



Infor LN Financials User Guide for Accounts Receivable

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Contents

About this Guide.....	5
Contacting Infor.....	5
Chapter 1: Topics shared with Accounts Payable.....	7
Control accounts.....	7
To set up control accounts.....	7
Search path for control account.....	8
Purchase and sales transaction types using multiple control accounts.....	9
Financial business partner groups.....	10
Financial business partner group ledger accounts.....	10
Common ledger accounts used for ACR and ACP.....	11
Ledger accounts used for ACP.....	13
Ledger accounts used for ACR.....	14
Default amounts for bank transactions.....	14
Payment/receipt schedule.....	14
Discount/late payment surcharge.....	15
Tolerated payment differences.....	16
Payment schedules – overview.....	17
Receipts against shipments – overview.....	18
Due date calculation.....	19
Credit notes.....	20
Using credit notes.....	21
Assigning credit notes.....	22
Trade notes – overview.....	23
Factoring.....	23
Currency differences.....	23
Unrealized currency differences.....	25
Realized currency differences.....	26

AP and AR dashboard navigation – examples.....	27
Chapter 2: Accounts Receivable.....	29
Problem invoices.....	29
Interest invoices.....	29
To process monthly billing invoices.....	31
Advance installments.....	33
Separate ledger accounts for advance installments.....	34
Separate ledger accounts for advance installments - setup.....	34
To assign credit notes to receipt schedules.....	35
Credit control.....	35
Interest calculation on overdue invoices.....	37
Examples of interest calculation for overdue invoices.....	38
Sales orders - interim revenue reconciliation.....	40
To post sales invoices to control accounts.....	42
Index.....	43

About this Guide

This document describes the process to set up and manage open invoices that may originate from various modules. The process to create manual sales invoices, send reminders, and generate interest invoices is also detailed.

Assumed knowledge

Understanding this document is easier if you have some basic knowledge of the functionality of the various logistic LN packages and Financials.

Document summary

This document is a compilation of the help topics for the Accounts Receivable module that are listed under LN, Financials, Online Manual Topics.

How to read this document

This document was assembled from online Help topics. As a result, references to other sections in the manual are presented as shown in the following example:

- For details, refer to To set up an integration mapping scheme. To locate the referred section, please refer to the Table of Contents or use the Index at the end of the document.

Underlined terms indicate a link to a glossary definition. If you view this document online, clicking the underlined term takes you to the glossary definition at the end of the document.

Related documents

- User Guide for Accounts Payable (U9633)

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Chapter 1: Topics shared with Accounts Payable

Control accounts

Business practices in Japan, Spain, Italy, and other countries require that different types of receivables and payables are posted to different control accounts. You can use multiple control accounts for financial business partner groups to post real trade transactions and other purchase or sales-related transactions to different control accounts.

You can use the *sales types* and the *purchase types* to post the financial transactions generated during processing of the invoices to various control accounts. For each business partner group, you can define the control account to be used for each sales type and purchase type.

You can create as many sales types and purchase types as you need for your financial administration. You can define sales type exceptions and purchase type exceptions to post transactions with specific origins and with specific details, for example, specific items or projects, to specific control accounts.

Default control account

For each business partner group, you must define one default sales type or purchase type and its related control account. In other words, you must define at least one sales type and one purchase type because this is required to link at least one control account to a business partner group.

It is recommended that for regular sales/purchase activities, you use the default sales type and purchase type and control accounts. You can use the additional sales types and purchase types with their control accounts to post invoices that are not related to real trade transactions to separate control accounts. For example, non-trade sales invoices can concern the sale of fixed assets, intercompany transfers, and so on.

Dimensions

You can use the dimensions to split the transactions on the customer and supplier control accounts by departments, persons responsible for the revenues, costs, properties, debts, and so on. All the additional control accounts of the business partner groups must use the same dimensions as the control account linked to the default sale type or purchase type.

To set up control accounts

To set up control accounts

1 Purchase Types (tcmcs2101m000).

Define the required *purchase types*.

2 Purchase Type Exceptions (tcmcs2103m000)

Link purchase types (and through the purchase type, a control account) to transactions that involve specific details for an invoice-from business partner and order origin as required. Transactions for which no specific purchase type is found are posted to the control account linked to the default purchase type for the business partner group.

3 Sales Types (tcmcs2102m000).

Define the required *sales types*.

4 Sales Type Exceptions (tcmcs2104m000)

Link sales types (and through the sales type, a control account) to transactions that involve specific details for an invoice-to business partner and order origin as required. Transactions for which no specific sales type is found are posted to the control account linked to the default sales type for the business partner group.

5 Financial Business Partner Groups (tfacp0110m000)

For each financial business partner (suppliers) group, define the default purchase type.

6 Control Accounts by BP Group (tfacp0515m000)

Define the control account for the business partner group for each purchase type.

7 Financial Business Partner Groups (tfacr0110m000)

For each financial business partner (customers) group, define the default sales type.

8 Control Accounts by Business Partner Group (tfacr0515m000)

Define the control account for the business partner group for each sales type.

Search path for control account

To determine the control account for an invoice transaction, LN searches for the most specific sales type or purchase type in this order:

- 1** The manually entered sales type or purchase type of the sales invoice header or purchase invoice header.
- 2** The sales type or purchase type of the sales order line or purchase order line. This can be an 'exception' defined for specific order details such as the item code, the item group, or the project.
- 3** The default sales type or purchase type defined for the business partner group of the invoice-to or invoice-from business partner.

For manual purchase orders and purchase schedules, if no purchase type is found in the purchase type exceptions, LN retrieves the default purchase type from the business partner group of the invoice-to business partner.

For internal invoices with bilateral invoicing or triangular invoicing, LN uses the default sales type or purchase type of the business partner group linked to the internal invoice-to or invoice-from business partner. For example, internal invoices can be generated for transfers, manual transfers, WIP transfers, and internal freight orders.

Note: For purchase orders for which intercompany settlement transactions are generated, no sales type and purchase type are used and the corresponding field is disabled.

Purchase and sales transaction types using multiple control accounts

You can create as many sales types and purchase types as you need for your financial administration. You can define sales type exceptions and purchase type exceptions to post transactions with specific origins and with specific details, for example, specific items or projects, to specific control accounts.

Multiple control accounts are used for the following types of purchase and sales transactions:

- Purchase orders
- Freight orders
- Manual purchase invoices
- Invoices generated for procurement card statements
- Sales orders
- Warehouse orders for transfers that result in intercompany transactions
- Service orders
- Service contracts
- Calls
- Project orders
- Debit notes
- Credit notes
- Interest invoices
- Manual sales invoices
- Commission and Rebate invoices
- Purchase schedules
- Advance invoices
- Sales schedules

Payments and receipts processed in Cash Management are posted to the control accounts determined by the sales types and purchase types of the related orders or invoices.

This applies to the following types of cash management transactions:

- Manual and automatic payments/receipts for normal and anticipated payments/receipts
- Assignment of invoices to advances/unallocated
- Reconciliation of bank documents and electronic bank statements

Financial business partner groups

Financial business partner groups are used to establish the link between the accounts payable and accounts receivable. These groups are also used to establish a link to the General Ledger. For each business partner group, you must define a set of *ledger accounts* and *dimensions* to which transactions are posted.

In addition, you must define at least one *control account*. The received sales invoice amounts and sent purchase invoice amounts are posted to this account. When booking *credit notes*, the account is credited or debited in the opposite way, depending on the **Negative Amount for Credit Notes** parameter in the **Transaction Types (tfgld0511m000)** session. You can define multiple control accounts, and use the *sales types* and the *purchase types* to post the various types of invoice amounts to different control accounts. For details, refer to *To set up control accounts*.

You can define the financial business partner groups and the control accounts and other ledger accounts and dimensions for the business partner groups in these sessions:

- In Accounts Payable:
 - **Financial Business Partner Groups (tfacp0110m000)**
 - **Ledger Accounts by Business Partner Group (tfacp0111m000)**
 - **Control Accounts by BP Group (tfacp0515m000)**
- In Accounts Receivable:
 - **Financial Business Partner Groups (tfacr0110m000)**
 - **Ledger Accounts by Business Partner Group (tfacr0111m000)**
 - **Control Accounts by Business Partner Group (tfacr0515m000)**

You can assign the financial business partner groups to business partners in one of these sessions in Common:

- **Invoice-to Business Partner (tccom4112s000)**
- **Invoice-from Business Partner (tccom4122s000)**

When a transaction is entered, LN retrieves the financial business partner group to which the business partner belongs. The transaction is posted to the ledger accounts and dimensions associated with the business partner group.

Financial business partner group ledger accounts

In addition to the debtors' and creditors' *control accounts*, specific ledger accounts are predefined for a number of transactions from the Accounts Receivable module and the Accounts Payable module.

For each *financial business-partner group*, you must define the control accounts and the ledger account and the dimensions for each type of transaction. For details, refer to *Financial business partner groups*.

Note: Most kinds of transactions exist for both accounts payable and accounts receivable. A small number of transactions, however, are specific to either accounts payable or accounts receivable. If a transaction is specific to either accounts payable or accounts receivable, this is stated.

The accounts which you can set up for a financial business partner group depends on the functionality that you use. For example, sets of control accounts exist for factoring, trade notes, and fixed assets.

Common ledger accounts used for ACR and ACP

The commonly used control accounts for Accounts Payable and Accounts Receivable are described below.

Advance Payments–Tangible Assets and Advance Receipts

The advance payments or advance receipts are posted to this account. This account is credited when advance receipts are booked and debited when the advance receipt is assigned to an invoice. These transactions are entered, for example, in the **Bank Transactions (tfcmg2500m000)** session.

Realized Currency Profit

The realized currency profits are posted to this account. This account is used when a payment or receipt of an invoice in a foreign currency is processed. The *exchange rate* at the time of receipt is different from the exchange rate at the time of invoicing, which results in a currency profit.

The realized currency profit is posted when:

- An invoice is finally paid.
- Payment differences are written off.
- Advance payments or unallocated payments are assigned to an invoice.

Realized Currency Loss

The realized currency losses are posted to this account. This account is used when a payment or receipt of an invoice in a foreign currency is processed. The *exchange rate* at the time of receipt is different from the exchange rate at the time of invoicing, which results in a currency loss.

Unrealized Cur. Profit

Currency profits are posted to this account. This account is used if:

- An *anticipated payment/receipt* is processed for an invoice with a foreign invoice currency.
- The exchange rate at the time of receipt is different from the exchange rate at the time of invoicing, resulting in a currency profit.
- You write off *currency differences* by using the **Write Off Currency Differences (tfacr2250m000)** session or the **Write Off Currency Differences (tfacp2240m000)** session.

The realized currency profit is posted when:

- An invoice is finally paid.
- Payment differences are written off.
- Advance payments or unallocated payments are assigned to an invoice.

Note: An unrealized currency profit is only posted if you specified this in the Accounts Payable or Accounts Receivable parameters.

Unrealized Cur. Loss

Currency losses are posted to this account. This account is used if:

- An *anticipated payment/receipt* is processed for an invoice with a foreign invoice currency

- The exchange rate at the time of receipt is different from the exchange rate at the time of invoicing, which results in a currency loss.
- You write off *currency differences* by using the **Write Off Currency Differences (tfacr2250m000)** session, or the **Write Off Payment Differences (tfacr2240m000)** session. For the sessions **Write Off Payment Differences (tfacr2240m000)**/ **Write Off Bad Debts (tfacr2255m000)**, the existing Unrealized Currency Loss is contra-posted and posted to the Payment Differences/Write Off Bad Debts account.

The realized currency loss is posted when:

- An invoice is finally paid.
- Advance payments or unallocated payments are assigned to an invoice.

Write-off Bad Debts

The Bad Debts written off are posted to this account by **Write Off Bad Debts (tfacr2255m000)** session. Using this session amounts that are no longer collectible can be written off automatically.

Payment Differences

Payment differences are posted to this account. Using the **Write Off Payment Differences (tfacr2240m000)** or **Write Off Payment Differences (tfacr2230m000)** session small differences can be written off automatically.

Discount

The discounts are posted to this account when you process receipts or payments that involve discounts.

Late Payment Surcharge

The *late-payment surcharge* amounts are posted to this account when they are deducted in the **Bank Transactions (tfcmg2500m000)** session.

Anticipated Payments and Anticipated Receipts

The *anticipated payments* and *anticipated receipts* are posted to this account. LN books anticipated transactions to this account if **Anticipated Payments** or **Anticipated Receipts** has been selected in the **Account Type** field of the **Posting Data by Bank/Payment Method (tfcmg0146s000)** session. When the receipt status is switched from **Anticipated** to **Final**, the amounts are transferred to the control account.

Deductions Anticipated Payments and Deductions Ant. Receipts

The use of this account depends on the setting of the **Deductions** field of the **Posting Data by Bank/Payment Method (tfcmg0146s000)** session.

As long as the payment or receipt is not reconciled (in other words, its status is anticipated), you can store all deductions (discounts, late payment surcharges, and payment differences) on this ledger account.

As long as the payment or receipt is anticipated, the different possible deductions are not posted to the final accounts for discounts, late payment surcharges, or payment differences, but are posted together to this interim account. When the payment or receipt is reconciled, the deductions are posted from this interim account to the final accounts.

Net Advance Payments–Tangible Assets and Net Advance Receipts

In some countries, for example Germany, tax must be paid on large advance payments/receipts. The paid amount without tax is posted to this account.

Note: To charge tax on advance payments/receipts, select the **Calculate Tax on Advance Payments/Receipts** check box in the **CMG Parameters (tfcmg0100s000)** session.

Gross Advance Payments–Tangible Assets and Gross Advance Receipts

If the **Calculate Tax on Advance Payments/Receipts** check box in the **CMG Parameters (tfcmg0100s000)** session is selected, tax is calculated on advance payments/receipts. The paid amount with tax added is posted to this account.

Unallocated Payments and Unallocated Receipts

Unallocated payments/receipts are posted to this account. This account is debited when an unallocated payment or an unallocated receipt is booked, and credited when it is assigned to an invoice.

Ledger accounts used for ACP

The commonly used control accounts for Accounts Payable are described below.

Invoice Receipts

Purchase invoices are posted to this account when you enter the purchase invoices that are related to orders in Procurement.

This account is debited when purchase invoices that are related to orders are entered in LN and the invoice status is set to **Registered**. The account is credited when the purchase invoice is approved. For details, refer to Processing purchase invoices.

This account only exists for accounts payable.

Price Differences

Price differences are posted to this account. Price differences can occur during the automatic matching and approval of purchase invoices. These differences must lie within the margins that are defined in the **ACP Parameters (tfacp0100m000)** session.

This account only exists for accounts payable.

Commissions

Commissions are posted to this account.

This account only exists for accounts payable.

Ledger accounts used for ACR

The commonly used control accounts for Accounts Receivable are described below.

Rebates

Rebates are posted to this account.

This account only exists for accounts receivable.

Doubtful Invoices

Doubtful invoices are posted to this account. This account only exists for the accounts receivable.

Note: If you think an invoice is not going to be paid, you can post the invoice as doubtful using an invoice correction. This invoice is credited from the normal control account and posted to the doubtful invoices account.

Default amounts for bank transactions

When you enter a payment in the **Bank Transactions (tfcmg2500m000)** session, LN determines the following default amounts based on the data recorded for the invoice to which the payment is related:

- The amount payable, if the payment concerns a purchase invoice
- The amount receivable, if the payment concerns a sales invoice
- The discount amount
- The *late-payment surcharge* amount

The existence of a *payment/receipt schedule* for an invoice affects the way default amounts are calculated. However, default discount amounts and late payment surcharge amounts are calculated based on different data. The default tolerated *payment difference* can also be calculated.

Payment/receipt schedule

You can link a payment/receipt schedule to an invoice when you register an invoice in one of these sessions:

- **Sales Invoices (tfacr1110s000)**
- **Purchase Invoice Entry (tfacp2600m000)**

To link a payment/receipt schedule to an invoice, choose the corresponding command on the *appropriate* menu. A payment/receipt schedule is defined for one invoice in one of these sessions:

- **Receipt Schedules (tfacr1103m000)**
- **Payment Schedule (tfacp1103m000)**

If a payment/receipt schedule is present for the invoice for which you are creating a payment, LN determines the default amount payable on the basis of the payment date or receipt date.

Example

The total amount payable on a purchase invoice is USD 1,200.

Payment schedule:

Amount	Payment due date
USD 700	2017-02-15
USD 300	2017-03-01
USD 200	2017-03-15

If the first payment is made on 2017-02-18, the displayed default amount payable is USD 700.

If the first payment is made on 2017-03-04, the displayed default amount payable is USD 1,000 (700 + 300).

If the first payment is made on 2017-02-10, the displayed default amount payable is USD 700. If no payable amounts are found before the creation date of the payment, LN enters the amount specified for the next payment date. Therefore, the payment date 2017-02-10 results in a default amount of USD 700.

Discount/late payment surcharge

When no payment/receipt schedule is present for the invoice for which you are creating a payment, LN determines the default amount payable/receivable based on:

- The payment/receipt document date.
- The open invoice amount.
- The discount dates recorded for the invoice.

The **LPS/Discount for Partial Payments** parameter in the **CMG Parameters (tfcmg0100s000)** session determines how discounts on partial payments are calculated. If this parameter is set to **None**, no default discount amounts are given.

If the **LPS/Discount for Partial Payments** parameter is set to **Proportionally**, the default discount amount is calculated as shown in the following example:

Example 1

The payable purchase invoice amount is USD 100. The allowed discount amount is USD 8.

The default amounts of the first payment will be: Amount paid = USD 92. The discount calculated = USD 8.

If the partial amount payable is USD 20, the default discount is USD 1.74 ($20 * 100/92 * 8/100$).

The default amount of the second payment will then be: Amount payable = USD 72.

Default discount: $72 * 100/92 * 8/100 = \text{USD } 6.26$

If the **LPS/Discount for Partial Payments** parameter is set to **Fullly**, the default discount amount is calculated as shown in the following example:

Example 2

The payable purchase invoice amount is USD 1,000. The following discount data exist for this invoice:

Discount amount 1:	20	Discount date:	2017-01-01
Discount amount 2:	15	Discount date:	2017-02-01
Discount amount 3:	5	Discount date:	2017-03-01

The paid amount entered for the first payment is USD 800, and the discount amount is USD 18.

The next partial payment of USD 200 is made on 2017-01-15. The default discount amount is zero. Based on the payment's document date, LN determines the discount allowed at that time: USD 15. If this amount is smaller than the discount that was already taken at the first payment (which was USD 18), the default value given is zero.

Note: The default amount payable is first calculated in the invoice currency. If the receipt/payment currency is not equal to the invoice currency, the amount is calculated in the invoice currency based on the currency exchange rates of both currencies. If the invoice currency has a fixed exchange rate, this rate is used.

Tolerated payment differences

Tolerated payment differences

The allowed *payment difference* tolerances depend on the payment difference limits defined for specific users in the **Payment Authorizations (tfcmg1100m000)** session or as default values in the **CMG Parameters (tfcmg0100s000)** session.

LN determines the default tolerated payment difference for an invoice based on:

- The open amount.
- The invoice amount.
- The defined payment difference tolerances.

Example 1

The amount on the invoice is USD 1,000. The following tolerances are defined for payment differences:

Percentage of invoice lower than expected:	10%
Invoice amount lower than expected:	50 (in reference currency)

The default payment difference is 50.

The default payment difference must meet both conditions. In this case, the first condition dictates that the payment difference must be less than 100 ($10\% * 1,000 = 100$). However, the second condition dictates that the payment difference must be less than 50. Therefore, the default payment difference is 50.

Example 2

The amount on the invoice is USD 1,000. The following tolerances are defined for payment differences:

Percentage of invoice lower than expected:	3%
Invoice amount lower than expected:	50

The default payment difference is 30 ($3\% * 1,000$).

Note: If the payment difference for an actual payment is greater than the allowed default payment difference, the displayed default payment difference shown is zero.

Payment schedules – overview

A payment schedule defines agreements about the amounts to be paid by payment period. You can link a payment schedule to the payment terms. Each line of the payment schedule defines a part of the invoice amount that must be paid within a specific period, the payment method used for the payment, and the discount conditions that apply to the payment.

You can define payment schedules independently of the *payment terms*, and you can reuse a payment schedule for several payment terms.

Receipt schedules

In the Accounts Receivable module, the payment schedules define the amounts and due dates of receivable amounts. Therefore, in Accounts Receivable, payment schedules are referred to as receipt schedules.

Note: The difference between payment schedules and sales installments is that a payment schedule defines a number of payments for a single invoice, whereas for sales installments, a separate invoice is created for each installment.

Payment schedules

A payment schedule consists of a payment schedule header and payment schedule lines. The payment schedule header defines whether the payment amounts are specified as a percentage or through a factor, and the payment period type, which can be **Days**, **Months**, or **Fiscal Periods**.

The payment schedule lines define a part of the invoice amount to be paid within a specific period. The payment schedule lines are independent of each other. You can specify a separate payment method or receipt method for each line. For each schedule line, you can define three discount periods and discount percentages. Payment schedule lines are identified by the invoice number followed by the payment schedule line number.

Invoices with a payment schedule result in an open entry in Accounts Payable or Accounts Receivable for every payment schedule line. The payment schedule lines take the place of the invoice, for example, for credit control, reminder letters, and late payment surcharges, for payment advice and direct debit advice, open entry balances, aging analysis, the various purchase invoice authorization methods, and to write off currency differences.

The due date calculation can be based on the payment terms details or you can use a payment calendar. For details, refer to *To use payment calendars*

In Invoicing, LN prints the payment schedule on invoices and draft invoices to inform the business partner of the due dates and discount conditions.

Note:

LN also supports payment schedules for recurring invoices.

LN does not support payment schedules for subcontracting invoices.

Payment terms

You link payment schedules to sales invoices and purchase invoices through the *payment terms*.

For every line of the payment schedule, LN uses the due date calculation defined for the payment terms to which you link the payment schedule. Several payment schedule lines can have the same due date. If you select invoices for payment or direct debit, LN selects invoices as well as payment schedule lines that must be paid based on their due dates.

Receipts against shipments

The payment schedules functionality is also used to implement the *receipts against shipments* functionality. If you use receipts against shipments, LN generates a receipt schedule line for each shipment.

Receipts against shipments – overview

You can use the receipts against shipments functionality to generate or enter payment transactions and receipt transactions in Cash Management based on shipment or order information and to maintain the balances by shipment or order.

If you use the receipts against shipments functionality, LN generates a *receipt schedule* line for each shipment. The receipt schedule lines for receipts against shipments of a single order all have the same due date, which is based on the invoice date and the payment terms of the invoice.

If you ship goods against a sales order, each order line can result in one or several shipments. For every shipment, you must create a *packing slip*. In Cash Management, you apply the receipts to the shipment lines using the details on the packing slip.

If your customer returns the goods, you create a return order. You send a credit note to customer for the returned shipment. The credit note contains a credit note line for every returned shipment line.

You can compose shipment lines and return shipment lines on a single invoice. If the amount of the return shipment lines exceeds the amount of the shipment lines payable, LN generates a credit note.

If you use *receipts against shipments* and you linked a receipt schedule to the payment terms of the invoice, LN ignores the receipt schedule. The processing of the invoice is entirely based on the shipments. LN generates interest invoices and reminder letters for the shipments for which payment is overdue.

If you do not use receipts against shipments, the processing of the invoice is based on the payment terms. LN creates invoices for sales orders according to the composing criteria you select in Invoicing. Credit notes can have a single receipt schedule line.

Due date calculation

Several methods exist to determine the *due date* of an invoice or of a payment schedule line. In the **Payment Terms (tcmcs0113s000)** session, you can specify how LN determines the due dates.

The invoice's document date (date of creation) is the base for the due date calculation. The final due date is determined by the following details:

- In the **Payment Terms (tcmcs0113s000)** session:
 - The *payment period*
The payment period is the number of days or months that is added to the invoice's document date before or after calculating the due date to obtain the actual due date.
 - The due date calculation method
The algorithm for calculating the due date.
 - The fixed payment days
Specific days of the month, on which payments are due. If you specify fixed payment days, LN changes the calculated due date into the next fixed payment day. You can specify up to three fixed payment days, for example, the first, the tenth, and the twentieth day of each month.
- The payment calendar
For pay-by business partners and for your own financial company, you can optionally define a payment calendar. If the calculated due date is marked as a holiday on the payment calendar, LN changes the due date to the previous working day or, in some situations, to the next working day. This results in the actual due date.

Additional days after due date

In the **Pay-by Business Partner (tccom4114s000)** and the **Pay-to Business Partner (tccom4124s000)** sessions, you can specify a number of additional days in the **Extra Days after Due Date** field. For example, the number of days that the bank needs to transfer the money.

The **Extra Days after Due Date** field is used in Financials to:

- Calculate the expected payment date in the **Sales Invoices (tfacr1110s000)** session
- Maintain the expected payment date in the **Purchase Invoice Cash Dates (tfcmg3111m000)** session
- Calculate a *cash flow forecast* on the basis of the expected payment date in the **Update Cash Forecast (tfcmg3210m000)** session.

Credit notes

If a customer returns part of the goods, or if you create invoice corrections, you or your business partner can create a *credit note* to correct the amount payable for an invoice. If you automatically process the invoices, LN automatically generates credit notes and assigns credit notes to invoices.

You can create credit notes for the transaction types of different categories, such as:

- **Sales Credit Notes**
- **Purchase Credit Notes**
- **Sales Invoices**
- **Purchase Invoices**

Credit notes are linked to invoices rather than to invoice lines. However, if you use *payment schedules* or *receipts against shipments*, you can assign credit notes to the payment schedule lines. For details, refer to To use payment schedules.

If you select open entries for payment or direct debit, LN searches for credit notes that you can apply to the open entries before you perform the payment or direct debit procedure.

Creating a credit note

To create a credit note in the **Transactions (tfgld1101m000)** session, select a transaction type that has one of these categories. To actually create the credit note, you can now start one of the following sessions:

- **Purchase Invoice Entry (tfacp2600m000)**
- **Sales Invoices (tfacr1110s000)**

If you use one of the transaction categories **Sales Invoices** or **Purchase Invoices**, you can create a credit note by entering a negative invoice amount.

Generating an overview of applied credit notes

If you reduce payments to a pay-to business partner by the amounts of existing credit notes, it can be unclear for the business partner which credit notes you used to reduce the payment amounts. This can lead to confusion and misunderstandings.

To solve this situation, you can create a report of the invoices, the credit notes linked to the invoices, and their amounts, for a selection of invoice-from business partners. You can send this report to your suppliers for information.

Use the **Assigned Credit Notes Letter (tfacp4160m000)** session to generate and print an overview of the credit notes and the related invoices. You can define the credit notes letter layout in the **Assigned Credit Notes Layout (tfacp4161m000)** session.

Credit notes in reports

A credit note amount is displayed as negative. If a credit note is linked to one or more invoices, the assigned amount of the credit note is deducted from the open invoice amount. The linked amount is then visible as a payment line.

The invoice amount that is displayed for an invoice to which a credit note is linked is the original invoice amount. The open invoice amount is the invoice amount minus the linked credit note amount. The linked credit note amount is visible as a payment line.

Using credit notes

You can use credit notes for the transaction types of different categories, such as:

- **Sales Credit Notes**
- **Purchase Credit Notes**
- **Sales Invoices**
- **Purchase Invoices**

Using a Sales Credit Notes category

If you use one of the transaction categories **Sales Credit Notes** OR **Purchase Credit Notes**, you must enter a positive amount.

The **Negative Amount for Credit Notes** parameter in the **Transaction Types (tfgld0511m000)** session, where the transaction type is defined, determines if the credit note is posted as a negative or positive amount. If this check box is selected, LN saves and regards the amount that was entered as a negative amount.

Example

A credit note of USD 800 is entered for a transaction type of a **Credit Note** category. You enter a positive invoice amount of USD 800. Two scenarios are possible:

- If the **Negative Amount for Credit Notes** check box in the **Transaction Types (tfgld0511m000)** session is cleared for the used transaction type, a credit amount of USD 800 is posted to the ACR control account. The default value for the transaction line is then a debit of USD 800.
- If this check box is selected, a debit amount of USD -800 is posted to the ACR control account. The default value for the transaction line is a credit of USD -800.

Using the Sales Invoices OR Purchase Invoices transaction category

If you use a transaction type that belongs to one of the categories **Sales Invoices** OR **Purchase Invoices**, you can create a credit note by entering a negative invoice amount in the invoice header.

Note: You can only create a credit note in this way if the **Negative Amount for Credit Notes** check box in the **Transaction Types (tfgld0511m000)** session is selected for the used transaction type. If this check box is cleared, you cannot enter a negative invoice header amount.

Example

A credit note of USD -800 is entered for a transaction type that belongs to the **Sales Invoices** category. When the credit note is posted, LN debits the ACR control account for -800. The default amount for the entry of the sales invoice transaction lines in the **Transaction Type** session is -800 credit.

Assigning credit notes

You can assign credit notes to the following documents:

- Original Invoices
- Payment Schedules

Assigning credit notes to original invoices

You can assign a credit note to one invoice or to several invoices. You can also include credit notes, without assigning them to invoices, as a payment in the automatic payment procedure.

These two situations are illustrated below:

You can link a credit note to one invoice when you enter the credit note in the **Purchase Invoice Entry (tfacp2600m000)** session. In the **Original Invoice** field, you can enter the document number of the invoice to which you want to link the credit note.

A credit note can also be related to several invoices. To assign a credit note to more than one invoice, take the following steps:

- 1 In the **Transactions (tfgld1101m000)** session, select a transaction type of the **Sales Corrections** category or the **Purchase Corrections** category.
- 2 In the **Transactions (tfgld1101m000)** session, select the record you created and click **Transaction Entry** on the *appropriate* menu. One of the sessions **Assign Credit Notes to Invoices (tfacp2120m000)** or **Business Partner - Credit Notes (tfacr2120m000)** is started.
- 3 Select the credit note and link it to the appropriate purchase invoices or sales invoices.
- 4 On the *appropriate* menu, start one of the sessions **Assign Invoices/Schedules to Credit Notes (tfacp2121s000)** or **Assign Credit Notes to Invoices (tfacr2121m000)**. In these sessions you can distribute the total credit note amount over the related invoices.

Note:

- You can only link credit notes and invoices if they have the same *invoice currency* and *currency exchange rate*.
- In the Accounts Receivable module, LN checks if the credit note you are linking is marked as a *doubtful invoice*. A doubtful credit note can only be linked to a doubtful sales invoice.
- Credit notes that are not linked to invoices are included in the automatic payment procedure. The credit note is selected for payment in the same way as normal invoices.
- Credit notes that are linked to invoices are deducted from the total invoice amount before it is paid.

Assigning credit notes to payment schedules

If you link *payment schedule* to sales invoices and purchase invoices, you can assign credit notes to the payment schedule lines or receipt schedule lines.

Related topics

- To use payment schedules
- To assign credit notes to receipt schedules
- To assign credit notes to payment schedules

Trade notes – overview

Trade notes are legally accepted forms of payment such as bank drafts, checks, promissory notes, and bills of exchange. Trade notes can be used instead of cash payments. Because trade notes are negotiable, they can also be used as a credit instrument, for example, for discounting and endorsing. Trade notes can exist on paper and on magnetic supports, according to local business practices and banking standards.

Two types of trade notes exist:

- Trade notes payable
- Trade notes receivable

Factoring

LN supports *factoring* of your outstanding receivables and payment of purchase invoices to *factors* used by your suppliers.

For accounts receivable, you can set up the factoring of your sales invoices. The factor becomes the pay-by business partner and the pay-by business partner that is linked to the invoice-to business partner becomes the original pay-by business partner.

For accounts payable, if your supplier factors the invoices, you can specify the pay-to business partner's factoring company and the factor's bank. Payments of purchase invoices are then made to the factor.

You usually receive a *factor's advance* from the factor against the receivables factored with it. Usually, the factor's advance is 70% to 80% of the factored amount.

Currency differences

When *currency differences* are posted, several parameters affect the way the entries in the General Ledger are created. This section explains the possible parameter settings:

- Ledger accounts by currency.
- Writing off currency profits.
- Fixed exchange rate.
- Writing off currency differences for anticipated payments.

Ledger accounts by currency

This parameter is recorded in the **Finance Company Parameters (tfgld0503m000)** session.

If the **Ledger Accounts Currency Differences by Currency** check box is selected, the (un)realized currency differences are posted to the ledger accounts defined in the **Currency Difference Ledger Accounts by Currency (tfgld0119s000)** session.

LN retrieves the related dimensions from these sessions:

- General Ledger: **Finance Company Parameters (tfgld0503m000)**
- Accounts Payable: **Ledger Accounts by Business Partner Group (tfacp0111m000)**
- ACR: **Ledger Accounts by Business Partner Group (tfacr0111m000)**

If the **Ledger Accounts Currency Differences by Currency** check box is cleared, the currency differences are posted to:

- General Ledger: the ledger accounts specified in the **Finance Company Parameters (tfgld0503m000)** session.
- Accounts Payable/ Accounts Receivable: the ledger accounts recorded for the business partner group.

Writing off currency profits

This parameter is defined in one of these sessions:

- **ACP Parameters (tfacp0100m000)**
- **ACR Parameters (tfacr0100s000)**

If the **Currency Profits** check box is selected, the unrealized currency profits are posted as well as the unrealized currency losses. Unrealized currency losses are always posted when writing off currency differences.

Fixed exchange rates

For each invoice, the *rate determiner* defines:

- Which date is used to determine the exchange rate.
- If currency differences are calculated.
- For which (home) currencies the currency differences are calculated.

The **Rate Determiner** is set in the **Sales Invoices (tfacr1110s000)** session or the **Purchase Invoice Entry (tfacp2600m000)** session.

Unrealized currency differences are written off in one of these sessions:

- **Write Off Currency Differences (tfacp2240m000)**
- **Write Off Currency Differences (tfacr2250m000)**

Writing off currency differences for anticipated payments

This parameter is defined in one of these sessions:

- **ACP Parameters (tfacp0100m000)**
- **ACR Parameters (tfacr0100s000)**

If the **Currency Difference Anticipated Payments** check box is selected, invoices with *anticipated payments* or anticipated receipts are considered for writing off currency differences.

Unrealized currency differences

Unrealized *currency differences* are currency differences that are calculated for invoices that are not yet paid. Currency differences become realized (actual) at the moment:

- The invoice is paid.
- The *unallocated payments/receipts* or *advance payments/receipts* are assigned to an invoice.
- The payment differences are written off.

Note: Whether unrealized currency differences are calculated, depends on several parameter settings. These settings are explained in Currency differences.

Unrealized currency differences can occur when:

- *Open invoices* are present.
- Currency differences are written off, and the *exchange rate* of a currency has changed.

If part of the invoice has been paid, LN calculates the currency difference over the remaining open invoice amount, using the following formula:

$$\text{unrealized curr. difference} = \text{open invoice amount} * (\text{invoice rate/rate factor} - \text{new rate/rate factor})$$

The unrealized currency profits or losses are posted to the ledger accounts specified for the financial business partner group.

Example

The purchase invoice amount is EUR 10,000

The invoice currency is EUR.

The home currency is USD.

The invoice date is 2007-01-01.

Exchange rates :

Start date	Rate EUR to USD	Invoice amount in USD
2007-01-01	1.362	USD 13,6210
2007-02-01	1.264	USD 12,6423
2007-02-15	1.269	USD 12,6904

The rate factor is 1.

The **Write Off Currency Differences (tfacp2240m000)** session is run on 2007-02-10.

On 2007-02-10, the calculated unrealized currency difference is:

$$10,000 * (1.362 - 1.264) = \text{USD } 978.00$$

For sales invoices, this currency difference would be an unrealized currency loss. Because this invoice is a purchase invoice, this difference is an unrealized currency profit.

Realized currency differences

Realized *currency differences* are final currency differences calculated over paid invoices.

Realized currency differences can originate from these sessions:

- **Bank Transactions (tfcmg2500m000)**
- **Reconciliation of Payments (tfcmg2103s000)** and **Reconciliation of Receipts/Payments (tfcmg2104s000)**
- **Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)** and **Assign Unallocated/Advance Payments to Invoices (tfcmg2106s000)**
- **Assign Invoices/Schedules to Credit Notes (tfacr2121s000)** or **Assign Credit Notes to Invoices (tfacr2121m000)**. Realized currency differences originate from these sessions when another currency/rate is concerned.
- **Write Off Payment Differences (tfacr2230m000)** or **Write Off Payment Differences (tfacr2240m000)**

Example

The purchase invoice amount is EUR 10,000

The invoice currency is EUR.

The home currency is USD.

The invoice date is 2017-01-01.

Exchange rates :

Start date	Rate EUR to USD	Invoice amount in USD
2017-01-01	1.362	USD 13,6210
2017-02-01	1.264	USD 12,6423
2017-02-15	1.269	USD 12,6904

The rate factor is 1.

On 2017-02-10, the unrealized currency differences have been calculated as described in Unrealized currency differences. There was a currency profit of USD 978.

On 2017-02-15, the invoice is paid as follows:

In invoice currency:	EUR 10,0000
In home currency:	USD 12,6904

The realized currency difference is $10,000 * (1.362 - 1.269) = \text{USD } 930$

For sales invoices, this difference would be a realized currency loss. Because this invoice is a purchase invoice, this difference is a realized currency profit.

When the realized currency difference is posted, the unrealized currency differences are reversed.

AP and AR dashboard navigation – examples

Reports on remittances made to pay-to business partners

To respond to audit and supplier inquiries, you require reports on remittances that were made to pay-to business partners. For this purpose, use the Print Business Partner Payments (tfacp6402m100) session.

From this session, you can print these reports:

- Business Partner Payments Remittance Data
Select a pay-to business partner.
- Business Partner Payment Totals
The total amounts that were paid to each pay-to business partner are printed based on currencies. To print monthly totals, specify a payment date range.
- Business Partner Payments Batch Totals
Specify a range of payment batches or a single payment batch. Otherwise, data from non-payment batch payments will also be included in the report.

View pay-to BP payments and all associated information

To respond to audit and supplier inquiries, you need to view payments that were made to business partners and corresponding information against payments, such as invoice information and order information.

For this purpose, you can use these sessions:

- Business Partner Payments - Order Information (tfacp6502m000)
- Business Partner Payments - Order Information by Payments (tfacp6502m100)

Note: The availability of this functionality is determined by the new Store Business Partner Payment - Order Information setting in the **ACP Parameters (tfacp0100m000)** session.

Report on pay-to BP payments and all associated information

You require a report in Excel of the payments that were made to business partners and corresponding information against payments, such as invoice information and order information. This report can then be updated to extract the information required. For this purpose, use the Print Business Partner Payments - Order Information to XML (tfacp6402m000) session.

Note: The availability of this functionality is determined by the new Store Business Partner Payment - Order Information setting in the **ACP Parameters (tfacp0100m000)** session.

View settled invoices for a payment (AP)

- 1 On the Accounts Payable dashboard, click **Open Entries**.
- 2 From the open entry, find out the payments done on the open entry.
- 3 From the payments, look up the list of invoices that have been settled by that payment.

Accounts Payable 360 (tfacp2560m000) > Invoice-from Business Partner Open Entries (tfacp2520m000) > Payment-related Documents by Open Entry (tfacp2523m000) > Invoices/Documents by Payment-related Documents (tfacp6501m000)

View settled invoices for a receipt (AR)

- 1** On the Accounts Receivable dashboard, click **Open Entries**.
- 2** From the open entry, find out the receipts done on the open entry.
- 3** From the receipts, look up the list of invoices or credit notes that were settled by that receipt.

Accounts Receivable 360 (tfacr2560m000) > Invoice-to Business Partner Open Entries (tfacr2520m000) > Sales Invoices (tfacr2522m000) > Invoices/Documents by Receipt-related Documents (tfacr6501m000)

View purchase receipt, purchase invoice, or payment information on orders

- 1** On the Accounts Payable dashboard, click **Invoice Information on Purchase Orders**.
- 2** From the order, go to the purchase receipts.
- 3** From the order, go to the linked purchase invoices.
- 4** From the purchase invoices, go to the linked payments.

Accounts Payable 360 (tfacp2560m000) > Invoice Information on Purchase Orders (tfacp2540m000) > Purchase Actual Receipt History (tdpur4556m000)

Accounts Payable 360 (tfacp2560m000) > Invoice Information on Purchase Orders (tfacp2540m000) > Purchase Invoice Inquiry (tfacp2600m100) > Payment-related Documents by Open Entry (tfacp2523m000)

Chapter 2: Accounts Receivable

Problem invoices

You can use a problem code to indicate that a problem exists for a sales invoice. If the *invoice-to business partner* notifies you about a problem with the invoice and does not pay it, you can link a problem code to the invoice.

In the direct debits procedure, problem invoices are ignored. For each problem code, you can set an option to prevent linked invoices from being selected on reminder letters.

Use the Problem/Reason (tfacr0120m000) session to define problem codes. You can define different problem codes for different problems that can arise.

Some examples of problems are:

- The business partner does not receive all goods
- The business partner rejects the goods or some of the goods
- The invoice amount is different from the business partner's order amount

For each problem type, you can indicate whether:

- *Reminders* must still be sent that concern this invoice
- The invoice must still be included in the *direct debit* selection

To indicate that a certain problem exists for a sales invoice, you can link the appropriate problem code to the invoice. You can manually link a problem code to an invoice:

- When you register the invoice in the **Sales Invoices (tfacr1110s000)** session
- At a later time in the **Invoices (cisli3105m000)** session

You can remove the problem code from the invoice in one of the above sessions.

Interest invoices

You can generate *interest invoices* for paid invoices, partially paid invoices, and unpaid invoices. In addition, after you generate and send an interest invoice, you can generate a subsequent interest invoice for the next period.

Setting up interest invoicing

You can set up interest invoicing in Accounts Receivable and in the General Ledger.

To set up interest invoicing, use these sessions:

- **Invoice-to Business Partner (tcom4112s000)**

For invoice-to business partners for which you want to raise interest invoices, select the **Charge Interest** check box. If this checkbox is selected, you can select the **Interest Rate Code**. This interest rate code is assigned to the business partner. If you specify this value, the **Interest Rate Code** specified in the **Financial Business Partner Groups (tfacr0110m000)** session is ignored. The interest rate defined for this **Interest Rate Code** is used to calculate interest amount on reminder letters and interest invoices.

- **Mapping Scheme (tfgld4573m000)**

Use this session to define the mapping of the Interest Invoice/Revenues Analysis *integration document type*.

- **Interest Percentages (tfacr5102m000)**

Use this session to define the interest percentages for each *financial business-partner group*, and for different periods of days.

- **Interest Invoice Related Data (tfacr5101s000)**

Use this session to define whether interest must be calculated on unpaid invoices, partly paid invoices, interest invoices, and/or fully paid invoices. You can also indicate that LN must take advance payments, unallocated payments, and credit notes into account for the generation of interest invoices.

- Optionally, set conditions

Example: LN only generates an interest invoice advice entry if these conditions are met:

- The total of all advice entries in one currency is higher than the allowed minimum amount of an interest invoice defined in the **Minimum Amount for Interest Invoice** field.
- The invoice is overdue for a greater number of days than the number of days defined in the **Minimum Days for Interest Invoice** field.

Processing interest invoices

To generate interest invoices:

- 1 In Accounts Receivable, use these sessions:

- **Select Inv.-to BP Receipts for Interest Invoices (tfacr5210m000)**

Use this session to select invoices for which interest invoices can be generated and calculate the interest amounts according to the parameter settings of the **Interest Invoice Related Data (tfacr5101s000)** session.

- **Interest Invoice Advice (tfacr5510m000)**

You can use this session to view the selected interest invoicing data, and delete some records if this is necessary.

- **Transfer Interest Invoices to Invoicing (tfacr5220m000)**

Use this session to transfer the interest invoice advice from Accounts Receivable to Invoicing.

When you transfer the interest invoices to Invoicing, LN removes the interest advice lines from Accounts Receivable.

- 2 In Invoicing:

- a In the **Billable Lines (cisl18110m000)** session, you can optionally view the interest invoice data. You can change the status of individual lines to **Confirmed** or **On Hold**, as required.
- b Create an invoicing batch to process the interest invoicing data, or process an invoicing batch set that contains such an invoicing batch.

If interest invoices for the business partner already exist in Invoicing that have the **Printed Or Posted** status, LN generates a new interest invoice. If a previous interest invoice with the **Selected** status exists for the business partner in Accounts Receivable, LN changes the existing interest invoice to include the new number of days and the new interest amount.

When you post the interest invoices, LN creates open entries for the interest amounts in Accounts Receivable. The interest invoices are posted to the ledger accounts to which you mapped the Interest Invoice/Revenues Analysis integration document type.

To process monthly billing invoices

Note: If you selected the **Generate MBI at Group Company** check box in the **ACR Parameters (tfacr0100s000)** session, you must work in the group company to process monthly billing invoices

1 Generate Monthly Billing Invoices (tfacr4201m000)

Use this session to generate the monthly billing invoices based on the open entries of the following document types:

- **Sales Invoice**
- **Sales Credit Note**
- **Advance Receipt**
- **Unallocated Receipt**
- **Normal Receipt**
- **Purchase Invoice**
- **Payment Difference**
- **Debit Note** created during a remittance process

For each monthly billing invoice, LN calculates the statement amount as follows:

$$\text{Statement amount} = \text{amount billed in current period} - (\text{amount received} + \text{written off} + \text{payment differences} + \text{return and discount amount} + \text{amount settled with purchase invoice})$$

To generate monthly billing invoices, the following composing criteria apply:

- The invoice-to business partner
- The invoice currency
- The invoice document dates, which must fall in the period for which you generate the monthly billing invoice.

For example, if you use two invoice currencies for a business partner for which you generate monthly billing invoices, LN generates two monthly billing invoices for the business partner, one for each currency.

If any invoices of the invoice-to business partner are *factored*, LN only includes the invoices with document dates in the current period. All receipt transactions are ignored.

2 Monthly Billing Invoices (tfacr4501m000)

Use this session to view and maintain the generated monthly billing invoices.

In the details session, you can enter or change monthly billing invoice details if no invoices are linked to the monthly billing invoice and the monthly billing invoice status is **Generated**. For example, you need to do this if you create a monthly billing invoice manually.

To view and select or deselect the included invoices, on the *appropriate* menu, you can click **Open Entries Linked to MBI**. The **Open Entries Linked to MBI (tfacr4502m000)** session starts.

3 Open Entries Linked to MBI (tfacr4502m000) (Optional)

You can use this session to view and maintain the invoices linked to the monthly billing invoice. LN lists the invoices of the monthly billing invoice as well as any other open entries with document dates in the period covered by the monthly billing invoice.

If the monthly billing invoice status is **Generated**, you can select or clear the **Selected** check box to add or remove open entries from the monthly billing invoice. For example, you need to add invoices if you create a monthly billing invoice manually.

4 Confirm monthly billing invoices

Depending on the number of monthly billing invoices you want to confirm, do one of the following:

- To confirm a single monthly billing invoice
In the **Monthly Billing Invoices (tfacr4501m000)** session, select the monthly billing invoice and on the *appropriate* menu, click **Confirm MBI**. (This command is also available in the details session.) LN sets the monthly billing invoice status to **Confirmed**.
- To confirm a range of monthly billing invoices
Use the **Confirm Monthly Billing Invoices (tfacr4201m100)** session.

Note: You cannot confirm a monthly billing invoice if previous monthly billing invoices for the same business partner and currency exist that still have the **Generated** status.

5 Print Monthly Billing Invoices (tfacr4401m000)

To print draft invoices that you can check, you can select the **Draft Print** check box.

If the monthly billing invoice status is **Confirmed**, you can print a final invoice. LN sets the monthly billing invoice status to **Printed**. Because the monthly billing invoices replace the original invoices, LN marks all the linked invoices as ready for deletion.

If the monthly billing invoice status is **Printed**, you cannot change the status. However, you can reprint the final invoice, if necessary.

6 Archive / Delete Fully Paid Sales Invoices (tfacr2260m000)

Remove fully paid invoices from the open item file. Invoices that are linked to monthly billing invoices with the **Printed** status are removed.

7 Remove Monthly Billing Invoices (tfacr2261m000)

Use this session to archive and/or delete monthly billing invoices that have the **Printed** or the **Deleted** status. If the status is **Printed**, you must first run the **Archive / Delete Fully Paid Sales Invoices (tfacr2260m000)** session to remove the invoices linked to the monthly billing invoice.

To create monthly billing invoices manually

In addition to generating monthly billing invoices, you can also manually create monthly billing invoices in the **Monthly Billing Invoices (tfacr4501m000)** session mentioned in Step 2. In the **Open Entries Linked to**

MBI (tfacr4502m000) session mentioned in Step 3, you can select the open entries for the monthly billing invoice. The same rules described previously apply and from Step 3, the procedure is the same.

Advance installments

For regular sales orders, you invoice the business partner for delivered goods. The invoice amount is posted to the control account for sales invoices. LN calculates and posts the tax amount when you generate the sales invoice.

However, long-term projects such as the building of a ship are often paid in installments. For sales installments, LN creates an invoice for each installment line.

If you request advance payment of the installments from the business partner before you deliver the goods, you can post the advance invoice to a separate control account for advance installment invoices. For each financial business partner group, you can define separate control accounts for advance installment invoices per *sales type*.

To calculate and register the tax on advance installments when the invoice is paid, use a tax code of the **on Payments** tax type for the advance installment invoice.

In addition, to distinguish invoiced advance installments and paid advance installments for reporting purposes, you can map and post invoiced advance installments and paid advance installments to separate ledger accounts. For more information, refer to *Separate ledger accounts for advance installments*.

The advance invoice control account

In the **Control Account (Advance Invoice/Payment Request)** field of the **Control Accounts by Business Partner Group (tfacr0515m000)** session, you can select the control account for advance invoices. If you post advance installment invoices in Invoicing, LN posts the invoices to this account.

The control accounts for advance invoices is included in the Open Entries details. LN uses the control accounts for the advance installment invoice and all subsequent transactions, such as receipts and currency differences.

When the advance installment invoice is paid in Cash Management, written off, factored, or set to **Doubtful Invoices**, the control account is reversed.

If you change the sales type of the business partner, the control account changes. For subsequent transactions, LN uses the new control account. However, if you make the invoice **Doubtful Invoices**, the control account does not change.

Processing the advance invoice

The advance installment invoice can be paid through the following processes:

- Assignment of an advance or unallocated receipt to the advance installment invoice
- Application of the receipt to the sales invoice
- Reconciliation of anticipated receipts with the sales invoice
- Processing of Electronic Bank Statements

- Factoring

Note: You cannot use the **Sales Invoice Corrections (tfacr2110s000)** session to make corrections to advance installment invoices.

Separate ledger accounts for advance installments

You can only use separate ledger accounts for invoiced and paid advance installments to distinguish invoiced advance installments and paid advance installments for sales orders and project invoices. You cannot set up advance installments for service invoices.

You can process advance installment invoices in remittance advices. However, if you use separate control accounts for paid and unpaid advance invoices, overpayments and underpayments are not allowed, because LN cannot create debit notes or accept credit notes for underpayment, or create advance or unallocated payments for overpayments.

If you use separate ledger accounts for paid and unpaid advance invoices, you must not process the receipt transactions before the integration transactions related to the advance installment invoices are posted. You can specify whether in such a situation LN warns the user or blocks the process. For automatic processes, LN cannot warn the user and the process is blocked. For more information, refer to Standard and negotiated bank charges - setup.

For these processes, LN does not support separate ledger accounts for invoiced and paid advance installments:

- *Factoring*
- *Trade note receivable (TNR)*
- *Cash application*

Note: The setting of the **Separate Account for Paid Advance Installments** parameter in the **Finance Company Parameters (tfgld0503m000)** session to use a separate control account for advance invoices must be the same at the time when you create advance installment invoices and when you create the sales invoice for the related sales order, or the project invoice. Otherwise, the integration accounts for invoiced advance installments and paid advance installments do not balance, and you must create manual journal vouchers to correct the situation.

Separate ledger accounts for advance installments - setup

Note: You can only use separate ledger accounts for invoiced and paid advance installments for sales orders and project invoices, not for service invoices.

To set up separate ledger accounts for invoiced and paid advance installments, use this sequence of sessions:

1 CMG Parameters (tfcmg0100s000)

Select the **Separate Account for Paid Advance Installments** check box.

2 Mapping Scheme (tfgld4573m000)

Map the *integration document types* for advance installments.

For advance installments, these integration document types exist:

- Sales Order / Advance Installment (10002094)
LN posts the Debit side of the transaction to the Advance Invoice control account.
- Map the Credit side to the Invoiced Advance (Interim Revenues 11) account.
- Sales Order / Advance Installment Paid (10002093)
Map the Debit side to the Invoiced Advance (Interim Revenues 11) account and the Credit side to the Paid Advance (Interim Revenues 12) account.
- Currency Difference / Interim Revenues (50420012)
The mapping of integration document types for currency differences is predefined.

If currency differences exist between the invoiced advance installments and the paid advance installments, when the non-finalized transactions are created, LN posts the currency differences as follows:

- Debit:
The currency difference ledger account set up for the financial company of the invoice.
- Credit:
To the Invoiced Advance (Interim Revenues 11) ledger account to which you map the Credit side of the Sales Order / Advance Installment Paid (10002093) integration document type.

To assign credit notes to receipt schedules

If shipments or parts of shipments are returned, LN creates credit notes for the shipments. If the credit note covers several shipments, the credit note contains several schedule lines, one line for each shipment.

A credit note can cover the returned goods of various returned shipments. LN automatically assigns the credit note to the first shipment of the invoice. You can manually assign credit notes to shipments and to receipt schedule lines in the new **Link Credit Notes to Schedules (tfacr2122m000)** session.

You can start the **Link Credit Notes to Schedules (tfacr2122m000)** session from the *appropriate* menu of the following sessions:

- **Business Partner - Credit Notes (tfacr2120m000)**
- **Assign Credit Notes to Invoices (tfacr2121m000)**

Credit control

Credit control determines:

- How *reminders* are sent to business partners who do not pay on time.
- Whether or not orders can be entered and goods can be delivered for a business partner.

Credit control is partly defined in Common. In the **Credit Ratings (tcmcs0164s000)** session, you can define various *credit ratings* which define, for example:

- The action to be taken when a sales order is processed.

- At which times you must repeat the credit check.

You must enter the date and time when you carried out a credit review for a business partner in the **Invoice-to Business Partner (tccom4112s000)** session. As a result of an overdue credit review, LN can place a business partner's orders on hold. This depends on the selections of the relevant parameters in the **Sales Order Parameters (tdsls0100s400)** session.

You can link a credit rating to an invoice-to business partner in the **Invoice-to Business Partner (tccom4112s000)** session.

Other credit control parameters that you can set for a business partner in the **Invoice-to Business Partner (tccom4112s000)** session are:

- The interval between the sending of *statements of account* and invoices
- The *credit analyst*
- The *credit limit*
- The *credit insurance company*
- The tolerance amount for due invoices

The Accounts Receivable module controls the reminders that are sent to business partners with overdue invoices or payment schedule lines.

In this module, you can create and process reminders for overdue sales invoices and payment schedule lines. The reminders take place on the basis of the *due date* of the invoice or the payment schedule line. When the invoice has passed its due date plus a certain margin of days, LN generates a reminder advice for the invoice.

On the **Credit Control** tab of the **ACR Parameters (tfacr0100s000)** session, you can define:

- The margin of days after which a reminder letter must be sent
- Which reminder letter must be sent

You can define the layout and contents of the reminder letters starting from the **Reminder Letters (tfacr3508m000)** session. The different reminder letters are indicated by a letter number. This number indicates the degree of the reminder. In other words, the reminder with letter number 1 is the most mild, the reminder with the highest letter number is the most threatening. The letter number also tells you how many reminders have been sent to a business partner and which reminder is sent next. You can define the text on the letters.

You can define *reminder methods* in the **Reminder Methods (tfacr3520m000)** session. The reminder method determines the period of time between the sending of two reminders and defines if interest is calculated on overdue invoices. To each pay-by business partner a reminder method is linked in the **Pay-by Business Partner (tccom4114s000)** session.

A reminder diary is available in which you can view the reminders that were generated for invoices that have now passed their action date (the due date + reminder margin).

Note: If you use the Enterprise Modeler Content Pack with LN, consider using the MFI6100 (Reminder Notes) *wizard* to set up reminders. You can execute this predefined wizard from the **Wizards by Project Model (tgwzr4502m000)** session after you specified the *business function model* for your company.

Interest calculation on overdue invoices

You can generate *interest invoices* for overdue invoices. In addition, after generating and sending an interest invoice, you can generate a subsequent interest invoice for the next period.

In the **Interest Percentages (tfacr5102m000)** session you can define the interest percentages for each *financial business-partner group*, and for different periods of days.

The interest period

For an interest invoice, LN calculates the interest amount over a specific period. LN determines the number of days of this period as follows:

- The start date
 - If interest invoices were already generated earlier, the start date is the end date of the most recent period for which the interest was calculated. For each open entry, LN records the date on which an interest invoice advice was last transferred to Invoicing.
 - If no interest invoices were already generated, the start date is the due date of the invoice or the planned receipt date of the transaction schedule line.
- The end date
 - For documents of the **Sales Invoice** type, the end date is the **Interest As on Date** date entered in the **Select Inv.-to BP Receipts for Interest Invoices (tfacr5210m000)** session.
 - For documents of the **Normal Receipt** and the **Assignment** type, the end date is the earliest of the following dates:
 - The document date.
 - The **Interest As on Date** date entered in the **Select Inv.-to BP Receipts for Interest Invoices (tfacr5210m000)** session.

Interest calculation

The interest amount is calculated in the invoice currency. The general formula to calculate interest amounts is:

$$\text{Interest amount} = \text{invoice amount} * (\text{payment date} - \text{due date}) / 365 * (\text{interest \%}) / 100$$

For receipts and for the paid part of partly paid invoices, this results in the following calculation:

$$\text{Interest amount} = \text{Paid invoice amount} * \text{actual interest rate on the payment date} / \text{number of days in year} * (\text{receipt date} - \text{due date or previous interest calculation date})$$

For unpaid invoices, this results in the following calculation:

$$\text{Interest amount} = \text{Open invoice amount} * \text{actual interest rate on the interest invoice date} / \text{number of days in year} * (\text{interest invoice date} - \text{due date or previous interest calculation date})$$

Depending on the value of the **Interest Invoice Selected Based On** field in the **Interest Invoice Related Data (tfacr5101s000)** session, LN calculates the interest on the receipt amounts, on the remaining open invoice amount, or both, as follows:

- **Fully Paid Invoices**
LN calculates the interest on the receipt amounts.

- **Partly and Fully Paid Invoices**

LN calculates the interest both on the receipt amounts and the remaining open invoice amounts.

- **Paid and Unpaid Invoices**

LN calculates the interest both on the receipt amounts and the open invoice amounts.

All received payments and *credit notes* are considered to determine the remaining open amount of the sales invoice. Once the remaining open amount is equal to zero no further interest is calculated.

Examples of interest calculation for overdue invoices

Example 1: Unpaid invoice

You sent a sales invoice of € 612.15 to a customer on February 1. The invoice due date is February 16. Until March 1 you do not received any payments from this customer. You send the customer an interest invoice.

13 days have elapsed between the due date and the interest invoice date. Therefore, the interest percentage is 10% over a period of 13 days.

The formula is:

```
open invoice amount * actual interest percentage on interest invoice date / number of days in year * (interest invoice date - due date or previous interest calculation date)
```

This results in:

$$€ 612.15 * ((10\%) / (365 \text{ days}) * 13 \text{ days}) = € 2.18$$

Example 2: More than one interest invoice per sales invoice

You sent a sales invoice of € 612.15 to a customer on February 1. The invoice due date is February 16. Until March 1 you do not received any payments from this customer. You send the customer an interest invoice.

13 days have elapsed between the due date and the interest invoice date. Therefore, the interest percentage is 10% over a period of 13 days.

On March 15, you send an additional interest invoice. The previous invoice was sent on March 1. Therefore, the interest must be calculated over a period of 14 days.

As it is already 27 days after the due date, the interest percentage is increased to 20%.

The formula is the same as in Example 1:

```
open invoice amount * actual interest percentage on interest invoice date / number of days in year * (interest invoice date - due date or previous interest calculation date)
```

This results in:

$$€ 612.15 * ((20\%) / (365 \text{ days}) * 14 \text{ days}) = € 4.70$$

Example 3: Partly paid invoice

You sent a sales invoice of € 612.15 to a customer on February 1. The invoice due date is February 16. On February 20, the customer paid € 584.65, excluding the late payment surcharge of € 27.50.

You send the customer an interest invoice on March 1. The payment was made 4 days after the due date. Therefore, 2% interest must be charged.

13 days have elapsed between the due date and the interest invoice date. This means that the interest percentage for the remainder amount is 10% over a period of 13 days.

The formula for the paid amount is:

$$\text{paid invoice amount} * \text{actual interest percentage on payment date} / \text{number of days in year} * (\text{receipt date} - \text{due date or previous interest calculation date})$$

This results in an interest invoice for the paid amount of:

$$€ 584.65 * ((2\%) / (365 \text{ days}) * 4 \text{ days}) = € 0.13$$

The formula for the paid amount is:

$$\text{open invoice amount} * \text{actual interest percentage on interest invoice date} / \text{number of days in year} * (\text{interest invoice date} - \text{due date or previous interest calculation date})$$

This results in an interest invoice for the unpaid amount of:

$$€ 27.50 * ((10\%) / (365 \text{ days}) * 13 \text{ days}) = € 0.10$$

Example 4: Payment Schedules

You sent a sales invoice of € 612.15 to a customer on February 1. A payment schedule with two due dates is linked to this invoice. The first 70% of the amount (€ 428.50) is due after 10 days. The remaining 30% of the amount (€ 183.65) is due after 30 days.

Until March 1 you do not receive any payments from this customer. You send the customer an interest invoice.

You send the first interest invoice on February 28. The same progressive interest rates from the previous examples are used. As the due date for the last 30% is on March 2, this interest invoice only applies to 70% of the invoice amount. The interest invoice amount for the unpaid amount is:

$$€ 428.65 * ((20\%) / (365 \text{ days}) * 17 \text{ days}) = € 3.99$$

On March 12, you send the next interest invoice. This time, the last 30% of the invoice amount is also considered. However, this part is only 10 days overdue, and therefore an interest rate of 10% applies to this amount. The period for this part is calculated from its due date, March 2.

To the other 70% of the invoice amount, an interest rate of 20% applies and this is calculated from the previous interest invoice date (February 28).

As a result, the amount of the interest invoice is calculated in two steps:

- 20% over 70% of the invoice amount for the period from the previous interest invoice, as follows: € 428.50 * ((20%) / (365 days) * 12 days) = € 2.82
- 10% over the remaining 30% of the invoice amount from its due date, as follows: € 183.65 * ((10%) / (365 days) * 10 days) = € 0.50

The total interest invoice amount is:

€ 2.82 + € 0.50 = € 3.32

Example 5: credit notes

- Interest 10%, based on 365 days a year.
- Sales invoice: USD 100,000.00
- Due date on 2007-01-31 (including 10 days tolerance)

	Amount	Doc. date	Days late	Interest	Open amount
Invoice	100,000	-	-	-	100,000
Credit note 1	10,000	2007-01-15	0	-	90,000
Credit note 2	10,000	2007-02-15	0	-	80,000
Receipt 1	30,000	2007-01-20	0	0	50,000
Receipt 2	40,000	2007-02-29	29	318	10,000
Receipt 3	20,000	2007-03-15	44	241	0
Receipt 4	10,000	2007-03-31	60	0	0

Interest total: USD 559.

Explanation:

- All the credit notes are first deducted from the open sales invoice amount, followed by the receipts in order of document date.
- An interest invoice advice is generated for receipt 2. The base of interest calculation is USD 40,000.
- An interest invoice advice is generated for receipt 3. The base of calculation is USD 10,000 instead of USD 20,000 because the receipt amount is higher than the remaining open amount of the sales invoice.
- No interest invoice advice is generated for receipt 4, because there is no remaining open amount.

Sales orders - interim revenue reconciliation

The mapping and posting of the Accounts Receivable open entries allows the reconciliation of sales order interim revenue. This involves the following transactions entered or generated in Invoicing:

- Sales invoices
- Manual sales invoices
- Interest invoices

Posting of interim revenue

- When the invoice is created and stored in the Non-finalized Transactions (gld102) table, the credit side is posted to the accounts and dimensions defined in the integration mapping scheme for the

Sales/Revenues Analysis debit posting. For reconciliation purposes, reconciliation data is logged when the open entry is created.

- To allow you to use different accounts for different tax codes, the tax code and tax country are available as mapping elements for the ledger and dimension mapping.
- Accounts Receivable open entries created through Invoicing are posted to the following accounts:
 - Debit
The Accounts Receivable control account. The dimensions are determined through the integration mapping scheme.
 - Credit
The accounts and dimensions to which you mapped the debit side of the Sales Order/Revenue Analysis integration document type in the integration mapping scheme.
- If the sales invoice has lines with different tax codes, multiple lines for interim revenue are created. For a sales invoice, LN calculates and registers the tax amounts based on the net invoice amount aggregated by tax code. Because of this, the Interim Revenue accounts to which sales orders, service orders and so on are mapped must be identical for a specific tax code. LN checks this consistency when you check a mapping scheme.
- If you want to use other interim revenue accounts for sales orders and service orders, you must define different tax codes for sales and service.
- For an Accounts Receivable open entry, Invoicing logs the details in the Reconciliation Data (tfgld495) table. This data is logged as follows:
 - Reconciliation group = Interim Revenue 5
 - Business Object = Sales Invoice
 - Business Object ID = sales invoice number (11 positions)
 - Kind of Entry = Sales Invoice.
- For the new Interim Revenue 5 reconciliation group, the business objects of the debit transactions, such as the sales order or the service order, are linked through a *reference link* to the business objects of the credit transactions, which consist of the sales invoices.

Reconciliation of manual sales invoices and interest invoicesThe following functionality facilitates the reconciliation for manual sales invoices and interest invoices entered in Invoicing:

- The revenue postings for manual sales order lines and interest invoice lines are posted through the integration mapping scheme through the following integration document types:
 - Interest Invoice / Revenues Analysis
 - Manual Sales Invoice / Revenues Analysis
- LN retrieves the sales ledger account from the integration mapping scheme.
- The Interim Revenue 5 reconciliation group is used for posting sales invoices.
- The interim revenue on interest invoices is posted as defined for Interest Invoice / Revenues Analysis in the integration mapping scheme.
- In the **Manual Sales Invoice Lines (cisl2125m000)** session, you can optionally enter a *GL code* for the posting of the invoice line.

Note: The default manual sales account for manual sales invoice lines, defined in the **Invoicing Parameters (cisl0100m000)** session is only used for fixed assets disposal, and it must have an integration with the Fixed Assets module for fixed asset disposal.

To facilitate tax auditing, you can use the **Print Tax Transactions for Interim Revenue on Sales Invoices (tfgld1433m000)** session to print a report of the revenues and the tax lines in the Finalized Transactions (tfgld106) table.

To post sales invoices to control accounts

To post sales invoices to control accounts

1 Sales Invoices (tfacr1110s000).

The **Sales Type** field displays the default sales type. The non-finalized transactions are posted to the control account and dimensions linked to this sales type in the **Control Accounts by Business Partner Group (tfacr0515m000)** session.

If you wish, you can select a different sales type for the sales invoice. If recurring sales invoices are generated in the **Generate Recurring Sales Invoices (tfacr1202m000)** session, LN uses the sales type of the original sales invoice. The non-finalized transactions of the recurring sales invoice are posted to the control account linked to this sales type.

2 Sales Invoice Corrections (tfacr2110s000)

The Sales Type field displays the default sales type. You can select a different sales type for the sales invoice correction. LN will create the non-finalized transactions to reverse the posting to the previous control account and move the balance to the new control account.

3 Assign Credit Notes to Invoices (tfacr2121m000).

If you assign credit notes to invoices, the credit note's sale type determines the control account for the non-finalized transaction that affects the credit note's balance and for the assignment open entry for the credit note. On the other side of the transaction, the sales invoice's sales type determines the control accounts for the non-finalized transactions and for the assignment open entry for the invoice.

Index

A

Advance installments
 separate ledger accounts [34](#)
AP dashboard navigation
 examples [27](#)
AR dashboard navigation
 examples [27](#)

B

Bank transactions
 default amounts [14–16](#)
Business partner groups
 financial [10](#)

C

Control accounts
 post sales invoices [42](#)
 Setup [7](#)
Credit control [35](#)
Credit notes
 for shipments [35](#)
Currency
 realized differences [26](#)
 unrealized differences [25](#)
Currency differences [23](#)

D

Default amounts
 bank transactions [14–16](#)
Due date calculation [19](#)

F

Factoring
 overview [23](#)
Financial
 business partner groups [10](#)
Financial business partner group
 ledger accounts [10–11, 13–14](#)

I

Interest calculation
 overdue invoices [37](#)

interest invoices [29](#)
Interest invoices [29](#)
Invoicing
 interest invoices, examples [38](#)

L

Ledger accounts
 financial business partner group [10–11, 13–14](#)

M

Monthly billing invoices
 process [31](#)

P

Payment schedules
 overview [17](#)
Problem invoices [29](#)
Process
 monthly billing invoices [31](#)

R

Receipt schedules
 credit notes [35](#)
Receipts against shipments
 overview [18](#)
Reconciliation
 interim revenue [40](#)

S

sales invoices
 posting [42](#)
Separate ledger accounts
 advance installments [34](#)
 setup [34](#)
Setup
 separate ledger accounts [34](#)

T

Trade notes
 overview [23](#)