Entries**.
6. Notice that only the payment line appears.
7. Close the **Applied Customer Entries** window.
8. Click the credit memo line, click **Related Information**, point to **Entry**, and then select **Applied Entries**.
9. Notice that only the payment line appears.
10. Close the **Applied Customer Entries** window.

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.*

Apply a Partial Payment After Posting

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

Process a partial payment through the Cash Receipt Journal, but do not apply the payment to an invoice.

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the customer.

3. Click **Ledger Entries**.
4. Click **Actions**, point to **Functions**, and then select **Apply Entries**.
5. Select the payment entry that has not yet been applied and then click **Related Information**, point to **Application**, and then select **Set Applying Entry**.
6. Select the partial payment entry to be applied and then click **Set Applies-to ID**. Notice that the full amount of the entry is set in the **Amount to Apply** field.
7. Click the **Amount to Apply** field.
8. Change the amount to the partial amount that will be applied to the invoice. The **Balance** at the bottom of the window is now zero.

Lab 5.1 - Apply and post a Cash Receipt

Scenario

On January 25, 2010, 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.

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.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/25/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 30000.
7. In the **Amount** field, enter -116,167.75.
8. Click **Apply Entries**.
9. Locate and select the line for **Document No.** 00-10.
10. Click **Set Applies-to ID**.
11. Locate and select the line for **Document No.** 00-13.
12. Click **Set Applies-to ID**.
13. Click the **Amount to Apply** field.
14. Enter 40000.
15. Verify that the **Balance** field at the bottom of the window is 0.00.
16. Click **OK**.
17. Click **Post**.
18. Click **Yes** to post the journal lines.
19. Click **OK**.
20. Close the **Cash Receipt Journal** window.
21. In the Receivables folder, click Customers.
22. Locate and select customer 30000, John Haddock Insurance Co.
23. Click **Ledger Entries**.
24. 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.
25. Close the **Customer Ledger Entries** and **Customer Card** windows.

Lab 5.2 - Applying a Payment after posting

Scenario

On January 31, 2010, you receive another payment from customer 30000 in the amount of 5,861.13. The payment does not reference any specific invoices; therefore, you contact the customer's payables department. Unfortunately, their payables clerk has the day off.

Because 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 part 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.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/31/10.

4. In the **Document Type** field, click the drop-down list and select **Payment**.
5. In the **Account Type** field, click the drop-down list and select **Customer**.
6. In the **Account No.** field, enter 30000.
7. In the **Amount** field, enter -5,861.13.
8. Click **Post**.
9. Click **Yes** to post the journal lines.
10. Click **OK**.
11. Close the **Cash Receipt Journal** window.
12. Click **Customers**.
13. Locate and select customer 30000.
14. Click **Ledger Entries**.
15. Locate and select the payment from 01/31/10.
16. Click **Actions**, point to **Functions**, and then select **Apply Entries**.
17. Click the line for **Document No.** 103021, in the amount of 861.13.
18. Click **Set Applies-to ID**.
19. Locate and select the line for **Document No.** 103003.
20. Click **Set Applies-to ID**.
21. Click the **Amount to Apply** field.
22. Enter 5000.
23. Click **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.

Unapply Customer Ledger Entries

The Unapply Customer Ledger Entries functionality allows users to reverse entries while making sure that the correct application is processed. This functionality is available from two windows:

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

When users unapply already posted applications, they are able to reopen closed customer ledger entries. All G/L postings that may have derived from an incorrect application, such as payment discounts and currency gains/losses, are also corrected when an entry is unapplied.

The user must 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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the customer to unapply entries.
3. Click **Ledger Entries**.
4. Click the line with the entry to unapply.
5. Click **Actions**, point to **Functions**, and then select **Unapply Entries**. The **Unapply Customer Entries** window shows the original detailed ledger entries that can be used to unapply the original entry.
6. Click **Unapply**.
7. Click **Yes** to unapply the entries. When the entry is unapplied, a new entry is created by using an opposite sign in the **Amount** field.
8. Click **OK** to the message that the entries were unapplied.
9. 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 to indicate that the unapplied entries are open.

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

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 start to apply the payment, you notice that a temporary employee incorrectly applied two credit memos to this invoice.

After additional investigation, you realize that these credit memos are to be applied to the invoices that correspond to the credit memo amounts. The following table shows these credit memos and invoices in the order in which they were applied.

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.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select customer 20000.
3. Click **Ledger Entries**.
4. Click the line for credit memo 104003 in the amount of -1,145.33.
5. Click **Actions**, point to **Functions**, and then select **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 **Actions**, point to **Functions**, and then select **Unapply Entries**.
11. Click **Unapply**.
12. Click **Yes** to unapply the entries.
13. Click **OK** to the message that the entry was unapplied.
14. Click the line for **Document No.** 103008.
15. Click **Actions**, point to **Functions**, and then select **Apply Entries**.
16. Click the line for credit memo 104002.
17. Click **Set Applies-to ID**.
18. Click **Post Application**.
19. Click **OK** to post the application.
20. Click **OK** to the message that the application was posted.
21. Click the line for Document No. 103014.
22. Click **Actions**, point to **Functions**, and then select **Apply Entries**.
23. Click the line for credit memo 104003.
24. Click **Set Applies-to ID**.
25. Click **Post Application**.
26. Click **OK** to post the application.
27. Click **OK** to the message that the application was posted.
28. Click the line for credit memo 104003
29. Click **Apply Entries**.

30. With the line for credit memo 104003 selected, click **Related Information**, point to **Application**, and then select **Set Applying Entry**.
31. Click **Set Applies-to ID**.
32. Click **Post Application**.
33. Click **OK** to post the application.
34. Click **OK** to the message that the application was posted.
35. Close the **Customer Ledger Entries**.

Reversal of Posted Journals

In Microsoft Dynamics NAV 2009, incorrect 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, you must unapply the entry.

During the reversal process, you can create and post correcting entries with the same document number and posting date as the original entry for each line in the entry. After reversing an entry, you can enter and post the correct entries manually.

Reverse a Posted Journal Entry

To reverse a journal posting, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the relevant customer.
3. Click **Ledger Entries**.
4. Click **Yes** to unapply the applied entries
5. Click the relevant entry to reverse.
6. Click **Actions**, point to **Functions**, and then select **Reverse Transaction**. The **Reverse Transaction Entries** window displays the posted entries connected by the same transaction number.
7. Click **Related Information**, point to **Reversing**, and then select **Reverse**.
8. Click **Yes** to reverse the entries.
9. Click **OK** to the message that states 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. This indicates that both entries are closed.

Lab 5.4 - Reverse a Posted Journal Entry

Scenario

When beginning balances were posted on 12/31/09 for customer 10000, an error was entered for invoice 00-1. The 5 and the 3 were transposed. Therefore, the incorrect amount of 25,389.25 was posted instead of the correct amount of 23,589.25.

This invoice was paid on 01/17/10 with Document No. 2596 and must be reversed because 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.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select customer 10000.
3. Click **Ledger Entries**.
4. With the line for **Document No. 00-1** selected, click **Actions**, point to **Functions**, and then select **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 **Actions**, point to **Functions**, and then select **Reverse Transaction**.
10. Click **Related Information**, point to **Reversing**, and then select **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.

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 you set 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 enables users to automatically reduce the payment discount given on invoices that the credit memo is applied to.

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 setup is determined by the fields selected in the **General Ledger Setup** window:

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

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

*Therefore, 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 the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **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 cleared 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:

- **Payment Disc. Debit Acc.** - G/L account that is used to post granted payment discount amounts when you are posting sales payments for the selected Customer Posting Group.
- **Payment Disc. Credit Acc.** - G/L account that is used to post reductions in payment discount amounts when you are 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 Financial Management Application Setup page, click **Posting Groups** and then select **Customer Posting Groups**.
2. For each Customer Posting Group using payment discounts:
3. In the **Payment Disc. Debit Acc.** field, click the drop-down list and select the payment discount account.

4. In the **Payment Disc. Credit Acc.** field, click the drop-down list and select the payment discount account.
5. 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 have 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 the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **General Ledger Setup**.
2. Place a check mark in the **Adjust for Payment Disc.** field to enable the feature.
3. Close the **General Ledger Setup** window.
4. On the Financial Management Application Setup folder, click **VAT Posting Group** and then select **VAT Posting Setup**.
5. Use the **Choose Columns** feature to add the **Adjust for Payment Discount** field.
6. For each relevant VAT Posting Group combination, place a check mark in the **Adjust for Payment Discount** field.
7. 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.

- **Sales Pmt. Disc. Debit Acc.** - G/L account that is used to post granted payment discount amounts when you are posting payments for sales with the selected combination of general business and product posting groups.
- **Sales Pmt. Disc. Credit Acc.** - G/L account that is used to post reductions in payment discount amounts when you are 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 Financial Management Application Setup page, click **Posting Groups** and then select **General Posting Setup**.

2. For each general posting group combination using payment discounts:
 - In the **Sales Pmt. Disc. Debit Acc.** field, click the drop-down list and select the payment discount account.
 - In the **Sales Pmt. Disc. Credit Acc.** field, click the drop-down list and select the 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.

To access the **Payment Terms** window, on the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Payment Terms**.

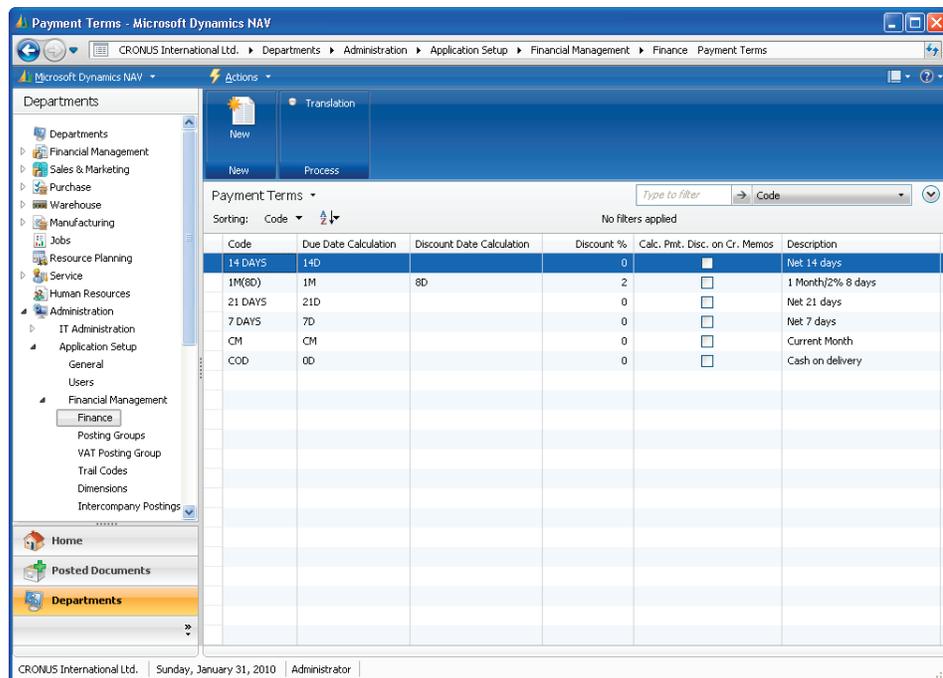


FIGURE 5.5 PAYMENT TERMS

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 percent 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 for a customer, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the customer to assign a Payment Term.
3. Click the **Payments** FastTab.
4. In the **Payment Terms Code** field, click the drop-down list 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 has to be assigned to a specific sales order or invoice.

Test Your Knowledge: Set Up Payment Discounts

1. On the General Ledger Setup window, what check box must contain a check mark so you may enter payment discount accounts in the Customer Posting Groups window?
 - () Adjust for Payment
 - () Pmt. Disc. Incl. VAT
 - () Pmt. Disc. Excl. VAT
 - () Use Payment Disc.

2. On the General Ledger Setup window, what check box must contain a check mark so you may enter payment discount accounts in the General Posting Setup window?
 - Adjust for Payment
 - Pmt. Disc. Incl. VAT
 - Pmt. Disc. Excl. VAT
 - Use Payment Disc.

3. What do you select in the Payment Terms window, to grant a payment discount of 3 percent if payment is received within ten days of the document date?
 - Enter D10 in the Discount Date Calculation field, and 3 in the Discount % Field.
 - Enter 10D in the Discount Date Calculation field, and 3 in the Discount % Field.
 - Enter 10D in the Discount Date Calculation field, and .03 in the Discount % Field.
 - Enter D10 in the Discount Date Calculation field, and .03 in the Discount % Field.

Process Payment Discounts

Microsoft Dynamics NAV 2009 checks the **Pmt. Discount Date** field of the applied customer ledger entry or entries when users apply:

- 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**

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 percent discount if they pay within eight days of the Document Date on their invoices.

On January 30, 2010, 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 percent discount and reduced their payment by 163.65.

Steps: Post a Payment with a Discount

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/30/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -8,018.70.
8. Click **Apply Entries**.
9. Click the line for invoice 103001.
10. Click **Set Applies-to ID**.
11. 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.
12. Click **OK**.

To post the discounted payment, follow these steps:

1. Click **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. On the Receivables page, click Customers.
2. Locate and select customer 10000.
3. Click **Ledger Entries**.

4. Review the line for invoice 103001:
 - The **Original Amount** and **Amount** fields contain the full amount of the invoice.
 - The **Remaining Amount** is zero.
5. Review the line for the payment dated 01/30/10:
6. The **Original Amount** contains the amount of the payment.
7. The **Amount** field contains the amount of the payment plus the discount amount.
8. The **Remaining Amount** is zero.
9. 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, 2009, they can take a discount in the amount of 26.58.

On December 12, 2009, they send a payment of 651.15, which is half of the discounted amount ($1,328.88 - 26.58 / 2 = 651.15$). On December 18, 2009 they send the remaining half of the payment.

Arnie posts both payments, successfully by using the discount because both payments were received by December 18, 2009.

***NOTE:** Entries are posted in the year 2009 in this demonstration.*

Steps: Posting Partial Payments with Discounts

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

1. On the Navigation Pane, click the **Departments** Button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 12/12/09.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 40000.
7. In the **Amount** field, enter -651.15.
8. Click **Apply Entries**.
9. Click **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.
11. Click **OK**.
12. Click **Post**.
13. Click **Yes** to post the journal lines.
14. 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 12/18/09.
2. On the **Document Type** click the drop-down list and select Payment
3. On Account Type click the drop-down list and select Customer
4. In the **Account No.** field, enter 40000.
5. In the **Amount** field, enter -651.15.
6. Click **Apply Entries**.
7. Click **Set Applies-to ID**.
8. Click **OK**.
9. Click **Post**.
10. Click **Yes** to post the journal lines.
11. Click **OK**.
12. 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, 2010, customer 20000 set up a payment discount agreement with CRONUS International Ltd., to take a 2 percent 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, 2010, 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 difference is the 2 percent discount. Arnie changes the discount fields on the customer ledger entries for this invoice and then posts the discounted payment.

***NOTE:** Make sure that the year 2010 is used, as opposed to 2009 from the previous demonstration.*

Steps: Add Discounts After Posting Sales Transactions

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and the select **Customers**.
2. Locate and select customer 20000.
3. Click **Ledger Entries**.
4. On the line for **Document No.** 103002, click the **Pmt. Discount Date** field.
5. Enter 01/29/10.
6. In the **Remaining Pmt. Disc. Possible** field, enter 139.44. Notice that this amount must be entered in the same currency as the invoice.
7. Close the **Customer Ledger Entries**.

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

1. On the Receivables page, click **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/29/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 20000.
7. In the **Amount** field, enter -6832.34.
8. Click **Apply Entries**.
9. Click the line for invoice 103002.
10. Click **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.

12. Click **OK** to close the **Apply Customer Entries** window.
13. Click **Post**.
14. Click **Yes** to post the journal lines.
15. Click **OK**.
16. Close the **Cash Receipt Journal** window.

Demonstration: Apply Posted Payments to Sales Documents with Discounts

When you apply a payment or refund to entries at the same time that the payment or refund is posted, Microsoft Dynamics NAV 2009 automatically includes payment discount information on both invoice and credit memo entries when it calculates the amount of the payment or refund.

***NOTE:** When you are 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.*

Scenario: On January 25, 2010, 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 difference.

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

- Invoice amount: 4,101.88
- A 2 percent discount amount of 82.04 was incorrectly 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 give the discount because this is one of the company's best customers.

Because CRONUS International Ltd. is currently not 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, 2010.

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

Steps: Apply Posted Payments to Sales Documents with Discounts

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/25/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -4,019.83.
8. Click **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. On the Receivables page, click **Customers**.
2. Locate and select customer 10000.
3. Click **Ledger Entries**.
4. On the line for **Document No.** 103018, click the **Pmt. Discount Date** field, enter 01/25/10.
5. In the **Remaining Pmt. Disc. Possible** field, enter 82.05.
6. Click the payment line dated 01/25/10 in the amount of -4019.83.
7. Click **Actions**, point to **Functions** and then select **Apply Entries**.
8. Click the line for **Document No.** 103018.
9. Click **Set Applies-to ID**.
10. 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.
11. Click **Post Application**.
12. Click **OK**.
13. Click **OK** to the message that the application posted.
14. Close the **Customer Ledger Entries** window.

Applying Credit Memos with Payment Discounts

When you are posting a credit memo with a payment discount amount that is 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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the relevant customer.
3. Click **Ledger Entries**.
4. Click **Apply Entries**.
5. Click the line with the relevant credit memo and then click **Set Applying Entry**.
6. Click the line for the invoice to be applied to the credit memo and then click **Set Applies-to ID**.
7. Click **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** window.

Lab 5.5 - Post a Payment with a Discount

Scenario

On January 8, 2010, the accounts payable clerk for customer 10000 contacts you, asking whether the 2 percent discount can still be taken on Document No. 00-9 if the payment is received on 01/09/10, even though that is one day past the payment discount date. You say that is acceptable, since this is one of your best customers.

On January 9, 2010, 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 information as specified in the scenario.
2. Adjust and apply the invoice as specified in the scenario.
3. Post the Cash Receipt Journal.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/09/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -49,762.93.
8. Click **Apply Entries**.
9. In the line for **Document No. 00-9**, click the **Pmt. Discount Date** field.

10. Enter 01/09/10.
11. With this line selected, click **Set Applies-to ID**.
12. Notice that the **Balance** field at the bottom of the window contains a zero balance.
13. Click **Post**.
14. Click **Yes** to post the journal lines.
15. Click **OK**.
16. Close the **Cash Receipt Journal**.

Lab 5.6 - Apply Posted Partial Payments with Discounts

Scenario

On January 8, 2010, 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.

Afterward, you learn that the payment is for Document No. 00-16. Because the payment was made 01/08/10, the full discount of 677.05 is available; however, a small error was made in the discount calculation, which has resulted in the customer taking a larger discount. Because 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.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/08/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.

6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -33174.35.
8. Click **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 **Ledger Entries**.
15. Locate and select the payment line dated 01/08/10 in the amount of -33,174.35.
16. Click **Action**, point to **Functions**, and then select **Apply Entries**.
17. Locate the line for **Document No.** 00-16 and then click the **Remaining Pmt. Disc. Possible** field.
18. Enter 678.00.
19. With line for **Document No.** 00-16 selected, click **Set Applies-to ID**.
20. Notice that the **Balance** field at the bottom of the window contains a zero balance.
21. Click **Post Application**.
22. Click **OK**.
23. Click **OK** to the message that the application posted.
24. Close the **Customer Ledger Entries** window.

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, you must keep the remaining amount closed by 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 following:

- 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, in addition to credit memos and refunds.
- Determining customers who can be allowed to use or be blocked from payment tolerances.

In Microsoft Dynamics NAV 2009, there are two kinds 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 system, payment amount tolerance is called Payment Tolerance.

In this lesson, 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 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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the customer to disable payment tolerance.
3. Click the **Payments** FastTab.
4. Place a check mark in the **Block Payment Tolerance** check box.
5. A message is displayed that asks 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 is displayed that asks 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 companywide payment tolerance parameters are set up in the **General Ledger Setup** window. On the **Application** FastTab, specify:

- Payment Tolerance warnings
- Payment Tolerance percentages and maximum amounts
- Payment Tolerance grace periods
- Payment Tolerance G/L posting types

To access these setup parameters, on the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, select **General Ledger Setup**, and then open the **Application** FastTab.

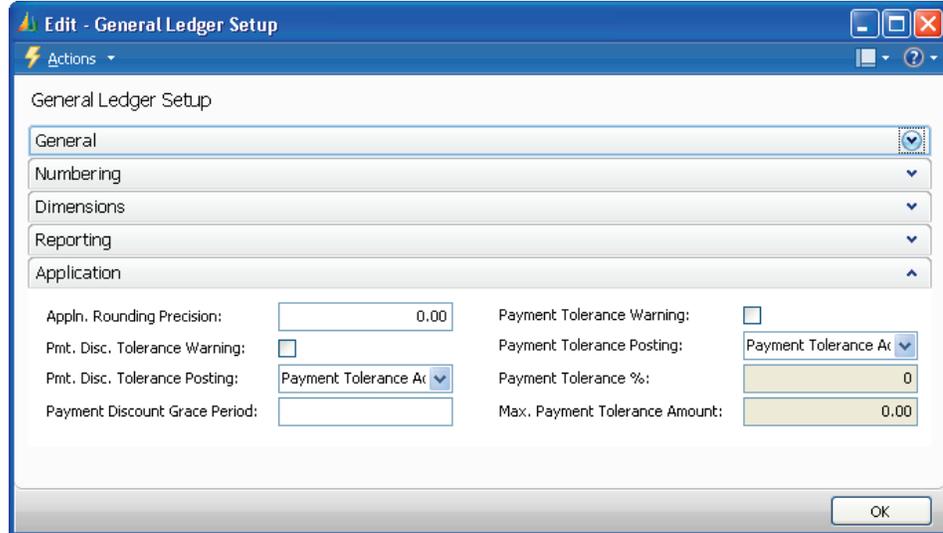


FIGURE 5.6 APPLICATION FASTTAB

The following fields are related to payment tolerance:

- **Payment Discount Tolerance Warning** - if this field is selected, the system generates a warning message when an application is made between the payment discount date and the payment discount tolerance date.
If payment discount tolerances are usually 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:
 - Payment tolerance accounts: The payment tolerance is posted to a special G/L account set up for payment tolerance.
 - Payment discount accounts: The payment tolerance is posted as a payment discount.

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 five days, enter 5D

- **Payment Tolerance Warning** - if this field is selected, the system generates a warning message 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:
 - Payment tolerance accounts: The payment tolerance is posted to a special G/L account set up for payment tolerance.
 - Payment discount accounts: The payment tolerance is posted as a payment discount.
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.
This field is non-editable, but you can change the value 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.
This field is non-editable, but you can change the value by running the **Change Payment Tolerance** batch job.

NOTE: Except 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 **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **General Ledger Setup**.
2. Click **Actions**, point to **Functions**, and then select **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 **drop-down list** and select the relevant currency.

5. In the **Payment Tolerance %** field, enter the percent the payment or refund can 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 can differ from the invoice or credit memo amount.
7. Click **OK**.
8. In the message that asks to change all open entries for unblocked customers or vendors, click **Yes** or **No** as necessary.

***NOTE:** Existing open entries do not have 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 differs from the usual payment discount account, the accounts must be created in the Chart of Accounts.

As soon as 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., is asked to set up payment tolerance because of the many underpayments received based on payment discounts.

Your company has decided to give a 1 percent payment tolerance for payment amounts. However, the tolerance cannot exceed 50.00 (LCY).

There has also been a request for the company to:

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

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

Steps: Set Up Payment Tolerance

To set up the tolerance parameters, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **General Ledger Setup**.
2. Click the **Application** FastTab.
3. Place a check mark in the **Pmt. Disc. Tolerance Warning** check box.
4. Make sure 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. Make sure that the **Payment Tolerance Posting** field is set to Payment Tolerance Accounts.
9. Click **Actions**, point to **Functions**, and then select **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

Scenario

The CFO at CRONUS International Ltd. has discovered that the existing tolerance is 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 percent overpayment/underpayment of invoices, with a maximum tolerance of 200.00 (LCY).

The other tolerance parameters do not have 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.

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.

Step by Step

1. On the Navigation Pane, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **General Ledger Setup**.
2. Click **Actions**, point to **Functions**, and then select **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.

Process Payment Tolerance

When payments do not match the invoiced amount, perhaps the customer has:

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

***NOTE:** To complete the demonstrations in this lesson, 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 Lab 5.7: Set up a Payment Tolerance

Demonstration: Discount Taken Past the Discount Date

Scenario: On January 10, 2010, Arnie the Account Receivable assistant, 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, 2010. Because CRONUS International Ltd. has set up a grace period of five days, this discount is acceptable.

Steps: Discount Taken Past the Discount Date

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/10/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -49,762.93.
8. Click **Apply Entries**.
9. Click the line for Document No. 00-3.
10. Click **Set Applies-to ID**.
11. Notice that the **Balance** field at the bottom of the window contains a difference at -1,015.57.

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 **Yes**.
15. Click **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 users apply entries and post balances as payment tolerance or payment discount tolerance, the system posts a separate Detailed Customer Ledger Entry with the amount of the tolerance.

The Entry Types for the tolerance entries are as follows:

- **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 2009 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. On the Receivables page, click **Customers**.
2. Locate and select customer 10000.
3. Click **Ledger Entries**.
4. Notice that the **Remaining Amount** is zero for:
 - **Document No.** 00-3
 - Payment line dated 01/10/10
5. Click the payment line and then click **Related Information**, point to **Entry** and then select **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 that match the invoice total.

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

If the difference was not posted as a discount tolerance, the 1,015.57 balance appears as a remaining amount on the invoice line. Accept the late payment discount to close the invoice and payment.

Demonstration: Discount Calculated Incorrectly

Scenario: On January 7, 2010, 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, although the payment was received within the discount period, the amount was calculated incorrectly.

The Cannon Group PLC has taken a 2.25 percent discount instead of 2 percent. Because CRONUS International Ltd. has set up a 3 percent payment tolerance, this discount is acceptable.

Steps: Discount Calculated Incorrectly

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then click **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/07/10.
4. In the **Document Type** field, click the drop-down list and select Payment.
5. In the **Account Type** field, click the drop-down list and select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -66,181.31.
8. Click **Apply Entries**.
9. Click the line for Document No. 00-6.
10. Click **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 leaving it as a remaining amount on the customer account. To accept the tolerance, click the **Post the Balance as Payment Tolerance** option button.
13. Click **OK**.
14. Click **Post**.
15. Click **Yes** to post the journal lines.
16. Click **OK**.
17. Close the **Cash Receipt Journal** window.

To review the posted entries, follow these steps:

1. On the Receivables page, click **Customers**.
2. Locate and select customer 10000.
3. Click **Ledger Entries**.
4. Notice that the **Remaining Amount** is zero for:
 - **Document No.** 00-6
 - Payment line dated 01/07/10
5. Click the payment line and then click **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 that match the invoice total.
7. Close the **Customer Ledger Entries** and **Customer Card** windows.

If the difference was not posted as a payment tolerance, the 1,523.36 is displayed as a remaining amount on the invoice line. Accept the tolerance to close the invoice and payment.

Demonstration: Incorrect Totaling of Two Invoices

Scenario: On January 30, 2010, 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. Because this is within the payment tolerance range, he continues with posting to close the entries.

Steps: Incorrect Totaling of Two Invoices

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Cash Receipt Journals**.
2. Make sure that the Bank batch is selected.
3. In the **Posting Date** field, enter 01/30/10.
4. In the **Document Type** field, click the **drop-down list** and select Payment.
5. In the **Account Type** field, click the **drop-down list** and select Customer.
6. In the **Account No.** field, enter 30000.
7. In the **Amount** field, enter -116,564.07.
8. Click **Apply Entries**.
9. Click the line for Document No. 00-13.
10. Click **Set Applies-to ID**.
11. Click the line for Document No. 00-15.
12. Click **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 **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. On the Receivables page, click **Customers**.
2. Locate and select customer 30000.
3. Click **Ledger Entries**.
4. Notice that the **Remaining Amount** is zero for:
 - **Document No.** 00-13
 - **Document No.** 00-15
 - Payment line dated 01/30/10

5. Click the payment line and then click **Related Information**, point to **Entry** and then select **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 match the actual net amount of the two invoices.
7. Close the **Customer Ledger Entries** window.

If the difference was not posted as a payment tolerance, the 2.97 balance is displayed as a remaining amount on the line for invoice 00-15 because it was the last invoice applied. Accept the tolerance to close the invoices and payment.

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 the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the customer to review.
3. Click **Statistics**.
4. Click the **Sales** FastTab. The fields related to discounts and tolerances are as follows:
 - **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.
5. Close the **Customer Statistics** window.

Lab 5.8 - Process a Payment Tolerance

Scenario

At the end of December 2009, customer 20000, Selangorian Ltd., signed an agreement to receive a 2 percent discount on all payment received within eight days of the invoice's Document Date. Before the change can 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, 2010
- Discount amount of 1,015.57

On January 7, 2010, you receive the payment for the invoice in the amount of 49,635.98. Where 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 difference because they took a 2.25 percent discount instead of the allowed 2 percent.

Therefore, you have 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.

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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select customer 20000.
3. Click **Ledger Entries**.
4. On the line for **Document No.** 00-8, click the **Pmt. Discount Date** field.
5. Enter 01/08/10.
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. Make sure that the Bank batch is selected.
10. In the **Posting Date** field, enter 01/07/10.
11. In the **Document Type** field, click the drop-down list and select Payment.
12. In the **Account Type** field, click the drop-down list and select Customer.
13. In the **Account No.** field, enter 20000.
14. In the **Amount** field, enter -49,635.98.
15. Click **Apply Entries**.
16. Click the line for **Document No.** 00-8.
17. Click **Set Applies-to ID**.
18. Click **OK**; the **Payment Tolerance Warning** window appears.
19. To decline the tolerance, make sure that the **Leave the Balance as Remaining Amount** option button is selected.
20. Click **OK**.
21. Click **Post**.
22. Click **Yes** to post the journal lines.
23. Click **OK**.
24. Close the **Cash Receipt Journal** window.

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 2009 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 they have received the reminders, a finance charge memo can be issued that contains interest charges.

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 for five reminders:

- Microsoft Dynamics NAV 2009 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).
- As soon as 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, additional reminders cannot be created.

As soon as the reminder terms are created, the **Reminder Term Code** is entered on the relevant customer cards.

Reminder Terms

To access Reminder Terms, on the Navigation Pane, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Reminder Terms**.

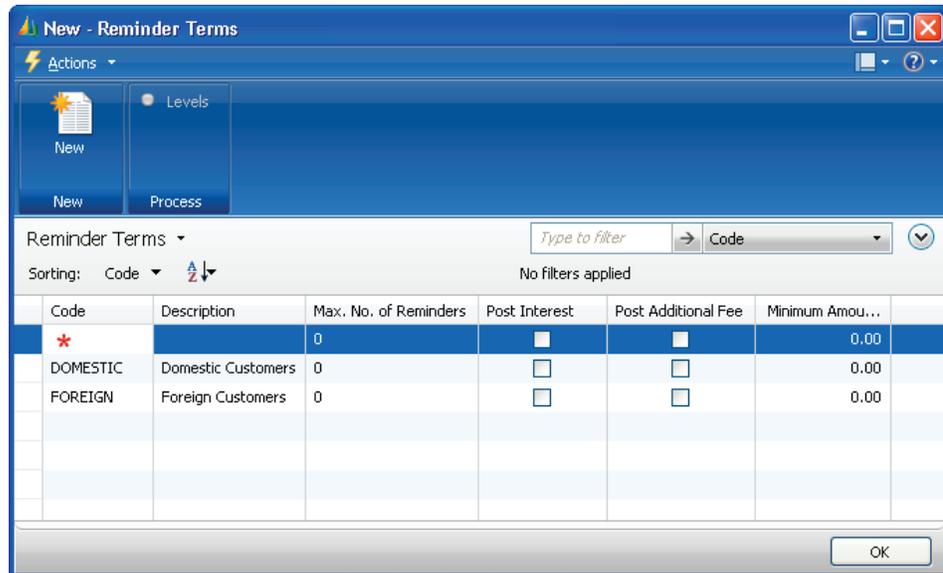


FIGURE 5.7 REMINDER TERMS

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

- **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 this field is 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 this field is 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.

Reminder Levels

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**.

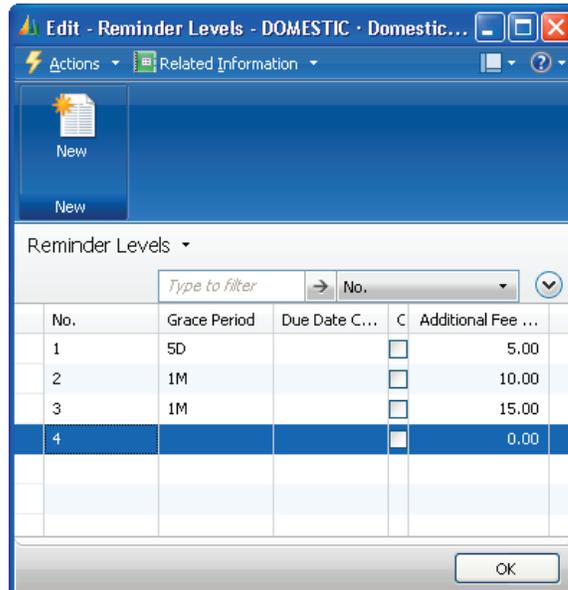


FIGURE 5.8 REMINDER LEVELS

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

- **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 about an overdue amount. Level 2 is the second reminder, and so on.
 - When reminders are created, Microsoft Dynamics NAV 2009 keeps track of how many reminders have been created previously and uses the current level number to determine which conditions apply.
 - When a reminder is issued on the last level, the terms of this level apply to any succeeding reminders that are created.
- **Grace Period** - specifies the 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.
 - When Microsoft Dynamics NAV 2009 determines whether the first reminder must 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.
 - Any succeeding reminders are created if the document date is after the date of the last issued reminder plus the grace period.
- **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 this field is 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 table shows how Grace Periods and Due Date Calculations are used on an invoice due January 29 (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 **Related Information**, point to **Level**, and then select **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 on payment and consequences of non-payment.
- Include several predefined text variables.

To access Beginning or Ending Texts from the **Reminder Levels** window, click **Related Information**, point to **Level**, and then click **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 criteria in the following table.

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.

Level	Grace Period	Due Date	Additional Fee	Beginning Text	Ending Text
3	5 days	2 days	20.00		This is the (reminder level from the header) reminder we have sent. Your account is delinquent and is 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: Create a Reminder Term

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

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Reminder Terms**.
2. Click **New** 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 **Related Information**, point to **Level**, and then select **Beginning Text**.
11. In the first line, enter "Please remit payment immediately".
12. Click **OK**.
13. Click the next line.
14. For level 2, in the **Grace Period** field, enter 5D.
15. In the **Due Date** field, enter 1W.
16. Place a check mark in the **Calculate Interest** check box.
17. In the **Additional Fee** field, enter 15.

18. Click **Related Information**, point to **Level** and then click **Ending Text**.
19. In the first line, enter Payment was due %2. Remit payment immediately.
20. Click **OK**

To enter the third level of the Reminder Term, 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.
5. In the **Additional Fee** field, enter 20.
6. Click **Related Information**, point to **Level** and then select **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 is sent to a collection agency".
9. Click **OK**
10. Click **OK** in the **Reminder Levels** and **Reminder Terms** windows.

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

1. On the Receivables page, click **Customers**.
2. Locate and select customer 20000.
3. Click the **Payments** FastTab.
4. In the **Reminder Terms Code** field, click the drop-down list and select LATE.
5. Click **OK**.

Lab 5.9 - Set Up a Reminder Term

Scenario

CRONUS International Ltd. has three troublesome customers who are consistently late on paying 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 have 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.

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.

Step by Step

1. On the Navigation Pane, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Reminder Terms**.
2. Click **New** 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 **Related Information**, point to **Level**, and then select **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. Click **OK**.
12. Click **OK** in the **Reminder Levels** and **Reminder Terms** windows.
13. In the Receivables folder, click Customers.
14. Locate and select customer 10000.
15. Click the **Payments** FastTab.
16. In the **Reminder Terms Code** field, click the drop-down list and select TOP3.
17. Click **OK**.
18. Repeat steps 13-15 for customers 40000 and 50000.

Create and Issue Reminders

In Microsoft Dynamics NAV 2009, a reminder resembles an invoice. To create a reminder, a reminder header and one or more reminder lines must be filled in.

You can create reminders by using either of the following methods:

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

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

Create Reminders Batch Job

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 several predefined text options.
- Flexible interest rates.
- Other fees when you are creating reminders for customers.
- Choosing whether 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 the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Reminders**.

2. Click **Create Reminders**.

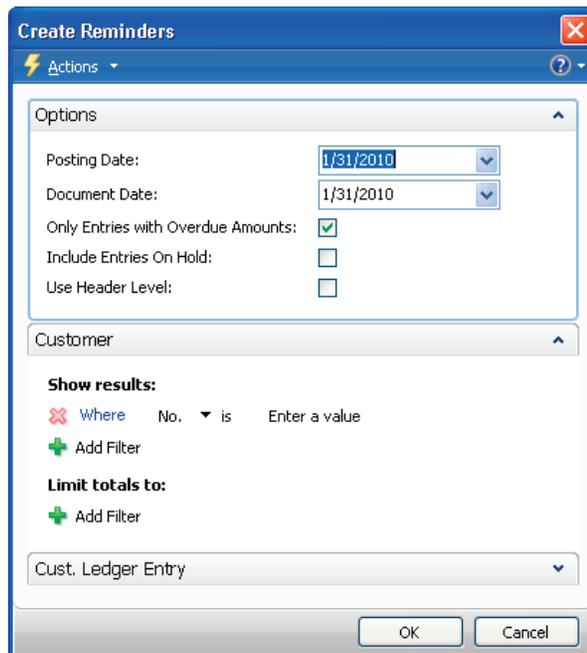


FIGURE 5.9 CREATE REMINDER

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

- Options
- Customer
- Cust. Ledger Entry

Use the **Customer** and **Cust. Ledger Entry** FastTabs to filter the information used to create the reminders. Notice that regardless of the selections made on these FastTabs, reminders are only created for customers who have outstanding balances.

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

- **Posting Date** - date that is listed as the posting date on the header of the reminder.
- **Document Date** - date that is listed as the Document Date on the header of the reminder.
This date is used for any interest calculations and to determine the reminder's due date.
- **Only Entries with Overdue Amounts** - if this field is selected, the batch job only inserts open customer entries with a due date earlier than the **Document Date**. If it is not selected, the bottom of the reminder contains the amounts owed by the customer but are not yet due.

- **Use Header Level** - if this field is selected, the Reminder Level in the reminder header is used to determine whether to calculate interest for a specific reminder line. If it is not selected, the Reminder Level on each reminder line is used to determine whether to calculate interest or not.

Use Header Level Option Example

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 because 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 for each currency for which there is overdue customer ledger entries.*

Create Reminders Manually

You can manually create reminders directly in the **Reminders** window. After creating the header, you can add invoice lines by using the **Suggest Reminder Lines** batch job.

The **Suggest Reminder Lines** batch job creates reminder lines by 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, rather than selecting the **Reminder Level** on each reminder line before running the **Suggest Reminder Lines** batch job.*

To create reminders manually, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Reminders**.
2. Click **New**.
3. In the **Customer No.** field, click the drop-down list and select the relevant customer.
4. In the **Posting Date** field, enter the date this reminder is to be issued.
5. 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.
6. Place a check mark in the **Use Header Level** check box to base the interest calculations on the header level, rather than the line level.
7. Click **Suggest Reminder Lines**.
8. Click the **Options** FastTab.
9. Place a check mark in the **Only Entries with Overdue Amounts** to include only overdue invoices in the reminder lines.
10. Click the **Cust. Ledger Entry** FastTab.
11. Filter as needed on the document types to include in the reminder lines.
12. Click **OK** to generate the reminder lines.
13. Click **OK** in the **Reminder** window

Change Beginning and Ending Text

Change the beginning and ending text 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 the reminder text, follow these steps:

1. In the **Reminders** window, with the header and lines created, click **Actions**, point to **Functions**, and then select **Update Reminder Text**.
2. Click the **Options** FastTab.

3. In the **Reminder Level** field, enter the level number that contains the preferred text.
4. Click **OK**.

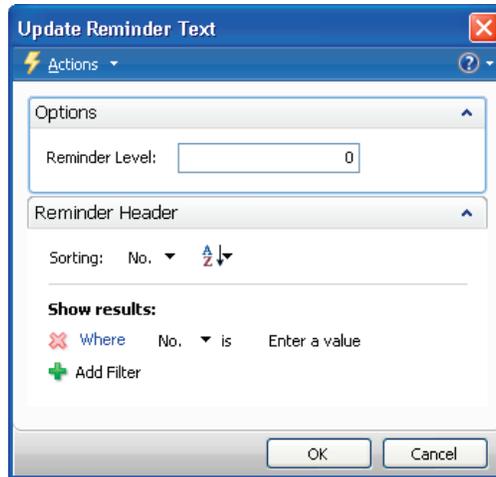


FIGURE 5.10 UPDATE REMINDER TEXT

The reminder lines are now updated with the new text.

Issue Reminders

After the reminder header and associated reminder lines have been created, the reminder must be issued. This is the process of posting the reminders.

When a reminder is issued, Microsoft Dynamics NAV 2009 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.

Before 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 **Actions**, point to **Issuing**, and then select **Test Report**.
3. Click **Preview** to view the document on the screen or click **Print** to print the document for review.

To issue reminders, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Reminders**.
2. Locate and select the reminder to issue.
3. Click **Issue**.
4. Click the **Options** FastTab.

5. Place a check mark in the **Print** check box to print the issued reminder(s).
6. Place a check mark in the **Replace Posting Date** check box to change the existing posting date on the reminder header(s).
7. If you are replacing the posting date, enter the new date in the **Posting Date** field.
8. The **Reminder** FastTab contains the reminder number of the selected reminder. Issue a group of reminders by entering the number range in the **No.** field.

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

1. In the **Reminders** window, highlight all lines.
2. Click **Issue**.
3. Click the **Options** FastTab and complete as needed.
4. Click **OK**.
5. Close the **Reminders** window.

View or Print Issued Reminders

View and print issued reminders 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 the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **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** FastTab.
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

Scenario

It is the beginning of March, 2010, and reminders must be created and issued for past due customer entries as of February 28, 2010, by 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 scenario.

Need a Little Help?

1. Open the **Reminder** window.
2. Run the **Create Reminders** batch job for all past due entries as of February 28, 2010.
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.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Reminders**.
2. Click **Create Reminders**.
3. Click the **Options** FastTab.
4. In the **Posting Date** field, enter 02/28/10.
5. In the **Document Date** field, enter 02/28/10.
6. Make sure 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 **Issue**.
11. Click **OK**.

12. Locate and select the reminder for customer 47563218.
13. Click **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.

Set Up and Assign Finance Charge Terms

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

Finance Charge Terms

To access **Reminder Charge Terms**, on the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Finance Charge Terms**.

Code	Description	Interest Ca...	Interest Ca...	Interest Rate	Interest Pe...	Minimum Amou...	Additional Fee ...	Grace Period
1.5 DOM,	1.5 % for Domes...	Open Entries	Average D...	1.5	30	10.00	10.00	5D
2.0 POR,	2.0 % for Foreign...	Open Entries	Average D...	2	30	0.00	0.00	7D

FIGURE 5.11 FINANCE CHARGE TERMS

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

- **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 as follows:
 - Open Entries
 - Closed Entries
 - All Entries
- **Interest Calculation Method** - determines the interest calculation method for this set of finance charge terms. The options are as follows:
 - Balance Due Method: the finance charge is a percentage of the overdue amount. $\text{Finance Charge} = \text{Overdue Amount} * (\text{Interest Rate} / 100)$
 - Average Daily Balance Method: this method considers how many days the payment is overdue. $\text{Finance Charge} = \text{Remaining Amount} * (\text{Days Overdue} / \text{Interest Period}) * (\text{Interest Rate} / 100)$
- **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 percent for 360 days or 1 percent 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.
- **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.
Post Interest - if this field is 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 this field is 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.

Demonstration: Create a Finance Charge Term

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

- Interest is calculated on open customer entries by using the Average Daily Balance method.
- Interest rate is 11 percent, 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.

Steps: Create a Finance Charge Term

To create the finance charge term, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Finance Charge Terms**.
2. Click **New**.
3. In the **Code** field, enter 11 Late.
4. In the **Description** field, enter Consistently Late Payers.
5. In the **Line Description** field, enter %4% finance charge of %6
6. In the **Interest Rate** field, enter 11.
7. Make sure that the **Interest Calculation** is set to Open Entries.
8. Make sure that the **Interest Calculation Method** is set to Average Daily Balance.
9. In the **Interest Period (Days)** field, enter 360.
10. Make sure 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 **OK**
13. Select the new Finance Charge Term in the Finance Charge Terms window and then click **Related Information**, point to **Terms**, and then select **Ending Text**.

14. In the first line, enter "Please pay the total of %7".
15. Click **OK**.

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

1. On the Receivables page, click **Customers**.
2. Locate and select customer 20000.
3. Click the **Payments** FastTab.
4. In the **Fin. Charge Terms Code** field, click the drop-down list and select 11 LATE.
5. Click **OK**.

Demonstration: Set Up a Finance Charge Term

In Lab 5.9, you set up the TOP3 Reminder Terms. Now, a Finance Charge Term is being 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 by using the Average Daily Balance method.
- Use a 10 percent 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.

Steps: Set Up a Finance Charge Term

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Finance Charge Terms**.
2. Click **New**.
3. In the **Code** field, enter 10 TOP3.
4. In the **Description** field, enter TOP 3 Late Payers.
5. In the **Line Description** field, enter %4% finance charge of %6.
6. In the Additional Fee field, enter 20.
7. In the **Interest Rate** field, enter 10.

8. In the **Interest Calculation** field, click the drop-down list and select All Entries.
9. Make sure that the **Interest Calculation Method** is set to Average Daily Balance.
10. In the **Interest Period (Days)** field, enter 180.
11. Make sure that the **Post Interest** and **Post Additional Fee** check boxes contain check marks.
12. Click **OK**.
13. Select the 10 TOP3 in the **Finance Charge Terms** window and then click **Related Information**, point to **Terms**, and then select **Ending Text**.
14. In the first line, enter "Please pay the total of %7".
15. Click **OK**.
16. In the Navigation Pane, click **Financial Management**, click **Receivables**, and then select **Customers**.
17. Locate and select customer 10000.
18. Click the **Payments** FastTab.
19. In the **Fin. Charge Terms Code** field, click the drop-down list and select 10 TOP3.
20. Click **OK**.
21. Repeat steps 18-20 for 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.

Create finance charge memos by 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.

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

Create Finance Charge Memos Batch Job Overview

The **Create Finance Charge Memos** batch job creates finance charge memos for customers who have 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 whether 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:** Make sure that all open credit memos are applied to existing open invoices before you calculate finance charges. Because credit memos have negative balances, the finance charge function generates an error when you try to calculate on that open record.*

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Finance Charge Memos**.
2. Click **Create Finance Charge Memos**.

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

- Options
- Customer
- Cust. Ledger Entry

Use the **Customer** and **Cust. Ledger Entry** FastTabs to filter the information that is used to create the finance charge memos. Notice that regardless of the selections made on these FastTabs, reminders are only created for customers who have outstanding balances.

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

- **Posting Date** - date that is listed as the posting date on the header of the finance charge memo.
- **Document Date** - date that is listed as the Document Date on the header of the finance charge memo. This date is used to determine:
 - The due date for the finance charge memo.
 - Which customer ledger entries to insert in the finance charge memo lines. If you use the Average Daily Balance method 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 for each currency for which there are entries on which interest is calculated.*

Demonstration: Create Finance Charge Memos Automatically

Scenario: Beginning from 2010, Arnie is required to create finance charge memos for all open customer entries. It is February 1, 2010 and he needs to run the reminders for open entries as of January 31, 2010.

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

Steps: Create Finance Charge Memos Automatically

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

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Finance Charge Memos**.
2. Click **Create Finance Charge Memos**.
3. Click the **Options** FastTab.
4. In the **Posting Date** field, enter 01/31/10.
5. In the **Document Date** field, enter 01/31/10.
6. Click **OK**.

To review a finance charge memo, follow these steps:

1. In the Finance Charge Memos window click **New**.
2. Click the drop-down list in the **Customer No.** field and locate the memo for customer 30000, John Haddock Insurance Co.
3. Notice that all invoices are past due as of January 31, 2010.
4. Click the **Posting** FastTab.
5. Note that the **Reminder Terms Code** is 1.5 DOM. Click the **drop-down list** in this field.
6. Notice that there is:
 - A 1.5 percent 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.
7. Click **Related Information**, point to **Terms**, and then select **Beginning Text**.

8. Note that no beginning text has been specified for this Finance Charge Term.
9. Close the **Beginning - Finance Charge Text** window.
10. Click **Related Information**, point to **Level**, and then select **Ending Text**.
11. Note that the text references paying the total amount of overdue invoices, interest, and additional fees.
12. Close the **Ending - Finance Charge Text** and **Finance Charge Terms** windows.
13. 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

You can manually create finance charge memos directly in the **Finance Charge Memos** window. After creating the header, you can add invoice lines 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 when you run the batch job.*

To create finance charge memos manually, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then click **Finance Charge Memos**.
2. Click **New** to a new finance charge memo.
3. In the **Customer No.** field, click the drop-down list 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 **Actions**, point to **Functions**, and then select **Suggest Finance Charge Memos Lines**.
9. Click the **Cust. Ledger Entry** FastTab.
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 **Actions**, point to **Functions**, and then select **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 creating the finance charge memo header and associated lines, you must issue the finance charge memo, which is the process of posting the finance charge memo.

When a finance charge memo is issued, Microsoft Dynamics NAV 2009 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, you can run a Test Report 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 **Actions**, point to **Issuing**, and then select **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 the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Finance Charge Memos**.
2. Locate and select the finance charge memo to issue.
3. Click **Issue**.
4. Click the **Options** FastTab.
5. Place a check mark in the **Print** check box to print the issued finance charge memo(s).
6. Place a check mark in the **Replace Posting Date** check box to change the existing posting date on the finance charge memo header(s).
7. If replacing the posting date, enter the new date in the **Posting Date** field.
8. The **Finance Charge Memo** FastTab contains the number of the selected finance charge memo. You can issue a group of finance charge memos by entering the number range in the **No.** 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, highlight all lines to be issued and click **Issue**.
2. Notice that the **Finance Charge Memo** FastTab references a filter of **Marked** entries.
3. Click the **Options** FastTab and complete as needed.
4. 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 the **Departments** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **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**.
3. Click the **Options** FastTab.
4. Place a check mark in the **Show Internal Information** check box to include information that is only for internal use on the printed report.
5. Place a check mark in the **Log Interaction** check box to create a finance charge memo interaction on the customer's Contact Card.
6. Click **Print**.
7. 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 in the following table.

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.

Interest Calculation	Interest Calculation Method	Customer Ledger Entries Suggested in Finance Charge Memo	Base Used to Calculate Interest
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 5.11 - Create and Issue Finance Charge Memos

Scenario

It is the beginning of March 2010 and finance charge memos must be created and issued for past due customer entries as of February 28, 2010.

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.

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 28, 2010.
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.

Step by Step

1. On the Navigation Pane, click the **Department** button, click **Financial Management**, click **Periodic Activities**, click **Receivables**, and then select **Finance Charge Memos**.
2. Click **Create Finance Charge Memos**.
3. Click the **Options** FastTab.
4. In the **Posting Date** field, enter 02/28/10.
5. In the **Document Date** field, enter 02/28/10.
6. Click **OK**.
7. Locate and select the finance charge memo for customer 42147258.
8. Click **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.

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**.

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

Review Ledger Entries

Reviewing ledger entries gives the user a basic to analyze the receivables. The Customer Ledger Entries and Detailed Customer Ledger Entries are both used to analyze receivables.

1. The following example reviews the posted ledger entries posted to customer 10000. On the Navigation Pane, click the **Departments button**, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select customer 10000.
3. Click **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 it accesses the Detailed Customer Ledger Entries that calculate the value in the field.
6. Click **Close**.
7. On the line for **Document No.** 00-11, click **Related Information**, point to **Entry**, and then select **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.

Summary

Receivables Management helps understand the processes and functionality available when you are managing receivables. It helps make sure that payments are applied and posted correctly.

It helps you in always keeping track of the open balances and all entries posted to a customer.

Using Receivables Management in Microsoft Dynamics NAV 2009 also lets you manage customer payments, payment discounts and tolerances and even address reminders and finance charge memos.

Test Your Knowledge

Multiple Choice Questions

1. Where are Application Methods specified?
 - Cash Receipt Journal
 - Apply Customer Entries window
 - Customer Card
 - Customer Ledger Entries
2. In what window are actual posted customer entries amounts located?
 - Posted Customer Ledger Entries window
 - Customer Ledger Entries window
 - Detailed Ledger Entries window
 - Detailed Cust. Ledg. Entries window

Fill in the Blanks

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

3. Payment _____ is used to manage customer over- and underpayments.
4. _____ are used to prompt customers to pay overdue amounts.
5. Payment _____ are an incentive for customers to quickly pay their outstanding amounts fully.
6. Finance charge memos contain information about calculated _____ on outstanding balances.

Quick Interaction: Lessons Learned

Take a moment and write down three key points you have learned from this chapter

1.

2.

3.

Solutions

Set Up Payment Discounts

Test Your Knowledge: Set Up Payment Discounts

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

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

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

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

3. What do you select in the Payment Terms window, to grant a payment discount of 3 percent if payment is received within ten days of the document date?

- Enter D10 in the Discount Date Calculation field, and 3 in the Discount % Field.
- Enter 10D in the Discount Date Calculation field, and 3 in the Discount % Field.
- Enter 10D in the Discount Date Calculation field, and .03 in the Discount % Field.
- Enter D10 in the Discount Date Calculation field, and .03 in the Discount % Field.

Test Your Knowledge

Multiple Choice Questions

1. Where are Application Methods specified?
 - Cash Receipt Journal
 - Apply Customer Entries window
 - Customer Card
 - Customer Ledger Entries

2. In what window are actual posted customer entries amounts located?
 - Posted Customer Ledger Entries window
 - Customer Ledger Entries window
 - Detailed Ledger Entries window
 - Detailed Cust. Ledg. Entries window

Fill in the Blanks

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

3. Payment tolerance is used to manage customer over- and underpayments.
4. Reminders are used to prompt customers to pay overdue amounts.
5. Payment discounts are an incentive for customers to quickly pay their outstanding amounts fully.
6. Finance charge memos contain information about calculated interest on outstanding balances.