

MODULE 9: PREPAYMENTS

Module Overview

Prepayments are the payments before the final invoicing of a sales or purchase order. A sales or purchase prepayment invoice should be created for each advance payment that is requested so that these prepayments can be posted and applied to the prepayment invoices. By doing this, you will improve the follow-up on the sales and purchase orders and the tracking of prepayments.

In Microsoft Dynamics 2013, prepayments are available for both sales and purchases.

- On the sales side, prepayments are used to require customers to pay a part of the total amount of their order-specified as an amount or a percentage-in advance of the final invoice.
- On the purchases side, prepayments are used to document and process prepayments that vendors require.



Note: *The prepayment functionality is not integrated to Service Management.*

Microsoft Dynamics NAV 2013 can be set up to require:

- Selected customers to prepay a specific percentage of the total sales order amount.
- Specified prepayment percentages for particular combinations of customers or customer price groups and items.
- All customers to prepay a specific percentage for selected items.
- Selected vendors to prepay a specific percentage of the total purchase order amount.
- Specified prepayment percentages for particular combinations of vendors and items.
- Verification that the prepayment is made before shipping or receiving items.



Note: *Do not use the prepayments functionality to process customer deposits and retainers.*

To use prepayments, you must set up the following.

- Assign general ledger accounts on general posting groups for prepayments

- Number series for prepayment documents
- Prepayment percentages for selected vendors and customers
- Prepayment percentages for combinations of:
 - Customers, customer price groups, or all customers and items
 - Vendors and items
- Check boxes to require before the posting of sales shipments or purchase receipts:
 - The receipt of prepayment amounts that are from customers for sales
 - The issue of prepayment amounts that are from vendors for purchases

After the required setup is complete, a user can generate prepayment invoices from the sales and purchase orders for the calculated prepayment amount, and the correct prepayment invoices as they are needed.



Note: For more information about how to set up prepayments and any known limitations of the prepayments feature, refer to the *Prepayments white paper* (May, 2011). (<http://go.microsoft.com/fwlink/?LinkId=267545>)

Objectives

The objectives are:

- Explain the requirements for setting up prepayments.
- Set up and assign prepayment General Ledger accounts.
- Set up prepayment numbering for sales and purchases.
- Set up default prepayment percentages on customers and vendors.
- Set up default prepayment percentages for Customer-Item and Vendor-Item combinations.
- Set up prepayment posting verification for sales and purchases.
- Explain the prepayment processing flows for sales and purchase orders.
- Describe the prepayment-specific fields on sales and purchase orders.
- Create sales and purchase orders with prepayment percentages and amounts.
- Create prepayment invoices that are from sales and purchase orders.
- Explain the processes available to correct posted prepayment invoices.

Set Up General Posting Groups

Because the prepayment amount belongs to the buyer until he or she has received the goods or services, companies must set up general ledger accounts to post the prepayment amounts until the final invoice is posted. To recognize ownership, companies must set up Microsoft Dynamics NAV 2013 to record:

- Customer prepayments in a liability account until the items are shipped.
- Vendor prepayments in an asset account until the items are received.



Note: How to set up general ledger accounts is described in the *Chart of Accounts* module for this course.



Note: Value-added tax (VAT) for the prepayment amounts. This means the prepayment invoice is handled through a combination of the VAT product posting group set up on the general ledger account for the prepayment and the VAT business posting group that is set up on the customer or vendor in the sales or purchase order header. Therefore, a separate general ledger account is required for each VAT product posting group.

VAT for the prepayment amounts is not handled through the VAT product posting group on the sales order line.

These general ledger accounts must be assigned to the relevant general posting setup combinations on the **General Posting Setup** page. To complete this setup, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > Posting Groups > General Posting Setup**.
4. In the **Choose Column** feature, add **Sales Prepayments Account** and **Purch. Prepayments Account**.
5. Click **OK** to close the **Choose Column** page.
6. For every line that contains a combination of general business posting group and general product posting group that requires sales or purchase prepayments, enter the following:
 - In the **Sales Prepayments Account** field, enter the number of the general ledger account to use for posting sales prepayment amounts.
 - In the **Purch. Prepayments Account** field, enter the number of the General Ledger account to use for posting purchase

prepayment amounts.

- Click **Close** to close the **General Posting Setup** window.

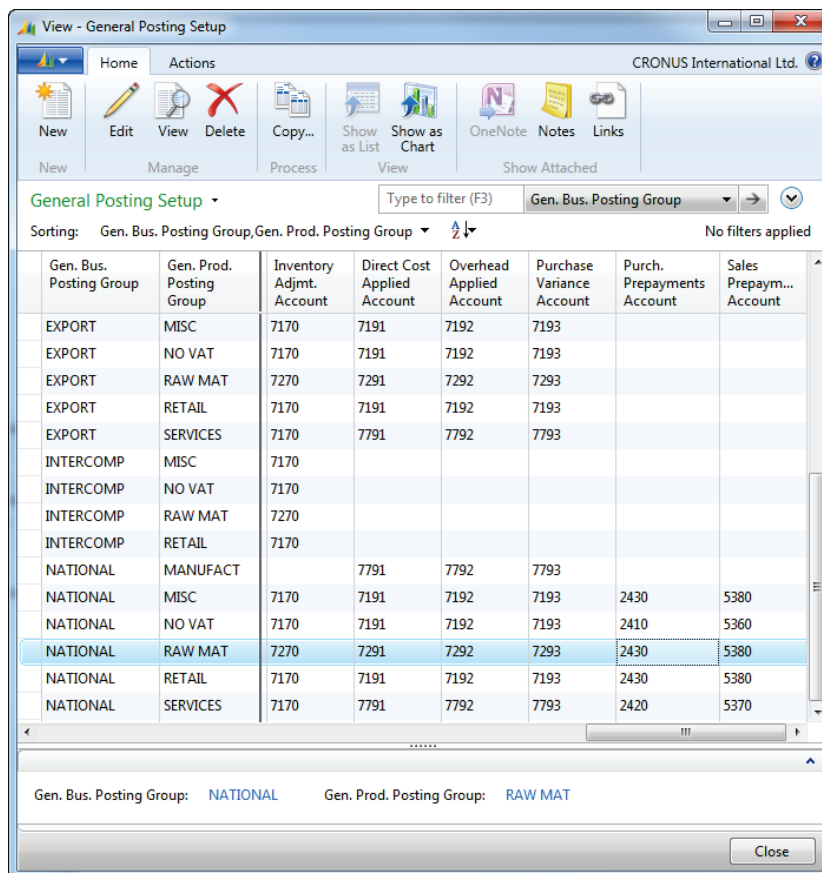


FIGURE 9.1: GENERAL POSTING SETUP WINDOW

☀ Set Up Unrealized VAT for Prepayments

VAT for the prepayment amount. This means the prepayment invoice is handled through a combination of the VAT product posting group that is set up on the general ledger account for prepayment, and the VAT business posting group that is set up on the customer or vendor in the sales or purchase order header.



Note: How to set up unrealized VAT is discussed in the "VAT" module in this course.

When VAT is used with the **Prepayment Unrealized VAT** check box in the **General Ledger Setup** window (this is how it is used in many countries), VAT that is from the prepayment invoice will be realized as soon as the payment is applied to it.

Another opportunity to realize VAT that is from a prepayment invoice is when goods or services on order are delivered. In this case, the posting of the sales order (final invoice posting) realizes the unrealized VAT posted in the prepayment invoice if that invoice is open. If this is not the behavior you want, select the **Check Prepmnt. When Posting** check box in the **Sales & Receivables Setup** window. This setting makes sure that a prepayment invoice is applied before the final invoice can be posted. Both realized and unrealized transactions are handled through the Prepayments Account set up in the **General Posting Setup** window.

Set Up General Ledger Setup

The setup in the **General Ledger Setup** page makes sure that the unrealized VAT feature is opened and the VAT that is from the prepayment invoice will be realized as soon as the payment is applied to it.

To access the **General Ledger Setup** page, follow these steps.

1. In the **Navigation Pane**, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > Finance > General Ledger Setup**.
4. Expand the **General** FastTab.
5. Select the **Unrealized VAT** check box.

The **Prepayment Unrealized VAT** check box is automatically selected.

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



Note: When the **Unrealized VAT** check box is selected, the **Prepayment Unrealized VAT** check box must also be selected.

You can select the **Prepayment Unrealized VAT** check box, without having to select the **Unrealized VAT** check box.

When the prepayment invoice is not yet applied, when the final invoice is created it will automatically realize the unrealized VAT posted in the prepayment invoice.

Set Up VAT Posting Groups

When you use unrealized VAT, you must have different general ledger accounts to post realized and unrealized VAT. To do this, set up these general ledger accounts on the **VAT Posting Setup** page.

These realized and unrealized VAT accounts will be used when the prepayment invoice is posted, based on the VAT posting groups assigned to the used prepayments general ledger account.

Set Up Number Series for Prepayment Documents

Companies must set up a number series for every type of prepayment document that is used. The prepayment documents are as follows:

- Sales prepayment invoices
- Sales prepayment credit memos
- Purchase prepayment invoice
- Purchase prepayment credit memos

The same number series can be used for:

- Prepayment invoices and credit memos.
- Regular invoices and credit memos.

Alternatively, you can use a different number series. When you use a different number series, each number series must be unique so that you can browse effectively on posted transactions.



Note: How to set up a number series is covered in the course Application Setup in Microsoft Dynamics NAV 2013.

Set Up Prepayment Numbering for Sales

To set up a prepayment number series for sales, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > Finance > Sales & Receivables Setup**.
4. Expand the **Numbering** FastTab.
5. In the **Posted Prepmnt. Inv. Nos.** field, enter the number series to use to assign numbers to sales prepayment invoices when they are posted.
6. In the **Posted Prepmnt. Cr. Memo Nos.** field, enter the number series to use to assign numbers to sales prepayment credit memos when they are posted.
7. Click **OK** to close the **Sales & Receivables Setup** page.

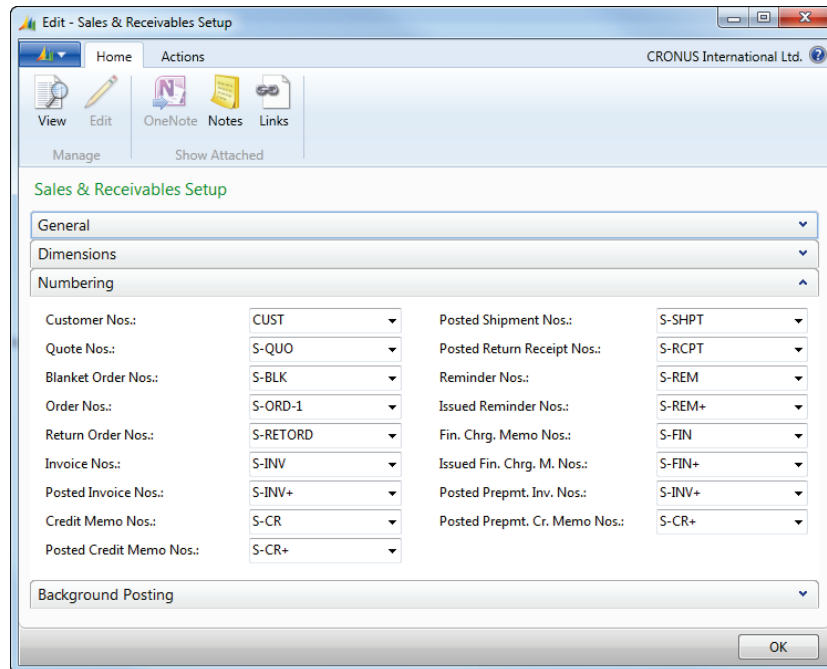


FIGURE 9.2: SALES & RECEIVABLES SETUP WINDOW – NUMBERING FASTTAB

Set Up Prepayment Numbering for Purchases

To set up a prepayment number series for purchases, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > Finance > Purchases & Payables Setup**.
4. Expand the **Numbering** FastTab.
5. In the **Posted Prepmnt. Inv. Nos.** field, enter the number series to use to assign numbers to purchase prepayment invoices when they are posted.
6. In the **Posted Prepmnt. Cr. Memo Nos.** field, enter the number series to use to assign numbers to sales prepayment credit memos when they are posted.
7. Click **OK** to close the **Purchases & Payables Setup** page.

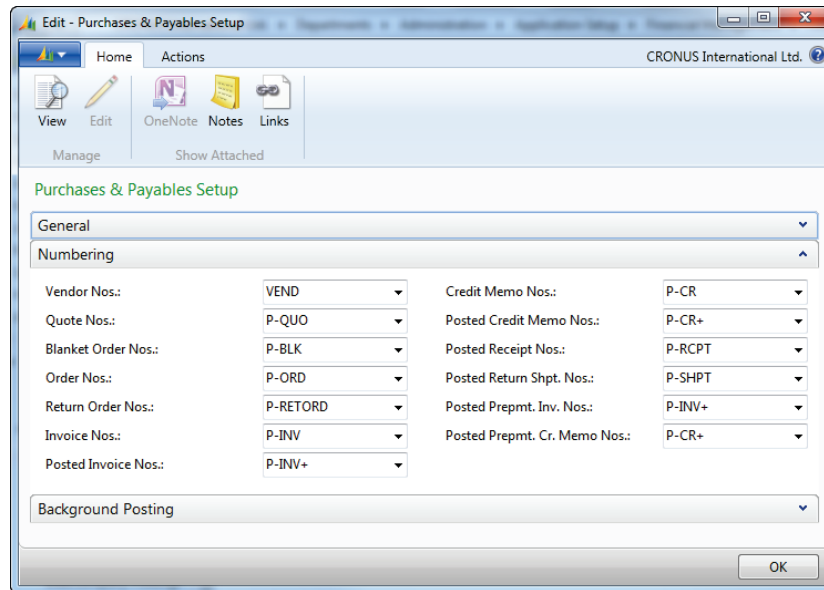


FIGURE 9.3: PURCHASES & PAYABLES SETUP WINDOW – NUMBERING FASTTAB

Set Up Prepayment Percentages for Customers and Vendors

Companies can specify a default percentage for prepayments to use for all sales for customers and for all purchases that are from vendors. As soon as the percentage is specified, it is automatically populated on the **Prepayment** FastTab of the sales or purchase order header, and will be copied to all sales or purchase order lines. Then the prepayment percentage is calculated on the total sales or purchase amount of the order.



Note: Prepayment percentages specified on customers and vendors apply to all lines entered on sales and purchase orders, not only items.

Set Up Prepayment Percentages for Customers

To set up a default prepayment percentage for a customer, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Financial Management > Receivables > Customers**.
3. Select the customer who requires a default prepayment percentage and then click **Edit**.
4. Expand the **Invoicing** FastTab.
5. In the **Prepayment %** field, enter the default percentage.
6. Click **OK** to close the **Customer Card** page.

Demonstration: Set Up Prepayment Percentages for Vendors

Scenario: The vendor London Postmaster always charges CRONUS International Ltd. with a prepayment of 10 percent on all orders. As the accounts payable coordinator, you are responsible for setting up prepayments for vendors.

To set up a default prepayment percentage for a vendor, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Financial Management > Payables > Vendors**.
3. Select vendor 10000 and then click **Edit**.
4. Expand the **Invoicing** FastTab.
5. In the **Prepayment %** field, enter 10.
6. Click **OK** to close the **Vendor Card** page.

Set Up Prepayment Percentages for Customer-Item and Vendor-Item Combinations

Companies can set up a default prepayment percentage for an item that is being sold to all customers, a specific customer, or a customer price group. This default prepayment percentage for a specific combination will take precedence over the default prepayment percentage that is set up for the customer. The default prepayment percentage for a customer-item combination will take precedence over the default prepayment percentage for a customer price-group combination and take precedence over the default prepayment percentage for an item that is sold to all customers.

Various combinations of items and customers can be set up from the **Customer Card** or the **Item Card**. The same **Sales Prepayment Percentages** page is used from both locations. However, the preset filters differ, depending on whether the page is opened from the **Customer Card** or the **Item Card**.



Note: *The **Sales Prepayment Percentages** page cannot be accessed from the **Customer Price Groups** page.*

Companies can also set up a default prepayment percentage for an item that is being purchased for a specific vendor. This prepayment percentage will take precedence over the default prepayment percentage set up for the customer.

The various combinations of items and vendors can be set up from the **Vendor Card** or from the **Item Card**. The same **Purchase Prepmt. Percentages** page is used from both locations. However, the preset filters differ, depending on whether the window is opened from the **Vendor Card** or from the **Item Card**.

Set Up Prepayment Defaults for a Customer-Item Combination

To set up prepayment defaults for a combination of an item and customer, starting from the **Item Card**, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Warehouse > Planning & Execution > Items**.
3. Select the item that requires a default prepayment percentage for a specific combination of item and customer.
4. In the **Sales** section of the **Navigate** tab, click **Prepayment Percentages**.

Sales Type	Sales Code	Item No.	Starting Date	Ending Date	Prepayment %
Customer		1000			0

FIGURE 9.4: SALES PREPAYMENTS PERCENTAGES WINDOW – ITEM

The **Item No. Filter** field is automatically populated with the item the **Sales Prepayments Percentages** page is opened from.

5. In the **Sales Type** field, click the drop-down list and select either Customer, Customer Price Group, or All Customers.
6. In the **Sales Code** field, click the drop-down list and select the particular Customer or Customer Price Group for whom this prepayment percentage applies or leave it blank when the **Sales type** field contains the value All Customers.
7. In the **Item No.** field, click the drop-down list and select the item the prepayment percentage applies to.

8. In the **Starting Date** field, enter the date to start charging the prepayment percentage.
 - Set the **Starting Date** to the current date by leaving the field blank.
 - If a future date is entered, the rule starts automatically on that date.
9. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.
 - If the **Ending Date** field is left blank, the rule does not expire until it is edited or removed.
 - If a future date is entered, the rule expires automatically on that date.
10. In the **Prepayment %** field, enter the percentage of the item cost to charge as a prepayment. For example, if a prepayment of 10 percent is charged on this item, enter 10 in this field.
11. Click **OK** to close the **Sales Prepayment Percentages** page.

To set up prepayment defaults for a combination of an item and customer, starting from the **Customer Card**, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Financial Management > Receivables > Customers**
3. Select the customer who requires a default prepayment percentage for a specific combination of item and customer.
4. On the **Navigate** tab, click **Prepayment Percentages**.

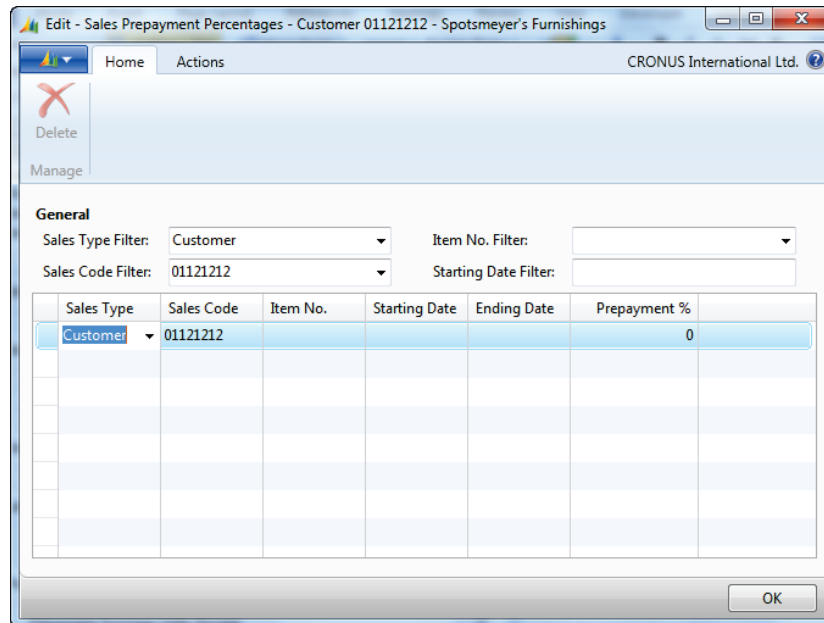


FIGURE 9.5: SALES PREPAYMENTS PERCENTAGES WINDOW – CUSTOMER

5. The **Sales Type Filter** field and **Sales Code Filter** field are automatically populated with the customer the **Sales Prepayments Percentages** page is opened from. Remove or change these filters, if you want to set up default prepayment percentages for combinations of items with customer price groups or all customers.

The following steps are identical to steps 6 through 11 when the **Sales Prepayments Percentages** page is opened from the **Item Card**.

6. Click **OK** to close the **Sales Prepayments Percentages** page.

Demonstration: Set Up Prepayment Defaults for a Vendor-Item Combination

Scenario: Because of the delicate material of the item 8924-W server – enterprise package, the vendor London Postmaster charges CRONUS International Ltd. with a prepayment of 20 percent for this item, instead of the regular 10 percent for other items. As the accounts payable coordinator, you are responsible for setting up prepayments for vendors.

To set up the prepayment default for the vendor-item combination, starting from the **Item Card**, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Warehouse > Planning & Execution > Items**.

3. Select item 8924-W.
4. In the **Purchases** section of the **Navigate** tab, click **Prepayment Percentages**.

The **Item No. Filter** field is automatically populated with item 8924-W.

5. In the **Vendor No.** field, click the drop-down list and select vendor 10000.

The **Item No.** field is automatically populated with item 8924-W.

6. Leave the **Starting Date** and **Ending Date** field blank.
7. In the **Prepayment %** field, enter 20.
8. Click **OK** to close the **Purchase Prepmt. Percentages** page.

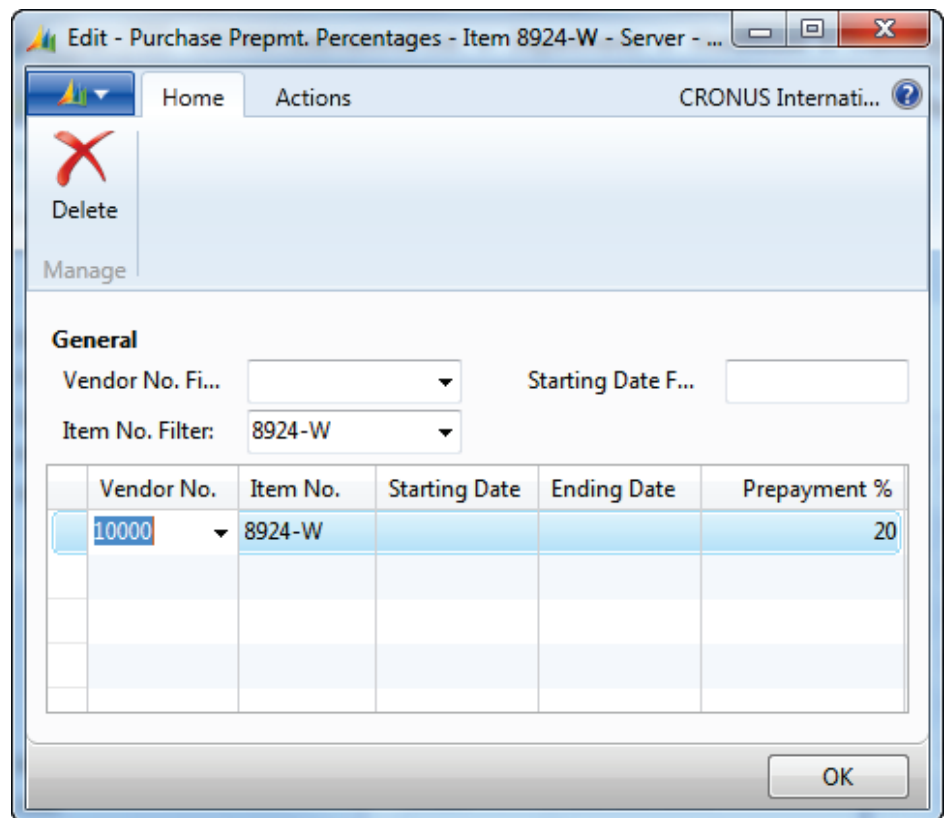


FIGURE 9.6: PURCHASES PREPMT. PERCENTAGES WINDOW– ITEM 8924-W

To set up prepayment defaults for a combination of an item and vendor, starting from the **Vendor Card**, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Financial Management > Payables > Vendors**.
3. Select the vendor that requires a default prepayment percentage for a specific combination of item and vendor.

4. On the **Navigate** tab, click **Prepayment Percentages**.

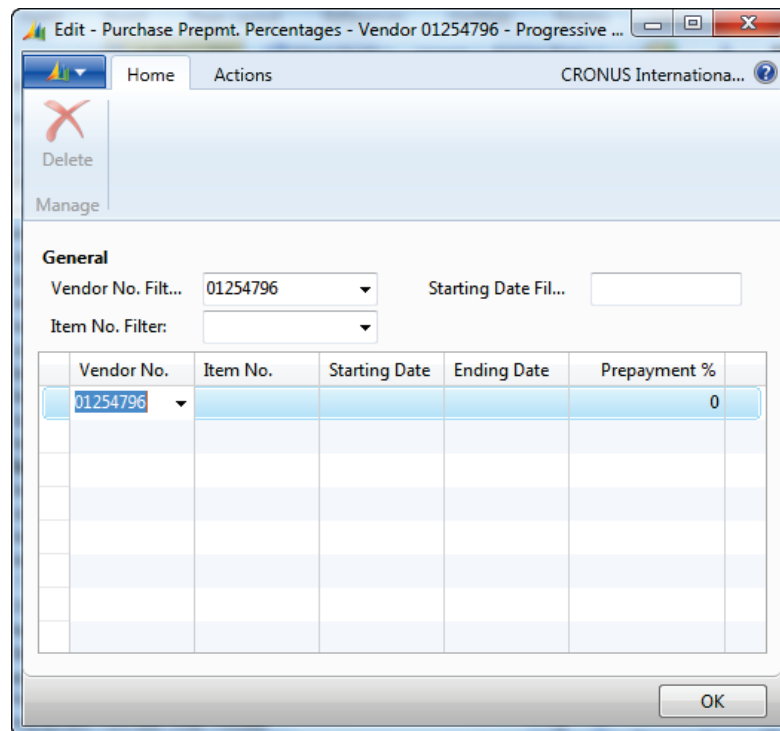


FIGURE 9.7: PURCHASE PREPMT. PERCENTAGES - VENDOR

The **Vendor No. Filter** field is automatically populated with the vendor the **Purchases Prepayment Percentages** page is opened from.


The following steps are identical to steps 6 through 11 when the **Purchase Prepayment Percentages** page is opened from the **Item Card**.

5. Click **OK** to close the **Purchase Prepayment Percentages** page.

Set Up Prepayments Verification

When users post a prepayment invoice to a customer or vendor, they can set up Microsoft Dynamics NAV 2013 to verify that prepayments that are due from a customer are received and prepayments that are due from a vendor are issued.

This feature makes sure that inventory is not shipped to a customer or received from a vendor before the prepayment invoice is applied.

 **Note:** Starting the prepayments verification, eliminates having to realize the unrealized VAT posted in the prepayment invoice, by creating the final invoice without applying the prepayment invoice.

Now, to realize prepayment VAT, you must apply the prepayment invoice.

Set Up Prepayments Verification for Sales

To set up the prepayments verification when you post sales, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > Finance > Sales & Receivables Setup**.
4. Expand the **General** FastTab.
5. Select the **Check Prepmt. When Posting** check box to prevent the posting of invoices before the receipt of the prepayment amount.
6. Click **OK** to close the **Sales & Receivables Setup** page.

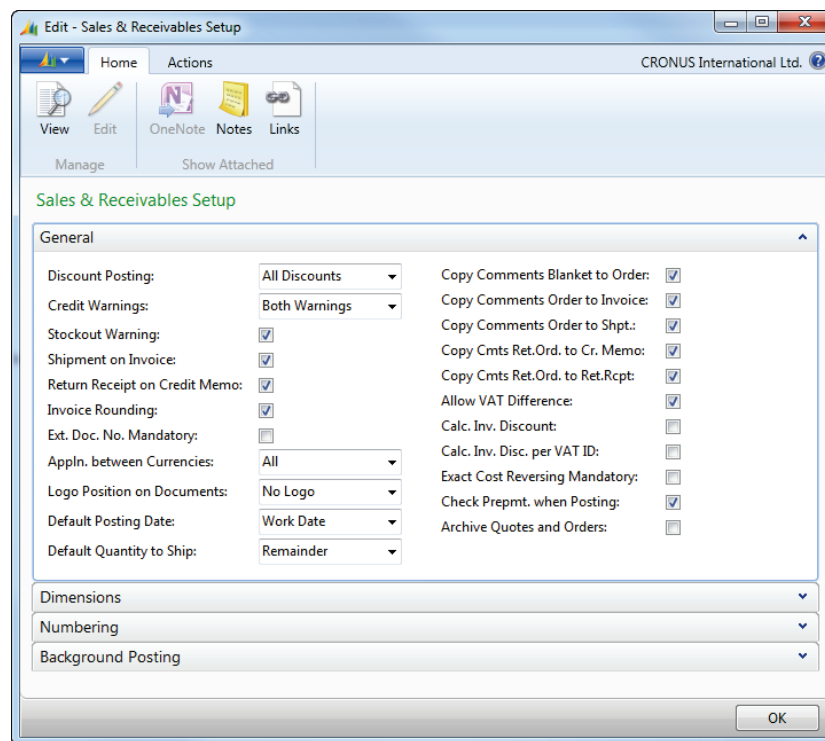


FIGURE 9.8: SALES & RECEIVABLES SETUP WINDOW – GENERAL FASTTAB

Set Up Prepayments Verification for Purchases

To set up the prepayments verification when you post purchases, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > Finance > Purchases & Payables Setup**.
4. Expand the **General** FastTab.

5. Select the **Check Prepmnt. When Posting** check box to prevent posting before paying the prepayment amount.
6. Click **OK** to close the **Purchases & Payables Setup** page.

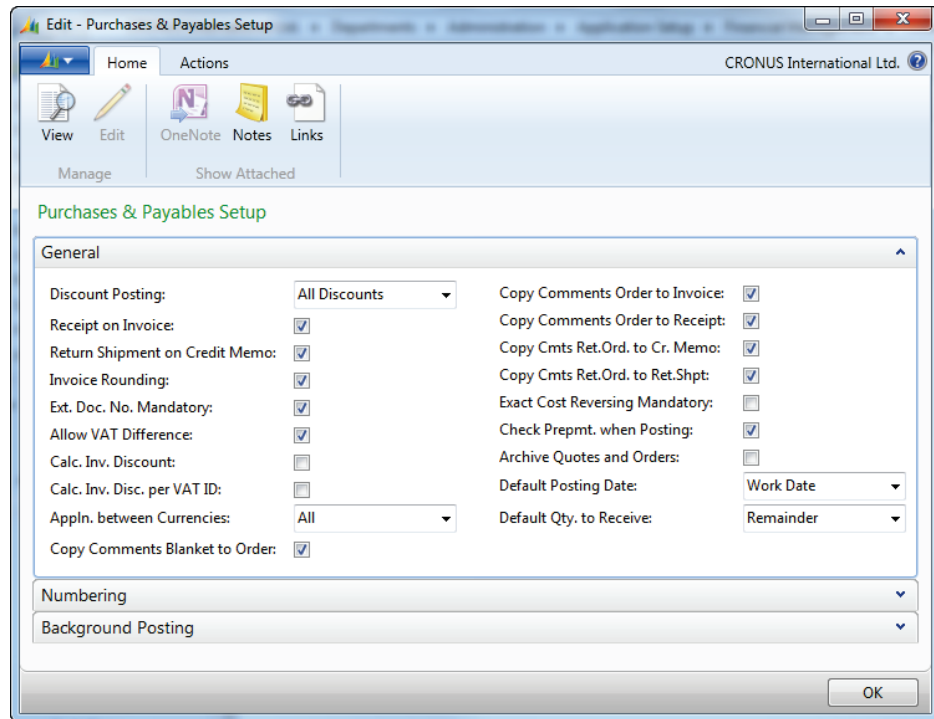


FIGURE 9.9: PURCHASES & PAYABLES SETUP WINDOW – GENERAL FASTTAB

Lab 9.1: Set Up Prepayments for Sales

Scenario

As the accounts receivable administrator for CRONUS International Ltd., you are responsible for setting up prepayments for particular items and customers. You must charge a prepayment of 10 percent on all orders for Item 1896-S. You must also charge customer 10000 a prepayment of 20 percent on all orders.



Note: To successfully perform the following detailed steps, the profile and corresponding role center for the Accounts Receivables Administrator must be assigned to your user ID.

Exercise 1: Set Up Prepayments for Sales

Task 1: Set Up Prepayments for Sales

High Level Steps

1. Enter the prepayment requirement for the item as it is specified in the scenario.
2. Enter the prepayment requirement for the customer as it is specified in the scenario.

Detailed Steps

1. Enter the prepayment requirement for the item as it is specified in the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Items**.
 - c. Select item 1896-S.
 - d. In the **Sales** section of the **Navigate** tab, click **Prepayment Percentages**.
 - e. In the **Sales Type** field, enter All Customers.
 - f. Leave the **Sales Code** field blank.

The **Item No.** field is automatically filled in with the item 1896-S.

- g. Leave the **Starting Date** and **Ending date** fields blank.
- h. In the **Prepayment %** field, enter 10.
- i. Click **OK** to close the **Sales Prepayment Percentages** page.

2. Enter the prepayment requirement for the customer as it is specified in the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Customers**.
 - c. Select customer 10000 and then click **Edit**.
 - d. Expand the **Invoicing** FastTab.
 - e. In the **Prepayment %** field, enter 20.
 - f. Click **OK** to close the **Customer Card** page.

Prepayments Processing Flows

Users can create prepayment invoices that are from a sales or purchase order with the prepayment invoice option.

The prepayment amount on the order is calculated based on the prepayment percentage specified on items, customers, or vendors. Users can edit this prepayment percentage or amount on the individual sales or purchase order.

Prepayment Sales Order Process

The following steps list the typical process flow for prepayment sales orders.

1. Create a sales order with a prepayment requirement.
2. Send a prepayment invoice for the prepayment amount to the customer.

The customer pays the prepayment amount.

3. Apply the prepayment amount to the sales order.
4. Ship the order to the customer.
5. Create a sales invoice for the total amount of the sales order minus the prepayment amount.
6. Receive payment from the customer and post the payment to the sales order.

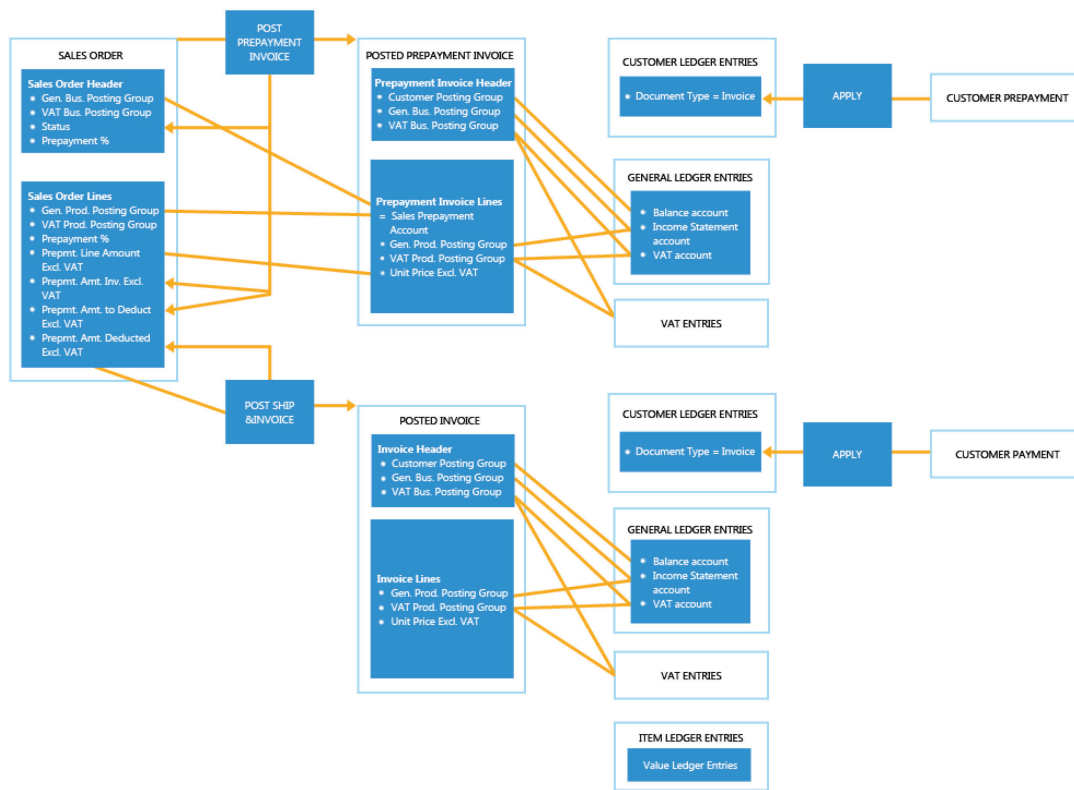


FIGURE 9.10: PREPAYMENT SALES ORDER PROCESS

Prepayment Purchase Order Process

The following steps list the typical process flow for prepayment purchase orders.

1. Create a purchase order with a prepayment requirement.
2. Post a prepayment invoice for the prepayment amount.
3. Send the prepayment amount to the vendor.
4. Apply the prepayment amount to the purchase order.
5. After the vendor ships the order, create a purchase invoice for the total amount of the purchase order minus the prepayment amount.
6. Send the payment to the vendor and post the payment to the purchase order.

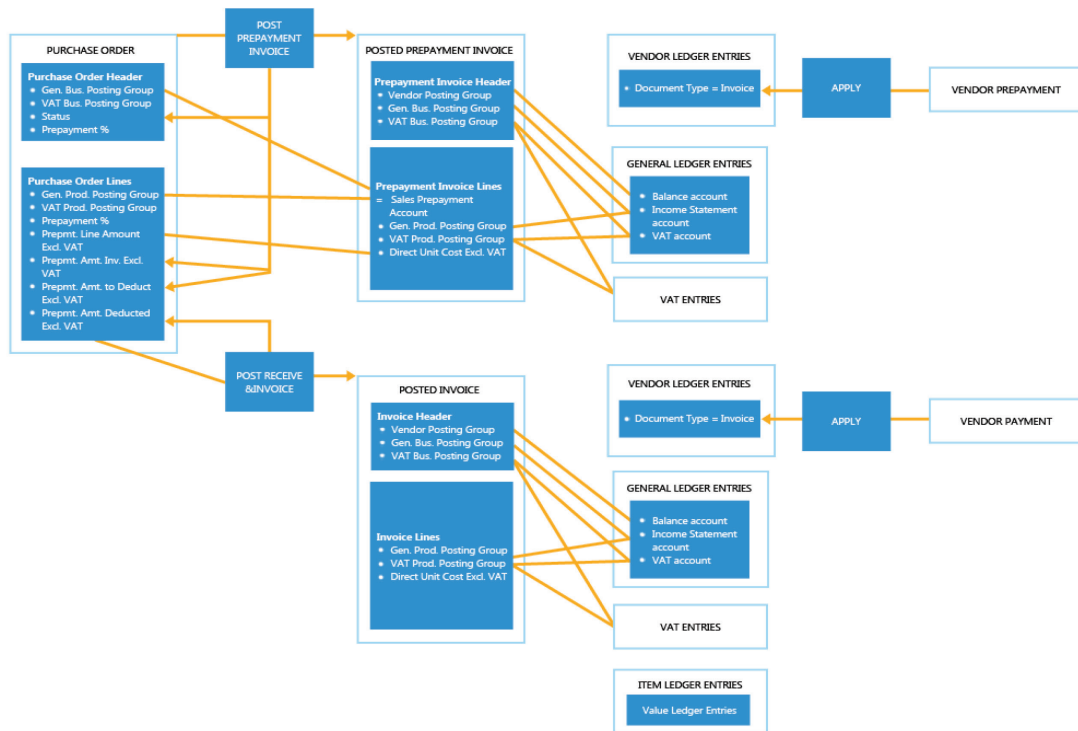


FIGURE 9.11: PREPAYMENT PURCHASE ORDER PROCESS

Prepayment Sales and Purchase Orders Overview

The sales and purchase orders contain a specific **Prepayment** FastTab, and the order lines also contain some prepayment-specific fields. This lesson will define these fields and explain the prepayment percentage priority.

Sales and Purchase Order Header – Prepayment FastTab

The sales and purchase order header contains the following fields on the Prepayment FastTab that are related to prepayments.

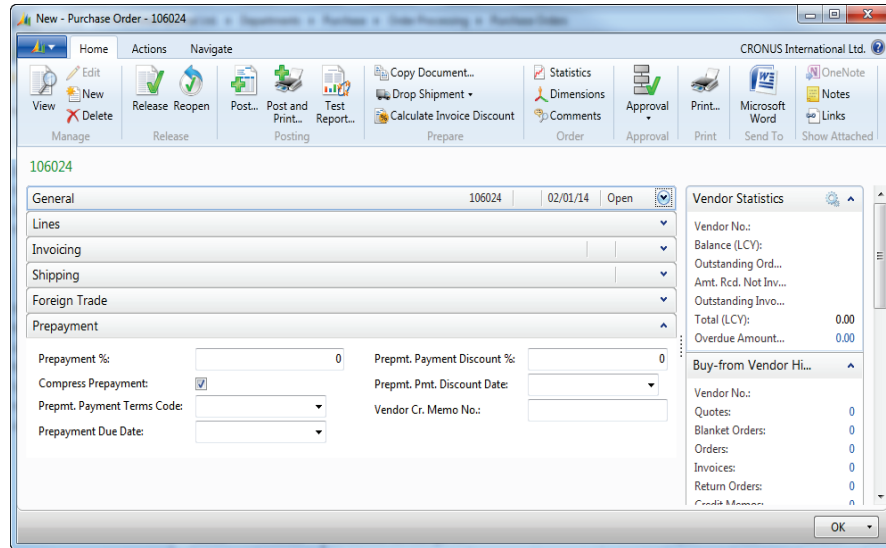


FIGURE 9.12: PURCHASE ORDER – PREPAYMENT FASTTAB

- **Prepayment %** – The percentage to be applied to all lines on the order. If there is a default prepayment percentage specified on the customer or vendor, this field is automatically populated with that amount.
However, the prepayment percentage specified on the customer or vendor only applies to lines that do not have a default prepayment percentage set up for the customer-item or vendor-item combination.
- **Compress Prepayment** –
 - If this field is cleared, a prepayment sales or purchase invoice line is created for each sales or purchase order line.
 - If this field is selected, the prepayment amount of the sales or purchase order lines are combined as one prepayment sales or purchase invoice line when the following is applicable:
 - The order lines have the same general ledger account for prepayments (as is defined in the **General Posting Setup** page).
 - The order lines have the same dimensions.
- **Prepayment Terms Code** – The payment terms for prepayment invoices. As a default, this code is retrieved from the **Payment Terms Code** field on the **Invoicing** FastTab of the order.
The prepayment payment terms are used to calculate the due date, payment discount date, and payment discount percentages for prepayment amounts.
- **Prepayment Due Date** – The date the prepayment invoice for the order is due. The date is calculated with the date formula in the **Due Date Calculation** field that is related to the prepayment payment term and the **Document Date** on the order.

- **Prepmt. Payment Discount %** – The payment discount percentage that is given on the prepayment if the order is paid on or before the date entered in the **Prepmt. Pmt. Discount Date** field.
- **Prepmt. Payment Discount Date** – The last date the prepayment invoice can be paid and still receive a payment discount on the prepayment amount. The date is calculated with the date formula in the **Discount Date Calculation** field that is related to the prepayment payment term and the **Document Date** on the order.

Prepayment Status

The **Status** field on the **General** FastTab of the order contains an option of **Pending Prepayment**. This status is used when the order has one or more lines with a prepayment amount, and the prepayment invoice is posted, but not yet paid.

The **Status** field is set to open when the order is created. However this field can also be set to the following options.

- **Pending Approval**, when the document is waiting to be approved.
- **Pending Prepayment**, when the order is approved, if document approvals are used, and when the prepayment invoice is created and is waiting to be paid.
- **Released**, when the order is approved, if the document approvals are used. When the prepayment invoice is paid, if prepayments are used, and when the order is released to the next stage of processing. (On the **Actions** tab, click **Release**.)

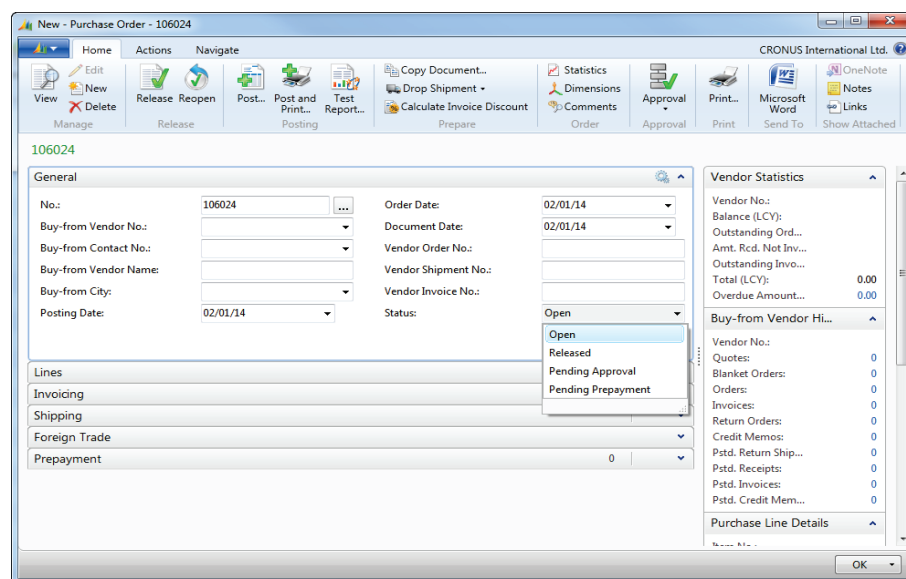


FIGURE 9.13: PURCHASE ORDER – GENERAL FASTTAB

Sales and Purchase Order Lines

The sales and purchase order lines contain the following fields that are related to prepayments. Notice that you must show these fields that have the **Choose Column** function.

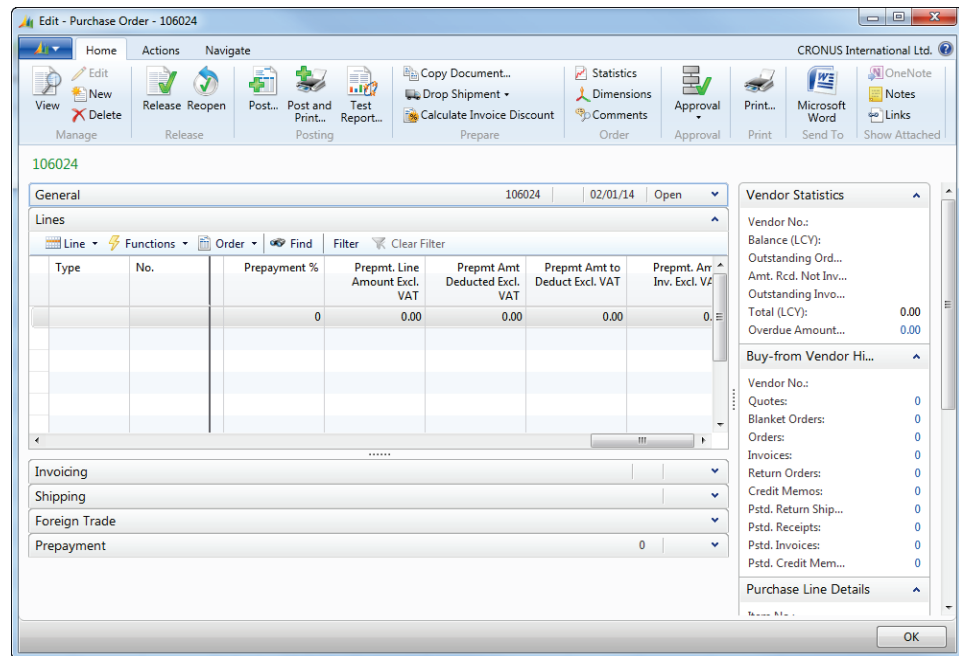


FIGURE 9.14: PURCHASE ORDER LINES

- **Prepayment %** – The content of this field is determined as follows:
 - If a default prepayment percentage is set up for the item on the line, it is automatically copied into the **Prepayment %** field.
 - If no default prepayment percentage is set up for the item, the prepayment percentage that is from the customer or vendor card is copied from the order header.
 - The **Prepayment %** field can be entered or changed manually on a line-by-line basis.
- **Prepmt. Line Amount Excl. VAT** – The prepayment amount of the order line that is determined as follows:
 - It is calculated automatically based on the **Prepayment %** and the **Line Amount Excl. VAT** fields of the order line. This means that the prepayment is calculated on the amount excluding the discount.
 - The **Prepmt. Line Amount Excl. VAT** field can be entered or changed manually on a line-by-line basis.

- **Prepmt. Amt. Inv. Excl. VAT** – The prepayment amount that is already invoiced for this order line. The contents of this field cannot be changed. To void the prepayment, you must post a repayment credit memo for the order line.
- **Prepmt. Amt to Deduct Excl. VAT** – The prepayment amount that will be deducted from the next ordinary invoice for this line.



Note: The **Prepmt. Amt to Deduct Excl. VAT** is calculated proportionally to the amount for the order that will be invoiced (based on the **Qty. to Invoice** field).

If the **Qty. to Invoice** field contains a number that is less than the total quantity ordered, you can change the amount to deduct you post the invoice.

- **Prepmt Amt Deducted Excl. VAT** – The prepayment amount that is already deducted from the ordinary invoices posted for this order line. The contents of this field cannot be changed.

Prepayment Percentage Priority for Order Lines

A sales or purchase order can have a prepayment percentage on the header and a different percentage for the items on the lines. For each sales or purchase order line, Microsoft Dynamics NAV 2013 searches for the prepayment percentage and applies the first default that it finds in the following order.

1. The prepayment percentage for the item on the line and the customer or vendor on the order header.
2. The prepayment percentage for the item on the line and the customer price group for the customer.
3. The prepayment percentage for the item on the line for all customers.
4. The prepayment percentage on the sales or purchase header.
5. The prepayment percentage for the customer or vendor on the order header.



Note: The priority order followed by Microsoft Dynamics NAV 2013 means that the prepayment percentage that is specified on the customer or vendor only applies if there is no prepayment percentage set up for the selected item.

Process Prepayment Sales and Purchase Orders

When an order is created for an item, customer, or vendor that has a prepayment rule defined, Microsoft Dynamics NAV 2013 retrieves the prepayment requirement that is from the item, customer, or vendor card and enters it into the order.

Create Prepayment Orders by Using Percentages

Creating prepayment orders resembles creating other sales and purchase orders.

To create a prepayment sales order, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Sales & Marketing > Order Processing > Sales Orders**.
3. Click **New** to create a new sales order.
4. In the **Sell-to Customer No.** field, click the drop-down list and select the relevant customer.
5. Click the **Prepayment** FastTab. Review the settings and update the fields as needed. Make sure that the **Prepayment %** field is filled in.
6. In the **Lines** FastTab, in the **Type** field, click the drop-down list.
7. Select the relevant line type to add to the order.
8. In the **No.** field, click the drop-down list and select the relevant number of the type selected in the **Type** field.
9. In the **Quantity** field, enter the number of items to be sold.
10. Review the prepayment fields to verify the settings. Notice that the **Prepayment %** field is automatically filled in.
 - When the **Type** field has a value of **Item**, the **Prepayment %** field is filled according to the prepayment percentage priorities, discussed in the previous lesson.
 - When the **Type** field has a value of **G/L Account, Fixed Asset, Resource, or Charge (Item)**, the **Prepayment %** field is filled in with the default prepayment percentage of the order header.
 - When the **Type** field has a blank value, the **Prepayment %** field cannot be filled in.
 - Update the **Prepayment %** field as needed.
11. Press the **down arrow** to insert another line and repeat steps 7 through 10 for the new line.

The same steps are used to create a purchase order, except:

- The purchase order is accessed by clicking **Departments > Purchase > Order Processing > Purchase Orders**.
- The **Buy-from Vendor No.** is selected from the **Vendor List**.
- The **Type** field does not contain a **Resource** option.

Assign One Prepayment Percentage to All Order Lines

Although there can be different prepayment percentages for each order line, a single prepayment percentage can be applied to the whole order. Perform this action after each order line is completed.

To enter a single prepayment percentage that applies to all the order lines, follow these steps.

1. Complete the sales or purchase order header and lines.
2. Click the **Prepayment** FastTab.
3. In the **Prepayment %** field, enter the prepayment percentage to be applied to all the lines of the order.
4. You will receive a message that asks you to update the lines. Click **Yes** to this message. The **Prepayment %** will be updated on all the lines to match the header.

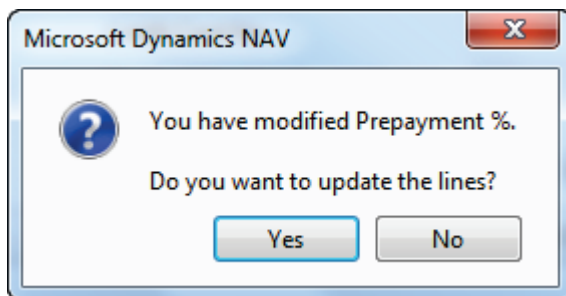



FIGURE 9.15: MESSAGE BOX – CHANGE PREPAYMENT %

 **Note:** As soon as a number is entered into the **Prepayment %** field on the header and the lines are updated, you cannot revert to the individual prepayment percentages that existed for each line.

To return to the individual prepayment percentages, either delete and re-enter the lines, or manually enter the **Prepayment %** on each line.

Create Prepayment Orders by Using Prepayment Amounts

Instead of using prepayment percentages, you can define a prepayment amount for the whole sales or purchase order. Prepayment amounts are set in the **Sales Order Statistics** and the **Purchase Order Statistics** pages.

To apply a total prepayment amount to the order, follow these steps.

1. Complete the sales or purchase order header and lines.
2. On the **Navigate** tab, click **Statistics**.
3. Expand the **Prepayment** FastTab.
4. In the **Prepmt. Amount Excl. VAT** field, enter the prepayment amount to be charged for the whole order. The amount in the **Prepayment Amount Excl. VAT** field is distributed proportionately between all the lines in the order, except those that have zero in the **Prepayment %** field.
5. Click **OK** to close the **Sales Order Statistics** or **Purchase Order Statistics** page.

FIGURE 9.16: SALES ORDER STATISTICS WINDOW

Note: If the **Prices Including VAT** check box is clear, you can edit the **Prepayment Amount Excl. VAT** field.

If the **Prices Including VAT** check box on the order header is selected, you can edit the **Prepayment Amount Incl. VAT** field.

Process Prepayment Sales and Purchase Invoices

After you enter a sales or purchase order, you can create a prepayment invoice. The default percentages for each sales or purchase line can be used, or the amounts can be adjusted as necessary.

Create Prepayment Invoices

To create a prepayment invoice, follow these steps.

1. Complete the sales or purchase order header and lines.
2. On the **Actions** tab, click **Prepayment**.
3. Click **(Post and) Print Prepmt. Invoice** and then click **Yes** to complete the process.

The posting process will have the following results:

- The posted sales or purchase invoice and corresponding entries are created.
- On the sales or purchase order lines, the following fields are updated:
 - **Prepmt Amt Inv. Excl. VAT**
 - **Prepmt Amt to Deduct Excl. VAT**
- On the sales or purchase order header, the **Status** field is updated to the **Pending Prepayment** option.



Note: Before you post the prepayment invoice, you can generate a test report, by clicking **Prepayment** on the **Action** tab, and then by clicking **Prepayment Test Report**.

Review Prepayment Invoices

To review the created prepayment invoice, follow these steps.

1. From the sales or purchase order on the **Navigate** tab, click **Prepayment Invoices**.

The **View - Posted Sales Invoices** or **View – Posted Purchase Invoices** page is opened, with an automatic filter on the sales or purchase order that the prepayment invoice is created from.

2. On the **Home** Tab, click **View** to view the prepayment invoice.

The prepayment invoice contains:

- One or more invoice lines, depending on whether the **Compress Prepayment** check box on the sales or purchase order header is selected.
 - The general ledger account, according to the general posting groups on the sales or purchase order (**Sales Prepayment Account** or **Purch. Prepayment Account**).
 - The quantity is defaulted to one. The quantities of the sales or purchase order lines are never copied.
 - The VAT amount is calculated based on the VAT posting groups on the prepayment invoice, and it depends on the customer or vendor on the header and the general ledger account on the line.
3. Click **Close** to close the **Posted Sales Invoice** or **Posted Purchase Invoice** page.
 4. Click **Close** to close the **View – Posted Sales Invoices** or **View – Posted Purchase Invoices** page.

Create Additional Prepayment Invoices

To create additional prepayment invoices for an order, follow these steps.


1. On the **Home** tab, click **Reopen** to make changes to the sales or purchase order.
2. Increase the prepayment amount on one or more lines.
3. Adjust the document date, if this is required.
4. On the **Actions** tab, click **Prepayment**.
5. Click **(Post and) Print Prepmnt. Invoice** and then click **Yes** to complete the process.

The posting process will have the following results:

- A new posted sales or purchase invoice and corresponding entries are created for the difference between the invoiced prepayment amount and the new prepayment amount.
- On the sales or purchase order lines, the following fields are updated:
 - **Prepayment Amount Inv. Excl. VAT**
 - **Prepayment Amount to Deduct Excl. VAT**
- On the sales or purchase order header, the **Status** field remains unchanged.

Create Final Sales and Purchase Invoices


Whether the final invoice can be created without a customer or vendor prepayment, depends on the **Check Prepmnt. When Posting** check box on the **Sales & Receivables Setup** or **Purchases & Payables Setup** page. If it is necessary, first process the prepayment, then continue with the following steps.

 **Note:** *Processing a prepayment is identical to processing a regular payment. Make sure that you apply the open customer ledger entry to the prepayment invoice. (This process is identical to a regular sales invoice.)*

Payment procedures are described in the "Receivables and Payables Management and Cash Management" module in this course.

To create a final invoice, follow these steps.

1. On the order line, review and if it is necessary, adjust the **Qty. to Ship** or **Qty. to Receive** and **Qty. to Invoice** fields.
2. On the **Actions** tab, click **Post**.
3. Select **(Ship and) Invoice** or **(Receive and) Invoice**.
4. The posting process will have the following results:
 - A posted sales or purchase invoice and corresponding entries are created.
 - On the sales or purchase order lines, the following fields are updated:
 - **Prepmnt Amt to Deduct Excl. VAT**
 - **Prepmnt Amt Deducted Excl. VAT**

 **Note:** *In Microsoft Dynamics NAV 2013, the sales or purchase order cannot post when there are unposted prepayment amounts (the amount in the **Prepmnt. Line Amount excl. VAT** field is more than the amount in the **Prepmnt. Inv. Amount Excl. VAT** field on one or more lines).*

Review Final Invoices

To review the created final invoice, follow these steps.

1. From the sales or purchase order on the **Navigate** tab, click **Invoices**.

The **View - Posted Sales Invoices** or **View - Posted Purchase Invoices** page is opened, with an automatic filter on the sales order that the final invoice is created from.
2. On the **Home** Tab, click **View** to view the final invoice.

The invoice contains:

- Invoice lines, identical to the sales or purchase order lines.
 - The negative prepayment general ledger account invoice line, to deduct the prepayment amount, based on the **Prepmt Amount to Deduct Excl. VAT** field on the sales or purchase order lines. This will result in the reversal of the prepayment amounts previously posted to the balance sheet as assets or liabilities.
3. Click **Close** to close the **Posted Sales Invoice** or **Posted Purchase Invoice** page.
 4. Click **Close** to close the **View – Posted Sales Invoices** or **View – Posted Purchase Invoices** page.

Demonstration: Prepayment Purchase Order Process

Scenario: CRONUS International Ltd. establishes an order with vendor 10000 London Postmaster with the following information.

- Document date 01/24/14.
- 10 pieces of item 8924-W Server – Enterprise package at 1,500.00 LCY for each piece.
- 10 pieces of item 8920-W Server – Teamwear package at 500.00 LCY for each piece.
- The vendor charges a 100.00 LCY delivery expense (general ledger account 8450).
- The vendor sends a prepayment invoice (no. 2014/00215) on 01/27/14, according to the default prepayment percentages. There is no prepayment calculated for the delivery expense.
- The goods are delivered on 30/01/14 before CRONUS has paid the prepayment invoice.
- The final invoice (no. 2014/00246) is received on 30/01/12.



Note: To successfully perform this demonstration, the previous demonstrations “Set Up Prepayment Percentages for Vendors” and “Set Up Prepayment Defaults for a Vendor-Item Combination” must be completed.

Steps: Create the Prepayment Purchase Order

To create the prepayment purchase order according to the scenario, follow these steps.

1. On the **Navigation Pane**, click **Departments**.
2. Click **Purchases > Order Processing > Purchase Order**.
3. Click **New** to create a new purchase order.
4. Expand the **General** FastTab.
5. In the **Buy-from Vendor No.** field, enter 10000 and move to the next field. The purchase order header is automatically filled in with default information that is from the vendor card.
6. In the **Document Date** field, enter 01/24/14.
7. Unfold the **Prepayment** FastTab.

The **Prepayment %** field is automatically filled in with the default 10 percent, according to the setup.

8. Select the **Compress Prepayment** check box.
9. Expand the **Lines** FastTab.
10. In the **Type** field, enter Item.
11. In the **No.** field, enter 8924-W.
12. In the **Quantity** field, enter 10.
13. In the **Direct Unit Cost Excl. VAT** enter 1,500.00.

The **Prepayment %** field is automatically filled in with the default 20 percent, according to the setup.

14. Create a new purchase order line.
15. In the **Type** field, enter Item.
16. In the **No.** field, enter 8920-W.
17. In the **Quantity** field, enter 10.
18. In the **Direct Unit Cost Excl. VAT** enter 500.00.

The **Prepayment %** field is automatically filled in with the default 10 percent that is from the order header.

19. Create a new purchase order line.
20. In the **Type** field, enter G/L Account.
21. In the **No.** field, enter 8450.
22. In the **Quantity** field, enter 1.
23. In the **Direct Unit Cost Excl. VAT** enter 100.00.

The **Prepayment %** field is automatically filled in with the default 10 percent that is from the order header.

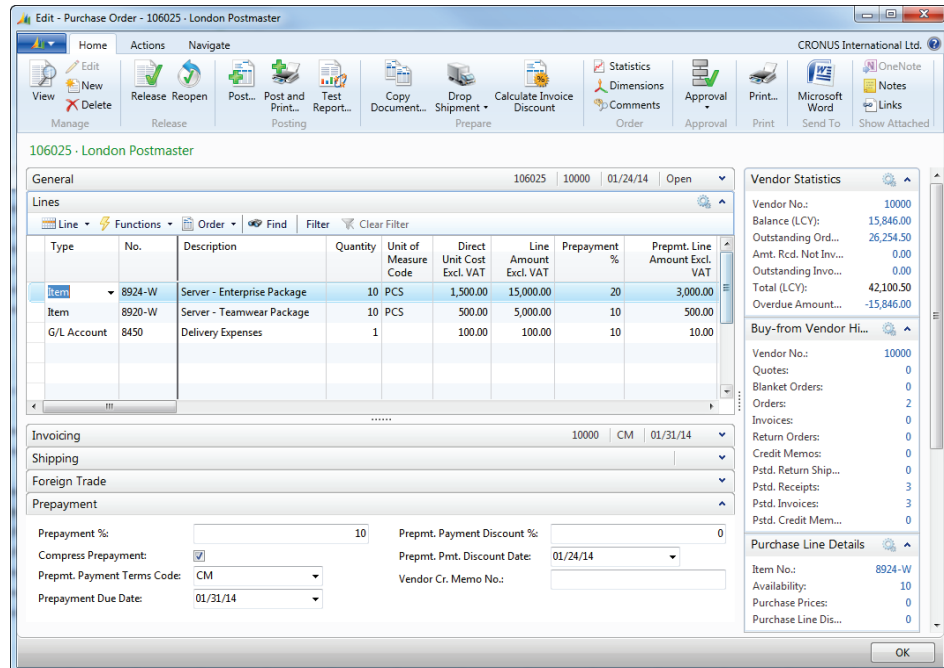


FIGURE 9.17: PREPAYMENT PURCHASE ORDER – VENDOR 10000

Steps: Process and Review the Prepayment Purchase Invoice

To create the prepayment invoice, follow these steps.

1. Expand the **General** FastTab.
2. In the **Document Date** and **Posting Date** field, enter 01/27/14.
3. In the **Vendor Invoice No.** enter 2014/00215.
4. Expand the **Lines** FastTab.
5. Select the line that contains the delivery expense.
6. Remove the 10 percent that is from the **Prepayment %** field.
7. On the **Actions** tab, click **Prepayment**.
8. Click **Post and Print Prepmnt. Invoice** and then click **Yes** to complete the process.
9. Expand the **General** FastTab.

The **Status** field is set to **Pending Prepayment**.

10. Expand the **Lines** FastTab.
11. Select the line for item 8924-W.

The **Prepmt Amt Inv. Excl. VAT** and the **Prepmt Amt to Deduct Excl. VAT** are updated with 3,000.00 LCY.

12. Select the line for item 8920-W.

The **Prepmt Amt Inv. Excl. VAT** and the **Prepmt Amt to Deduct Excl. VAT** are updated with 500.00 LCY.

The line for general ledger account 8450 remains unchanged.

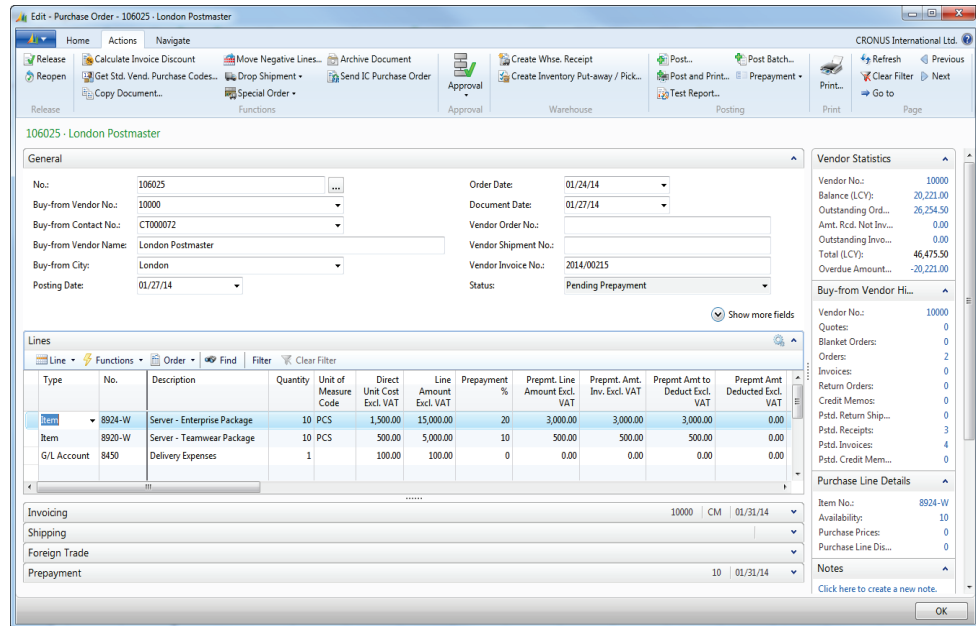


FIGURE 9.18: PREPAYMENT PURCHASE ORDER – VENDOR 10000

To review the created prepayment invoice, follow these steps.

1. From the purchase order on the **Navigate** tab, click **Prepayment Invoices**.
2. The **View – Posted Purchase Invoices** page is opened, with an automatic filter on the purchase order that the prepayment invoice is created from.
3. On the **Home** Tab, click **View** to view the prepayment invoice.

One invoice line is created for the total prepayment amount of both item lines on the purchase order. The **Compress Prepayment** check box on the purchase order is selected.

View - Posted Purchase Invoice - 108030 - London Postmaster

Home Actions CRONUS International Ltd.

View Edit Delete Navigate Statistics Comments Dimensions Approvals Print... Email as Attachment Refresh Go to Previous Next OneNote Notes Links Show Attached

108030 - London Postmaster

General

No.: 108030 Posting Date: 01/27/14
 Buy-from Vendor No.: 10000 Document Date: 01/27/14
 Buy-from Contact No.: CT000072 Quote No.:
 Buy-from Vendor Name: London Postmaster Order No.:
 Buy-from Address: 10 North Lake Avenue Pre-Assigned No.:
 Buy-from Address 2: Vendor Order No.:
 Buy-from Post Code: N12 5XY Vendor Invoice No.: 2014/00215
 Buy-from City: London Order Address Code:
 Buy-from Contact: Mrs. Carol Philips Purchaser Code: RL
 No. Printed: 1 Responsibility Center: LONDON

Lines

Type	No.	Description	Quantity	Unit of Measur...	Direct Unit Cost Excl. VAT	Unit Price (LCY)
G/L Account	2430	Vendor Prepayments VAT 25%	1		3,500.00	0.00

Invoicing 10000 CM 01/31/14
 Shipping
 Foreign Trade

Close

FIGURE 9.19: PREPAYMENT PURCHASE INVOICE WINDOW

4. Click **Close** to close the **Posted Purchase Invoice** page.
5. Click **Close** to close the **View – Posted Purchase Invoices** page.

Steps: Process and Review the Final Invoice

To create the final invoice, follow these steps.

1. Expand the **General** FastTab.
2. In the **Document Date** and **Posting Date** field, enter 01/30/14.
3. In the **Vendor Invoice No.** enter 2014/00246.
4. On the **Actions** tab, click **Post**.
5. Select **Receive and Invoice**.

Because the purchase order is completely processed, it no longer exists.

To review the created final invoice, follow these steps.

1. On the **Navigation Pane**, click **Departments**,
2. Click **Purchases > History > Posted Purchase Invoices**.
3. Select the newly created purchase invoice for London Postmaster.
4. On the **Home** Tab, click **View**.

5. Expand the **Lines** FastTab.
 - a. An invoice line is created for the full purchase amount for each purchase order line.
 - b. A negative invoice line is created, to deduct the previously charged prepayment amount. The same general ledger account is used as on the prepayment purchase invoice.

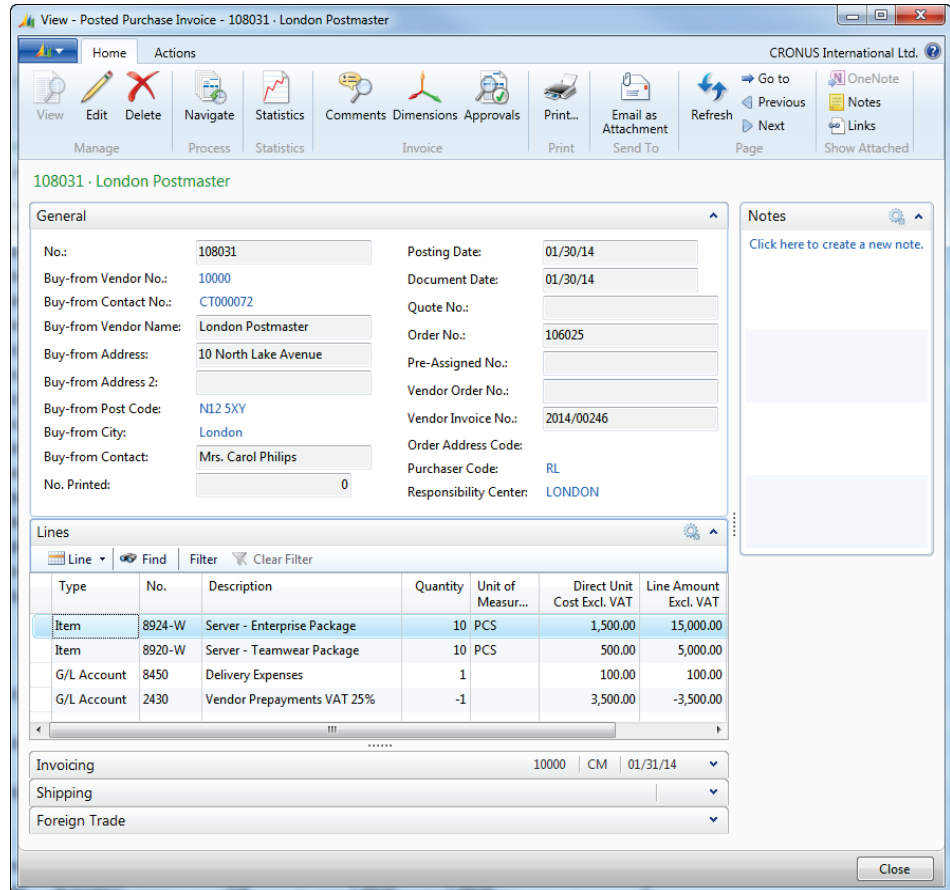


FIGURE 9.20: PURCHASE INVOICE WINDOW

6. Click **Close** to close the **Posted Purchase Invoice** page.


Lab 9.2: Prepayment Sales Order Process with Payment Discount


Scenario

Customer 10000 establishes an order with CRONUS International Ltd., but changes the order later.

Susan, the Order Processor at CRONUS International Ltd. will first create the sales order and the corresponding prepayment invoice. Later she will adjust the sales order and the corresponding prepayment invoice.

Arnie, the Accounts Receivables Administrator will process the customer prepayments and create the final invoice.

 **Note:** To successfully perform this lab, the previous lab "Set Up Prepayments for Sales" must be completed.

 **Note:** Make sure that the database is set up to handle the payment discount excluding VAT. The payment discount is discussed in the "Receivables and Payables Management - Payment Discount and Payment Tolerance" module in this course.

Exercise 1: Create the Prepayment Sales Order and Process and Review the Prepayment Sales Invoice

Exercise Scenario

Customer 10000 The Cannon Group Ltd., establishes the following order with CRONUS International Ltd.

- Order Date 01/24/14.
- 10 pieces of item 1896-S for 649.40 LCY for each piece.
- 10 pieces of item 1900-S for 125.10 LCY for each piece.
- A delivery cost of 50.00 LCY (general ledger account 6810) is charged to the customer.
- All items must be delivered together.
- The prepayment invoice is created according to the default settings, except for the delivery charge. This does not require a prepayment.
- The prepayment invoice is created on 01/24/14 and contains one invoice line for the total prepayment amount.
- The prepayment invoice has a payment term of 1M(8D) that will grant a payment discount of two percent, when the amount is paid by the customer within eight days.



Note: To successfully perform the following detailed steps, the profile and corresponding role center for the order processor must be assigned to your user ID.

Task 1: Create the Prepayment Sales Order and Process and Review the Prepayment Sales Invoice

High Level Steps

1. Create the prepayment sales order according to the scenario.
2. Create the prepayment sales invoice according to the scenario.
3. Review the prepayment sales invoice.

Detailed Steps

1. Create the prepayment sales order according to the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Sales Orders**.
 - c. Click **New** to create the prepayment sales order.
 - d. Unfold the **General** FastTab.
 - e. Press ENTER to automatically insert a sales order number in the **No.** field.
 - f. In the **Sell-to Customer No.** field enter 10000 and move to the next field. The sales order header is automatically filled in with the default settings that are from the customer card.
 - g. In the **Document Date** field, enter 01/24/14.
 - h. Expand the **Shipping** FastTab.
 - i. In the **Shipping Advice** field, enter Complete.
 - j. Click **Yes**.
 - k. Expand the **Prepayment** FastTab.

The **Prepayment %** field is automatically filled in with the default 20 percent, according to the setup.

- l. Select the **Compress Prepayment** check box.
- m. In the **Prepmt. Payment Terms Code** enter 1M(8D).

The **Prepayment Due Date**, **Prepmt. Payment Discount %** and **Prepmt. Pmt. Discount Date**, are automatically filled in based on the **Document Date** and the **Prepmt. Payment Terms Code**.

- n. Expand the **Lines** FastTab.
- o. In the **Type** field, enter Item.
- p. In the **No.** field, enter 1896-S.

- q. In the **Quantity** field, enter 10.
- r. In the **Unit Price Excl. VAT** field, enter 649.40.

The **Prepayment %** field is automatically filled in with the default 10 percent, according to the setup.

- s. Create a new sales order line.
- t. In the **Type** field, enter Item.
- u. In the **No.** field, enter 1900-S.
- v. In the **Quantity** field, enter 10.
- w. In the **Unit Price Excl. VAT** field, enter 125.10.

The **Prepayment %** field is automatically filled in with the default 20 percent that is from the order header.

- x. Create a new sales order line.
- y. In the **Type** field, enter G/L Account.
- z. In the **No.** field, enter 6810.
- aa. In the **Quantity** field, enter 1.
- bb. In the **Unit Price Excl. VAT** field, enter 50.00

The **Prepayment %** field is automatically filled in with the default 20 percent that is from the order header.

- 2. Create the prepayment sales invoice according to the scenario.
 - a. Expand the **Lines** FastTab.
 - b. Select the line that with G/L account 6810 (that contains the delivery cost.)
 - c. Remove the 20 percent that is from the **Prepayment %** field.
 - d. On the **Actions** tab, click **Prepayment**.
 - e. Click **Post and Print Prepmnt. Invoice** and then click **Yes** to complete the process.
 - f. Expand the **General** FastTab.

The **Status** field is set to **Pending Prepayment**.

- g. Expand the **Lines** FastTab.
- h. Select the line for item 1896-S.

The **Prepmnt Amt Inv. Excl. VAT** and the **Prepmnt Amt to Deduct Excl. VAT** are updated with 649.40 LCY.

- i. Select the line for item 1900-S.

The **Prepmt Amt Inv. Excl. VAT** and the **Prepmt Amt to Deduct Excl. VAT** are updated with 250.20 LCY.

The line for general ledger account 6810 remains unchanged.

Review the prepayment sales invoice.

- a. From the sales order, on the **Navigate** tab, click **Prepayment Invoices**.

The **View - Posted Sales Invoices** page is opened, with an automatic filter on the sales order that the prepayment invoice is created from.

- b. On the **Home** tab, click **View** to view the prepayment invoice.
- c. Expand the **Lines** FastTab.

One invoice line is created for the total prepayment amount of both item lines on the purchase order. The **Compress Prepayment** check box on the purchase order is selected.

- d. Expand the **Invoicing** FastTab.

A payment discount of two percent is granted to the customer, when the prepayment invoice is paid before 02/01/14.

- e. On the **Actions** tab, click **Navigate**.
- f. Select the VAT Entry and then click **Show**.

Notice that the VAT amount is calculated on the lowered base amount.

- g. Click **Close** to close the **VAT Entries** page.
- h. Click **Close** to close the **Navigate** page.
- i. Click **Close** to close the **Posted Sales Invoice** page.
- j. Click **Close** to close the **View – Posted Sales Invoices** page.

Exercise 2: Adjust the Prepayment Sales Order and Process the Prepayment Sales Invoice

Exercise Scenario

Customer 10000 The Cannon Group Ltd. changes the newly created order by adding new items to the sale. Adjust the sales order with the following information.

- Order date 01/27/14.
- Five pieces of item 1924-W for 136.40 LCY for each piece.

- The delivery cost remains unchanged if the previously ordered items are delivered together with this new item.
- An additional prepayment invoice is created on 01/27/14 according to the default settings for the prepayment of the new item.
- The prepayment invoice has a payment term of 1M(8D) that will grant a payment discount of two percent, when the amount is paid by the customer within eight days.



Note: To successfully perform the following detailed steps, the profile and corresponding role center for the Order Processor must remain assigned to your user ID.

Task 1: Adjust the Prepayment Sales Order and Process the Prepayment Sales Invoice

High Level Steps

1. Adjust the sales order according to the scenario.
2. Create the prepayment sales invoice according to the scenario.
3. Review the prepayment sales invoice.

Detailed Steps

1. Adjust the sales order according to the scenario.
 - a. On the **Home** tab, click **Reopen**.
 - b. Expand the **General** FastTab. The **Status** field is set to **Open**.
 - c. In the **Document Date** and **Posting Date** field, enter 01/27/14.
 - d. Expand the **Lines** FastTab.
 - e. Create a new sales order line.
 - f. In the **Type** field, enter Item.
 - g. In the **No.** field, enter 1924-W.
 - h. In the **Quantity** field, enter 5.
 - i. In the **Unit Price Excl. VAT** field, enter 136.40.

The **Prepayment %** field is automatically filled in with the default 20 percent that is from the order header.

2. Create the prepayment sales invoice according to the scenario.
 - a. On the **Actions** tab, click **Prepayment**.
 - b. Click **Post Prepmt. Invoice** and then click **Yes** to complete the process.
 - c. Expand the **General** FastTab.

The **Status** field is set to **Pending Prepayment**.

- d. Expand the **Lines** FastTab.
- e. Select the line for item 1924-W.

The **Prepmt Amt Inv. Excl. VAT** and the **Prepmt Amt to Deduct Excl. VAT** are updated with 136.40 LCY.

The other lines remain unchanged.

3. Review the prepayment sales invoice.
 - a. From the sales order, on the **Navigate** tab, click **Prepayment Invoices**.

The **View - Posted Sales Invoices** page is opened, with an automatic filter on the sales order that the prepayment invoice is created from.

- b. Select the second prepayment sales invoice.
- c. On the **Home** tab, click **View** to view the prepayment invoice.
- d. Unfold the **Invoicing** FastTab.

A payment discount of two percent is granted to the customer, when the prepayment invoice is paid before 02/04/14.

- e. On the **Actions** tab, click **Navigate**.
- f. Select the VAT Entry and then click **Show**.

Notice that the VAT amount is calculated on the lowered base amount.

- g. Click **Close** to close the **VAT Entries** page.
- h. Click **Close** to close the **Navigate** page.
- i. Click **Close** to close the **Posted Sales Invoice** page.
- j. Click **Close** to close the **View – Posted Sales Invoices** page.
- k. Click **OK** to close the **Sales Order** page.

Exercise 3: Process Customer Prepayment

Exercise Scenario

The following customer prepayments must be processed.

- On 01/30/14, customer 10000 pays the first prepayment invoice for a total of 1,102.01 LCY. The customer has deducted the payment discount correctly.
- On 02/06/14, customer 10000 pays the second prepayment invoice for a total of 169.82 LCY. The customer did not deduct the payment discount.



Note: To successfully perform the following detailed steps, the profile and the corresponding role center for the accounts receivable administrator must remain assigned to your user ID.

Task 1: Process Customer Prepayment

High Level Steps

1. Process the first prepayment according to the scenario.
2. Process the second prepayment according to the scenario.

Detailed Steps

1. Process the first prepayment according to the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Cash Receipt Journals**.
 - c. Select the BANK cash receipt journal and then click **Edit Journal** on the **Home** tab.
 - d. In the **Posting Date** field, enter 01/30/14.
 - e. In the **Document Type** field, enter Payment.
 - f. In the **Account Type** field, enter **Customer**.
 - g. In the **Account No.** field, enter 10000.
 - h. On the **Home** tab, click **Apply Entries**.
 - i. Select the open customer ledger entry for the first prepayment invoice.
 - j. On the **Home** tab, click **Set Applies-to ID**.
 - k. Click **OK** to close the **Apply Customer Entries** page.

The **Amount** field is automatically filled in with the prepayment amount excluding the payment discount, -1,102.01 LCY.

2. Process the second prepayment according to the scenario.
 - a. Create a new line in the cash receipt journal.
 - b. In the **Posting Date** field, enter 02/06/14.
 - c. In the **Document Type** field, enter Payment.
 - d. In the **Account Type** field, enter Customer.
 - e. In the **Account No.** field, enter 10000.
 - f. On the **Home** tab, click **Apply Entries**.
 - g. Select the open customer ledger entry for the second prepayment invoice.
 - h. On the **Home** tab, click **Set Applies-to ID**.
 - i. Click **OK** to close the **Apply Customer Entries** page.

The **Amount** field is automatically filled in with the prepayment amount excluding the payment discount, -170.50 LCY.

- j. On the **Home** tab, click **Post**.
- k. Click **Yes** to complete the posting process.
- l. Click **OK**.
- m. Click **OK** to close the **Edit - Cash Receipt Journal** page.

Exercise 4: Process and Review Final Invoice

Exercise Scenario

On 02/07/14 all the items are delivered to the customer and the final invoice is created.



Note: To successfully perform the following detailed steps, the profile and corresponding role center for the accounts receivable administrator must remain assigned to your user ID.

Task 1: Process and Review Final Invoice

High Level Steps

1. Create the final invoice according to the scenario.
2. Review the final invoice.

Detailed Steps

1. Create the final invoice according to the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Sales Orders**.
 - c. Select the prepayment sales order for customer 10000 and then click **Edit**.
 - d. Expand the **General** FastTab.
 - e. In the **Document Date** and **Posting Date** field, enter 02/07/14.
 - f. On the **Home** tab, click **Post**.
 - g. Select **Ship and Invoice** and then click **OK**.

Because the sales order is completely processed, it no longer exists.

2. Review the final invoice.
 - a. On the **Navigation Pane**, click **Posted Documents**.
 - b. Click **Posted Sales Invoices**.
 - c. Select the newly created sales invoice for customer 10000.
 - d. On the **Home** tab, click **View**.
 - e. Expand the **Lines** FastTab.

An invoice line is created for the full sales amount for each sales order line.

One negative invoice line is created, to deduct the previously charged prepayment amount. The same general ledger account for the prepayment sales invoices is used.

Lab 9.3: Prepayment Sales Order Process with Unrealized VAT

Scenario

Customer 10000 establishes an order with CRONUS International Ltd.

Susan, the Order Processor at CRONUS International Ltd. will first create the sales order and the corresponding prepayment invoice that the unrealized VAT will be calculated for.

Arnie, the Accounts Receivables Administrator will create the final invoice, before the prepayment is received.



Note: Before you start with the actual prepayment process, the first exercise asks you to review the setup for unrealized prepayments. Make sure that you complete this first!

Exercise 1: Verify Unrealized VAT Setup

Task 1: Verify Unrealized VAT Setup

High Level Steps

1. Verify the General Ledger Setup.
2. Verify VAT Posting Groups.

Detailed Steps

1. Verify the General Ledger Setup.
 - a. In the **Navigation Pane**, click **Departments**.
 - b. Click **Administration**, and then click **Application Setup**.
 - c. On the **Application Setup** page, click **Financial Management > Finance > General Ledger Setup**.
 - d. Expand the **General** FastTab.
 - e. Select the **Unrealized VAT** and **Prepayment Unrealized VAT** check boxes.
 - f. Click **OK** to close the **General Ledger Setup** page.

2. Verify VAT Posting Groups.
 - a. In the **Navigation Pane**, click **Departments**.
 - b. Click **Administration**, and then click **Application Setup**.
 - c. On the **Application Setup** page, click **Financial Management** > **VAT Posting Group** > **VAT Posting Setup**.
 - d. Select the VAT posting group combination NATIONAL-VAT25 and then click **Edit**.
 - e. Expand the **General** FastTab.
 - f. In the **Unrealized VAT Type** field, enter **Last**.
 - g. Expand the **Sales** FastTab.
 - h. In the **Sales VAT Unreal. Account** field, enter 5780.



Detailed Steps: *This is not the correct VAT account, and a separate unrealized VAT account should be created. However, for the demonstration you will use the 5780 account.*

- i. Click **OK** to close the **VAT Posting Setup Card** page.
- j. Click **Close** to close the **VAT Posting Setup** page.

Exercise 2: Create the Prepayment Sales Order and Process and Review the Prepayment Sales Invoice

Exercise Scenario

Customer 10000 The Cannon Group Ltd., establishes the following order with CRONUS International Ltd.

- Order date 01/24/14.
- 10 pieces of item 1896-S – 649.40 LCY for each piece.
- The prepayment invoice is created on 01/24/14, according to the default settings.
- The order and prepayment invoice have a payment term of CM.

Task 1: Create the Prepayment Sales Order and Process and Review the Prepayment Sales Invoice

High Level Steps

1. Create the prepayment sales order according to the scenario.
2. Create the prepayment sales invoice.
3. Review the prepayment sales invoice.

Detailed Steps

1. Create the prepayment sales order according to the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Sales Orders**.
 - c. Click **New** to create the prepayment sales order.
 - d. Expand the **General** FastTab.
 - e. Press ENTER to automatically insert a sales order number in the **No.** field.
 - f. In the **Sell-to Customer No.** field, enter 10000 and move to the next field. The sales order header is automatically filled in with the default settings that are from the customer card.
 - g. In the **Document Date** field, enter 01/24/14.
 - h. Expand the **Invoicing** FastTab.
 - i. In the **Payment Terms Code** field, enter CM.
 - j. Expand the **Prepayment** FastTab.

The **Prepayment %** field is automatically filled in with the default 20 percent, according to the setup.

- k. In the **Prepmt. Payment Terms Code**, enter CM.
- l. Expand the **Lines** FastTab.
- m. In the **Type** field, enter Item.
- n. In the **No.** field, enter 1896-S.
 - o. In the **Quantity** field, enter 10.
 - o. In the **Unit Price Excl. VAT** field, enter 649.40.

The **Prepayment %** field is automatically filled in with the default 10 percent, according to the setup.

2. Create the prepayment sales invoice.
 - a. On the **Actions** tab, click **Prepayment**.
 - b. Click **Print Prepmt. Invoice** and then click **Yes** to complete the process.
 - c. Expand the **General** FastTab.

The **Status** field is set to **Pending Prepayment**.

- d. Expand the **Lines** FastTab.
- e. Select the line for item 1896-S.

The **Prepmt Amt Inv. Excl. VAT** and the **Prepmt Amt to Deduct Excl. VAT** are updated with 649.40 LCY.

3. Review the prepayment sales invoice.
 - a. From the sales order, on the **Navigate** tab, click **Prepayment Invoices**.

The **View - Posted Sales Invoices** page is opened, with an automatic filter on the sales order that the prepayment invoice is created from.

- b. Select the prepayment sales invoice.
- c. On the **Home** Tab, click **View** to view the prepayment invoice.
- d. On the **Actions** tab, click **Navigate**.
- e. Select the G/L entries and then click **Show**.

Notice that the unrealized VAT account is used.

- f. Click **Close** to close the **General Ledger Entries** page.
- g. Click **Close** to close the **Navigate** page.
- h. Click **Close** to close the **Posted Sales Invoice** page.
- i. Click **Close** to close the **View – Posted Sales Invoices** page.

Exercise 3: Process and Review the Final Invoice

Exercise Scenario

On 01/30/14, the order is shipped and invoiced to the customer. The prepayment is not yet received. Review the postings for the unrealized VAT amount.

Task 1: Process and Review the Final Invoice

High Level Steps

1. Create the final invoice according to the scenario.
2. Review the final invoice.

Detailed Steps

1. Create the final invoice according to the scenario.
 - a. On the **Navigation Pane**, click **Home**.
 - b. Click **Sales Orders**.
 - c. Select the prepayment sales order for customer 10000 and then click **Edit**.
 - d. Expand the **General** FastTab.
 - e. In the **Document Date** and **Posting Date** field, enter 01/30/14.
 - f. On the **Home** tab, click **Post**.
 - g. Select **Ship and Invoice** and then click **OK**.

Because the sales order is completely processed, it no longer exists.

2. Review the final invoice.
 - a. On the **Navigation Pane**, click **Posted Documents**.
 - b. Click **Posted Sales Invoices**.
 - c. Select the newly created sales invoice for customer 10000.
 - d. On the **Home** tab, click **View**.
 - e. Expand the **Lines** FastTab.

An invoice line is created for the full sales amount for each sales order line.

One negative invoice line is created, to deduct the previously charged prepayment amount. The same general ledger account for the prepayment sales invoices is used.

- f. On the **Actions** tab, click **Navigate**.
- g. Select the general ledger entries and then click **Show**.

Again the unrealized VAT account is used for the negative prepayment invoice line.

The posting of the unrealized to the realized VAT account will be processed at the time of payment.

Correct Prepayments

After you post a prepayment invoice, you can process corrections or updates by adding new lines to the order and by posting another prepayment invoice. Lines cannot be deleted from an order when a prepayment is invoiced for the line.

You can correct a prepayment by using any of following options.

- Refund all invoiced prepayments for an order
- Reduce the quantity on sales or purchase lines
- Add new lines to an order after issuing a prepayment
- Increase the prepayment amount

Credit all Invoiced Prepayments for an Order

To credit all invoiced prepayments for an order, follow these steps.

1. On the order, on the **Actions** tab, click **Prepayment**, and then click **Post Prepayment Credit Memo**.
2. If it is required, re-create the correct entries.



Note: When you create the prepayment credit memo, all prepayment invoices will be credited. You cannot credit just one prepayment invoice.

Reduce the Quantity on Sales or Purchase Lines

To reduce the quantity on a sales or purchase line, follow these steps.

1. Increase the **Prepayment %** on the line so that the **Prepmt. Line Amount** is not less than the amount in the **Prepmt. Amt. Inv.** field.
2. Reduce the amount in the **Line Amount** field.

Add New Lines to an Order after Issuing a Prepayment

To add new lines to an order after issuing a prepayment, follow these steps.

1. Add the additional lines to the order.
2. On the **Actions** tab, click **Prepayment**, and then click **Post Prepayment Invoice**.

A prepayment invoice is created for the new line.

Increase the Prepayment Amount

To increase the prepayment amount, follow these steps.

1. Increase the **Prepayment %** on one or more lines.
2. On the **Actions** tab, click **Prepayment**, and then click **Post Prepayment Invoice**.

A new invoice is created for the difference between the prepayment amount invoiced to this point and the new prepayment amount.

Module Review

Module Review and Takeaways

Prepayments are used in sales or purchases. You can use prepayments to charge either a percentage of the total order or a specific amount before the items are shipped to customers. Companies can also use prepayments to record prepayments to vendors.

The Prepayments functionality in Microsoft Dynamics NAV 2013 assists in the following:

- Invoicing and collecting prepayments that are required from customers or remitting deposits to vendors.
- Posting and tracking prepayment amounts to specific accounts.
- Accurately creating invoices that reflect the total order amount minus any prepayments.

You can create several prepayment invoices for one order. You can also post prepayment credit memos, for example when an order is cancelled.

Test Your Knowledge

Test your knowledge with the following questions.

1. What status is used when an order has one or more lines with a prepayment amount, and a prepayment invoice has not been posted?
 - () Open
 - () Pending Prepayment
 - () Prepayment Awaiting
 - () Pending Approval
2. Which of the following methods cannot be used to correct prepayment invoices?
 - () Delete invoiced prepayment lines from the order.
 - () Increase the prepayment amount.
 - () Reduce the quantity on sales and purchase lines.
 - () Add new lines to an order after issuing a prepayment.

3. Which of the following statements is incorrect?

To recognize prepayment ownership, Microsoft Dynamics NAV 2013 must be set up to perform which of the following? (Select all that apply.)

- () To recognize prepayment ownership, Microsoft Dynamics NAV 2013 must be set up to record purchase prepayments in an asset account until the items are received.
- () A default prepayment percentage can be set up for vendors, item-vendor combinations and item-vendor price group combinations.
- () To recognize prepayment ownership, Microsoft Dynamics NAV 2013 must be set up to record sales prepayments in a liability account until the items are shipped.
- () Default prepayment percentages can be set up for customers, item-customer combinations, and item-customer price group combinations.

4. Microsoft Dynamics NAV 2013 searches items, customers, vendors, and price groups for default prepayment percentages when an order is created. Which of the following statements is incorrect?

- () First, Microsoft Dynamics NAV 2013 searches for a prepayment percentage for the item on the line and then the customer or vendor on the order header.
- () Second, Microsoft Dynamics NAV 2103 searches for a prepayment percentage for the item on the line and then the customer price group for the customer.
- () Third, Microsoft Dynamics NAV 2013 searches for a prepayment percentage for the item on the line for all customers.
- () Fourth, Microsoft Dynamics NAV 2013 searches for a prepayment percentage for the customer or the vendor on the order header.

Test Your Knowledge Solutions

Module Review and Takeaways

1. What status is used when an order has one or more lines with a prepayment amount, and a prepayment invoice has not been posted?

- Open
- Pending Prepayment
- Prepayment Awaiting
- Pending Approval

2. Which of the following methods cannot be used to correct prepayment invoices?

- Delete invoiced prepayment lines from the order.
- Increase the prepayment amount.
- Reduce the quantity on sales and purchase lines.
- Add new lines to an order after issuing a prepayment.

3. Which of the following statements is incorrect?

To recognize prepayment ownership, Microsoft Dynamics NAV 2013 must be set up to perform which of the following? (Select all that apply.)

- To recognize prepayment ownership, Microsoft Dynamics NAV 2013 must be set up to record purchase prepayments in an asset account until the items are received.
- A default prepayment percentage can be set up for vendors, item-vendor combinations and item-vendor price group combinations.
- To recognize prepayment ownership, Microsoft Dynamics NAV 2013 must be set up to record sales prepayments in a liability account until the items are shipped.
- Default prepayment percentages can be set up for customers, item-customer combinations, and item-customer price group combinations.

4. Microsoft Dynamics NAV 2013 searches items, customers, vendors, and price groups for default prepayment percentages when an order is created. Which of the following statements is incorrect?
- () First, Microsoft Dynamics NAV 2013 searches for a prepayment percentage for the item on the line and then the customer or vendor on the order header.
 - () Second, Microsoft Dynamics NAV 2103 searches for a prepayment percentage for the item on the line and then the customer price group for the customer.
 - () Third, Microsoft Dynamics NAV 2013 searches for a prepayment percentage for the item on the line for all customers.
 - (√) Fourth, Microsoft Dynamics NAV 2013 searches for a prepayment percentage for the customer or the vendor on the order header.