MODULE 6: RECEIVABLES AND PAYABLES MANAGEMENT: PAYMENT DISCOUNT AND PAYMENT TOLERANCE

Module Overview

Granting payment discounts provides an incentive for customers to quickly pay their outstanding amounts in full. Microsoft Dynamics NAV 2013 uses payment terms to keep track of payment discounts that are given to customers or received from vendors. Additionally, the payments are processed correctly by using the payment discount amount. Setting up a payment discount includes selecting between calculating a payment discount on amounts that both include or exclude the value-added tax (VAT).

Differences can occur when the payment discount date passes, or when the payment amount or payment discount amount does not match the charged amount. Microsoft Dynamics NAV 2013 uses the payment discount tolerance and the payment tolerance to process payment differences in a structured and automated manner. This setup applies to both the receivables and the payables application area.

Even without setting up a payment discount tolerance and a payment tolerance, you can process payment differences on a manual and individual case basis.

Objectives

The objectives are:

- Set up Microsoft Dynamics NAV 2013 to use payment discounts.
- Process transactions for various situations that benefit from payment discounts.
- Set up Microsoft Dynamics NAV 2013 to use a payment discount tolerance.
- Process transactions for various situations that benefit from using a payment discount tolerance.
- Set up Microsoft Dynamics NAV 2013 to use a payment tolerance.
- Process transactions for various situations that benefit from using a payment tolerance.
- Review how a payment discount tolerance and a payment tolerance are reflected in the detailed customer and vendor ledger entries.

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Set Up Payment Discounts

Granting payment discounts provides an incentive for customers to quickly pay their outstanding amounts in full. The different methods that are available to set up payment discounts for an invoice include the following:

- If the payment discount is known at the time the invoice order is entered, do one of the following:
  - Select an existing payment term.
  - Enter a new payment term for the invoice or order.
- If the payment discount is not determined until the invoice is paid:
  - The customer can reduce the payment without negotiating a payment discount.
  - If the discount is acceptable, adjust the payment discount for the invoice after it is posted, but before the payment is posted and applied.

Payment discount amounts can also be calculated on credit memos. Then, users can automatically reduce the payment discount given on invoices that the credit memo is applied to.

A payment discount can be calculated on amounts that both exclude and include VAT.

The setup is determined by the fields selected on the **General Ledger Setup** page.

- **Pmt. Disc. Excl. VAT** – Excluding VAT
- **Adjust for Payment Discount** – Including VAT

📝 *Note: On the **General Ledger Setup** page, 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.*

The general ledger accounts for payment discounts must be set up differently, depending on whether payment discounts are calculated on amounts including or excluding VAT:

- **Customer Posting Groups** and **Vendor Posting Groups** – Excluding VAT
- **General Posting Setup** – Including VAT

> **Note:** *Payment discount accounts cannot be entered on the **Customer** or **Vendor Posting Groups** page if the **Adjust for Payment Disc.** check box is selected on the **General Ledger Setup** page. Similarly, payment discount accounts cannot be entered on the **General Posting Setup** page if the **Pmt. Disc. Excl. VAT** check box is selected.*

Set Up Payment Discounts Calculated on Amounts Excluding VAT

General Ledger Setup

You must first set up the Microsoft Dynamics NAV 2013 database to calculate payment discount on amounts excluding VAT. To access the **General Ledger Setup** page, follow these steps.

1. In the **Search** box, enter **General Ledger Setup**, and then click the related link.
2. Expand the **General** FastTab.

FIGURE 6.1: GENERAL LEDGER SETUP – GENERAL FASTTAB

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3. **Pmt. Disc. Excl. VAT** – Select the check box if you want to calculate payment discounts on amounts excluding VAT. Therefore, there will be no VAT calculated on the payment discount amount, and the VAT will be calculated on a lowered base amount. A VAT difference will then occur between the calculated VAT and the VAT under typical circumstances.

   o When the check box is selected, the payment discount is calculated on:

     ▪ The **Amount** field in sales and purchase documents.

     ▪ The **Sales/Purch. (LCY)** field in journals.

   o When the check box is cleared, the payment discount is calculated on:

     ▪ The **Amount Incl. VAT** field in sales and purchase documents.

     ▪ The **Amount** field in journals.

*Note: If journals are used to enter sales or purchase transactions and the **Pmt. Disc. Excl. VAT** check box is selected 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.*

4. **VAT Tolerance %** - When the **Pmt. Disc. Excl. VAT** check box is selected, you must also determine the maximum VAT difference that is allowed to make sure that the VAT suggested on the invoice or the order is the VAT calculated on the lowered base amount.

*Note: Make sure that the percentage filled in in the **VAT Tolerance %** field is the largest payment discount percentage.*

For example, if you grant a payment discount of two percent to a customer, and you only allow for a one percent VAT difference, the VAT suggested on the invoice or the order will only differ one percent from the regular VAT.

If the invoice or the order is for a total amount of 100.00 local currencies (LCY), the payment discount is 2.00 LCY, and the suggested VAT is 24.75 LCY, instead of the expected 24.50 LCY.

*Note: The **VAT Tolerance %** field is not available on the **General Ledger Setup** page. You must add it through the Object Designer.*

5. Click **OK** to close the **General Ledger Setup** page.

Set Up Customer and Vendor Posting Groups

To set up the payment discount accounts for customer posting groups, follow these steps.

1. In the **Search** box, enter **Customer Posting Groups**, and then click the related link.

2. For each customer posting group that uses payment discounts, do the following:

   o In the **Payment Disc. Debit Acc.** field, click the drop-down list and select the payment discount account. The general ledger account is used to post granted payment discount amounts when you are posting sales payments for the selected customer posting group.

   o In the **Payment Disc. Credit Acc.** field, click the drop-down list and select the payment discount account. The general ledger account is used to post reductions in payment discount amounts when you are posting sales payments for the selected customer posting groups.

FIGURE 6.2: CUSTOMER POSTING GROUPS WINDOW

To set up the payment discount accounts for vendor posting groups, follow these steps.

1. In the **Search** box, enter **Vendor Posting Groups**, and then click the related link.

2. For each customer posting group that uses the payment discounts, do the following:

   o In the **Payment Disc. Debit Acc.** field, click the drop-down list and select the payment discount account. The general ledger account is used to post reductions in payment discount amounts

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when you are posting purchase payments for the selected vendor posting group.

- o In the **Payment Disc. Credit Acc.** field, click the drop-down list and select the payment discount account. The general ledger account is used to post granted payment discount amounts when you are posting purchase payments for the selected vendor posting groups.

FIGURE 6.3: VENDOR POSTING GROUPS WINDOW

Set Up Payment Discounts Calculated on Amounts Including VAT

General Ledger Setup

If payment discounts are calculated on amounts including VAT, then VAT recalculations might 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. In the **Search** box, enter **General Ledger Setup**, and then click the related link.
2. Expand the **General** FastTab.
3. Select the **Adjust for Payment Disc.** field to so that the feature becomes available.
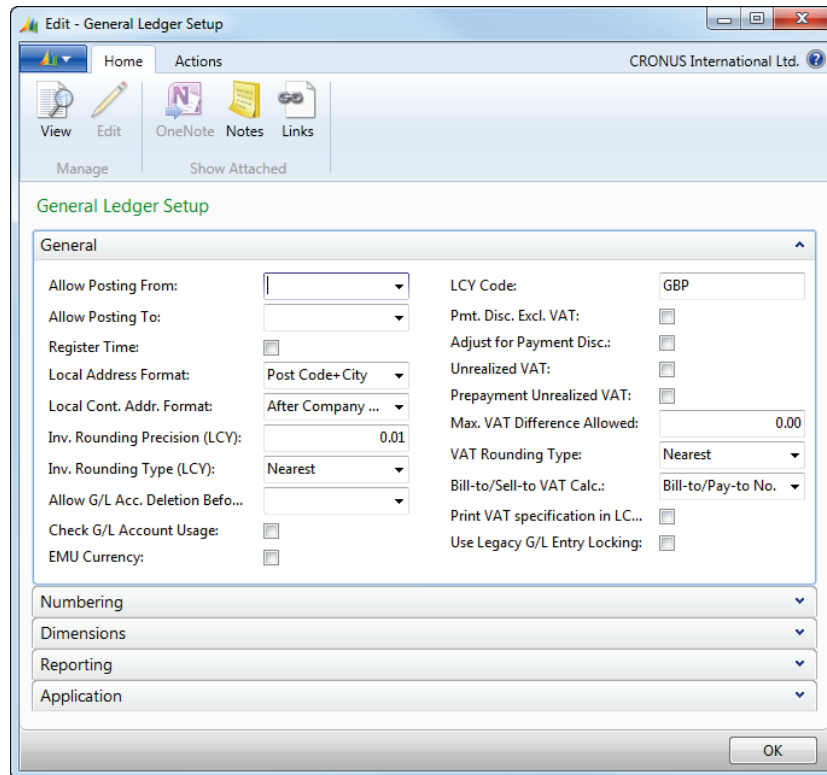
FIGURE 6.4: GENERAL LEDGER SETUP WINDOW – GENERAL FASTTAB

4. Click **Ok** to close the **General Ledger Setup** page.

Set Up VAT Posting Groups

1. In the **Search** box, enter **VAT Posting Setup**, and then click the related link.
2. Use the **Choose Columns** feature to add the **Adjust for Payment Discount** field.
3. For each relevant VAT Posting Group combination, select the **Adjust for Payment Discount** field.

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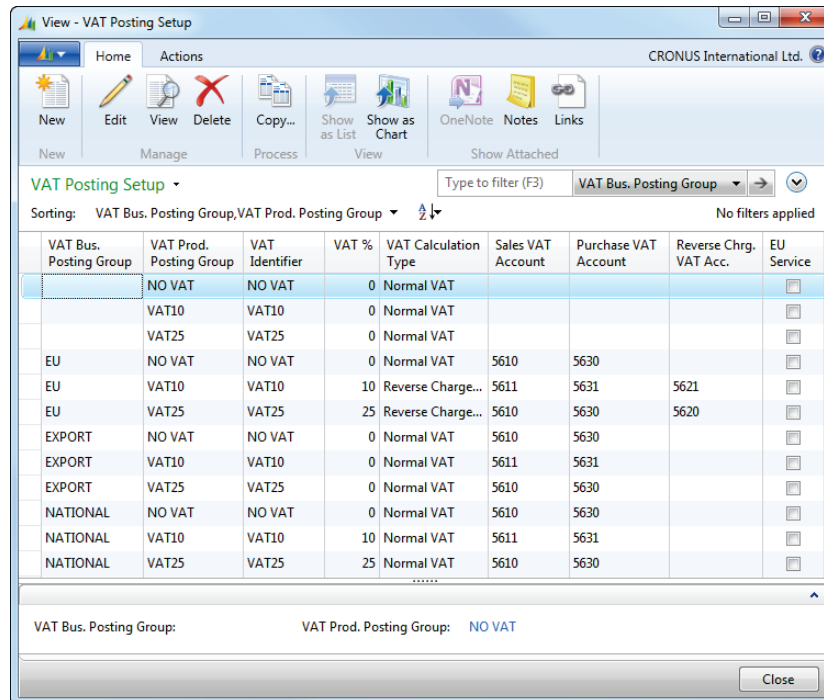
FIGURE 6.5: VAT POSTING SETUP WINDOW

4. Close the **VAT Posting Setup** window.

Set Up General Posting Groups

To set up the payment discount accounts for general posting groups, follow these steps.

1. In the **Search** box, enter **General Posting Setup**, and then click the related link.

2. For each general posting group combination that uses a payment discount, do the following:

   o In the **Sales Pmt. Disc. Debit Acc.** field, click the drop-down list and select the payment discount account. This is the general ledger 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.

   o In the **Sales Pmt. Disc. Credit Acc.** field, click the drop-down list and select the payment discount account. This is the general ledger 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.

o In the **Purch. Pmt. Disc. Debit Acc.** field, click the drop-down list and select the payment discount account. This is the general ledger account that is used to post reductions in payment discount amounts when you are posting payments for purchases with the selected combination of general business and product posting groups.

o In the **Purch. Pmt. Disc. Credit Acc.** field, click the drop-down list and select the payment discount account. This is the general ledger account that is used to post payment discount amounts given by vendors when you are posting payments for purchases with the selected combination of general business and product posting groups.

FIGURE 6.6: GENERAL POSTING SETUP WINDOW

3. Click **Close** to close the **General Posting Setup** page.

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Set Up Payment Terms with Payment Discount

Payment discounts granted to customers or offered by vendors are determined by the payment terms. After the payment terms are created, the **Payment Terms Code** is assigned to the relevant customers and vendors and, or entered in the header of the sales or purchase documents.

To access the **Payment Terms** page, follow these steps.

1. In the **Search** box, enter **Payment Terms**, and then click the related link.
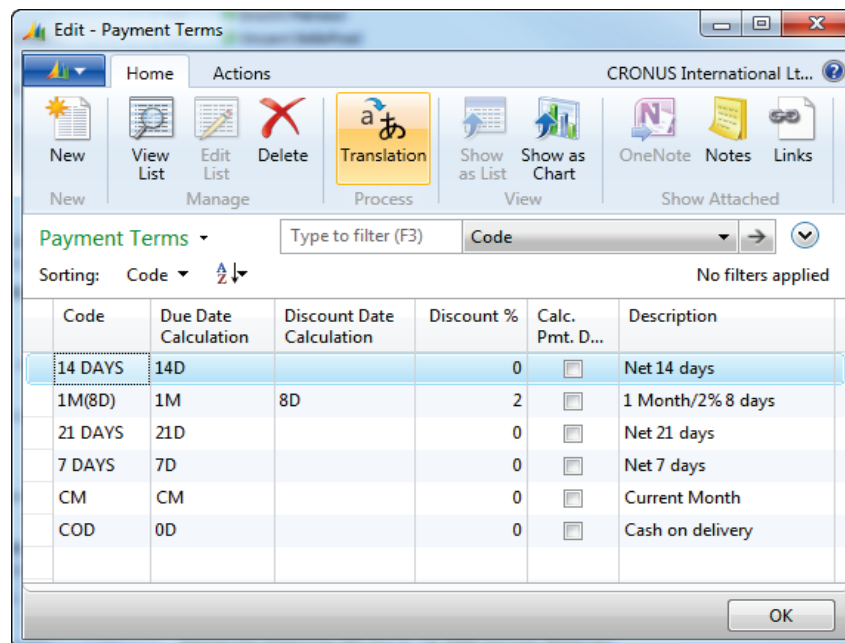
FIGURE 6.7: PAYMENT TERMS WINDOW

2. In the **Discount Date Calculation** field, fill in a date formula by which the payment must be received to subtract the payment discount amount. Meaning, to calculate the due date of the payment discount.
3. In the **Discount %** field, fill in the discount percentage that is granted when the payment is received within the period specified by the discount date.
4. Select the **Calc. Pmt. Disc. on Cr. Memos** check box, if you also want to calculate the payment discount on credit memos with this payment term.

The only payment term that is 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.

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- If full payment is received within eight days of the Document Date specified on the posted invoice, a two 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 is cleared.

Assign Payment Terms with a Payment Discount to Customers and Vendors

When payment discounts are granted for specific customers or are offered by specified vendors, the appropriate **Payment Terms Code** is assigned to the customer or vendor. Then, when an order or invoice is created the following actions occur:

- The **Payment Terms Code** is transferred to the header, together with the **Payment Discount %** and **Pmt. Discount Date**.

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

To assign a **Payment Terms Code** to a customer, follow these steps.

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select the customer to assign a payment term.
3. Click **Edit** to open the **Customer Card** page.
4. Expand the **Payments** FastTab.
5. In the **Payment Terms Code** field, click the drop-down list and select the relevant payment term.

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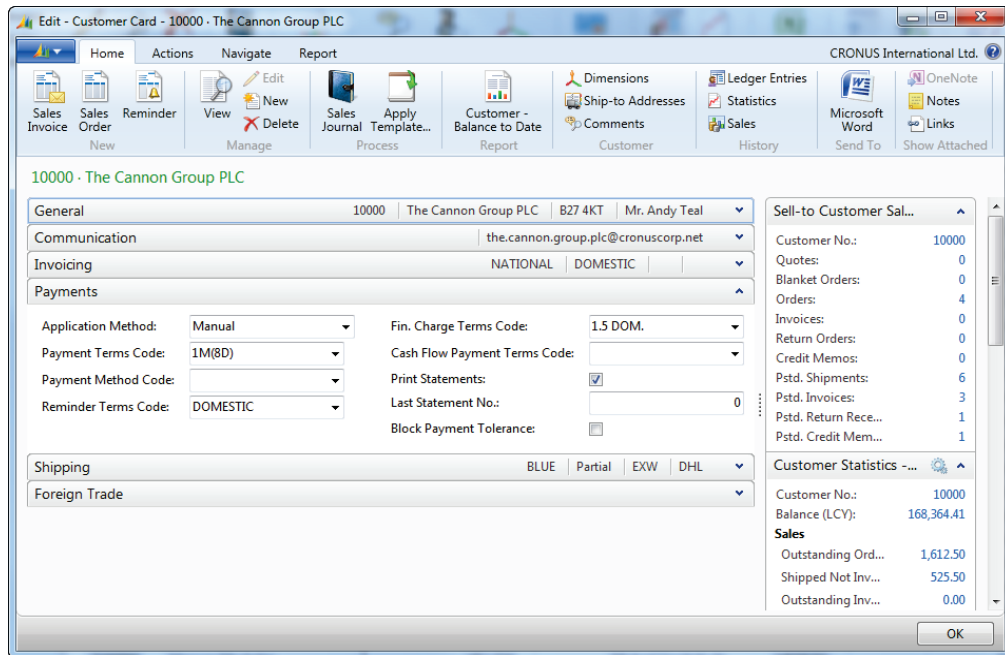
FIGURE 6.8: CUSTOMER CARD WINDOW – PAYMENTS FASTTAB

6. Click **OK** to close the **Customer Card** page.

To assign a **Payment Terms Code** to a vendor, follow these steps.

1. In the **Search** box, enter **Vendors**, and then click the related link.
2. Locate and select the vendor to assign a payment term.
3. Click **Edit** to open the **Vendor Card** page.
4. Expand the **Payments** FastTab.
5. In the **Payment Terms Code** field, click the drop-down list and select the relevant payment term.
6. Click **OK** to close the **Vendor Card** page.

Or, you can also assign payment terms on the order or the invoice header if the **Payment Terms Code** is not assigned on the customer or vendor, and, or different terms must be assigned to a specific sales order or invoice.

Process Sales Payment Discounts

After a sales document is posted, the payment discount information for the **Pmt. Discount Date**, **Original Pmt. Disc. Possible**, and the **Remaining Pmt. Disc. Possible** is recorded on the customer ledger entry.

Microsoft Dynamics NAV 2013 checks the payment discount date of the applied customer ledger entry or entries when users apply payments, refunds and credit memos.

If the posting date of the application is the same or earlier than the payment discount date of the applied entry, the remaining discount amount is subtracted automatically from the remaining amount of the applied entry, if the applied entry is fully applied.

Adjust a Customer Payment Discount

You can adjust the **Pmt. Discount Date** and the **Remaining Disc. Possible** discount fields on the customer ledger entries.

You can adjust the payment discount dates and the amounts when the invoice is posted without discount information, the discount date passed and you approve the date change, and the discount amount is calculated incorrectly.

Demonstration: Post a Customer Payment with a Payment Discount

Scenario: The Cannon Group PLC, customer 10000, in CRONUS International Ltd, is set up with payment terms. These payment terms include a two percent payment discount if it pays within eight days of the document date that is shown on the invoices.

On January 26, 2014, Arnie, the accounts receivables administrator at CRONUS International Ltd., receives a payment of 8,018.70 LCY from customer 10000, for invoice 103001.

The full amount of invoice 103001 is 8,182.35 LCY. However, because The Cannon Group PLC paid the invoice within eight days, it has taken the two percent discount and reduced the payment by 163.65 LCY.

To process the discounted payment, follow these steps.

1. In the **Search** box, enter **Cash Receipt Journals**, and click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/26/14.

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. Leave the **Amount** field blank.

8. On the **Actions** tab, click **Apply Entries**.

9. Select the line for invoice 103001.

10. On the **Navigate** tab, click **Set Applies-to ID**.

11. On the bottom of the **Apply Customer Entries** page, notice the following fields:

    o **Amount to Apply** – Contains the full remaining amount of the invoice, without considering the payment discount.

    o **Pmt. Discount Amount** – When the payment is made within the discount period, the remaining discount amount will be shown here.

    o **Applied Amount** – The amount that will be applied to the journal line, as soon as the journal is posted. When there is no amount filled in on the journal line, the **Applied Amount** will automatically be suggested on the journal line, as soon as the **Apply Customer Entries** page is closed.

    o **Available Amount** – The amount that is filled in on the journal and the maximum that can be applied to.

    o **Balance** – The difference between the applied amount and the available amount.

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. This is the result of the discount being subtracted from the payment amount.

12. Click **OK** to close the **Apply Customer Entries** page.

13. The **Amount** field on the journal line is now populated.

14. On the **Actions** tab, click **Post**.

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

16. Click **OK**.

17. Click **OK** to close the **Cash Receipt Journal**.

To review the posted customer ledger entries for this payment, follow these steps.

1. In the **Search** box, enter **Customers**, and then click the related link.

2. Locate and select customer 10000.

3. On the **Navigate** tab, click **Ledger Entries**.

4. Review the line for invoice 103001:

   o The **Original Amount** and **Amount** fields contain the full
     amount of the invoice.

   o The **Remaining Amount** and **Remaining Pmt. Disc. Possible**
     fields are zero.

5. Review the line for the payment dated 01/26/14:

   o The **Original Amount** contains the payment amount.

   o The **Amount** field contains the payment amount plus the
     discount amount.

   o The **Remaining Amount** is zero.

6. Select the line for the payment and on the **Actions** tab, click
   Navigate.

7. Select the line for the general ledger entries and then click **Show**.

The payment discount amount is posted to the 9250 account, as it is specified by
the customer posting groups.

8. Click **Close** to close the **General Ledger Entries** page.

9. Click **Close** to close the **Navigate** page.

10. Click **OK** to close the **Customer Ledger Entries** page.

Demonstration: Posting Partial Customer Payments with Payment Discounts

Scenario: Customer 40000, Deerfield Graphics, has an outstanding invoice for
payment of 1,328.88 LCY. If the invoice is paid by December 17, 2013, the
customer can take a 26.58 LCY discount.

On December 12, 2013, a payment of 651.15 LCY is sent. This payment is half of
the discounted amount (1,328.88 - 26.58 / 2 = 651.15). On December 17, 2013,
the remaining half of the payment is sent.

Arnie can successfully post both payments, by using the discount, because both
payments are received by December 17, 2013.

📝 *Note: Entries are posted in the year 2013 in this demonstration.*

To process the first partial payment on an invoice with an available discount,
follow these steps.

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the
   related link.

2. Make sure that the BANK journal batch is selected.

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3. In the **Posting Date** field, enter 12/12/13.

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. On the **Actions** tab, click **Apply Entries**.

9. On the **Navigate** tab, click **Set Applies-to ID**.

10. At the bottom of the page, notice the following:

    o The **Pmt. Disc. Amount** field contains a zero balance.

    o The **Balance** field at the bottom of the page is out of balance by 677.73 LCY. This is the amount for the other half that is due and the full discount amount.

11. Click **OK** to close the **Apply Customer Entries** page.

12. On the **Actions** tab, click **Post**.

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

14. Click **OK**.

To process the remaining partial payment on an invoice with an available discount, follow these steps.

1. In the **Posting Date** field, enter 12/17/13.

2. In the **Document Type** field, click the drop-down list and select Payment.

3. In the **Account Type** field, 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. On the **Actions** tab, click **Apply Entries**.

7. On the **Navigate** tab, click **Set Applies-to ID**.

8. At the bottom of the page, notice the following:

    o The **Pmt. Disc. Amount** field contains the remaining payment discount possible of 26.58 LCY.

    o The **Balance** field at the bottom of the page is now zero.

9. Click **OK** to close the **Apply Customer Entries** page.

10. On the **Actions** tab, click **Post**.

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

12. Click **OK**.

13. Click **OK** to close the **Cash Receipt Journal** page.

Because both payments are 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. If you still want to grant the discount, you can do the following:*

- *Change the **Pmt. Discount Date** before the payment is processed.*
- *Add an additional general ledger line to the cash receipt journal for the payment discount amount and also apply this with the invoice.*
- *If the payment is already processed and the payment discount amount remains as an open amount on the customer ledger entry, you can manually post this amount to the payment discount account through a general journal.*

Demonstration: Add Discounts After Posting Sales Transactions

Scenario: On January 21, 2014, customer 20000 set up a payment discount agreement with CRONUS International Ltd. It will take a two percent discount if payments are received within eight days of invoicing.

That same day, invoice 103002 is posted before the terms changed on the Customer Card. On January 29, 2014, Arnie receives a payment of 6,832.34 LCY. This payment is 139.44 LCY less than the invoice amount.

When Arnie reviews the invoice, he realizes that the correct payment terms are not applied and that the difference is the two percent discount. Arnie changes the discount fields on the customer ledger entries for this invoice and then posts the discounted payment.

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

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select customer 20000.
3. On the **Navigate** tab, click **Ledger Entries**.
4. On the line for invoice 103002, click the **Pmt. Discount Date** field.
5. Enter 01/29/14.
6. In the **Remaining Pmt. Disc. Possible** field, enter 139.44 LCY. Notice that this amount must be entered in the same currency as the invoice.
7. Click **OK** to close the **Customer Ledger Entries** page.

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To process the discounted payment, follow these steps.

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/29/14.
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 -6,832.34.
8. On the **Navigate** tab, click **Apply Entries**.
9. Select the line for invoice 103002.
10. On the **Navigate** tab, click **Set Applies-to ID**.
11. At the bottom of the page, notice the following:
    o The **Pmt. Disc. Amount** field contains -139.44 LCY, the discount amount.
    o The **Balance** field contains a zero balance because the discount is available within this posting date range.
12. Click **OK** to close the **Apply Customer Entries** window.
13. On the **Actions** tab, click **Post**.
14. Click **Yes** to post the journal lines.
15. Click **OK**.
16. Click **OK** to close the **Cash Receipt Journal** page.

Demonstration: Apply Posted Payments to Sales Documents that Use Discounts

When you apply a payment or refund to entries while the payment or refund is posted, Microsoft Dynamics NAV 2013 automatically includes payment discount information. This payment discount information is included on both invoice and credit memo entries when it calculates the payment amount or the refund.

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

Scenario: On January 25, 2014, a payment of 4,019.83 LCY is received from customer 10000. 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:

- The invoice amount is 4,101.88 LCY.
- The two percent discount amount of 82.04 LCY is taken incorrectly as 82.05 LCY.
- The payment amount is then 4,019.83 LCY (4,101.88 LCY - 82.05 LCY).

Arnie also notices that the payment is two days 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. currently is 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, 2014.

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

To process the payment, follow these steps.

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/25/14.
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. On the **Actions** tab, click **Post**.
9. Click **Yes** to post the journal lines.
10. Click **OK**.
11. Click **OK** to close the **Cash Receipt Journal** page.

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

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select customer 10000.
3. On the **Navigate** tab, click **Ledger Entries**.
4. On the line for invoice 103018, click the **Pmt. Discount Date** field, and enter 01/25/14.
5. In the **Remaining Pmt. Disc. Possible** field, enter 82.05.
6. Select the payment line dated 01/25/14, for -4019.83.
7. On the **Actions** tab, click **Apply Entries**.
8. Click the line for **Document No. 103018**.
9. On the **Navigate** tab, click **Set Applies-to ID**.
10. At the bottom of the page, notice the following:
    o The **Pmt. Disc. Amount** field contains the -82.05 LCY, the discount amount.
    o The **Balance** field contains a zero balance. This results from the discount being adjusted to match the discount and for i available within this posting date range.
11. On the **Navigate** tab, click **Post Application**.
12. Click **OK**.
13. Click **OK** to the message that the application posted.
14. Click **OK** to close the **Customer Ledger Entries** page.

Applying Sales 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 step.

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select the relevant customer.
3. On the **Navigate** tab, click **Ledger Entries**.
4. Select the line with the relevant credit memo.
5. On the **Home** tab, click **Apply Entries**.
6. Select the line with the relevant invoice.
7. On the **Navigate** tab, click **Set Applies-to ID**.
8. On the **Navigate** tab, click **Post Application**.
9. Click **OK** to apply the entries.
10. Click **OK** to the message that the entries are posted.

11. Click **OK** to close the **Apply Customer Entries** page.

12. Review the applied entries in the **Customer Ledger Entries** page. 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.

13. Click **OK** to close the **Customer Ledger Entries** page.

Lab 6.1: Post a Customer Payment with a Discount

Scenario

On January 8, 2014, the accounts payable clerk for customer 10000, contacts you. The clerk wants to know whether the two percent discount can still be taken on Document No. 00-9 if the payment is received on 01/09/14. This date is one day past the payment discount date. You state that it is acceptable, because this is one of your best customers.

On January 9, 2014, you receive a payment of 49,762.93 LCY. Adjust the payment discount date while applying the payment.

Exercise 1: Post a Customer Payment with a Discount

Task 1: Post a Customer Payment with a Discount

High Level Steps

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

Detailed Steps

1. Enter the information as it is specified in the scenario.
   a. On the **navigation** pane, click **Departments**.
   b. Click **Financial Management**, click **Receivables**, and then click **Cash Receipt Journals**.
   c. Make sure that the BANK journal batch is selected.
   d. In the **Posting Date** field, enter 01/09/14.
   e. In the **Document Type** field, click the drop-down list and select Payment.
   f. In the **Account Type** field, click the drop-down list and select Customer.
   g. In the **Account No.** field, enter 10000.

2. Adjust and apply the invoice as it is specified in the scenario.
   a. On the **Actions** tab, click **Apply Entries**.
   b. Select the line for invoice 00-9.
   c. In the **Pmt. Discount Date** field, enter 01/09/14.
   d. On the **Navigate** tab, click **Set Applies-to ID**.
   e. Click **OK** to close the **Apply Customer Entries** page.

3. Post the Cash Receipt Journal.

    a. On the **Actions** tab, click **Post**.

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

    c. Click **OK**.

    d. Click **OK** to close the **Cash Receipt Journal**.

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Lab 6.2: Apply Posted Partial Customer Payments with Discounts

Scenario

On January 8, 2014, you receive a payment of 33,174.35 LCY from customer 10000. 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 is made on January 8, 2014, the full discount of 677.05 LCY is available. However, a small error is made in the discount calculation and this 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 LCY.

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

Exercise 1: Apply Posted Partial Customer Payments with Discounts

Task 1: Apply Posted Partial Customer Payments with Discounts

High Level Steps

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

Detailed Steps

1. Post the payment as it is specified in the scenario.
    a. On the **navigation** pane, click **Departments**.
    b. Click **Financial Management**, click **Receivables**, and then click **Cash Receipt Journals**.
    c. Make sure that the BANK journal batch is selected.
    d. In the **Posting Date** field, enter 01/08/14.
    e. In the **Document Type** field, click the drop-down list and select Payment.
    f. In the **Account Type** field, click the drop-down list and select Customer.
    g. In the **Account No.** field, enter 10000.
    h. In the **Amount** field, enter -33,174.35.
    i. On the **Actions** tab, click **Post**.

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

      k. Click **OK**.

      l. Click **OK** to close the **Cash Receipt Journal**.

2. Apply the posted payment to the invoice as it is specified in the scenario. Remember to adjust the payment discount amount.

      a. On the **navigation** pane, click **Departments**.

      b. Click **Financial Management**, click **Receivables**, and then click **Customers**.

      c. Locate and select customer 10000.

      d. On the **Navigate** tab, click **Ledger Entries**.

      e. Select the line for invoice 00-16.

      f. In the **Remaining Pmt. Disc. Possible** field, enter 678.00.

      g. Select the payment line dated 01/08/14, for -33,174.35.

      h. On the **Actions** tab, click **Apply Entries**.

      i. Click the line for **Document No.** 00-16.

      j. On the **Navigate** tab, click **Set Applies-to ID**.

      k. At the bottom of the page, notice the following:

            ▪ The **Pmt. Disc. Amount** field contains -678.00 LCY, the discount amount.

            ▪ The **Balance** field contains a zero balance because the discount is adjusted to match the discount and for it to be available within this posting date range.

3. Post the application.

      a. On the **Navigate** tab, click **Post Application**.

      b. Click **OK**.

      c. Click **OK** to the message that the application posted.

      d. Click **OK** to close the **Customer Ledger Entries** page.

Process Purchase Payment Discounts

In the **Suggest Vendor Payments** batch job of the **Payment Journal**, there are some differences in the criteria that are used to make a payment when the **Find Payment Discounts** check box is either selected or it is cleared. Based on this, Microsoft Dynamics NAV 2013, suggests the following:

- If this check box is selected, then payments are made for:

    o All open entries that have a **Due Date** on or before the date entered in the **Last Payment Date** field.

    o Any open vendor ledger entry that has a **Pmt. Discount Date** between the **Posting Date** and the **Last Payment Date**.

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- If this check box is cleared, then payments are made for:
  - o Only those entries that have a **Due Date** on or before the **Last Payment Date**.

Adjust Vendor Payment Discount

You can adjust the **Pmt. Discount Date** and the **Remaining Pmt. Disc. Possible** discount fields on the vendor ledger entries.

You can adjust the payment discount dates and the amounts when the invoice is posted without discount information, the discount date passed and the vendor approves the date change, and when the discount amount is calculated incorrectly.

Demonstration: Suggest Discounted Vendor Payment Lines

Scenario: On January 25, 2014, a payment of 298.13 LCY is received from vendor 40000, Lewis Home Furniture, for invoice 55681. The invoice is for nine wooden doors, item 70010.

This vendor has granted a two percent payment discount if the payment is received within eight days of the invoice.

On February 1, 2014, April runs the Suggest Vendor Payments batch job for this vendor with a last payment date of 02/15/14. The first time she runs the batch job, she forgets to add a check mark in the **Find Payment Discounts** and the payment is not suggested. She runs the batch job again and inserts a check mark in the **Find Payment Discounts** check box. The discounted payment is suggested.

📝 *Note: In the **General Ledger Setup** page, the **Pmt. Disc. Excl. VAT** and **Adjust for Payment Discount** check boxes are both cleared.*

To post the invoice, follow these steps.

1. In the **Search** box, enter **Purchase Invoices**, and then click the related link.
2. Click **New**.
3. In the **Buy-from Vendor No.** field, enter 40000.
4. In the **Posting Date** field, enter 01/25/14.
5. In the **Vendor Invoice No.** field, enter 55681.
6. Expand the **Invoicing** FastTab.
7. In the **Payment Terms Code** field, click the drop-down list and select 1M(8D).
8. Expand the **Lines** FastTab.

9. In the **Type** field, click the drop-down list and select Item.
10. In the **No**. field, enter 70010.
11. In the **Quantity** field, enter 9.
12. On the **Actions** tab, click **Post**.
13. Click **Yes** to post the invoice.
14. Click **OK** to close the **Purchase Invoice** page.

To suggest vendor payments without finding discounts, follow these steps.

1. In the **Search** box, enter **Payment Journal**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. On the **Navigate** tab, click **Suggest Vendor Payments**.
4. Expand the **Options** FastTab.
5. In the **Last Payment Date** field, enter 02/15/14.
6. Make sure that the **Find Payment Discounts** check box is cleared.
7. In the **Posting Date** field, enter 02/01/14.
8. In the **Bal. Account Type** field, click the drop-down list and select Bank Account.
9. In the **Bal. Account No.** field, click the drop-down list, select WWB-OPERATING and then click **OK**.
10. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.
11. Expand the **Vendor** FastTab.
12. In the **No.** filter, enter 40000.
13. Click **OK** to run the **Suggest Vendor Payments** batch job.
14. Notice that the payment is not suggested. Because the invoice is not due until 02/25/10, it is not suggested because the **Find Payment Discount** check box did not prompt Microsoft Dynamics NAV 2013 to search for any discounts before the due date.
15. Click **OK** to close the **Payment Journal** page.

To suggest vendor payments with discounts, follow these steps.

1. In the **Search** box, enter **Payment Journal**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. On the **Navigate** tab, click **Suggest Vendor Payments**.
4. Expand the **Options** FastTab.
5. In the **Last Payment Date** field, enter 02/15/14.
6. Make sure that the **Find Payment Discounts** check box is selected.

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7. In the **Posting Date** field, enter 02/01/14.

8. In the **Bal. Account Type** field, click the drop-down list and select Bank Account.

9. In the **Bal. Account No.** field, click the drop-down list, select WWB-OPERATING and then click **OK**.

10. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.

11. Expand the **Vendor** FastTab.

12. In the **No.** filter, enter 40000.

13. Click **OK** to run the **Suggest Vendor Payments** batch job.

One journal line is created for the invoice 108028.

14. In the **Amount** field, a payment amount for 292.17 LCY is suggested. The original invoice amount is 298.13 LCY. The two percent discount of 5.96 LCY is subtracted from the payment amount because the Posting Date is within the payment discount range.

15. In the **Applies-to Doc. No.** field, click the drop-down list to open the **Apply Vendor Entries** page.

16. Review the amount fields at the bottom of the page.
    o **Amount to Apply** – Contains the full remaining amount of the invoice, without considering the payment discount.
    o **Pmt. Discount Amount** – When the payment is made within the discount period, the remaining discount amount will be shown here.
    o **Applied Amount** – The amount that will be applied to the journal line, after the journal is posted.
    o **Available Amount** – The amount that is filled in on the journal line and to which the maximum can be applied.
    o **Balance** – The difference between the applied amount and the available amount.

17. Click **OK** to close the **Apply Vendor Entries** page.

18. Delete the suggested payment journal line.

19. Click **OK** to close the **Payment Journal** page.

Demonstration: Suggest Vendor Payment Lines without a Discount

Scenario: On February 15, 2014, April runs the **Suggest Vendor Payments** batch job to find discounts for all payments due on or before February 28, 2014.

She reviews the payment for vendor 40000. Because the payment is not suggested within the payment discount date, the discount is not applied to the payment.

To suggest vendor payments without discounts, follow these steps.

1. In the **Search** box, enter **Payment Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. On the **Navigate** tab, click **Suggest Vendor Payments**.
4. Expand the **Options** FastTab.
5. In the **Last Payment Date** field, enter 02/28/14.
6. Make sure that the **Find Payment Discounts** check box is selected.
7. In the **Posting Date** field, enter 02/15/14.
8. In the **Bal. Account Type** field, click the drop-down list and select Bank Account.
9. In the **Bal. Account No.** field, click the drop-down list, select WWB-OPERATING and then click **OK**.
10. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.
11. Expand the **Vendor** FastTab.
12. In the **No.** filter, enter 40000.
13. Click **OK** to run the **Suggest Vendor Payments** batch job.

One journal line is created for invoice 55681.

14. In the **Amount** field, a payment amount for 298.13 LCY is suggested. This is the full amount of the invoice.
15. In the **Applies-to Doc. No.** field, click the drop-down list to open the **Apply Vendor Entries** page.
16. Review the amount fields at the bottom of the page.
17. Click **OK** to close the **Apply Vendor Entries** page.
18. Delete the suggested payment journal line.
19. Click **OK** to close the **Payment Journal** page.

Demonstration: Add Discounts after Posting Purchase Transactions

Scenario: On February 3, 2014, April remembers to suggest vendor payments for vendor 40000. She realizes that the payment discount date passed. Therefore, April calls the vendor to ask whether she can still take the discount. The vendor approves the discount, but April must send the payment by using overnight mail.

She changes the payment discount date on the vendor ledger entry and then she runs the **Suggest Vendor Payment** batch job again.

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To change the payment discount date on the vendor ledger entry, follow these steps.

1. In the **Search** box, enter **Vendors**, and then click the related link.
2. Locate and select vendor 40000.
3. On the **Navigate** tab, click **Ledger Entries**.
4. On the invoice line, in the **Pmt. Discount Date** field, enter 02/03/14.
5. Click **OK** to close the **Vendor Ledger Entries** page.

To run the Suggest Vendor Payments batch job, follow these steps.

1. In the **Search** box, enter **Payment Journal**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. On the **Navigate** tab, click **Suggest Vendor Payments**.
4. Expand the **Options** FastTab.
5. In the **Last Payment Date** field, enter 02/28/14.
6. Make sure that the **Find Payment Discounts** check box is selected.
7. In the **Posting Date** field, enter 02/03/14.
8. In the **Bal. Account Type** field, click the drop-down list and select Bank Account.
9. In the **Bal. Account No.** field, click the drop-down list, select WWB-OPERATING and then click **OK**.
10. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.
11. Expand the **Vendor** FastTab.
12. In the **No.** filter, enter 40000.
13. Click **OK** to run the **Suggest Vendor** Payments batch job.

One journal line is created for invoice 55681.

14. In the **Amount** field, a 293.36 LCY payment is suggested. The original invoice amount is 298.13 LCY. The two percent discount of 4.77 LCY is subtracted from the payment amount because the Posting Date is within the payment discount range.
15. Delete the suggested payment journal line.
16. Click **OK** to close the **Payment Journal** page.

Set Up a Payment Discount Tolerance and a Payment Tolerance

Sometimes, a customer can underpay or overpay an invoice amount. When this occurs, the following two options are available:

- Post the payments with a remaining amount. With this option, you must close the remaining amount using other methods, such as posting an adjustment and, or by 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.

For accounts payables, payment tolerances are used to make payments to vendors that have a slightly different invoice amount.

When you use a payment tolerance, you can do the following:

- Set the payment tolerance percentage, payment discount grace period, and the maximum payment tolerance amount.
- Determine whether to receive a warning when an application is made within the payment tolerance parameters set.
- Determine to which account to post the difference to keep track of amounts and their frequency.
- Set up different payment tolerances for different currencies.
- Work with a payment tolerance on invoices and payments, credit memos and refunds.
- Determine the customers who can use or be blocked from payment tolerances.

In Microsoft Dynamics NAV 2013, there are two types of payment tolerance:

- **Payment Discount Tolerance**: This takes a payment discount even if the payment discount date has passed.
- **Payment Tolerance**: This accepts a slightly larger or smaller amount as full settlement of an outstanding invoice.

Set Up on Customer Cards

As a default, a payment tolerance can be used for all customers. This default can be changed for a specific customer.

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To disable payment tolerances, follow these steps.

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select the customer to disable the payment tolerance, and then click **Edit**.
3. Expand the **Payments** FastTab.
4. Select the **Block Payment Tolerance** check box.
5. You will receive a message that asks whether the payment tolerance is to be removed from all open entries.
   o Click **Yes** to remove the payment tolerance on open entries and to restrict it from future invoices.
   o Click **No** to maintain the payment tolerance on open entries but restrict it from future invoices.
6. Click **OK** to close the **Customer Card** page.

📋 *Note: The **Block Payment Tolerance** check box applies to both the payment discount tolerance and the payment tolerance.*

To make a disabled payment tolerance available, clear the **Block Payment Tolerance** check box on the Customer Card.

Set Up on Vendor Cards

As a default, a payment tolerance can be used for all vendors. This default can be changed on the Vendor Card.

To make the payment tolerances unavailable, follow these steps.

1. In the **Search** box, enter **Vendors**, and then click the related link.
2. Locate and select the vendor to make the payment tolerance unavailable, and then click **Edit**.
3. Expand the **Payments** FastTab.
4. Select the **Block Payment Tolerance** check box.
5. You will receive a message that asks whether the payment tolerance is to be removed from all open entries.
   o Click **Yes** to remove the payment tolerance on open entries and to restrict it from future invoices.
   o Click **No** to maintain the payment tolerance on open entries but restrict it from future invoices.
6. Click **OK** to close the **Vendor Card** page.

📋 *Note: The **Block Payment Tolerance** check box is applied to both the payment discount tolerance and the payment tolerance.*

To make a payment tolerance unavailable, clear the **Block Payment Tolerance** field on the Vendor Card.

Set Up and Assign Payment Tolerance G/L Accounts

To post a tolerance to a G/L account that differs from the usual payment discount account, the accounts must be created in the Chart of Accounts and set up on the following:

- **Customer Posting Groups** and **Vendor Posting Groups** – When the **Adjust for Payment Discount** check box is cleared on the **General Ledger Setup** page.
- **General Posting Setup** – When the **Adjust for Payment Discount** check box is selected on the **General Ledger Setup** page.

📋 *Note: The payment tolerance accounts can be used for both the payment discount tolerance and the payment tolerance.*

Set Up Customer and Vendor Posting Groups

To set up the payment discount accounts for customer posting groups, follow these steps.

1. In the **Search** box, enter **Customer Posting Groups**, and then click the related link.
2. For each customer posting group that uses payment discounts, do the following:
   - In the **Payment Tolerance Debit Acc.** field, click the drop-down list and select the payment tolerance account. The general ledger account is used to post the payment tolerance when you post payments for sales.
   - In the **Payment Tolerance Credit Acc.** field, click the drop-down list and select the payment tolerance account. The general ledger account is used to post the payment tolerance when you post payments for sales.

To set up the payment discount accounts for vendor posting groups, follow these steps.

1. In the **Search** box, enter **Vendor Posting Groups**, and then click the related link.
2. For each customer posting group that uses payment discounts, do the following:

- o In the **Payment Tolerance Debit Acc.** field, click the drop-down list and select the payment discount account. The general ledger account is used to post the payment tolerance when you post payments for purchases.

- o In the **Payment Tolerance Credit Acc.** field, click the drop-down list and select the payment discount account. The general ledger account is used to post the payment tolerance when you post payments for purchases.

Set Up General Posting Groups

To set up the payment discount accounts for general posting groups, follow these steps.

1. In the **Search** box, enter **General Posting Setup**, and then click the related link.

2. For each general posting group combination that uses payment discount, do the following:

   - o In the **Sales Pmt. Tol. Debit Acc.** field, click the drop-down list and select the payment tolerance account. This is the general ledger account that is used to post the payment tolerance when you post payments for sales with this particular combination of business group and product group.

   - o In the **Sales Pmt. Tol. Credit Acc.** field, click the drop-down list and select the payment tolerance account. This is the general ledger account that is used to post the payment tolerance when you post payments for sales with this particular combination of business group and product group.

   - o In the **Purch. Pmt. Tol. Debit Acc.** field, click the drop-down list and select the payment tolerance account. This is the general ledger account that is used to post the payment tolerance when you post payments for purchases with this particular combination of business group and product group.

   - o In the **Purch. Pmt. Tol. Credit Acc.** field, click the drop-down list and select the payment tolerance account. This is the general ledger account that is used to post the payment tolerance when you post payments for purchases with this particular combination of business group and product group.
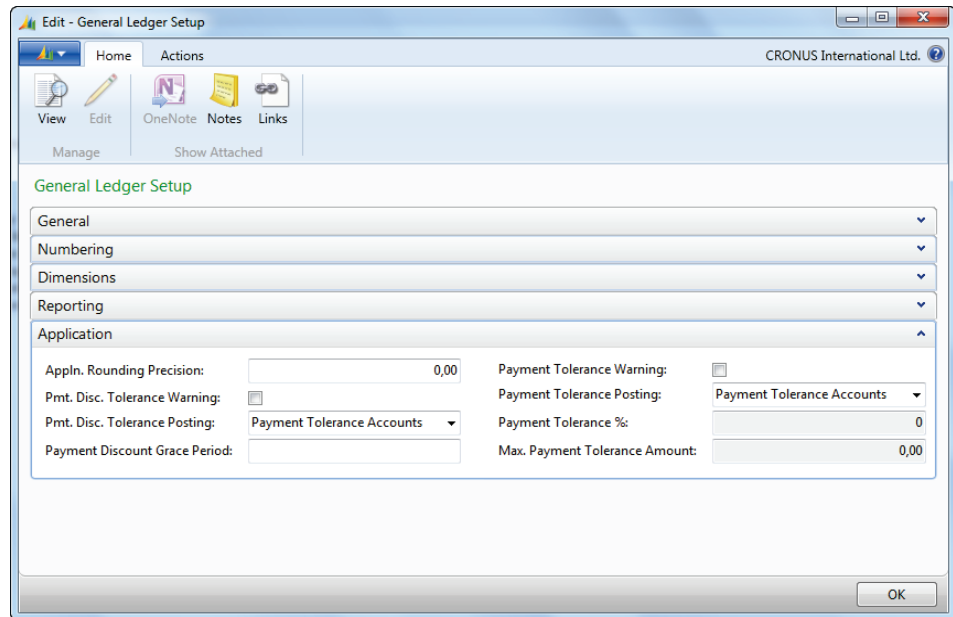
Set Up a Payment Discount Tolerance

For a payment discount to be taken after the payment discount date passed, the following setup is available:

- Set up the payment tolerance general ledger accounts on customer/vendor posting groups or general posting groups.
- Set up companywide payment discount tolerance parameters on the **General Ledger Setup** page.
- The payment discount tolerance can be made available or unavailable for individual customers or vendors.

Set Up a Payment Discount Tolerance in General Ledger Setup

To access the companywide payment discount tolerance parameters, follow these steps.

1. In the **Search** box, enter **General Ledger Setup**, and then click the related link.
2. Expand the **Application** FastTab.

FIGURE 6.9: GENERAL LEDGER SETUP WINDOW – APPLICATION FASTTAB

3. **Pmt. Disc. 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. Select to accept or decline the payment discount tolerance.

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If the payment discount tolerances are usually allowed, clear this check box. Microsoft Dynamics NAV 2013 will then automatically post the application as a payment discount tolerance.

4. **Pmt. Disc. Tolerance Posting** – Identifies the type of G/L accounts to post the payment discount tolerance. There are two selections for posting:

   o **Payment Tolerance Accounts** –The payment discount tolerance is posted to a special G/L account set up for the payment tolerance.

   o **Payment Discount Accounts** – The payment discount tolerance is posted as a payment discount.

5. **Payment Discount Grace Period** – Determines the number of days that a payment or refund can pass the payment discount due date and still receive the payment discount. Specified as a date formula. For example, to allow five days, enter 5D.

6. You will receive a message that asks you to change all open entries for all customers and vendors that are not blocked. (Where the **Block Payment Tolerance** check box is clear.)

   o **Yes** – The **Pmt. Disc. Tolerance Date** field on all applicable open customer and vendor entries is updated. The payment discount tolerance date is calculated as the payment discount date plus the payment discount grace period.

   o **No** – The payment discount tolerance will only be calculated for future customer and vendor entries.

7. Click **OK** to close the **General Ledger Setup** page.

Demonstration: Set Up a Payment Discount Tolerance

Scenario: Cassie, the accountant at CRONUS International Ltd., is asked to set up a payment discount tolerance because of the many late payments with payment discounts.

The company is also being requested to do the following:

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

To set up the payment discount tolerance parameters, follow these steps.

1. In the **Search** box, enter **General Ledger Setup**, and then click the related link.
2. Expand the **Application** FastTab.
3. Select 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. Click **OK** to close the **General Ledger Setup** page.

Process the Payment Discount Tolerance

Adjust the Payment Discount Tolerance

You can adjust the **Pmt. Disc. Tolerance Date** field on the customer and vendor ledger entries:

You can adjust the payment discount tolerance dates when the following actions occur:

- The invoice posted without discount information.
- When payment discount tolerance parameters are not set up and the discount date passed and you approved the date change.
- When payment discount tolerance parameters are set up and the discount tolerance date passed and you approved the date change.

📝 *Note: You can change the **Pmt. Discount Date** or the **Pmt. Disc. Tolerance Date** field.*

*When you change the **Pmt. Discount Date**, the discount amount will be automatically subtracted and it will be posted on the **Payment Discount Accounts**.*

*When you change the **Pmt. Disc. Tolerance Date**, the discount amounts must be manually subtracted. A payment discount warning can appear, depending on the setup. Additionally, the discount amount will be posted on the **Payment Tolerance Accounts** or on the **Payment Discounts Accounts**, depending on the setup on the **General Ledger Setup** page.*

Demonstration: Customer Payment Discount Taken Past the Discount Date

Scenario: On January 10, 2014, Arnie, the Account Receivable assistant, receives a payment of 49,762.93 LCY from The Cannon Group PLC, for invoice 00-9. However, the invoiced amount is 50,778.50 LCY.

The Cannon Group PLC has taken the payment discount two days past the discount date of January 8, 2014. Because CRONUS International Ltd. has set up a grace period of five days, this discount is acceptable.

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

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/10/14.
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. On the **Actions** tab, click **Apply Entries**.
9. Select the line for Document No. 00-9.
10. On the **Navigate** tab, click **Set Applies-to ID**.

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

11. Click **OK** to close the **Apply Customer Entries** page.

The **Payment Discount Tolerance Warning** page appears, with the options of accepting or declining the late payment discount.

12. To accept the late payment discount, select the **Post as Payment Discount Tolerance** option.
13. Click **Yes** to close the **Payment Discount Tolerance Warning** page
14. On the **Actions** tab, click **Post**.
15. Click **Yes** to post the journal lines.
16. Click **OK**.
17. Click **OK** to close the **Cash Receipt Journal** page.

Demonstration: Vendor Payment Discount Taken Past the Discount Date

Scenario: As of February 5, 2014, the invoice for vendor 40000 is not yet paid. April contacts the vendor who guarantees her that it is fine to take the discount.

Instead of adjusting the discount fields, and because a payment tolerance is set up, April suggests vendor payments and then changes the amount to the discounted amount of 292,16 LCY.

In this demonstration, the payment is not printed or posted.

To suggest vendor payments with discounts, follow these steps.

1. In the **Search** box, enter **Payment Journal**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. On the **Navigate** tab, click **Suggest Vendor Payments**.
4. Expand the **Options** FastTab.
5. In the **Last Payment Date** field, enter 02/25/14.
6. Make sure that the **Find Payment Discounts** check box is selected.
7. In the **Posting Date** field, enter 02/05/14.
8. In the **Bal. Account Type** field, click the drop-down list and select Bank Account.
9. In the **Bal. Account No.** field, click the drop-down list, select WWB-OPERATING and then click **OK**.
10. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.
11. Expand the **Vendor** FastTab.
12. In the **No.** filter, enter 40000.
13. Click **OK** to run the **Suggest Vendor** Payments batch job.

    One journal line is created for invoice 55681.

14. In the **Amount** field, a payment for 296.93 LCY is suggested. This is the full amount of the invoice. Change the amount to 292.16 LCY and press **TAB** or **ENTER**.

    The **Payment Discount Tolerance Warning** page appears, with the options of accepting or declining the late payment discount.

15. To accept the late payment discount, select the **Post as Payment Discount Tolerance** option.
16. Click **Yes** to close the **Payment Discount Tolerance Warning** page.
17. When the payment is posted, the invoice and the payment are closed without remaining amounts. However, for the following demonstrations, delete the payment journal line.
18. Click **OK** to close the **Payment Journal** page.

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Set Up a Payment Tolerance

Set Up a Payment Tolerance in General Ledger Setup

To access the companywide payment discount tolerance parameters, follow these steps.

1. In the **Search** box, enter **General Ledger Setup**, and then click the related link.
2. Expand the **Application** FastTab.
3. **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. You can accept or decline the payment tolerance. If payment tolerances are usually allowed, clear this check box. Microsoft Dynamics NAV 2013 will then automatically post the application as a payment tolerance.
4. **Payment Tolerance Posting** – Identifies the G/L accounts to post a payment tolerance. There are two selections for posting:
   o **Payment Tolerance Accounts** –The payment tolerance is posted to a special G/L account set up for a payment tolerance.
   o **Payment Discount Accounts** – The payment tolerance is posted as a payment discount.

The **Payment Tolerance Percentage** and **Maximum Payment Tolerance Amount** fields cannot be edited, and they can only be changed through the **Change Payment Tolerance** batch job.

To change the payment tolerance, follow these steps.

1. On the **Actions** tab, click **Change Payment Tolerance**.
2. Select the **All Currencies** check box, if the **Payment Tolerance Percentage** and **Max. Payment Tolerance Amount** applies for all currencies.
3. If the **All Currencies** check box is clear, you can indicate a specific currency in the **Currency Code** field for which the **Payment Tolerance Percentage** and **Max. Payment Tolerance Amount** is applicable.

If you leave this field blank, the parameters are applicable for the local currency.

4. **Payment Tolerance Percentage** – Determines the percentage that the payment or refund can differ from the amount on the invoice or credit memo.
5. **Max. Payment Tolerance Amount** – Specifies the maximum allowed amount that the payment or refund can differ from the amount on the invoice or credit memo.
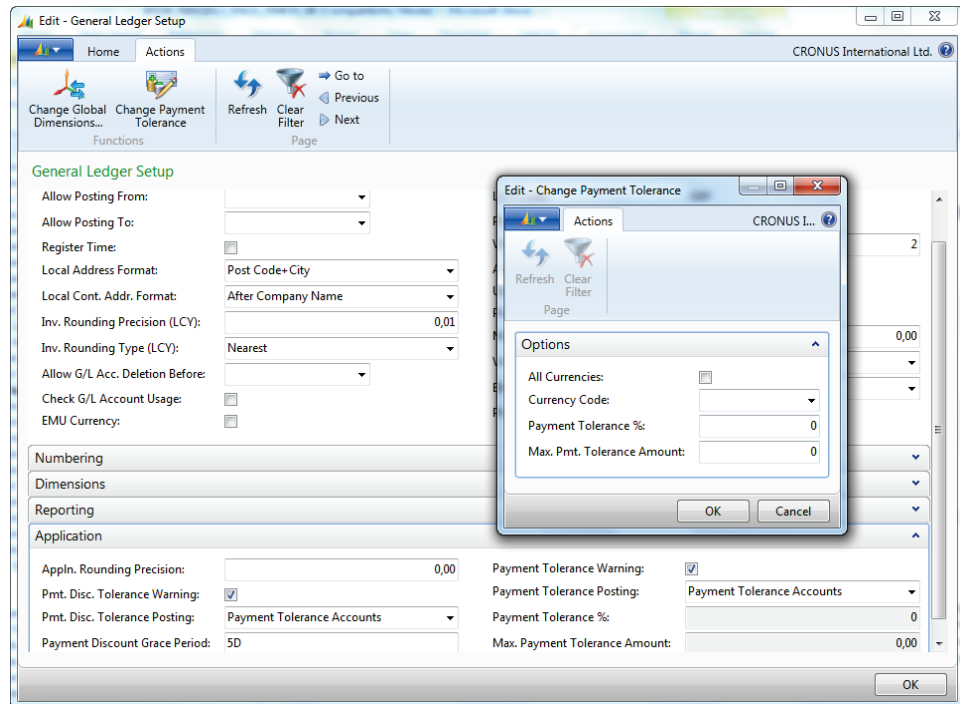
FIGURE 6.10: CHANGE PAYMENT TOLERANCE BATCH JOB

6. Click **OK** to close the **Change Payment Tolerance** page.

7. You will receive a message that asks you to change all open entries for all customers and vendors that are not blocked. (Where the **Block Payment Tolerance** check box is clear.)

   o **Yes** – The **Max. Payment Tolerance** field on all applicable open customer and vendor entries is updated. The payment tolerance percentage is calculated and taken as the payment tolerance amount, unless the maximum payment tolerance amount is a reduced amount.

   o **No** – The payment discount tolerance will only be calculated for future customer and vendor entries.

8. After the payment tolerance is set up for the local currency, the **Payment Tolerance Percentage** and **Max. Payment Tolerance Amount** will appear on the **General Ledger Setup** page.

9. Click **OK** to close the **General Ledger Setup** page.

Set Up a Payment Tolerance on a Currency Card

The **General Ledger Setup** page only displays the payment tolerance parameters set up for the local currency. The payment tolerance parameters set up for the foreign currencies can be viewed on the **Currencies** page.

To access the **Currencies** page, follow these steps.

1. In the **Search** box, enter **Currencies**, and then click the related link.
2. The **Payment Tolerance %** and **Max. Payment Tolerance Amount** fields are available, but they can only be edited through the **Change Payment Tolerance** batch job. (You can access this through the Ribbon.)

Demonstration: Set Up a Payment Tolerance

Scenario: Cassie, the accountant at CRONUS International Ltd., is asked to set up a payment tolerance because of the many underpayments received based on payment discounts.

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

The company is also requesting to receive notification if there is a payment tolerance and to use special accounts for tolerance postings.

To set up the tolerance parameters, follow these steps.

1. In the **Search** box, enter **General Ledger Setup**, and then click the related link.
2. Expand the **Application** FastTab.
3. Select the **Payment Tolerance Warning** check box.
4. Make sure that the **Payment Tolerance Posting** field is set to Payment Tolerance Accounts.
5. On the **Actions** tab, click **Change Payment Tolerance**.
6. Clear the **All Currencies** check box.
7. Leave the **Currency Code** field blank.
8. In the **Payment Tolerance %** field, enter 1.
9. In the **Max. Pmt. Tolerance Amount** field, enter 50.
10. Click **OK** to run the batch job.
11. Click **Yes** to update the change to existing customer and vendor ledger entries.
12. Notice that the **Payment Tolerance %** and **Max. Pmt. Tolerance Amount** fields on the **General Ledger Setup** page contain the values entered in the **Change Payment Tolerance** batch job.
13. Click **OK** to close the **General Ledger Setup** page.

Lab 6.3: Set Up a Payment Tolerance

Scenario

The Chief Financial Officer (CFO) at CRONUS International Ltd. discovered that the existing tolerance is too strict and he or she created too many open balances for amounts that are not significant. As the accounting manager, you are asked to change the existing tolerance to allow a three percent overpayment, and, or 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.

Exercise 1: Set Up a Payment Tolerance

Task 1: Set Up a Payment Tolerance

High Level Steps

1. Set Up a Payment Tolerance in General Ledger Setup.

Detailed Steps

1. Set Up a Payment Tolerance in General Ledger Setup.
   a. On the **navigation** pane, click **Departments**.
   b. Click **Administration**, and then click **Application Setup**.
   c. On the **Application Setup** page, click **Financial Management**, click **Finance**, and then click **General Ledger Setup**.
   d. Expand the **Application** FastTab.
   e. Make sure that the **Payment Tolerance Warning** check box is selected.
   f. On the **Actions** tab, click **Change Payment Tolerance**.
   g. Clear the **All Currencies** check box.
   h. Leave the **Currency Code** field blank.
   i. In the **Payment Tolerance %** field, enter 3.
   j. In the **Max. Pmt. Tolerance Amount** field, enter 200.
   k. Click **OK** to run the batch job.
   l. Click **Yes** to update the change to existing customer and vendor ledger entries.

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

   m. Click **OK** to close the **General Ledger Setup** page.

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Process a Payment Tolerance

Adjust a Payment Tolerance

You can adjust the **Max. Payment Tolerance** field on the customer and vendor ledger entries.

You can adjust the payment tolerance amount, when no payment tolerance parameters are set up and you approve the change for the amount. You can also adjust the payment tolerance amount when the payment discount is calculated incorrectly and you approve the change for the amount, and when the payment tolerance parameters are set up and the payment amount differs from the parameters, and you approve the change for the amount.

> 📝 **Note:** *When the paid discount amount is incorrect, you can change the* **Remaining Pmt. Disc. Possible** *or the* **Max. Payment Tolerance** *field.*
>
> *When you change the* **Remaining Pmt. Disc. Possible** *the discount amount will be automatically subtracted, and the discount amount will be posted on the* **Payment Discount Accounts**.
>
> *When you change the* **Max. Payment Tolerance** *field, the difference in the discount amount must be manually subtracted. A payment warning can appear, depending on the setup, and the difference in the discount amount will be posted on the* **Payment Tolerance Accounts** *or the* **Payment Discount Accounts**, *depending on the setup on the* **General Ledger Setup** *page.*

✸Demonstration: Process an Incorrect Customer Payment

Scenario: On January 30, 2014, Arnie receives a payment for 63,470.00 LCY from The Cannon Group PLC, for invoice 00-11. However, the invoice amount is 63,473.13 LCY.

Although a discount of 1,269.46 LCY existed, the discount due date, and the discount tolerance due date have expired. Arnie realizes that the difference in the payment amount is an error. However, because CRONUS International Ltd. set up a three percent payment tolerance, this payment difference is acceptable.

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

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/30/14.

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 -63,470.00.

8. On the **Actions** tab, click **Apply Entries**.

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

10. On the **Navigate** tab, click **Set Applies-to ID**.

Notice that the **Balance** field at the bottom of the page contains the 3.13 LCY difference.

11. Click **OK** to close the **Apply Customer Entries** page.

12. The **Payment Tolerance Warning** page 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.

13. Click **OK** to close the **Payment Tolerance Warning** page.

14. On the **Actions** tab, click **Post**.

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

16. Click **OK**.

17. Click **OK** to close the **Cash Receipt Journal** page.

Demonstration: Customer Payment Discount Calculated Incorrectly

Scenario: On January 7, 2014, Arnie receives a payment of 66,181.31 LCY from The Cannon Group PLC, for invoice 00-6. However, the invoice amount is 67,704.67 LCY.

Arnie reviews the possible discount amounts and notices that, although the payment is received within the discount period, the amount is calculated incorrectly.

The Cannon Group PLC has taken a two and one quarter percent discount instead of two percent. However, because CRONUS International Ltd. has set up a three percent payment tolerance, this discount is acceptable.

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

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/07/14.
4. In the **Document Type** field, click the drop-down list and then select Payment.
5. In the **Account Type** field, click the drop-down list and then select Customer.
6. In the **Account No.** field, enter 10000.
7. In the **Amount** field, enter -66,181.31.
8. On the **Actions** tab, click **Apply Entries**.
9. Select the line for Document No. 00-6.
10. On the **Navigate** tab, click **Set Applies-to ID**.

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

11. Click **OK** to close the **Apply Customer Entries** page.
12. The Payment Tolerance Warning page 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.
13. Click **OK** to close the **Payment Tolerance Warning** page.
14. On the **Actions** tab, click **Post**.
15. Click **Yes** to post the journal lines.
16. Click **OK**.
17. Click **OK** to close the **Cash Receipt Journal** page.

📝 **Note:** *Instead of handling the incorrect discount amount as a payment tolerance, you can also change the* **Remaining Pmt. Disc. Possible** *field on the customer ledger entry for invoice 00-6.*

Then, the access discount amount is handled as a regular discount amount and it is automatically subtracted from the initial amount of the invoice, and it posts on the **Payment Discount Accounts**.

Demonstration: Incorrect Totaling of Two Sales Invoices

Scenario: On January 30, 2014, Arnie receives a payment of 116,564.07 LCY from the John Haddock Insurance Co. for the following invoices:

- Document No. 00-13 – 40,399.29 LCY

- Document No. 00-15 – 76,167.75 LCY

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

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

1. In the **Search** box, enter **Cash Receipt Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. In the **Posting Date** field, enter 01/30/14.
4. In the **Document Type** field, click the drop-down list and then select Payment.
5. In the **Account Type** field, click the drop-down list and then select Customer.
6. In the **Account No.** field, enter 30000.
7. In the **Amount** field, enter -116,564.07.
8. On the **Actions** tab, click **Apply Entries**.
9. Select the line for Document No. 00-13.
10. On the **Navigate** tab, click **Set Applies-to ID**.
11. Select the line for Document No. 00-15.
12. On the **Navigate** tab, click **Set Applies-to ID**.

    Notice that the **Balance** field at the bottom of the window contains the 2.97 LCY difference.

13. Click **OK** to close the **Apply Customer Entries** page.

    The **Payment Tolerance Warning** page appears.

14. To accept the tolerance, select the **Post the Balance as Payment Tolerance** option.
15. Click **OK**.
16. On the **Actions** tab, click **Post**.
17. Click **Yes** to post the journal lines.

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18. Click **OK**.

19. Click **OK** to close the **Cash Receipt Journal** page.

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**.

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

- o Document No. 00-13
- o Document No. 00-15
- o Payment line dated 01/30/10

4. Click the payment line and in the **Home** tab, click **Detailed Ledger Entries**.

5. Review the entry lines:
   - o The first line is the Initial Entry of the payment and it contains the payment amount.
   - o The second line is the Payment Tolerance and it contains the accepted payment tolerance amount.
   - o The third line is the Application and it contains the net amount of the two lines that match the actual net amount of the two invoices.

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

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

Demonstration: Adjust the Vendor Payment Amount to Reflect a Payment Tolerance

Scenario: Invoice 108021 from vendor 30000, CoolWood Technologies, posted on January 13, 2014, without discounts. As of January 1, 2014, all invoices receive a one percent discount if the invoice is paid within 10 days.

On January 21, 2014, the **Suggest Vendor Payments** report is run for this vendor. You check the amount to make sure that the discount is taken and you find that it is not set up on the invoice. Because the discount amount is within the tolerance, you decide to change the amount on the Payment Journal and accept the tolerance.

To suggest vendor payments with discounts, follow these steps.

1. In the **Search** box, enter **Payment Journals**, and then click the related link.
2. Make sure that the BANK journal batch is selected.
3. On the **Navigate** tab, click **Suggest Vendor Payments**.
4. Expand the **Options** FastTab.
5. In the **Last Payment Date** field, enter 01/31/14.
6. Make sure that the **Find Payment Discounts** check box is selected.
7. In the **Posting Date** field, enter 01/20/14.
8. In the **Bal. Account Type** field, click the drop-down list and then select Bank Account.
9. In the **Bal. Account No.** field, click the drop-down list and then select WWB-OPERATING.
10. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.
11. Expand the **Vendor** FastTab.
12. In the **No.** filter, enter 30000.
13. Click **OK**.

    Notice that the payment is for the full amount of the invoice: 19,500.00 LCY.

14. Delete the other lines from the journal.
15. In the **Amount** field, enter 19,305.00 and press **TAB** or **ENTER**.

    You will receive the Payment **Tolerance Warning** message.

16. To accept the tolerance, select the **Post the Balance as Payment Tolerance** option.
17. Click **OK**.

    The amount is changed to 19,305.00 LCY. When the payment is posted, the invoice and the payment are closed without remaining amounts.

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Lab 6.4: Process a Customer Payment Tolerance

Scenario

At the end of December 2013, customer 20000, Selangorian Ltd., signed an agreement to receive a two percent discount on all payment received within eight days of the invoice's Document Date. Before the change could be made on the Customer Card, Document No. 00-14 posted. Your first step is to add the following to this invoice:

- Discount date of January 8, 2014

- Discount amount of 761.68 LCY

On January 7, 2014, you receive a payment of 37,226.99 LCY for the invoice, and this payment is within the discount period. Therefore, the discount amount taken (856.89 LCY) is larger than the granted amount (761.68 LCY).

Although the underpayment falls within the acceptable tolerance range, the accounting manager decides that the customer is responsible for this difference because the customer used a two and one quarter percent discount instead of the allowed two percent.

Therefore, you have to post the payment with a remaining amount. Later, you will contact the customer for an additional payment and remind the customer of the discount terms.

Review the posted customer ledger entry for the payment.

Exercise 1: Process a Customer Payment Tolerance

Task 1: Process a Customer Payment Tolerance

High Level Steps

1. For customer 20000, update the payment discount date and the amount as it is specified in the scenario.
2. Process the customer payment as it is specified in the scenario.
3. Review the posted customer ledger entry.

Detailed Steps

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

   a. On the **Navigation Pane**, click **Departments**.

   b. Click **Financial Management**, click **Receivables**, and then click **Customers**.

   c. Select customer 20000.

   d. On the **Navigate** tab, click **Ledger Entries**.

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e. Select the entry for invoice 00-14.

f. In the **Pmt. Discount Date** field, enter 01/08/14.

g. In the **Remaining Pmt. Discount Possible** field, enter 761.68.

h. Click **OK** to close the **Customer Ledger Entries** page.

2. Process the customer payment as it is specified in the scenario.

a. On the **Navigation Pane**, click **Departments**.

b. Click **Financial Management**, click **Receivables**, and then click **Cash Receipt Journals**.

c. Make sure that the BANK journal batch is selected.

d. In the **Posting Date** field, enter 01/07/14.

e. In the **Document Type** field, click the drop-down list and select Payment.

f. In the **Account Type** field, click the drop-down list and select Customer.

g. In the **Account No.** field, enter 20000.

h. In the **Amount** field, enter -37,226.99.

i. On the **Home tab**, click **Apply Entries**.

j. Select the line for Document No. 00-14.

k. On the **Home** tab, click **Set Applies-to ID**.

Notice that the **Balance** field at the bottom of the page contains a difference of 856.89 LCY.

l. Click **OK** to close the **Apply Customer Entries** page.

m. The **Payment Tolerance Warning** page appears. To decline the tolerance, click the **Leave a Remaining Amount** option.

n. Click **Yes** to close the **Payment Tolerance Warning** page.

o. On the **Actions** tab, click **Post**.

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

q. Click **OK**.

r. Click **OK** to close the **Cash Receipt Journal** page.

3. Review the posted customer ledger entry.

a. On the **navigation** pane, click **Departments**.

b. Click **Financial Management**, click **Receivables**, and then click **Customers**.

c. Select customer 20000.

d. On the **Navigate** tab, click **Ledger Entries**.

e. Select the entry for invoice 00-14. Notice that the remaining amount is 856.89 LCY and not 95.21 LCY. Because this is a partial payment, the payment discount amount is not subtracted.

Lab 6.5: Adjust the Vendor Payment Discount Amount

Scenario

An agreement to receive a two percent discount on all payment received within eight days of the invoice's Document Date, is signed with vendor 10000. Before the change is made on the vendor card, invoice 108023 posts. Your first step is to add the following to this invoice:

- Discount date of January 23, 2014
- Discount amount of -316.92 LCY

On January 21, 2014, you run the **Suggest Vendor Payments** batch job.

However, you are notified that the discount is actually two and one-half percent, not two percent. You adjust the suggested payment amount from 15,529.08 LCY to the correct amount of 15,449.85 LCY and accept the payment tolerance warning.

Exercise 1: Adjust the Vendor Payment Discount Amount

Task 1: Adjust the Vendor Payment Discount Amount

High Level Steps

1. Process the vendor payment as it is specified in the scenario.

Detailed Steps

1. Process the vendor payment as it is specified in the scenario.
   a. On the **Navigation Pane**, click the **Departments** button, click **Financial Management**, click **Payables,** and then select **Payment Journals**.
   b. Make sure that the BANK journal batch is selected.
   c. On the **Navigate** tab, click **Suggest Vendor Payments**.
   d. Expand the **Options** FastTab.
   e. In the **Last Payment Date** field, enter 01/31/14.
   f. Make sure that the **Find Payment Discounts** check box is selected.
   g. In the **Posting Date** field, enter 01/21/14.
   h. In the **Bal. Account Type** field, click the drop-down list and then select Bank Account.
   i. In the **Bal. Account No.** field, click the drop-down list and then select WWB-OPERATING.
   j. In the **Bank Payment Type** field, click the drop-down list and then select Computer Check.

    k.   Expand the **Vendor** FastTab.

    l.   In the **No.** filter, enter 10000.

    m. Click **OK**.

    n.   Select the payment journal line for invoice 108023. Notice that the payment is for the incorrect discounted amount of 15,529.08 LCY.

    o.   In the **Amount** field, enter 15449.85 and press **TAB** or **ENTER**.

The **Payment Tolerance Warning** page appears.

    p.   To accept the tolerance, select the **Post the Balance as Payment Tolerance** option.

    q.   Click **OK**.

Review the Posted Payment Discount Tolerance and the Payment Tolerance Entries

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

The **Entry Types** for the tolerance entries include the following:

- **Payment Discount Tolerance**: Contains the discount amount that is allowed even though the payment discount passed.

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

If Microsoft Dynamics NAV 2013 is set up to adjust VAT amounts for payment discounts, the VAT amounts are also adjusted for any tolerance that is allowed.

Demonstration: Review a Posted Customer Payment Discount Taken Past the Due Date

To review the posted entries from the Demonstration: Customer Payment Discount Taken Past the Discount Date, follow these steps.

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select customer 10000.
3. On the **Navigate** tab, click **Ledger Entries**.
4. Locate and select the ledger entry for invoice 00-9. The Remaining Amount is zero.
5. On the **Navigate** tab, click **Applied Entries**.

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The corresponding payment line dated 01/10/14 is shown.

6. On the **Navigate** tab, click **Detailed Ledger Entries**.

7. Review the lines, and notice the values in the **Entry Type** field:

   o The first line is the **Initial Entry** of the payment and it contains the payment amount.

   o The second line is the **Payment Discount Tolerance** and it contains the accepted payment discount amount.

   o The third line is the **Application** and it contains the net amount of the two lines that match the invoice total.

8. Click **Close** to close the **Detailed Cust. Ledg. Entries** page.

9. Click **Close** to close the **Applied Customer Entries** page.

10. Click **OK** to close the **Customer Ledger Entries** page.

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

Demonstration: Review a Customer Payment Discount Calculated Incorrectly

To review the posted entries from the Demonstration: Customer Payment Discount Calculated Incorrectly, 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:

   o Document No. 00-6

   o Payment line dated 01/07/10

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

6. Review the lines, and notice the values in the **Entry Type** field:

   o The first line is the Initial Entry of the payment and it contains the payment amount.

   o The second line is the Payment Tolerance and it contains the payment tolerance amount of the additional discount taken.

   o The third line is the Payment Discount and it contains the original payment discount amount.

   o The fourth line is the Application and it 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 is not posted as a payment tolerance, then the 1,523.36 LCY is displayed as a remaining amount on the invoice line. Accept the tolerance to close the invoice and payment.

Review Customer and Vendor Statistics

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

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

1. In the **Search** box, enter **Customers**, and then click the related link.
2. Locate and select the customer to review.
3. On the **Navigate** tab, click **Statistics**.
4. Expand the **Sales** FastTab. The fields related to discounts and tolerances are as follows:
   o **Pmt. Discounts (LCY)** – Contains the LCY value of the discounts that are taken on or before the Pmt. Discount Date.
   o **Pmt. Disc. Tol. (LCY)** – Contains the LCY value of the discounts that are taken after the Pmt. Discount Date but within the payment discount grace period.
   o **Pmt. Tolerances (LCY)** – Contains the LCY value of underpayments and overpayments that are accepted in relation to the customer.
5. Click **Close** to close the **Customer Statistics** window.

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Module Review

Module Review and Takeaways

You can use a payment discount in sales and purchases to keep track of granted payment discounts and to automatically process payments with discounts.

You can use a payment discount tolerance and a payment tolerance in sales or purchases to set up tolerance parameters to automatically process payment differences. However, you can still intervene and decide on the most suitable approach based on each case.

Test Your Knowledge

Test your knowledge with the following questions.

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

    ( ) Adjust for Payment Disc.

    ( ) 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 that you can enter payment discount accounts in the General Posting Setup window?

    ( ) Adjust for Payment Disc.

    ( ) 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 three 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 Solutions

Module Review and Takeaways

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

    ( ) Adjust for Payment Disc.

    ( ) 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 that you can enter payment discount accounts in the General Posting Setup window?

    (√) Adjust for Payment Disc.

    ( ) 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 three 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.