CHAPTER 11: ACCOUNTS RECEIVABLE SETUP

Objectives

The objectives are:

- Create a payment schedule.
- Create terms of payment.
- Create a payment day.
- Set up a cash discount.
- Create a payment fee.
- Create a method of payment.
- Set up customer groups.
- Set up posting profiles.
- Create a new customer.

Introduction

This course introduces the setup procedures and defaults you can use throughout the Accounts Receivable module.

Accounts Receivable offers extensive functionality to set up different customer payment options. This includes the following:

- Payment schedules
- Payment days
- Terms of payment
- Cash discounts
- Methods of payment
- Payment fees

This course also explains Customer setup so you can process customers and customer transactions quickly and efficiently.
Payment Schedule

Use payment schedules to pay invoices in installments. To set up a payment schedule, define the following:

- Number of installments
- Amount of each installment
- Due date of each installment

A payment schedule consists of consecutive payments in set time intervals. The payments can be a:

- Set amount
- Specified number of payments wherein the amount owed is divided to create equal payments

For example, an invoice of 10,000 U.S. dollars (USD) is recorded. The customer pays 2,000 USD each month until the balance is paid. During this period the invoice is not considered past due as long as the customer makes the scheduled payments on time. This is known as a finance plan, or contract payments.

Procedure: Create a Payment Schedule

Perform the following steps to create a payment schedule:

1. To access the Payment schedules form, click Accounts receivable, click Setup, click Payment, and then click Payment schedules.
2. Enter a name as identification of the payment schedule in the Payment schedule field.
3. Enter a description in the Description field.
4. Click the General FastTab.
5. Select an allocation method in the Allocation list:
   - Total - the total amount outstanding on the invoice is due.
   - Fixed amount - a specific, fixed amount is due for each payment on the specified payment dates.
   - Fixed quantity - payment of the total amount is divided into a fixed quantity of payments.
   - Specified - a specified amount is due on each specified date. If Specified is selected, the payment schedules and amounts must be defined on the Payment lines tab.
Depending on the value you select in the **Allocation** list, the **General** and **Payment lines** sections enable different fields.

**FIGURE 11.1 PAYMENT SCHEDULES FORM**

**Procedure: Create a Total Payment Schedule**

If **Total** is selected in the **Allocation** list, no other fields are enabled on the **General** FastTab:

**Procedure: Create a Specified Payment Schedule**

If you select **Specified** in the **Allocation** list, Perform the following steps to complete the Payment schedule setup:

1. From the **Payment schedules** form, **General** FastTab, in the **Payment per** list, select the date interval in **Days, Months**, or **Years**. The system uses this information when it calculates the due date of each installment.

2. Use the **Sales tax allocation** list to distribute the sales tax amount on a bill of exchange to the payment schedule installments.

3. Click the **Payment Lines** FastTab to define the line information for the payment schedule, designate the number of different payments, and divide the percent of the total that is due in each payment.

4. In the **Quantity** field, enter the time interval for each installment.

5. In the **Amount currency** field, enter the value of the installment as a percentage of the amount invoiced or as an absolute amount, depending on the value you select in the **Percentage/Amount** field.

6. In the **Percentage/Amount** list, select whether the value entered is a percent or an absolute amount.
Procedure: Create a Fixed Amount or Quantity Payment Schedule

If Fixed amount or Fixed quantity is selected in the Allocation list, perform the following steps to complete the payment schedule setup:

1. From the Payment schedules form, General FastTab, in the Payment per list, select the date interval in Days, Months, or Years. The system uses this information when it calculates the due date of each installment.
2. In the Change field, enter the number of units related to the value in the Payment per field between the due dates of each installment.
3. If the Allocation field is set to Fixed quantity, enter the fixed number of installments in the Number of payments field.
4. If the Allocation field is set to Fixed amount, enter the fixed amount in the Amount currency field.
5. Enter the minimum installment in the Minimum field. Minimum amounts override calculated payment amo

Terms of Payment

Use the Terms of payment form to define all the terms of payment that a company and its customers use. You can also use a term of payment to calculate the due date based on the date of the invoice.

Specify terms of payment for each:

- Vendor in the Vendors form.
- Customer in the Customers form.
- Purchase order in the Purchase order form.
- Sales order in the Sales order form.

Scenario

Contoso has a standard customer payment term of Net 30 days. If an invoice with a Net 30 payment term ships goods on September 15, and the invoice is dated November 15, payment is due December 15. With a Net 30 Days settlement, the customer must pay the net due within 30 days of the receipt of goods or receipt of the invoice, according to the settlement. After that date, if the payment is not completed, you may add an interest charge of a specified percent for each month to the invoice along with other services charges.
Procedure: Create Terms of Payment

Perform the following steps to create a term of payment:

1. Click Accounts receivable, click Setup, click Payment, and then click Terms of payment.
2. Click New to create a new record.
3. In the Terms of payment field, enter a code or a short name for the term of payment, and then enter a descriptive name for the current terms of payment in the Description field.

![TERMS OF PAYMENT FORM]

FIGURE 11.2 TERMS OF PAYMENT FORM

Procedure: Create Terms of Payment - Setup

Perform the following steps to enter setup information for a term of payment:

1. From the Terms of payment form, click the Setup FastTab.
2. In the Payment method list, select the method to calculate the due date:
   - Net
   - Current Month
   - Current Quarter
   - Current Year
   - Current Week
   - COD
3. Enter the number of months to add to the payment method to calculate the due date in the Months field.
4. Enter the number of days to add to the payment method to calculate the due date in the Days field.

5. In the Payment schedule field, link a payment schedule to the term of payment. The payment schedule defines how an invoiced amount is split up into installments that must be paid in specific intervals.

**NOTE:** If a term of payment is linked to a payment schedule, the rules set up in the term of payment are used to calculate the due date of the first installment. The rules set up in the payment schedule are used to calculate the due date of the following installments.

6. In the Payment day field, select a payment day used for calculation of due date.

7. Use the Translation button to translate the search name into more languages. For example, if a French language text is created the text is shown on invoices for all customers set up with French as the language.

**Procedure: Create Terms of Payment - COD**

If the Cash on delivery (COD) payment method is selected, perform the following steps to complete the term of payment setup:

1. Select the **Cash payment** check box to indicate whether customers must make payments in cash and not by check.

2. In the Ledger posting area from the Cash list, select a ledger account for settlement of invoices that the system will use for cash payment.
Procedure: Attach a Payment Term

You can attach the terms of payment to sales orders, free text invoices, or customers.

For example, click Accounts receivable, click Common, click All customers and then click a customer account. Click Edit on the Action Pane, and then on the Payment defaults FastTab, select the terms of payment in the Terms of payment field.

![FIGURE 11.3 CUSTOMERS FORM](image)

Payment Days

Use payment days to define the payment day to use for calculating the due date. The due date is always rounded up to the nearest specified date automatically.

You can specify the payment day for:

- A specific day in the week
- A specific date in the month
Procedure: Create a Payment Day

Perform the following steps to create a payment day:

1. Click Accounts receivable, click Setup, click Payment, and then click Payment days.
2. Click New to create a new record.
3. Enter a short identification of the payment day in the Payment day field and then enter a description of the payment day identification in the Description field.
4. On the Payment day lines FastTab, select between Week and Month in the Week/Month field. If you select Week, select a value from the Weekday list, and if you select Month, enter a value between one and 31 in the Day field.

Set up the payment day in the Terms of Payment form on the Setup FastTab to define the payment date to use to calculate the due date.

FIGURE 11.4 PAYMENT DAYS FORM
Lab 11.1 - Terms of Payment

Scenario

Connie, Contoso's Credit and Collections Manager, has been reviewing the outstanding customer balances. She noticed that the customer Cave Wholesales has a large outstanding balance. After a telephone call to Cave Wholesales, both parties agreed that Cave Wholesales will now make payments within 18 days.

Challenge Yourself!

Help Connie create a new term of payment to fulfill this requirement and assign it to Cave Wholesales.

Need a Little Help?

The term of payment is assigned to the customer on the Payment defaults FastTab of the Customers form.

Step by Step

Perform the following steps to create a new term of payment:

1. Click Accounts receivable, click Setup, click Payment, and then click Terms of payment.
2. Click the New button.
3. In the Terms of Payment field, enter N018.
4. In the Description field, enter Net 18 days.
5. On the Setup FastTab, in the Payment Method field, select Net.
6. In the Days field, type 18.
7. Close the window.

Perform the following steps to assign a new term of payment to Cave Wholesales:

1. Click Accounts receivable, click Common, click Customers, and then click All Customers.
2. Select 1103, Cave Wholesales as the customer.
3. Click Edit on the Action pane.
4. Click the Payment defaults FastTab.
5. In the Terms of payment field, select N018.
6. Close the forms.
Cash Discount

Cash discounts are:

- Earned if a customer pays the invoices within a specified period.
- Used for both customers and vendors.
- Posted to the ledger account specified for the cash discount when an invoice is settled in time to obtain a cash discount.

Scenario

Contoso's customers receive a cash discount if they pay invoices due within certain dates. Contoso has set up the following codes:

- 5D10% - Cash discount of 10 percent when the amount is paid within five days.
- 10D5% - Cash discount of 5 percent when the amount is paid within ten days.
- 14D2% - Cash discount of 2 percent when the amount is paid within 14 days.

The three cash discounts follow one another as the payment nears the cash discount date. However, only one cash discount is granted.

To specify this on the 5D10% code, the 10D5% code is selected in the Next discount code list. On the 10D5% code, the 14D2% code is selected in the Next discount code list. Finally, on the 14D2% code the Next discount code is left blank.

Procedure: Set Up Cash Discounts

Perform the following steps to set up cash discounts:

1. Click Accounts receivable, click Setup, click Payment, and then click Cash discounts.
2. Enter an alphanumeric code for the cash discount in the Cash discount field. For example, enter 10D2% to indicate the customer receives a two percent discount if payment is made ten days before the due date.
3. Enter a brief description for the cash discount in the **Description** field. For example, enter 10 days/2% for the discount code 10D2%.

4. Select the cash discount code used when the criteria for obtaining the current cash discount is exceeded in the **Next discount code** list. This selection allows you to define a set of cash discounts that follow one another.

![Cash Discounts Form](image)

**FIGURE 11.5 CASH DISCOUNTS FORM**

### Procedure: Set Up Cash Discounts - Setup

Perform the following steps to define setup information for cash discounts:

1. From the Cash discounts form, click the **Setup** FastTab.
2. Select the method applicable for the cash discount from the **Net/Current** list. The method specified, together with the value given in the **Days** field and/or **Months** field, is used to calculate the last date the customer can make a payment and receive any available cash discounts.
3. Enter the number of months during the period when the cash discount is applicable in the **Months** field.
4. Enter the number of days during the period when the cash discount is applicable in the **Days** field.
5. Enter the cash discount as a percentage of the invoiced amount in the **Discount percentage** field.
6. Select the main account for posting the cash discount given to customers in the **Main account for customer discounts** field.
7. Select the main account for posting the cash discount given to **Main account for vendor discounts** field.

**NOTE:** Assign cash discounts to customers, journals, or sales orders.
Procedure: Define Accounts Receivable Parameters

Perform the following steps to specify accounts receivable parameter values that affect the cash discount calculation:

1. To access the Accounts receivable parameters form, click Accounts receivable, click Setup, and then click Accounts receivable parameters.
2. Click Settlement.
3. In the Cash-discount administration field select what to do with an overpayment or underpayment when a cash discount is not deducted correctly when the invoice is settled. Select from the following values:
   - Unspecific - the underpayment amount is posted to the customer cash discount account.
     If the applicable cash discount was posted in the same company as an overpayment, the system will adjust the cash discount. If the applicable cash discount was not posted in the same company as an overpayment, it is posted to the system cash discount account. If there are multiple cash discounts so that an overpayment was settled against multiple invoices, the adjustment to the discount is from the last invoice to the first discount.
   - Specific - the overpayment or underpayment amount is posted to the customer cash discount account.
     For example, a customer's invoice total is 105.00 USD and the obtainable cash discount is 10.50 USD. Considering the cash discount, the customer should pay 94.50 USD ($105-10.50). However the amount actually paid by the customer is 95.00 USD.
     If the Cash-discount administration parameter is set to Unspecific, the invoice is settled and the difference of 0.50 is posted to the ledger account specified for cash discount differences automatically.
     If the Cash-discount administration parameter is set to Specific, the invoice is settled, and the difference of 0.50 is posted to the customer's cash discount account.

Procedure: Define General Ledger Parameters

Perform the following steps to specify general ledger parameter values that affect the cash discount calculation:

1. To access the General ledger parameters form, click General ledger, click Setup, and then click General ledger parameters.
2. Click Sales tax.
3. Click on the **Tax options** FastTab.
4. Select the **Customer Cash Discount**: **Cash discount is calculated on amount include sales tax** check box to specify that the cash discount is calculated based on the amount plus sales tax.

**Payment Fee**

Use payment fees to:

- Specify if any additional charges are added to the customer invoice.
- Define fee identifications, specify bank relations, and identify how to generate fees.

**Scenario**

Contoso defined guidelines on how to handle late payments:

- If a customer does not pay an invoice within the due date, it is subject to late payment fees.
- Contoso assesses most invoices late payment fees 30 days after the invoice date.

**Procedure: Create a Payment Fee**

Perform the following steps to create a payment fee:

1. Click **Accounts receivable**, click **Setup**, click **Payment**, and then click **New** or **Payment fee**. If you select **Payment fee**, default values will automatically be added to some fields.
2. Enter an identification in the **Fee ID** field.
3. Enter a brief description in the **Description** field.
4. Select whether to charge the **Customer** or **Ledger** to use a financial cost for the fee in the **Charge** list. If **Ledger** is selected, select an main account number in the **Main account** field for posting in the ledger.

5. Select the journal type for which the fee is valid in the **Journal type** field.

![Payment Fee Form](image)

**FIGURE 11.6 PAYMENT FEE FORM**

**Procedure: Define Payment Fee Setup**

You can define a payment fee to set up lines for each fee used for different banks, methods of payment, remittance types, payment specifications, currencies, time periods, and amount intervals. Perform the following steps to set up a payment fee:

1. From the **Payment fee** form, click the **Payment fee setup** button.
2. Select the kind of bank information required to start the fee in the **Groupings** field. The fee is valid for each field for:
   - **Table** - the bank account selected in the field **Bank relation**
   - **Group** - the bank group selected in **Bank relation**
   - **All** - all the bank accounts
3. Select a bank relation from the **Bank relation** field if:
   - **A bank account** - table is selected in the **Grouping** list
   - **Bank groups** - group is selected in the **Grouping** list
   - **Skip** - all is selected in the **Grouping** list
4. Select a method of payment used for the actual payment fee in the **Method of payment** field.
5. If the company agrees with the bank to specify the payment, select the payment specifications in the Payment specification field.

6. Select the currency that activates the fee in the Currency field. Only transactions with this currency can activate the fee. If you leave this field blank, all currencies activate the fee.

7. Select the calculation method in the Percentage/Amount list. Select among:
   - Amount
   - Percent
   - Interval

8. Enter the size of the fee in the percentage of the payment or the amount for one payment in the Fee amount field.

9. Select the currency code for the fee in the Currency field.

FIGURE 11.7 PAYMENT FEE SETUP FORM
Procedure: Define Payment Fee Setup - General

Perform the following steps to define additional options for the payment fee setup:

1. From the **Payment fee setup** form, click the **General** tab.
2. Enter the minimum transaction amount to activate the fee in the **Minimum** field.
3. Enter the maximum transaction amount to activate the fee in the **Maximum** field.
4. Enter the date the date interval starts for fee calculation in the **From date** field.
5. Enter the ending date for date interval for fee calculation in the **To date** field.

If the calculated fee is less than the value entered in the **Minimum fee** field, it will not be applied.

If a financial cost is selected, you can select a **Sales tax group** and an **Item sales tax group** to generate the relevant taxes.
NOTE: If sales tax is calculated, the net amount is posted on a ledger account, and the sales tax amount is posted on a sales tax account.

FIGURE 11.8 PAYMENT FEE SETUP FORM, GENERAL TAB

Procedure: Define Payment Fee Setup - Interval

You can enter fees for the selected payment fee setup line that depend on the interval between the remittance and due dates.

Perform the following steps to define an interval payment fee setup:

1. From the Payment fee setup form, click the Interval tab.
2. Enter the number of days between the posting date (discounting date) of the remittance and the due date of the invoice in the Days field.
3. Select whether the specification is a percentage or an absolute amount in the Percentage/Amount field.
4. Enter the size of the fee in percent of the payment or amount for one payment in the Fee amount field.
Methods of Payment

Many companies offer several methods to pay due invoices, such as the following:

- Credit
- Cash in advance
- Bill of exchange
- Check and electronic payments

In the Methods of payment form, specify all the methods of payment the company uses to receive pay from its customers. For each method of payment, enter information that states how payments should be summarized and posted.

Methods of payment can be assigned to:

- Customers
- Journals
- Sales orders

Procedure: Create a Method of Payment

Perform the following steps to create a method of payment:

1. Click Accounts receivable, click Setup, click Payment, and then click Methods of payment.
2. Click New to create a new record.
3. Enter a name for the new method of payment in the Method of payment field.
4. Select whether the system should total the invoices in an automatic payment proposal in the Period list. Select from the following options:
   - Invoice - creates one payment transfer for each invoice
   - Date - combines all invoices for customers who have the same due date
   - Week - combines all invoices for customers who have a due date within the same week
   - Total - combines all invoices from customers for the same payment
5. Enter a description of the method of payment in the Description field.
6. Enter the number of days the customer can make the payment after the specified method of discount, and still receive a cash discount in the Grace period field.
7. Select the payment status required to post a payment with this method of payment in the Payment status field.

8. Select the Payment type that is associated with the method of payment.
   - **Bill of exchange**: the method of payment is a bill of exchange.
   - **Check**: the method of payment is a check.
   - **Credit card**: the method of payment is a credit card.
   - **Electronic payment**: the method of payment is electronic, such as electronic funds transfer (EFT). When this payment type is used, bank validations are performed that are otherwise skipped if you use other payment types.
   - **Other**: the method of payment is not one of the other choices, or is not yet assigned. This is the default value.

![METHODS OF PAYMENT - CUSTOMERS FORM](image)

**FIGURE 11.9 METHODS OF PAYMENT - CUSTOMERS FORM**

**Procedure: Create a Method of Payment - General**

Perform the following steps to specify general information format:

1. Enter or view the number of the last file that was sent in the Last file field.
2. In the Today field, enter or view the number of the last file that was sent on the system date, which is usually today’s date.
3. In the Posting area in the Account type list, select the type of offset account that is used for payments. The most common account type is bank.
4. Select the liquidity account for payment in the Payment account list.
5. Enter the transaction type for a bank account in the **Bank transaction type field**. The transaction type is marked on every transaction generated in the payment proposal. This field is only active when the **account type** is bank.

6. Select the **Bridging posting** check box and select a **Bridging account** if payments that have the selected method of payment are first posted to a temporary ledger account and later are transferred to another ledger account.

**Procedure: Create a Method of Payment - File Formats**

Perform the following steps to specify the file format:

1. Click the **File formats** FastTab.
2. Specify the file formats to use with this Method of Payment by using the following table to complete the **File formats** tab:

<table>
<thead>
<tr>
<th>Format</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export format</td>
<td>Specify the format to export electronic payment.</td>
</tr>
<tr>
<td>Import format</td>
<td>Specify the file format for the bank report about payments from customers.</td>
</tr>
<tr>
<td>Return format</td>
<td>Specify a format to return a message from the export format if the bank supports an electronic return file.</td>
</tr>
<tr>
<td>Remittance format</td>
<td>Specify the file format for remittances to a specific bank.</td>
</tr>
</tbody>
</table>
NOTE: If the format list is empty, click the Setup button and select from the available formats.

FIGURE 11.10 METHODS OF PAYMENT - CUSTOMER FORM, FILE FORMATS FASTTAB

Procedure: Create a Method of Payment - Payment Control

Perform the following steps to select the validation for the method of payment:

1. From the Methods of payment - Customers form click the Payment control FastTab.
2. Select the validation for the method of payment. Validation is executed in the journals upon posting when the payment method is used. Select one or more of the following validation methods:
   - Check number is mandatory - verifies that the check number is entered
   - Payment reference is mandatory - verifies that a payment reference is entered
   - Use deposit slip must be checked - indicates that the option to use a deposit slip must be selected
- **Offset account has the type bank** - verifies that the offset account type selected is Bank
- **Bank transaction type is mandatory** - verifies that a bank transaction type is selected

![FIGURE 11.11 METHODS OF PAYMENT - CUSTOMERS FORM, PAYMENT CONTROL FASTTAB](image-url)
Lab 11.2 - Set up a Method of Payment

Scenario

One of Contoso's European customers has asked for the option to pay invoices in cash in the Euro.

Phyllis, the Accounting Manager, has decided to also offer a two-day grace period for all Euro cash payments.

Details for the method of payment are as follows:

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
<td>Total</td>
</tr>
<tr>
<td>Days of grace</td>
<td>2</td>
</tr>
<tr>
<td>Payment status</td>
<td>None</td>
</tr>
<tr>
<td>Account type</td>
<td>Bank</td>
</tr>
<tr>
<td>Payment account</td>
<td>EUR OPER</td>
</tr>
<tr>
<td>Bank transaction type</td>
<td>02</td>
</tr>
</tbody>
</table>

Challenge Yourself!

Set up a new method of payment for European cash payments with a two-day grace period.

Step by Step

1. Click Accounts receivable, click Setup, click Payments, and then click Methods of payment.
2. Click New to create a new method of payment.
3. In the Method of payment field, type in CASH_EUR.
4. Click the Period arrow, and then click Total.
5. In the Description field, type Cash - Euro.
6. In the Grace period field, type 2.
7. Click the Payment status field, and then click None.
8. Click the Account type arrow, and then click Bank.
9. Click the Payment account arrow, and then click EUR OPER.
10. Click the Bank transaction type arrow, and then click 02.
11. Close the form.
Customer Groups

Consider the following about customer groups:

- Use Customer groups to set up certain information that always defaults when entering a new customer. For example, use the customer groups to set up automatic posting to General Ledger accounts for revenue generated by customers.
- Also, set up ledger accounts for the automatic transactions generated in connection with receipt and issues of inventory.
- In the Customer group form, set up any number of customer groups. At least one customer group must be set up, because a customer group must be specified when you set up a new customer.

Scenario

Contoso has many customers to track. To simplify the handling of customers, the Contoso Company set up several customer groups to:

- Specify ledger posting per customer group. For each customer group, you can specify accounts, that is, for customer debts, an arrival account for a customer who has a corresponding offset account, a receipt account, item revenue account and account for customer line discounts.
- Record sales budgets per customer group.
- Generate trade statistics per customer group. For example, to generate sales statistics that shows monthly sales per customer group.

Procedure: Create a Customer Group

Perform the following steps to create a new customer group:

1. Click Accounts receivable, click Setup, Click Customers, and then click Customer groups.
2. Click New to create a new record.
3. Enter a short name for the customer group in the Customer group field. Use this name for the customer group anywhere in the system, whenever required to specify a customer group.
4. Enter the full name of the customer group in the Description field. The name acts as an additional specification of the customers included in the customer group. To view the name of the customer in all dialog boxes in which customer group is shown, point the mouse at the customer group and wait until the name is displayed.
5. Specify a payment term that corresponds to the default time interval between the sale of an item and the due date on the invoice in the **Terms of payment** list. Use the payment term in connection with coverage of customer payments based on one sales budget per customer group.

For example, a sales budget is set up for customer group X. Then a sale of 10,000.00 USD is budgeted for June 15. A payment term is then specified that corresponds to the current month + 30 days. On this basis, coverage is arranged so that the budgeted item sale of 10,000.00 USD is due for payment on July 30.

6. Specify a term of payment that corresponds to the default interval between the due date and the actual payment date in the **Settle period** list. Use the payment terms with coverage of customer payments based on one sales budget for each customer group.

7. Enter a **Default tax group** for this customer group.

![FIGURE 11.12 CUSTOMER GROUP FORM](image)

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Procedure: Define Inventory Posting

Perform the following steps to set up automatic postings to General ledger accounts for a customer group:

1. From the **Customer groups** form, click the **Setup** button, and then click **Item posting**.
2. Set up general posting rules for all items, accounts and sales-tax codes. In the **Item code** field, select one of the following:
   - **Table**: this option is the highest in the hierarchy. By selecting **Table**, the posting in ledger only applies to a specific Item number.
   - **Group**: the posting in the ledger only applies to a particular Item group.
   - **All**: Each transaction is posted for all Item numbers in the same account in the ledger. The first matching account is used for posting.
   - **Category**: the posting to an account in the general ledger applies to a particular category of items provided in the **Category relation** field. Posting by **Category** only applies to Sales and Purchasing transactions.

Based on the type of business being run, decide which accounts must be set up. The focus of finance is related to consumption and revenue accounts, and the focus in logistics is the issue, receipt, and packing slip accounts.
Procedure: Set Parameter Values

Perform the following steps to define parameter values:

1. To access the Accounts receivable parameters form, click Accounts receivable, click Setup, and then click Accounts receivable parameters.
2. Click Ledger and sales tax.
3. On the General FastTab, in the Posting area, select in the Primary consumption transaction, Primary discount posting, and Primary sales posting fields to indicate whether the primary posting should be assigned to Item or Customer.

For example, set up the Primary sales posting list to prioritize the Item. If you are selling some of item type B-R14 to customer 4000, which is part of customer group 40, the system posts the transaction to account number 401130, because the item relation is more specific than the account relation.

<table>
<thead>
<tr>
<th>Item code</th>
<th>Item relation</th>
<th>Account code</th>
<th>Account relation</th>
<th>Account number</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>All</td>
<td>All</td>
<td></td>
<td>401100</td>
</tr>
<tr>
<td>All</td>
<td>Group</td>
<td>40</td>
<td></td>
<td>401120</td>
</tr>
<tr>
<td>Table</td>
<td>B-R14</td>
<td>All</td>
<td></td>
<td>401130</td>
</tr>
</tbody>
</table>

If you have set up the posting as illustrated in the following table, and you set the Primary sales posting field to Customer, and some of item type B-R14 is sold to customer 4000, the transaction is posted to account number 401100 because of the Accounts receivable parameter setup.

<table>
<thead>
<tr>
<th>Item code</th>
<th>Item relation</th>
<th>Account code</th>
<th>Account relation</th>
<th>Account number</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Table</td>
<td>4000</td>
<td></td>
<td>401100</td>
</tr>
<tr>
<td>Table</td>
<td>B-R14</td>
<td>All</td>
<td></td>
<td>401130</td>
</tr>
</tbody>
</table>
Lab 11.3 - Create a Customer Group

Scenario

Contoso is negotiating a deal with a group of Travel Agencies. Kevin, the Sales Manager, has asked Arnie, the Accounts Receivable Clerk, to create a new customer group for travel agencies. Arnie should assign the new group the code of 60 and name it Travel Agencies. The payment term should be the current month plus 15 days, with a 14-day settle period.

For this new group, automatic posting should have the Account code of all and post to the Main account 142300.

Challenge Yourself!

Create the new customer group with the correct setup options.

Need a Little Help?

1. Create the new Customer Group 60, Travel Agencies.
2. Define automatic posting for the new group.

Step by Step

Create the new Customer Group 60, Travel Agencies.

1. Click Accounts Receivable, click Setup, click Customers, and then click Customer Groups.
2. Click New to create a new group.
3. In the Customer group field, type 60.
4. In the Description field, type Travel Agencies.
5. Click the Terms of payment arrow, and then click M15.
6. Click the Settle period arrow, and then click N014.

For the new group, define automatic posting.

1. From the Customer groups form, click the Setup button, and then click Item posting.
2. Verify that item posting has been set for the All Item code.
3. Click the arrow in the Account code field and select All.
4. Type "142300" in the Main account field.
5. Close the form.
Accounts Receivable Posting Profiles

Posting Profiles are common throughout all modules. In Accounts Receivable posting profiles, the summary accounts, are defined for customers. Summary accounts are temporary accounts where all invoices are posted to and offset when the customer pays. Assign posting profiles to:

- All customers
- Groups of customers
- Single customers

When you post a customer transaction automatically, the system searches for the ledger accounts that are shown in the previous order. For example if:

- A posting profile line for the customer, this line is used.
- No posting profile line exists for the customer, the line specified for the customer group that the customer is attached to is used.
- Neither of these exists, the posting profile line for all customers is used.

In the Customer posting profiles form, you can set up many customer posting profiles. If all customer transactions are processed together, set up only one posting profile for all customers.

Procedure: Create a Customer Posting Profile

Perform the following steps to set up a customer posting profile:

1. Click Accounts receivable, click Setup, and then click Customer posting profiles.
2. Click New to create a new record.
3. Enter in the Posting profile field, a code or a short name in the posting profile and a description of the posting profile in the Description field.
4. Click the Table restrictions FastTab.
5. Select the Settlement check box to indicate whether entries should be created using this posting profile for automatic settlement, or whether settlement must be manual by using open-transaction editing.
6. Select the Interest check box to indicate that the application should calculate interest on outstanding balances for customers who have this profile. If this check box is cleared, interest will not be calculated for customers who have this profile.
7. Select the **Collection letter** check box if a collection letter may be issued for customers who have this profile.

8. Select from the **Close** field, the name of any other posting profile to change to when transactions with this posting profile are closed. A transaction is regarded as closed when it is settled in full.

![FIGURE 11.14 CUSTOMER POSTING PROFILE FORM](image)

**Procedure: Create a Customer Posting Profile - Setup**

Perform the following steps to set up the ledger accounts that the system posts to when you post transactions in Accounts Receivable:

1. From the **Customer posting profiles** form, click the **Setup** FastTab.
2. Select an **Account code**:
   - **Table**
   - **Group**
   - **All**
3. Specify which customers belong to the current posting profile in the **Account/Group number** field.
   - If **Table** is selected in the **Account code** field, enter the account number of the customer to whom the posting profile relates.
   - If **Group** is selected in the **Account code** field, enter the customer group to which the posting profile relates.
   - If **All** is selected in the **Account code** field, do not fill in the field.
4. Select the account number of the ledger account that is used as the customer summary account for the customer(s) to whom the posting profile relates in the **Summary account** field.
5. Select the liquidity ledger account used for cash flow forecast in the **Settle account** field. To learn more about Cash flow forecast refer to the Microsoft Dynamics AX Financials II course.
6. Select a ledger account number to use for sales tax payments you receive in advance in the Sales tax prepayments list.
7. Select the ledger account for liabilities of discount in the Liabilities for discount account field.
8. Enter the identification of the collection letter sequence in the Collection letter sequence field.
9. Select the code used for calculation in the Interest code field.
10. In the Write-off account field, enter an account that will be used for the general ledger write-off entry when a transaction is written off.

Procedure: Define Parameters

Perform the following steps to specify accounts receivable parameter values related to posting profiles:

1. To access the Accounts receivable parameters form, click Accounts payable, click Setup, and then click Parameters.
2. Click the Ledger and Sales tax tab.
3. Select a standard customer posting profile in the Posting profile list. The standard posting profile is used if no other posting profile is specified.
Lab 11.4 - Set Up a Customer Posting Profile

Scenario

Phyllis, the Accounting Manager at Contoso, has asked Arnie, the Accounts Receivable Clerk, to set up a new posting profile for a group of retail customers.

Select the appropriate options to ensure the following:

- Entries will be created using this profile for automatic settlement.
- The application will calculate interest on outstanding balances for customers who have this profile.
- A collection letter may be issued for customers who have this profile.
- When transactions are settled in full, the transactions should not change to another posting profile.
- Transactions for the retail customers group will post to the summary account 130100 and settle account 110110.

Use the following information for the new customer posting profile:

<table>
<thead>
<tr>
<th>Field</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posting Profile</td>
<td>Prom</td>
</tr>
<tr>
<td>Description</td>
<td>Promotion</td>
</tr>
<tr>
<td>Account Code</td>
<td>Group</td>
</tr>
<tr>
<td>Collection letter sequence</td>
<td>High</td>
</tr>
</tbody>
</table>

Challenge Yourself!

Help Arnie create the new customer posting profile.

Step by Step

1. Click Accounts receivable, click Setup, and then click Customer posting profiles.
2. Click the New button or press CTRL+N.
3. On the Overview tab, in the Posting Profile field, type Prom.
4. In the Description field, type Promotion.
5. On the Table restrictions tab, make sure that the following check boxes are selected:
   - Settlement
   - Interest
   - Collection letter
6. Verify that the Close field is blank.
7. On the Setup tab, in the Account code field, select group.
8. In the Account Group Number field, select 30 Retail Customers.
9. In the Summary account field, select 130100.
10. In the Settle account field, select 110110.
11. In the Collection letter sequence field, select High.
12. Close the form.
Accounts Receivable Customers

Each Accounts Receivable transaction must be associated with a customer. Use the Customer form to create, maintain and inquire about customers.

Enter as much data as possible in advance, because the data is used throughout the system for:

- Invoicing
- Payments
- Reports

The base data is automatically displayed as the default for all transactions that involve the customer. You can change default information at any time. To expedite the process of creating customers, you can create templates based on the entries in fields for specific customers that you specify as template models. Templates can be used by all users or a single user. If a template is available when you create a new customer, a form appears that displays the available customer templates. Select the template that applies to the new customer. The field values of the template are copied to the fields for the new customer. You can make changes to the fields and enter more information, as appropriate.

Procedure: Create a Customer

Perform the following steps to create a new customer:

1. Click Accounts receivable, click Common, click Customers, and then click All customers.
2. In the New group, click Customer on the Action Pane.
3. Enter a Customer ID with up to ten characters in the Customer Account field, and then enter a customer name with up to 30 characters in the Name field. The system automatically generates the Customer account if the customer account number sequence is specified in the Accounts receivable parameters form in the Number sequences section.
4. Select if this customer represents a person or an organization in the Record type field.
5. Select the customer group to which the customer belongs in the Customer group field.
6. Select the currency used for customer invoices in the Currency field.
7. Click the Save and open button and select Customer.
**NOTE:** You can create and maintain currency codes and exchange rates in the *Exchange rates* form. You can change the customer's invoice currency in the invoice header before entering sales order lines.

![Customer Form](image)

**FIGURE 11.15 CUSTOMERS FORM**

**Procedure: Create a Customer - General**

Perform the following steps to set additional customer options:

1. From the *Customers* form, click the *Edit* button on the action pane to edit fields.
2. Click the *General* FastTab.
3. Select the customer group that the customer belongs to. You must specify a customer group for each customer. When you select the customer group, the values of certain fields in the **Customer groups** form are automatically copied to the customer account. The fields that are included are:
   - Terms of payment
   - Settle period
   - Item posting ledger accounts, including the Sales tax group account

4. Select a **Classification group** to be used with prioritization or sorting.

5. In the **Organization details** section select the following:
   - Number of Employees
   - Organization Number
   - ABC code
   - DUNS number

6. In the **Other information** area, select **Address books**, naming information and a language. The language select in the **Language** field is used for all external documents such as sales orders. The language code is mandatory. The language value defaults from the **Company information** form.

![FIGURE 11.16 CUSTOMERS FORM, GENERAL FASTTAB]
Procedure: Create a Customer - Address and Contact Information

Perform the following steps to define further setup information for a customer:

1. From the Customers form, enter on the Addresses and Contact information FastTab, enter the customer address and contact details.
2. If a customer has more than one address, such as invoice, delivery, purchase, or alternative delivery address, enter additional addresses by clicking the Add button and entering the relevant information.
3. On the Contact information FastTab, enter contact information and parameters for access from the Internet for external contact persons who associate with customers.

NOTE: If multiple delivery addresses are in different states or countries, be sure that you enter the appropriate tax group for each alternative address. You must associate tax groups with a delivery address.

Procedure: Create a Customer - Miscellaneous Details

Perform the following steps to further define miscellaneous information for a customer:

1. Select the One-time customer check box to indicate if the company only deals with this customer one time.

NOTE: If using one-time customers, you must set up a number sequence in the Accounts receivable parameters form in the Number sequence section. In the General area of the Accounts receivable parameters form, select a customer's account number that can serve as the default template for one-time customers. Information is copied automatically when you create a one-time supplier in the Customers form.

The system automatically creates a one-time customer when you create a sales order for a one-time customer. Except for the customer number, the one-time customer inherits all base information from the customer number specified in this field. You must specify the one-time customer number sequence in the Number sequences form. If you do not use a one-time customer, leave the Default customer number blank.

2. Select a statistical group in the Statistics group list to make reports and statistics about this customer.
3. Specify the frequency of when you send the customer an account statement by using the Account statement list. Select from the following options:
   - Always - monthly
   - Quarter - every three months
   - Biannually - every six months
4. In the **Customer self service** area, select to keep history on All Orders or just Web orders.

5. Depending on the selection in the **Address book type** field on the **General FastTab**, in the **Government identification** area you may enter values in the **ID number**, **Country/region**, or **State** fields. These government-established data values are commonly used to protect companies against financial loss due to delinquent accounts.

6. Select a vendor account number in the **Vendor account** field if the customer is also a vendor. Use the vendor account for reimbursement. If a customer has a credit amount because of overpayment or a credit note, you can transfer the amount to the vendor account.

### Procedure: Create a Customer - Credit and Collections

Perform the following steps to set up credit and collections information for the customer:

1. Select whether invoicing or deliveries have been placed on hold for the customer.
   - **No**: all transactions are possible.
   - **Invoice**: the main account is blocked for everything before Invoice. Money can still be received, and an invoice can be sent on goods delivered before the blocking.
   - **All**: all transactions are on hold.
   - **Payment**: payment transactions are on hold.
   - **Requisition**: requisitions transactions are on hold.
   - **Never**: never allow the transactions to be placed on hold.

2. Select the **Mandatory credit limit** check box to check for exceeded credit limits and, if found, to display an error message.

3. Enter in the **Credit rating** field, enter the credit rating of the customer. It is used only for statistical purposes.

4. Enter in the **Credit limit** field, enter the maximum outstanding amount allowed in the balance of the customer's account. This amount is always stated in the default currency.

**NOTE:** Configure the system to check whether an account is over its credit limit in the **Credit rating** area of the **Accounts receivable parameters** form.

**NOTE:** Configure the system to require identification in the **Credit rating** area of the **Accounts receivable parameters** form.
Enter appropriate collections information in the following fields:

- **Collections contact**
- **Include interest charges**
- **Exclude collections fees**

**Procedure: Create a Customer - Invoice and Delivery**

Perform the following steps to set up invoice and delivery information for the customer:

1. Select a customer account for invoicing in the **Invoice account** field. For example, if you are linking several customers to one invoice account, if there is more than one customer who has the same payment address, or if the customer's account is paid through a third-party, then the invoice account is where the invoice amount is credited. If you leave the field blank, the system uses the customer account number by default.

2. Specify the delivery terms and options for this customer in the **Delivery** area.

3. Specify whether tax should be calculated on the invoice in the **Sales tax group** field. Select the **Prices includes sales tax** check box to ensure that you include sales tax when you inform customers about sales prices. Also enter the **Tax exempt number** and **Packing duty license number** fields.

**Procedure: Create a Customer - Payment Information**

Enter information about how to manage payments on the invoices entered in Accounts Receivable in the **Customer** form, on the **Payment** FastTab.

The following payment information can be entered:

- **Terms of payment**
- **Method of payment**
- **Payment specification**
- **Payment schedule**
- **Payment day**
- **Cash discount**
- **Bank account**
- **Bank account number**
Procedure: Create a Customer - Financial Dimensions

Set up specific Financial dimensions for a customer on the Financial Dimensions FastTab. Throughout the system, you can use financial dimensions to group data in different ways. If you designate financial dimensions for a customer, those financial dimensions automatically default for transactions for that customer. You can change these defaulted values when you enter the transaction.
Lab 11.5 - Create a Customer

Scenario

Contoso has begun working with a new customer, Adventure Works. Arnie, the Accounts Receivable Clerk, must set up this new customer. The following details apply:

<table>
<thead>
<tr>
<th>Option</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer group</td>
<td>Major</td>
</tr>
<tr>
<td>Credit limit</td>
<td>10,000 USD</td>
</tr>
<tr>
<td>Mode of delivery</td>
<td>Air</td>
</tr>
<tr>
<td>Sales tax group</td>
<td>Illinois</td>
</tr>
<tr>
<td>Terms of payment</td>
<td>Net 30 days</td>
</tr>
<tr>
<td>Method of payment</td>
<td>CHCK</td>
</tr>
</tbody>
</table>

Challenge Yourself!

Create a new customer.

Need a Little Help?

1. Open Accounts receivable and use the Customers form to create a customer.
2. Click the Edit button on the action pane and enter the information in the proper fields.
3. After all the information is entered close the form.

Step by Step

1. Click Accounts receivable, click Common, click Customers, and then click All customers.
2. Click the Customers button on the action pane to create a new record.
3. Use the default number in the Customer account field.
4. In the Record type field, select Organization.
5. In the Name field, type Adventure Works.
6. In the Customer group field, select customer group 20.
7. Click the Save and open button and select Customer.
8. Click the Edit button on the action pane.
9. Click the Credit and collections FastTab.
10. In the Credit limit field, enter 10000.
11. Click the Invoice and delivery FastTab.
12. In the **Mode of delivery** field, select 20, Air.
13. In the **Sales tax group** field, select IL.
14. Click the **Payment defaults** FastTab.
15. In the **Terms of payment** field, select N030.
16. In the **Method of payment** field, select CHCK.
17. Close the form.
Chapter 11: Accounts Receivable Setup

Summary

Payment options in Microsoft Dynamics AX are flexible to accommodate different business processes. Using Accounts Receivable you can do the following:

- Define terms based on:
  - The number of months or days
  - A current period (for example, current month or current quarter), and with or without additional months or days

- Set up terms of payment for cash payment so that the payment posts automatically when you issue the invoice

- Set up advanced payment schedules and use them as terms of payment based on many factors including:
  - Percentage allocation of the actual invoice amount
  - Allocation based on a fixed number of installments
  - Combined amounts and percentages of the invoice amount

- Set up cash discounts based on a current period or a number of net days. If you require cash discounts, you can set them up as multiple (for example, ten days 3 percent and 30 days 1 percent). Decide whether you need special ledger accounts to post

- Manage the cash discount with or without sales tax to comply with the tax legislation in various countries

You can also group customers to categorize information so that it is meaningful. By grouping customers, you can do the following:

- Set up automatic posting rules for customer transactions to ensure that the transactions affect the correct accounts

- Become aware of situations and trends more quickly by grouping customers who have a common identifier to view and analyze financial results in more detail. For example, you can group customers by the types of products you sell them or by the dollar volume of sales
Test Your Knowledge

Test your knowledge with the following questions.

1. What is necessary to set up a payment schedule? (Select all that apply)
   - ( ) Number of schedules
   - ( ) Number of installments
   - ( ) Amount of each installment
   - ( ) Due date of each installment

2. Which of the following can be selected in the Payment method list to calculate the due date? (Select all that apply)
   - ( ) Net
   - ( ) Current Week
   - ( ) Current Year
   - ( ) COD

3. Customers earn cash discounts by paying an invoice within a specified period.
   - ( ) True
   - ( ) False

4. What are some ways that companies may pay due invoices? (Select all that apply)
   - ( ) Cash in advance
   - ( ) Credit
   - ( ) Bill of exchange
   - ( ) Check and electronic payments

5. How many customer groups must you create in the system?
   - ( ) At least one
   - ( ) At least two
   - ( ) At least three
   - ( ) At least four
6. It is possible to assign posting profiles to which of the following? (Select all that apply)
   ( ) All customers
   ( ) All employees
   ( ) Groups of customers
   ( ) Single customers

7. Which of the following would you use to pay invoices in installments?
   ( ) Method of payment
   ( ) Customer groups
   ( ) Payment schedules
   ( ) Payment fee
Quick Interaction: Lessons Learned

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

1.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

2.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

3.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
Test Your Knowledge

1. What is necessary to set up a payment schedule? (Select all that apply)
   - ( ) Number of schedules
   - (✓) Number of installments
   - (✓) Amount of each installment
   - (✓) Due date of each installment

2. Which of the following can be selected in the Payment method list to calculate the due date? (Select all that apply)
   - (✓) Net
   - (✓) Current Week
   - (✓) Current Year
   - (✓) COD

3. Customers earn cash discounts by paying an invoice within a specified period.
   - (•) True
   - ( ) False

4. What are some ways that companies may pay due invoices? (Select all that apply)
   - (✓) Cash in advance
   - (✓) Credit
   - (✓) Bill of exchange
   - (✓) Check and electronic payments
5. How many customer groups must you create in the system?
   (●) At least one
   ( ) At least two
   ( ) At least three
   ( ) At least four

6. It is possible to assign posting profiles to which of the following? (Select all that apply)
   (√) All customers
   ( ) All employees
   (√) Groups of customers
   (√) Single customers

7. Which of the following would you use to pay invoices in installments?
   ( ) Method of payment
   ( ) Customer groups
   (●) Payment schedules
   ( ) Payment fee