Infor LN Financials User Guide for Cash Management

Publication Information

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About this document

This document describes the process to set up master data such as payment and receipt methods, <u>bank relations</u>, and user-specific payment authorizations. The use of electronic bank statements, evaluated receipt settlements, and <u>standing orders</u> is also detailed.

Objectives

The guide describes how you can set up and use Cash Management.

Assumed knowledge

Understanding this document is easier if you have basic knowledge of the functionality of the various Financials modules.

How to read this document

Underlined terms indicate a link to a glossary definition. You can click on the underlined term to go to the glossary definition at the end of the document.

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Chapter 1
Introduction

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Introduction

Cash Management helps your organization to manage cash flows by processing all cash and bank transactions, gathering statistical information on customer payment behavior, and generating cash flow forecasts to analyze funding requirements.

Before you can use Cash Management, you must set up certain data that are maintained in Common, such as business partners and payment terms. In Cash Management you must maintain static data, such as parameter settings, bank accounts, and payment method.

Information used by all financial transactions, such as ledger accounts, dimension types and codes, transaction types, and periods, must be defined in the General Ledger. When transactions are completed or finalized in Accounts Receivable, Accounts Payable, and Cash Management, the General Ledger amounts are updated.

Cash Management provides the following functionality:

- You can select open items that are due for payment in Accounts Payable and Cash Management produces bank orders, checks, or electronic payment files to settle these open items.

- You can maintain and pay standing orders based on predefined schedules. Standing orders can be cost transactions or advance payments that later can be related to purchase invoices or ledger accounts.

- You can produce direct debit orders in Cash Management, to select and settle open items in the Accounts Receivable that are due for settlement.

- After you receive electronic bank statements, you can import and then match them against sales and purchase open items.

- You can generate the 1099-MISC reports or files used in United States for certain type of payments made during the year.

- You can generate the cash flow forecast based on purchase invoices, sales invoices, orders and statistical information to assess the liquidity position of the organization.

- You can calculate statistics about the payment behavior of your pay-by business partner, such as average days overdue and average days for payment.

Chapter 2
Set up Cash Management

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Setting up Cash Management

To set up Cash Management consists of the following steps:

- **Define CMG Parameters**
  In the CMG Parameters (tfcmg0100s000) session, you must define the CMG parameters.

  You can define parameters for the following processes:
  - Payments
  - Direct debits
  - Various cash management options
  - The way in which LN handles such processes as:
    - Advance payments and receipts
    - The cash forecast
    - Electronic bank statements
    - Factoring
    - Trade notes
    - DAS 2 reporting
    - Cash application

- **Set up bank branches**
  In the Bank Branches (tfcmg0511m000) session, define the bank branch details.

- **Set up the bank relations**
  In the Bank Relation (tfcmg0110s000) session, define the bank relation. You must specify the bank relation code, bank branch code, currency and the account number of the bank.

  You can specify the transaction type to post the bank transactions for the selected bank relation.

  You can use the transaction type to do the following:

  - To post only the actual payments, and not anticipated payments.

  - For bank reconciliation of the anticipated documents attached to the bank relation.
  - To post remittance advice.

  If you use several bank relations, which bank you use can depend on several conditions. See: *Bank distribution (p. 14)*.

- **Payment methods and receipt methods**
  In the Payment/Receipt Method (tfcmg0140s000) session, you must define <u>payment methods</u> and receipt methods. The payment methods and receipt methods define the sessions in which you enter transactions of the specific method, and the type and the format of the bank file or report that LN generates.

  See: *Payment and receipt methods (p. 17)*.

- **Payment authorization**
  You can set up various types of payment authorization. See: *Payment authorization in Cash Management – setup (p. 15)*.

- **Electronic bank statements (EBS)**
  You can set up electronic bank statements as described in *Electronic bank statement processing – setup (p. 16)*.

- **Transaction types for cash and bank transactions**
  For cash transactions and bank transactions you must set up various transaction types. The main session and next sessions differ for each transaction type. See: Cash transactions and bank transactions:.

Bank distribution

You can use several <u>bank relations</u> and agree on different terms and conditions separately with each bank.

For example, you can agree these conditions:

- The minimum document amount
- The maximum document amount
- The maximum total amount per payment/receipt batch
- The maximum number of composed lines in a batch
- The bank charges for various services, for example, for handling foreign currencies

Which bank you want to use for a transaction can depend on the terms and conditions, the bank charges, the transaction currency, and the balance of your bank account.

If you set up bank distribution, LN assigns a <u>bank relation</u> to a payment or direct debit based on criteria such as the maximum transaction amount and the number of documents in the batch. If the transaction meets the criteria of several bank relations, LN assigns the bank relations in their order of priority.

Setting up bank distribution

You can set up the bank distribution logic for specific payment methods and receipt methods.

To set up bank distribution:

1. In the Payment/Receipt Method (tfcmg0140s000) session, define the payment method or receipt method. On the <u>appropriate</u> menu, click **Bank Priorities by Payment Method and Currency**.

2. In the Bank Priorities by Payment Method and Currency (tfcmg0121m000) session, define the priorities of bank relations for the combination of payment method or receipt method and bank currency in the bank assignment process.

3. On the <u>appropriate</u> menu of the Bank Priorities by Payment Method and Currency (tfcmg0121m000) session, click **Assignment Criteria by Payment Method and Bank Relation**.

4. In the Assignment Criteria by Payment Method and Bank Relation (tfcmg0122m000) session, define the criteria LN uses to assign bank relations to transactions with the selected payment method or receipt method.

Payment authorization in Cash Management – setup

In Cash Management, you can set up this authorization data for a user:

■ Maximum amounts which the user can pay to a pay-to business partner.

■ Maximum amounts or full authorization for non-invoice related free payments such as advance and unallocated payments, standing orders and cash transactions.

■ Maximum amounts or full authorization for bank cost amounts.

■ Maximum positive and negative amounts per invoice for which the user can create payment difference transactions.

■ The kind of user for payments and direct debits.

■ Authorizations to approve payment batches created by the same user or the batches created by others.

■ The maximum amount that can be approved by the user for a payment batch.

■ Default tolerances for payment differences for payment batches and direct debit batches by an authorized user.

To set up payment authorization in Cash Management, in the Payment Authorizations (tfcmg1100m000) session, set up this data:

1. **Authorization Data**
   Specify the maximum amount that can be paid by the user to a pay-to business partner.

2. Specify the maximum amount that can be paid for non-invoice related free payments such as advance and unallocated payments, standing orders and cash transactions or select the **Maximum Amount for Free Payments** check box to provide full authorization to pay for free payments.

3. Specify the maximum amount that can be paid for bank costs or select the **Maximum Amount for Bank Costs** check box to provide full authorization to pay for bank costs.

4. Specify the maximum amount that can be paid for positive amounts in the **Max. Positive Amnt for Pay Diff** field or specify the maximum negative amounts in the **Max. Negative Amnt for Pay Diff** field that can be paid for payment differences, or select the **Full Authorization for Payment Differences** check box to provide full authorization to pay for payment differences.

5. Set the kind of user for payments and direct debits. Select either **Normal User** or **Super User** in the **Kind of User for Payments** and **Kind of User for Direct Debits** fields.

6. Specify the maximum amount that the user can approve for a payment batch or a direct debit batch. Specify the amount in the **Payment Batch Approval Amount** and **Direct Debit Batch Approval Amount** fields.

7. Set authorizations to approve the payment batches or direct batches created by the same user or the batches created by other users. In the **Direct Debit Batch Approval** and **Payment Batch Approval** fields, select one of these options:
    - **Authorized for All Batches**
    - **Authorized for Batches of Others**
    - **Authorized for Own Batches**
    - **Not Authorized**

8. **Payment Difference Tolerances**
    Specify the default tolerances amounts or percentages for payment differences.

Note

If the payment differences are not specified in the Payment Authorizations (tfcmg1100m000) session for a user, the default values set in the CMG Parameters (tfcmg0100s000) session are used.

Electronic bank statement processing – setup

Banks can send you an electronic statement of payments made and direct debits received, rather than a paper report. You can use the Electronic Bank Statements sessions to convert, match and post the electronically received bank statements.

To set up electronic bank statement processing, use the following sequence of sessions:

1. **Bank Relations (tfcmg0510m000)**
    Enter the required data in these fields:
    - **Path for EBS Files**
      The default directory in which LN stores the electronic bank file received from the bank.
    - **Path For EBS Archive**
      The default directory in which LN stores the original electronic bank file after conversion with the Convert Electronic Bank Statements (tfcmg5202m000) session.

2. **CMG Parameters (tfcmg0100s000)**
   In the **Transaction Date in Case of Telebanking** field, select the type of date that you want to use as the document date for electronic bank statements converted in the Convert Electronic Bank Statements (tfcmg5202m000) session. The document date can be the date on which the bank statement was created, or the value date.

3. **Record Types for Electronic Bank Statements (tfcmg5104m000)**
   For each type of bank statement file, define the records that it contains. For each record you must define the type, the start and end positions, and the value that identifies each record.

4. **Conversion Data for Electronic Bank Statements (tfcmg5105m000)**
   Define the layout of the bank statement file. For every transaction detail, you must indicate the record type in which it is contained, the start and end positions, and if the field has a fixed value, the value of the field. For example, the field that indicates whether the transaction is a payment or a receipt can have the fixed values IN (with a leading space) or OUT.

Payment and receipt methods

Several methods are available to pay open purchase invoices and to collect the payments on open sales invoices. For example, you can use checks, trade notes, bank orders, payment slips, and automatic payments/direct debits.

Each method requires specific details which you can define in the Payment/Receipt Method (tfcmg0140s000) session.

For each payment method or receipt method, the details include:

- **Receipt/Payment**
  Whether the payment/receipt method is used for payments to suppliers or for receipts from customers. A payment to a customer is viewed as a negative receipt and a receipt from a supplier is viewed as a negative payment.

- **Kind of Payment/Receipt**
  Whether the payment/receipt method is used in an automatic payment or direct debit procedure, for trade notes or for manually entered payments or receipts.

- **Session to Create Payments/Receipts**
  The session in which LN must generate the payment document or the receipt document during the automatic payment/direct debit procedure. Different sessions and payment reports can be required for each payment document.
  The various sessions used to create documents and sequential files for receipts and payments are as following:
  - For supplier payments, use the Transfer Payments (tfcmg1260m000) session.
  - For direct debits, use the Transfer Direct Debits (tfcmg4260s000) session.
  - For direct debits in Germany, use the Transfer Direct Debits (tfcmg4260s000) session.
  - For payments in Germany use the Transfer Payments (tfcmg1260m000) session.

- **XML File**
  Define the XML file path for the payment/receipt method in the Data by Bank/Payment Method (tfcmg0145s000) session. The XML file layouts must be defined in the XML Payment/Receipt Layouts (tfcmg0524m000) session.

- **Payment Report**
  The type of additional reports or ASCII files you must generate while processing payments and direct debits. The bank files are generated when you process the payment batch in the Transfer Payments (tfcmg1260m000) session.

- **Additional Report**
  The type of additional reports or ASCII files LN must generate for diskette payments or electronic payments.

- **Output Type and Default Report Device**
  The way in which you transfer the payment file to the bank.

- **Steps**
  The steps that LN must perform for the payment document or the receipt document. For each step, LN updates the document status and if applicable, creates financial postings in the general ledger. Some steps are mandatory, other steps are optional. You can select the optional steps.

- **Check master**
  If you use pre-numbered payment documents, including trade notes, the payments can be are made through checks. For each bank/payment method, the available checks and used checks are registered in the <u>check master</u> which you can define in the Check Master (tfcmg2115s000) session.

- **Compose Documents**
  Documents can be generated for individual invoices or for several invoices.

Intermediate steps

A payment can go through several stages before the total procedure is completed.

Payment steps

- For payments, these steps are available:
  - **Document Received**
  - **Document Accepted/Sent**
  - **Document Paid**

The **Document Paid** step is mandatory and is always carried out.

Only if a payment must get the **Anticipated** status, one or both of these actions are taken. In practice, the **Document Received** step is only used for posting trade notes and similar documents. The **Document Accepted/Sent** step is used for most of the other ways of payment, such as checks, bank orders, and so on.

Receipt steps

For receipts, these steps are available:

- **Document Accepted by Business Partner**
- **Document Sent to Bank**
- **Document Paid**

The **Document Paid** step is mandatory and is always carried out.

Trade notes steps

For trade notes, many intermediate steps are available. Select the steps for the trade note statuses that you want to control. For example, in addition to the steps for payments and receipts, you can select:

- **Document Collateral**
- **Document Endorsed**
- **Document Discounted**
- **Document Matured**
- **Document Void**
- **Document Settled**

If you select intermediate steps, LN generates anticipated payments or anticipated receipts or you can create these manually. For some intermediate steps, you must change the status manually by using these sessions:

- Anticipated Payment Status (tfcmg2512m000)
- Anticipated Payments (Details) (tfcmg2116s000)
- Anticipated Receipt Status (tfcmg2513m000)
- Anticipated Receipts (Details) (tfcmg2117s000)
- Anticipated Receipts (tfcmg2111s000)
- Anticipated Payments (tfcmg2110s000)

If you do not select intermediate steps, LN immediately posts the payment amount or the receipt amount to the control accounts in Accounts Receivable or Accounts Payable. You do not need to carry out a reconciliation for these payments.

Prerequisites for financial postings

For every step that requires financial postings, LN posts the amounts to these ledger accounts and dimensions:

- The control accounts you defined for the business-partner groups in Accounts Receivable or Accounts Payable
- The ledger accounts and dimensions that you select for the payment method in one of these sessions:
  - Data by Bank/Payment Method (tfcmg0145s000)
  - Posting Data by Bank/Payment Method (tfcmg0146s000)
  - Trade Note Posting Data by Payment/Receipt Method (tfcmg0514m000)

LN creates financial postings for these transactions:

- Payments through bank orders and checks
- Receipts through direct debits and checks
- Trade notes payable
- Trade notes receivable

Document composing for cash transactions

Payment documents can be generated for individual invoices or for several invoices.

In the Payment/Receipt Method (tfcmg0140s000) session, you can set up the following details:

- **Composing Option**
  Defines how payments must be composed for each pay-to business partner.
- **Composing Action**
  Defines the action LN takes if the number of invoices per payment document is exceeded.

Note

The payments of a sundry business partner are not composed.

Composing Option

To compose invoices and/or payment schedule lines on payment documents, the following options are available:

- **Invoices**
  A predefined maximum number of invoices can be paid through one payment document
- **Characters**
  The documents are composed, based on the number of characters used in the reference of the payment. The payment document reference must contain the references of all the composed invoices. However, on bank orders, a limited number of characters are available to print the payment reference.
- **Remittance**
  Each invoice results in a single payment document.

For the **Invoices** and the **Characters** options, the **Composing Limit** indicates the number of invoices, payment schedule lines, or reference characters that can be included in one payment document.

Composing Action

The composing action is the action LN takes if the number of invoices or payment schedule lines that answer the selection criteria exceed the number of payments that can be composed on a single payment document. The following composing actions are available:

- **More**
  LN creates another payment document for the same pay-to business partner, using the same composing criteria.

- **None**
  If the limit is exceeded, no payment document is created. To create a payment document for the open entries, you can do one of the following:
  - Change the composing limit of the payment method and reprocess the payments.
  - Create the payment manually.

- **Remittance**
  If the number of invoices and/or reference characters is exceeded, all payments are composed to a single payment document and LN prints a remittance letter to detail the paid invoices.

Assigning bank relations

During the automatic and uninterrupted payment and direct debit procedures, LN searches for your <u>bank relations</u> that can be assigned to the transactions. If no bank relations are found, you must manually select the bank relations.

The bank assignment process differs for the automatic procedure and the uninterrupted process. For details, refer to:

- *Assigning bank relations to uninterrupted cash processes (p. 29)*
- *Assigning bank relations to automatic cash processes (p. 26)*

Note

For manual payments and direct debits, you must always manually select the bank relations or accept the default bank relation.

Additional settings in Cash Management

Some additional settings that must be made in Cash Management are as follows:

- **Data by bank / payment method**
  Define the default values for a selected bank and payment/receipt method in the Data by Bank/Payment Method (tfcmg0145s000) session. You can define default values for a payment

or receipt method such as **Anticipated Payment/Receipt Transaction Type**, **Anticipated Payment/Receipt Ledger Account** and **Path Payment/Receipt Files**.

■ **Automatic process defaults**
Define the default values for the supplier payments for a selected bank and payment method in the Automatic Process Defaults by Bank/Payment-Receipt Method (tfcmg1191m000) session. During an uninterrupted payment run, the payment process does not stop to ask for user information, but uses the defaults maintained in the session.These values are also used while processing payment/direct debits methods. See: *Automatic or uninterrupted payment process (p. 27)* and *Payment process (p. 23)*.

■ **Posting data by tax code for deduction**
Specify the ledger accounts to which tax adjustments must be posted in the Posting Data by Tax Code for Deductions (tfcmg0150m000) session. For each tax codes by country, you can specify the ledger accounts for the tax adjustments.

■ **Type of payment**
In the Type of Payment (tfcmg0504m000) session, you can define the codes used in Nordic bank files and reports. See: *Reason for payment (p. 109)*.

■ **Transaction sequence number code**
Define sequence number codes and review the last used transaction sequence numbers and sequence control numbers in the Transaction Sequence Number Code (tfcmg0513m000) session. You can use the sequence number codes the Bank Branches (tfcmg0511m000) session for a selected bank.
Transaction sequence numbering can be used for two important reasons:
■ To prevent unauthorized changes of data.
■ To prevent duplicate transmissions of payment orders.

Chapter 3
Automatic Payments/Receipts

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Payment process

Depending on the parameter settings in the CMG Parameters (tfcmg0100s000) session, only authorized users can select invoices for payment and process a payment batch in Cash Management.

For details, refer to *Payment authorization in Cash Management – setup (p. 15)*.

In the CMG Parameters (tfcmg0100s000) session, you can indicate whether authorized users must approve a payment batch for processing. If you select the **Payment Batch Approval** and the **Direct Debit Batch Approval** check boxes, only authorized users can process a payment batch. In the Payment Authorizations (tfcmg1100m000) session, you can define authorized users.

You can use the following automatic payment processes:

- **The automatic payment procedure**
  After selection of the invoices, you can verify the results and make adjustments. For example, you can review and change the selected invoices, and you can assign advance payments, unallocated payments, or credit notes to the open entries before you make the payments.

- **The uninterrupted payment process**
  After selection of the invoices, LN carries out the payment process as an uninterrupted payment run. This enables you to run the payment process as a batch job at night. This process does not search for advance and unallocated payments, or credit notes. For details, refer to *Automatic or uninterrupted payment process (p. 27)*.

Search for advance and unallocated payments and credit notes

If you select open entries for payment, LN searches for advance and unallocated payments or credit notes, that you can apply to the open entry. LN displays a warning or generates a report of the business partners for which such documents exist. You can display the available advance payments, unallocated payments, or credit notes for the business partner and assign them to the open entries.

Multi financial company payment

In a multi financial company structure, LN searches all the financial companies of the group company.

In the CMG Parameters (tfcmg0100s000) session, you must set these parameters:

- **Payments by Company Group**
  If this check box is selected, the group company will make all the payments on behalf of the individual company.
  Example
  - Company A, B, and C belong to a group company D.
  - If this check box is cleared, payments can be created, either separately for company A, B, and C, or for company D.
  - If this check box is selected, payments can be made only by the group company D on behalf of company A, B, and C.
  - Group companies are defined in the Company Parameters (tfgld0503m000) session.
- **Multi-Company Selection of Invoices for Payment**
  If this parameter is set to **Select Invoices** or **Both**, you can select invoices from other companies for payment, provided for the other company the following parameters are set as below:
  - The **Payments by Company Group** check box is cleared.
  - The **Multi-Company Selection of Invoices for Payment** parameter is set to **Own Invoices Selectable** or **Both**.

The automatic payment procedure

To run the automatic payment procedure, use this sequence of sessions:

- **Standing Orders (tfcmg1510m000)**
  For payments for which no purchase invoice is available, you can create standing orders. For details, refer to *Standing orders (p. 77)*
- **Select Invoices for Payment (tfcmg1220m000)**
  Use this session to select the invoices which are due for payment in the open entries of the Accounts Payable module, as well as standing orders

  LN selects the purchase invoices and cost invoices for which these conditions are fulfilled:
  - The invoice is approved.
  - The **Approved for Payment** status is **Yes** or **Not Applicable**.
  - No hold reason is linked to the invoice.
  If you select the **Select Non Approved Invoices for Payment** check box in the CMG Parameters (tfcmg0100s000) session, unapproved invoices can also be selected. Other parameters selected in the CMG Parameters (tfcmg0100s000) can also have an effect on the invoice selection.

  LN searches for unassigned advance and unallocated payments and credit notes for the business partners, and automatically generates a report of the business partners for which such documents exist. Before you continue the payment process, you can assign the payments and credit notes to the open entries.

  Based on several selection criteria, a pro-forma payment batch is created which is processed for payment. You can settle sales invoices and credit notes with purchase invoices.

- **Payment Advice (tfcmg1609m000)**
  Review the selection of purchase invoices and standing orders, and make any adjustments.

  For example, you can make these changes:
  - Change the bank details, or the payment method.
  - Add a payment to the batch.
  - Delete individual payments.
  - Delete the entire payment batch.

  If unassigned advance and unallocated payments or credit notes exist for the business partner of the invoice, LN displays a warning. On the appropriate menu, you can click **Unassigned Open Entries** to display the available documents.

- **Apply Payment Agreement (tfcmg1230m000)**
  If you use payment agreements, you must apply the payment agreements before you can process the payment batch. For details, refer to *Using payment agreements (p. 67)*.

- **Process Payments (tfcmg1240m000)**
  Use this session to combine payments into a batch according to the values set up in the CMG Parameters (tfcmg0100s000) session. LN searches for a bank relation for each transaction as described in *Assigning bank relations (p. 21)*.

Related sessions

Depending on the values of the relevant parameters in the CMG Parameters (tfcmg0100s000) session, after you click **Compose** in the Process Payments (tfcmg1240m000) session, LN can start these sessions:

- **Payment Advices (tfcmg1509m000) > Assign Banks to Payments (Manually) (tfcmg1251m000)**
  If LN cannot automatically assign bank relations to the transactions, the Assign Banks to Payments (Manually) (tfcmg1251m000) or the Assign Banks to Direct Debits Manually (tfcmg4251s000) session starts automatically, and you must select a bank relation for the transaction.

- **Audit Payments (tfcmg1255m000)**
  This session validates the payment batch. LN checks and validates this data:
  - Whether the payable amount exceeds the maximum amounts per pay-to business partner and for free payments for which you are authorized in the Payment Authorizations (tfcmg1100m000) session.
  - Whether all invoices have a valid payment method assigned
  - Whether invoices from subcontractor business partners are paid from a blocked account
  - The business partners bank account and address details
  - The financial business partner groups
  - The posting data of the intermediate steps defined for the payment methods
  - The posting data for stand-alone, and cost standing orders payments
  - The bank relation details
  - The business partner's IBAN if, in the Payment/Receipt Methods (tfcmg0540m000) session, the **IBAN Account Required** check box is selected. Then the BIC of the business partner's

bank will also be audited assuming, in the XML Payment/Receipt Layouts (tfcmg0524m000) session, the tag representing the BIC is set to mandatory and selected.
LN prints a report of the detected errors. After you solve the problems, run the Process Payments (tfcmg1240m000) session.

If the payable amount exceeds the maximum amounts for which you are authorized, you can make adjustments in the Payment Advice (tfcmg1609m000) session.

- **Print Remittance Letters (tfcmg1270m000)**
  If remittance letters are required for the payment method, the Print Remittance Letters (tfcmg1270m000) session starts automatically. The remittance letter contains details about the invoices and the individual payments.

Assigning bank relations to automatic cash processes

If you specify a default bank for the business partner, LN uses the default bank for invoices, advance payments, and unallocated payments. However, in the automatic payment or direct debits procedure, you can overwrite the default bank in the payment advice or the direct debit advice.

For the automatic payment or direct debits process, if the **Bank Relation** field of an invoice document is blank, LN searches for a bank relation for each transaction in this order:

1. The bank relation you select in the Payment Advice Lines (tfcmg1101m000) session.

2. The bank relation that results from the bank distribution process. For details, refer to *Bank distribution (p. 14)*.

3. The bank relation that answers these conditions:
   - The bank currency is equal to the transaction currency.
   - The country of the bank's address is equal to the country of the business partner's address. If several bank relations are found, LN selects the bank relation to which you assign the highest priority in the Bank Relation (tfcmg0110s000) session.

4. A bank relation in the country of the business partner. If several bank relations are found, LN selects the bank relation that has the highest priority in the Bank Relation (tfcmg0110s000) session.

5. The bank relation you select in the **Bank Relation for Payments** or the **Bank Relation for Direct Debits** field of the CMG Parameters (tfcmg0100s000) session.

If no bank relation is found, LN automatically starts the Assign Banks to Payments (Manually) (tfcmg1251m000) or the Assign Banks to Direct Debits Manually (tfcmg4251s000) session, and you must select a bank relation for the transaction.

Automatic or uninterrupted payment process

You can carry out the payment process as an uninterrupted payment run without user intervention. This enables you to run the payment process as a batch job at night.

During the uninterrupted payment process, LN automatically performs the following actions:

- Compose the payments, if you did not run the Process Payments (tfcmg1240m000) session
- Assign a bank to the payment batch
- Audit the payments
- Create payment orders
- Print remittance letters
- Post the payments

The invoices in error are removed from the current batch and placed in a new batch.

To set up the uninterrupted payment process

The uninterrupted payment process

To set up automatic payments, use the following sessions:

- **Automatic Process Defaults (tfcmg1190m000)**
  Define the default process values to be used during automatic processing. From the <u>appropriate</u> menu, select **Defaults by Bank/Payment Method** to start the Automatic Process Defaults by Bank/Payment-Receipt Method (tfcmg1191m000) session.

- **Automatic Process Defaults by Bank/Payment-Receipt Method (tfcmg1191m000)**
  For each set of default process values, define the default bank details to be used during automatic processing.

- **CMG Parameters (tfcmg0100s000)**
  Select the **Invoke Payment Process after Selection** check box. In the **Payment Process Default ID** field, select the default process ID from the Automatic Process Defaults (tfcmg1190m000) session.

- **Payment Authorizations (tfcmg1100m000)**
  If you select the **Payment Batch Approval** check box in the CMG Parameters (tfcmg0100s000) session, you must authorize a number of users to approve payment batches.

  If the user who starts the uninterrupted payment process is authorized to approve payment batches, LN automatically approves the batch.

To perform the uninterrupted payment process

To start the uninterrupted payment process, use one of the following sessions:

- **Select Invoices for Payment (tfcmg1220m000)**
  Enter the selection criteria for the invoices you want to process, and select the **Uninterrupted Payment Run** check box. In the **Payment Process Default ID** field, enter the payment process ID or accept the default value. Next, click **Select**.

- **Process Payments (tfcmg1240m000)**
  If you clear the **Uninterrupted Payment Run** check box in the Select Invoices for Payment (tfcmg1220m000) session, you can use this session to compose the batch and enter a bank relation. If you select the **Invoke Payment Process after Selection** check box in the CMG Parameters (tfcmg0100s000) session, LN automatically processes the composed batch.

Note

If payment batches must be approved before processing, you must be authorized to approve the batch. LN automatically approves the batch.

On completion of the process, you can use the Exception Errors (tfcmg1592m000) session to view the transactions that could not be composed and posted during the uninterrupted payment run. After solving the errors, you can process the new batch.

To prevent that the Exception Errors (tfcmg192) table takes up too much space, you can run the Delete Exception Errors (tfcmg1292m000) session regularly.

The uninterrupted direct debits process

To set up the uninterrupted direct debits process

To set up automatic direct debits, use the following sessions:

- **Automatic Process Defaults (tfcmg1190m000)**
  Define the default process values to be used during automatic processing. On the appropriate menu, click **Defaults by Bank/Payment Method** to start the Automatic Process Defaults by Bank/Payment-Receipt Method (tfcmg1191m000) session.

- **Automatic Process Defaults by Bank/Payment-Receipt Method (tfcmg1191m000)**
  For each set of default process values, define the default bank details to be used during automatic processing.

- **CMG Parameters (tfcmg0100s000)**
  Select the **Invoke Direct Debits Process after Selection** check box and enter a value in the **Direct Debit Process Default ID** field.

- **Payment Authorizations (tfcmg1100m000)**
  If you select the **Direct Debit Batch Approval** check box in the CMG Parameters (tfcmg0100s000) session, you must authorize a number of users to approve direct debit batches.

To process automatic direct debits

To process automatic direct debits, use the following sequence of sessions:

1. **Select Invoices for Direct Debit (tfcmg4220m000)**
   Select the **Uninterrupted Receipt Run** check box. Change the value of the **Direct Debit Process Default ID** field if required.

2. **Process Direct Debits (tfcmg4240m000)**
   If you clear the **Uninterrupted Receipt Run** check box in the Select Invoices for Direct Debit (tfcmg4220m000) session, you can use this session to compose the batch and enter a bank relation. If you select the **Invoke Direct Debits Process after Selection** check box in the CMG Parameters (tfcmg0100s000) session, LN automatically processes the composed batch.

3. **Exception Errors (tfcmg4592m000)**
   On completion of the process, you can use the Exception Errors (tfcmg4592m000) session to view the transactions that could not be composed and posted during the uninterrupted payment run. After solving the errors, you can process the new batch.

4. **Print Exception Errors (tfcmg4492m000)**
   If you wish, print a report of the batch lines that could not be processed. .

To prevent that the Exception Errors for Receipts (tfcmg492) table takes up too much space, you can run the Delete Exception Errors (tfcmg4292m000) session regularly.

Assigning bank relations to uninterrupted cash processes

For the uninterrupted payment or direct debits process, LN searches for a bank relation for each transaction in this order:

1. The bank relation you select in the **Bank Relation** field of the Pay-to Business Partner (tccom4124s000) or the Pay-by Business Partner (tccom4114s000) session.

2. The bank relation you select in the Payment Advice Lines (tfcmg1101m000) session.

3. The bank relation that results from the bank distribution process. For details, refer to *Bank distribution (p. 14)*.

4. The bank relation that answers these conditions:
   - The bank currency is equal to the transaction currency.
   - The country of the bank's address is equal to the country of the business partner's address.

5.   A bank relation in the country of the business partner.

6.   A bank relation in a different country, and for which other currencies are allowed.

       In steps 3, 4, and 5, if several bank relations are found, LN selects the bank relation to which you assign the highest priority in the Bank Relation (tfcmg0110s000) session.

7.   The bank relation you select for the payment or receipt process in the Automatic Process Defaults by Bank/Payment-Receipt Method (tfcmg1191m000) session.

8.   The bank relation you select in the **Bank Relation for Payments** or the **Bank Relation for Direct Debits** field of the CMG Parameters (tfcmg0100s000) session.

If no bank relation is found, the bank relation field remains empty and LN cannot process the transaction. LN moves the transaction to a separate batch which you can process after you solve the errors.

Checking bank credit

Bank credit is the facility provided by a bank, which allows you to make payments even if the payment amount exceeds the available bank balance amount. The maximum amount of credit allowed to make payments is called credit limit.

You must select an appropriate bank in the Bank Relations (tfcmg0510m000) session, and verify the availability of the bank balance. The balance amount includes the credit limit provided by the bank.

In the **Credit Limit Check** field of the Bank Relation (tfcmg0110s000) session, you must select one of these actions:

- **No Check**
- **Warn User**
- **Block User**

If the status is other than **No Check**, LN displays the following warning messages during the payment process:

- **Insufficient balance in bank, credit limit being utilized**
  The **Credit Limit Check** field is set to **Warn User** and the payment amount exceeds the bank balance. The payment process is continued by utilizing the credit limit amount.

- **Sufficient balance is not available in bank**
  The **Credit Limit Check** field is set to **Block User** and the payment amount exceeds the **Bank Balance with Credit**. The payment process is cancelled.

You can select bank relations and verify the bank balance including the credit limit during these processes:

- Automatic payment
- Anticipated payment
- Cash or bank transactions

Automatic payments

In the automatic payment process, LN selects the bank relations in the Bank Relations (tfcmg0510m000) session in the following order of preference:

- The bank relation you define in Payment Advice Lines (tfcmg1101m000) session.
- The bank relation selected in the Assign Banks to Payments (tfcmg1250m000) session.
- The bank relation that results from the bank distribution process. For details, refer to *Assigning bank relations (p. 21)*.
- The bank relation defined for the <u>pay-to</u> business partner.
- If several bank relations are found, LN selects the bank relation that has the highest priority in the Bank Relations (tfcmg0510m000) session.
- The bank relations assigned to the payment batch in the Audit Payments (tfcmg1255m000) session.

Note

If no bank is found, LN automatically starts the Assign Banks to Payments (Manually) (tfcmg1251m000) or the Assign Banks to Direct Debits Manually (tfcmg4251s000) session, and you must select the bank relation manually.

For payments of trade notes, in the Process Trade Notes Payable (tfcmg1226m000) or the Selected Trade Notes Payable for Processing (tfcmg1526m000) session, when the status is changed to **Paid**, the bank relation is selected.

Anticipated payments/receipts

In the anticipated payment process, the following fields are updated in the Bank Relation (tfcmg0110s000) session:

- The **Bank Balance with Credit** field is verified, when LN selects the bank relation in the Anticipated Payments (tfcmg2110s000) session.
- The **Anticipated Payments Amount** field is updated, when the document status changes from **Document Received** to **Document Accepted/Sent** in the Anticipated Payments (Details) (tfcmg2116s000) or the Anticipated Payment Status (tfcmg2512m000) session.
- Similarly, the **Anticipated Receipts Amount** field is updated, if the document status changes from **Document Sent to Customer** to **Document Accepted by Cust** in the Anticipated Receipts (Details) (tfcmg2117s000) or the Anticipated Receipt Status (tfcmg2513m000) session.
- The **Bank Balance** field is updated, when the payment or receipts documents are reconciled in the Post Bank Statements (tfcmg5210m100) session.

Bank transactions

During the payment process, the **Bank Balance** field in the Bank Relation (tfcmg0110s000) session is updated when the following transactions are processed in the Bank Transactions (tfcmg2500m000) session:

- The advance payments
- The unallocated payment
- The payment transactions for purchase invoices

During the receipts process, the **Bank Balance** field in the Bank Relation (tfcmg0110s000) session is updated when the following transactions are processed in the Bank Transactions (tfcmg2500m000) session:

- The advance receipts
- The unallocated receipt
- The receipt transactions for sales invoices

Note

If the anticipated payment or anticipated receipt documents are rejected during the reconciliation process, the same amount must be reduced in the Bank Relation (tfcmg0110s000) session.

Chapter 4
Manual Anticipated Receipts/Payments

4

Manual Anticipated Receipts

You can also manually carry out anticipated receipts. To process anticipated receipts manually, use the following sessions.

- **Transaction Types (tfgld0511m000)**
  You must define the transaction types, and also you must enter the Anticipated Receipts (tfcmg2111s000) session as the main session and the Anticipated Receipts (Details) (tfcmg2117s000) session as the second session.

- **Transaction Entry (tfgld1140m000)**
  You must enter the transaction type for anticipated receipts, and must use the transaction type with the transaction category set to Cash.

- **Anticipated Receipts (tfcmg2111s000)**
  You can manually select the sales invoices to obtain cash receipts. You must enter the bank relation and payment method that are appropriate for the anticipated receipt. You must also enter the total amount for the receipt transaction.

- **Anticipated Receipts (Details) (tfcmg2117s000)**
  You can enter the details of the anticipated receipt amount.

- **Anticipated Payment Status (tfcmg2512m000)**
  You can track the status of the anticipated receipts when several posting steps were defined in the payment method. By changing a receipt status to a receipt status associated with a later step in the direct-debit procedure, new postings are created and they must be posted to the General Ledger module.

- **Reconciliation of Anticipated Payments/Receipts (tfcmg2102s000)**
  You can reconcile the anticipated receipts that are processed by the bank. You must use the transaction type that is attached to the bank relation that is defined in the Anticipated Receipts (tfcmg2111s000) session.

Payment procedure

In the payment procedure, you must select the invoices in order to compose and post the payment details. The payment process stops if an error occurs in a batch.

To process payments manually, use these sessions:

- **Payment/Receipt Methods (tfcmg0540m000)**
  You must set up payment methods. You can link a payment method to an invoice to determine how the invoice is paid.

- **Bank Relations (tfcmg0510m000)**
  You must set up bank relations. A bank relation is required to process the payments to and from your business partners.

- **Data by Bank/Payment Methods (tfcmg0545m000)**
  You can use this session to define the combinations of a payment method and a bank relation. These combinations determine how payments with a certain bank are processed in the financial records. You must also define the ledger accounts. In addition, a payment method is linked to each purchase invoice.

- **Select Invoices for Payment (tfcmg1220m000)**
  You can use the automatic selection program in this session to select purchase invoices that are due for payment. Several options are available to select purchase invoices that are due from the open entries in the Accounts Payable module.

- **Payment Advice (tfcmg1609m000)**
  A payment advice list is generated that must be audited. You can make changes before the final payment procedure starts.

- **Process Payments (tfcmg1240m000)**
  - In the final procedure, separate payment lines are created by supplier for purchase invoices that are due.
  - Priorities regarding payments are also assigned to banks. If any errors occur, LN prints an error list that indicates the action to be taken.
  - After you enter the data, LN either prints bank orders or checks or creates an electronic bank file.
  - Anticipated payments are posted to the general ledger accounts as specified by the combination of a payment method and a bank relation. In addition, the open entries in the Accounts Payable module are updated.
  - Anticipated payments are sent to the bank to be deducted. You will receive a bank statement after the payments are processed by the bank.

- **Transactions (tfgld1101m000)**
  You can use this session to update the data in LN with the information on the bank statements in the Reconciliation of Anticipated Payments/Receipts (tfcmg2102s000) session.

- **Bank Transactions (tfcmg2500m000)**
  You can use this session to process the bank transactions.

■ **Reconciliation of Anticipated Payments/Receipts (tfcmg2102s000)**

You can reconcile the anticipated documents that are processed by the bank. The reconciliation is processed with the transaction type set to **Cash**. LN reverses previous postings that were processed when the payments were carried out. The bank balance that appears in a general ledger account is reduced. In addition, the open entries in the Accounts Payable module are updated and the invoices are paid. Both the cash document that is linked to purchase invoices and the open balance amounts in the invoices are set to zero.

■ **Finalization Run Numbers (tfgld1519m000)**

You can use this session to finalize the financial transactions. The ledger history and the dimension history are then closed.

Chapter 5
Unallocated or Advance Receipts/Payments

5

Assigning unallocated receipts to invoices

The receipts that are not allocated to any invoice are called unallocated receipts. Tax is not calculated against these receipts. The unallocated receipt can be assigned to invoices later. To assign receipts to invoices, take the following steps.

To assign receipts to the invoices, use the following sessions.

■ **Transaction Entry (tfgld1140m000)**
You must select a transaction type with transaction category **Cash**. See: Using transaction types.

■ **Assign Advance/Unallocated Receipts to Invoices (tfcmg2130s000)**
You must select the receipts that must be assigned to the invoices. On the appropriate menu, select **Assign Invoices to Adv./Unall. Receipt** to open the Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000) session. You can select the invoices to which you want to apply the receipt.

■ **Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)**
You can select the invoices to which you want to apply the unallocated receipt. If a receipt is not specifically intended for one or more invoices, the receipt can be assigned to invoices based on their age. On the appropriate menu, select **Assign Unall. to Adv. Paym/Rec Based on Aging** to open the Assign Advance/Unallocated Receipts/Payments Based on Aging (tfcmg2109s000) session.

■ **Assign Advance/Unallocated Receipts/Payments Based on Aging (tfcmg2109s000)**
You must assign invoices based on the document date or due date. Select the **Due Date** or **Document Date** check box.

■ **Selection Of Open Items (tfcmg2118s000)**
In the Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000) session, on the appropriate menu select the option **Selection Of Open Items**, the Selection Of Open Items (tfcmg2118s000) session opens, you can select the open invoices for the related business partner.

■ **Assign Unallocated to Advance Payments/Receipts (tfcmg2108s000)**
In the Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000) session, on the appropriate menu, you can also select **Assign Unallocated to Advance Payments/Receipts**

option, the Assign Unallocated to Advance Payments/Receipts (tfcmg2108s000) session opens, you can assign previous unallocated receipts to the advance payments.

- **Assignment Details of Advance/Unallocated (tfcmg2524s000)**
  You can display the details of the receipt that must be assigned to a invoice.

- **Assignment Details (tfacp2530m000)**
  You can view the details of the receipt assigned and the invoice.

- **Enter Amounts for Assignment (tfcmg2107s000)**
  If the total amount of a receipt cannot be linked to an invoice, or if you want to assign an invoice completely, double-click the invoice record to open the Enter Amounts for Assignment (tfcmg2107s000) session. You can manually enter amounts to be allocated, to the relevant invoices. The write off field displays how the selected unallocated or advance receipt is assigned against the particular invoice.

- You can set the **Assignment Type** field to any one of the following.

  - **Automatic**: The minimum of the entire open amount of the invoice and the remaining unallocated/ advance receipt amount is written off.

  - **No**: The amount that is not yet allocated to the open invoice.

  - **Manual**: A part of the receipt amount that is not yet assigned, is now allocated to the particular invoice. You can select this option to modify the receipt amount allocated to the invoice, and you can also modify the discount, late receipt surcharge, and receipt difference amounts.

- **Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)**
  Finally, on the appropriate menu, you must select the **Process Assignment(s)** option to process the assigned amounts, the Document Numbers (tfcmg2114s000) session opens. You must select the document series for the transaction type to process the amounts.

Chapter 6
Electronic Bank Statements

6

Electronic bank statements

The banks can send you an electronic statement of payments made and direct debits and other amounts received, rather than a paper report.

All actions required for converting, validating, matching, and posting the electronically received bank statements, can be performed from within a single session:

- Bank Statement Workbench (tfcmg5610m100) (Infor LN UI)
- Bank Statement (tfcmg5610m000) (Infor Ming.le)

Alternatively, you can use the sequence of electronic bank statements sessions described below.

To process electronic bank statements:

1. **Convert Electronic Bank Statements (tfcmg5202m000)**
   Convert the received bank file to a format that LN can process. LN stores the converted bank statement files in the directory you specified for the related bank in the **Path For EBS Archive** field of the Bank Relations (tfcmg0510m000) session. In the **Pathname EBS File** field, you must add the file name. To add the current date to the file name, append a tilde (~) to the file name.

2. **Convert Electronic Bank Statements (tfcmg5202m000)/ Bank Statements (tfcmg5510m000)/ Bank Statement Lines (tfcmg5511m000)**
   Validate the converted electronic bank statement.

3. **Match Bank Statements (tfcmg5210m000)**
   Automatically match as many of the imported statements (status **Validated**) as possible with open items. LN can match the statements with the sales invoices, purchase invoices, and anticipated payment documents.

   You can select one of these matching options:
   - **Match - Surplus on Aging / Unallocated** (Default value)
   - **Match - Surplus on Unallocated**
   - **Match - Surplus to be allocated Manually**

In addition to the matching options, you have these payment options:
- **Allow Underpayments**
- **Use Payment Difference Tolerance**

4. **Matching Results (tfcmg2500m100)**
Review the results of the matching process.
To handle an unmatched amount, you can do either of the following:

- Manually add an unallocated payment or receipt line.
- Reconcile the surplus with remaining open entries of the business partner.

5. **Post Bank Statements (tfcmg5210m100)**
Post the bank transactions to the General Ledger.

6. Update the business partner bank account number and other details in the Bank Account by Pay-by Business Partner (tccom4115s000) session, based on the details read from the bank statement file.

Automatic matching of electronic bank statements

In the Match Bank Statements (tfcmg5210m000) session, LN matches each electronic bank statement amount with as many open entries as possible.

Transactions for matching

LN can match these transactions:

- Outgoing payments with anticipated payments (automatic supplier reconciliation).
- Incoming receipts with anticipated receipts (automatic customer reconciliation).
- Outgoing payments with open purchase invoices, if you do not use the automatic payment procedure in Accounts Payable.
- Incoming receipts with open sales invoices, if you do not use the direct debit procedure in Accounts Receivable.
- Incoming receipts with open sales invoices, if you do not use the direct debit procedure and a remittance advice exists for the receipt.

Matching options

For matching a business partner's open entries with a bank statement line, the Match Bank Statements (tfcmg5210m000) session provides these options:

- **Match - Surplus on Aging / Unallocated**
The matching process will first match open entries that exactly correspond with the information in the description field of the bank statement line.

  If the total amount of the matched open entries is less than the amount of the bank statement line, the surplus will be allocated to the remaining open entries of the business partner based

on aging. If no (remaining) open entries of the business partner are found or if a surplus remains, an unallocated payment or a receipt line will be added to the **Matching Results** section of the Bank Statement Workbench (tfcmg5610m100)/ Bank Statement (tfcmg5610m000) session.

■ **Match - Surplus on Unallocated**
The matching process will first match open entries that exactly correspond with the information in the description field of the bank statement line.

If no open entries of the business partner are found that can be matched exactly, or if exactly matched open entry amounts are less than the bank statement line amount, an unallocated payment or a receipt line will be added to the **Matching Results** section of the Bank Statement Workbench (tfcmg5610m100)/ Bank Statement (tfcmg5610m000) session.

■ **Match - Surplus to be allocated Manually**
The matching process will first match open entries that exactly correspond with the information in the description field of the bank statement line.

If no open entries of the business partner are found that can be matched exactly, an unmatched amount remains on the bank statement line. If the amount of the open entries is less than the bank statement line amount, the difference remains as an unmatched amount on the bank statement line.

To handle the unmatched amount, you can do either of the following:
■ Manually add an unallocated payment or receipt line.
■ Reconcile the surplus with remaining open entries of the business partner.

Payment options

In addition to the matching options, the Match Bank Statements (tfcmg5210m000) session provides these payment options:

■ **Allow Underpayments**
■ **Use Payment Difference Tolerance**

Matching rules

After LN determines the business partner and matches the relevant open entries, the effective rules that were defined in the EBS Matching Rules (tfcmg5115m000) session, are taken into account in the automatic matching process.

Exceptions

When the automatic matching process has completed, the matching results may have exceptions in these cases:

■ The bank account or IBAN number in the bank statement line could not be found in LN.
■ The business partner could not be identified in LN.

- From the information in the bank statement line description field, no or not all corresponding open entries could be retrieved.
- From the information in the bank statement line description field, the corresponding open entries could be retrieved, but the bank statement line amount exceeds the total amount of the corresponding open entries.
- From the information in the bank statement line description field, the corresponding open entries could be retrieved, but the bank statement line amount is less than the total amount of the corresponding open entries.
- From the information in the bank statement line description field, more than one corresponding open entry could be retrieved.

In all these cases, the **Exception** check box in the **Matching Results** section of the Bank Statement Workbench (tfcmg5610m100)/ Bank Statement (tfcmg5610m000) session will be selected. To clear the **Exception** check box, you must either make an adjustment or confirm the exception.

Main steps in the matching process

The main steps in the automatic matching process are the following:

1. Match on bank reference.
2. Match on remittance advice.
3. Match on anticipated payment (using checks).
4. Match on anticipated payment.
5. Match on document description or reference.
6. Match on rules.

Distribution of MT940 Bank Files

Use the Distribution of MT940 Bank Files (tfcmg5207m000) session to distribute bank files in MT940 format to the correct directories for the various bank relations.

Specify the directory to which you import the bank files.

If you click **Process**, LN reads the first line of each bank file in the specified directory and tries to match the SWIFT address to the SWIFT code of the banks defined in the Bank Relations.

If the correct bank has been found, LN copies the bank file to the directory that you specified for the bank in the **Path for EBS Files** field of the Bank Relation (tfcmg0110s000) session.

Chapter 7
Trade Notes Receivable

7

Trade notes – overview

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

Two types of trade notes exist:

- *Trade notes payable (p. 55)*
- *Trade notes receivable (p. 43)*

Trade notes receivable

Trade notes receivable (TNRs) are documents received from a customer with the commitment to pay the amount due after a certain period of time (a promissory note). If you create a TNR, the open invoice entry is replaced with the payment document. Such TNRs can be <u>endorsed</u> or <u>discounted</u>.

Replacing an invoice with a trade note

Trade notes are a means of payment such as checks and bank drafts. Some trade notes do not come with a guarantee. Such trade notes are treated as normal anticipated receipts.

Trade notes that consist of fresh obligations, which are usually secure, can replace the related invoices. In such cases, when the trade note is created, the invoice balance is reduced by the amount of the trade note, and a new open entry of a payment document type is created for the trade note. When the trade note is processed and the trade note status changes, the new open entry is also updated. As a result, the business partner's balance remains unchanged.

Discounting trade notes

As a trade note receivable can replace an invoice, to obtain funding before the trade note maturity date, you can arrange with your bank that the bank advances the amount due on the trade note. The bank deducts commission/ interest for the remaining tenure of the trade note receivable and remits the balance to the company. This is known as discounting the trade note.

In the same way as the factoring of invoices, discounting a trade note can be with or without <u>recourse</u>. If you discount a trade note receivable with recourse, you must repay the advance to the bank if your customer fails to pay.

You must select **Allow Discounts on TN** check box in the Trade Note Types (tfcmg0516m000) session and also the steps related to discounting in the receipt method. To process the trade note discounting, you must execute the **Doc. Sent to bank for Disc.** step first and later execute **Document Discounted** step. You must specify the **Discounting Details** such as, **Currency for Discounting**, **Discount Amount** or **Discount Percentage**, **Commission Percentage** or **Commission Amount**.

Trade note steps

The trade note's status always indicates the last step performed on the trade note.

Trade notes receivable can have the following statuses:

- **Open** (initial status)
- **Received**
- **Sent to BP**
- **Accepted/Sent**
- **Matured**
- **Sent to bank**
- **Paid** (**Settled**)
- **Void**
- **Cancelled**
- **Dishonored**
- **Discounted**
- **Collateral**
- **Endorsed**
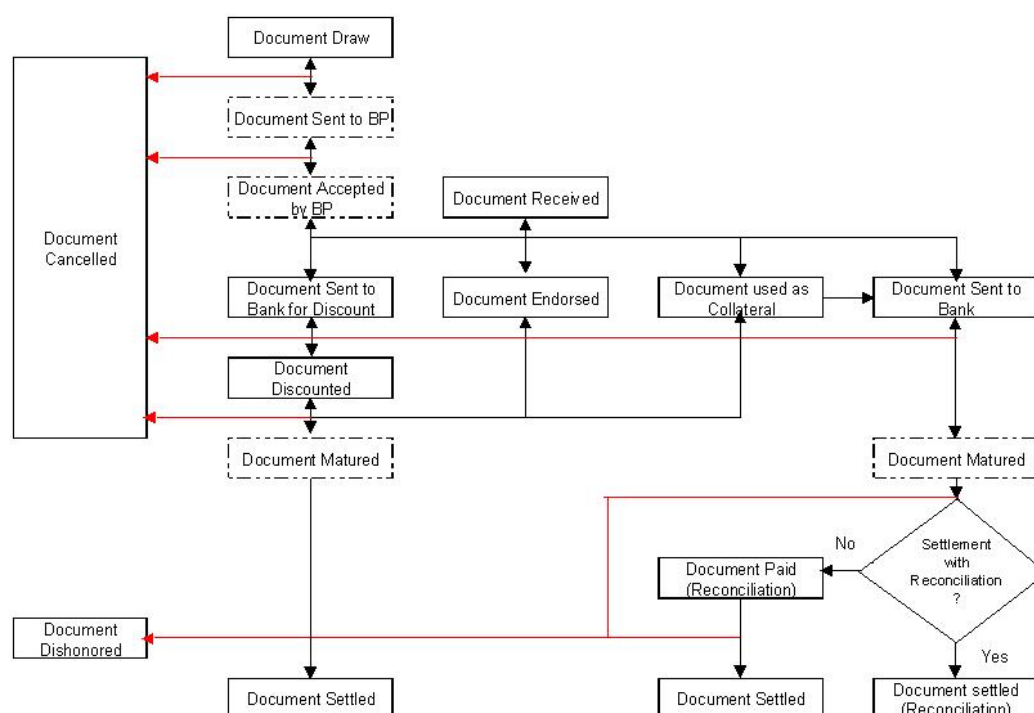
When you define a trade note receipt method, you can select the steps to be performed on the trade note. Some steps are only available for trade notes payable, and some only for trade notes receivable. Of some steps, the availability depends on the selection of other steps. For some steps, you can indicate that the step is optional.

Reconciliation

When the trade note matures, the cash is actually realized. The trade notes can then be reconciled and then settled. Before a trade note matures, the trade note can be canceled. After maturity or reconciliation, the trade note can be dishonored if the customer fails to honor the payment. To update the anticipated balance after reconciliation, select **Update Anticipated Balance upon Reconciliation** check box in the Receipt method.

Refer *To set up and process trade notes receivable (p. 46)* for details on how to select the steps for each type of trade note.

Collateral

Trade note secured with the bank to get loan. In the receipt method the **Document Collateral** step must be selected. When the step is executed you must specify the **Collateral Details** such as **Bank for Collateral** or **Collateral - Depositor**.

Trade notes receivable used as collateral can be sent to the bank again for reconciliation after the obtained loan has been cleared in the bank.

Endorsement

The process of transferring the company's trade note receivable to the supplier there by clearing the payment due to the supplier is known as endorsing. For more information, refer to *To endorse a trade note (p. 48)*.

To set up and process trade notes receivable

To set up the handling of trade notes receivable, use the following sequence of sessions:

1. **CMG Parameters (tfcmg0100s000)**
    On the **Trade Notes** tab, enter the following data:
    - Select the **Trade Notes** check box.
    - Define the minimum amount for which trade notes can be generated, and the number groups to be used for generated and manually entered trade notes payable and trade notes receivable.
    - If you want to generate a report of the trade note balances by business partner by department, select the **Accounting Office for Trade Notes** check box.

2. **Pay-by Business Partner (tccom4114s000)**
    On the **Paying** tab, enter the data required for processing the trade notes. In the **Department** field you can enter the default <u>accounting department</u> for which the business partner's trade notes must be registered. If you also select the **Accounting Office for Trade Notes** check box in the CMG Parameters (tfcmg0100s000) session, you can generate a report of the trade note balances by business partner by department. **Note**: If you did not select the **Trade Notes** check box in the CMG Parameters (tfcmg0100s000) session in Step 1, the **Trade Notes** information fields are not visible.

3. **Trade Note Division by Pay-by BP (tfcmg0517m000)**
    If you want to split trade notes receivable into trade notes for smaller amounts, enter the division data. Refer to *Trade notes division (p. 51)* for details.

4. **Trade Note Parameters (tfcmg0512m000)**
    For each trade note step, define the transaction type and number series for each step. For the step **Document Discounted**, you must also define the discount and commission amounts and accounts.

5. **Trade Note Types (tfcmg0516m000)**
    Define the series and terms of payment. Select **Stamp Tax Country/Code**, if applicable. Additionally, select **Replace Invoice by Trade Note** check box to replace invoice with the trade note and select **Posting Scheme by BP Group** to indicate that the posting scheme is defined by business partner group is applicable for the trade note.

6. **Payment/Receipt Method (tfcmg0140s000)**
    Define the receipt methods for trade notes receivable.
    - In the **Kind of Payment/Receipt** list box, select **Trade Note**. Select the trade note type defined in the previous step.

- On the **Steps** tab, select the mandatory and optional trade note steps for the receipt method.
- On the appropriate menu, select **Generate Trade Note Posting Scheme** to generate the posting data for the receipt method according to the predefined scheme, else click **Trade Note Posting Data** to start the Trade Note Posting Data by Payment/Receipt Method (tfcmg0514m000) session.

7. **Trade Note Posting Data by Payment/Receipt Method (tfcmg0514m000)**
    Define and generate the posting data for trade notes. If you cleared the **Posting Scheme by BP Group** check box for the trade note type in the Trade Note Types (tfcmg0516m000) session, you must enter the ledger accounts and dimensions for trade notes steps for which posting is mandatory. For each step, you must define posting data for the debit entry and for the credit entry.

8. **Payment/Receipt Method (tfcmg0140s000)**
    If you selected a trade note type for the payment/receipt method for which the **Posting Scheme by BP Group** check box is selected, on the appropriate menu of the Payment/Receipt Method (tfcmg0140s000) details session, you can click **Generate Trade Note Posting Scheme** to generate the posting scheme for the payment/receipt method according to the predefined scheme.

9. **Trade Note Reports by Payment/Receipt Method per step (tfcmg0515m000)**
    Define the reports and bank file layouts and output devices for each trade note step for the selected receipt method.

10. **Reasons (tcmcs0105m000)**
    You can define the reason codes to indicate why a trade note was canceled.

11. If you must pay stamp tax on trade notes, you can set up stamp tax as described in *Stamp tax (p. 60)*.

To process trade notes receivable

To process trade notes receivable, use the following sessions:

1. **Direct Debit Advice (tfcmg4609m000)**
    Create a new direct debit batch in the Direct Debit Advices (tfcmg4509m000) session, which initiates the Direct Debit Advice (tfcmg4609m000) session. Set the **Type of Advice** field and specify the invoice number in the **Document** field. The amounts details are defaulted. On the **Bank Details** tab of the Direct Debit Advice Lines (tfcmg4101m000) (satellite) session, select the payment /receipt method. Save changes and approve the batch.

2. **Generate Trade Notes Receivable (tfcmg4225m000)**
    Specify the batch number created in the Direct Debit Advice (tfcmg4609m000) session and click **Generate** to generate the trade note receivable.

3. **Trade Notes Receivable (tfcmg4525m000)**
    Review the trade note receivable number generated in the **TNR Number** field and the **TNR Status** is set to **Open**. Select **Post TNR** on the appropriate menu, to create posting for the first trade note step. The Posting Data (tfcmg1258m000) session opens.

4. **Posting Data (tfcmg1258m000)**
   Select **Post** to create posting for the trade note step. In the Trade Notes Receivable (tfcmg4525m000) session, the **TNR Status** is updated with the status **Received**.

5. **Process Trade Notes Receivable (tfcmg4226m000)**
   Select receipt method and set the **Old Step** (the step which is already processed) and the next trade note step in the **Next Step** field and select **Process** to process the trade notes.

6. **Selected Trade Notes Receivable for Processing (tfcmg4526m000)**
   Review the trade notes receivables ready for processing. Select the **Update Status** check box and on the appropriate menu, select **Process** to process the trade note receivable selected.

7. **Posting Data (tfcmg1258m000)**
   Click **Post** to create postings for the trade note step executed. In the Trade Notes Receivable (tfcmg4525m000) session, the **TNR Status** is updated with the current status selected. For example, the status changes to **Sent to Bank for Discounting**.

8. Repeat the above 5th, 6th and 7th steps until the **TNR Status** in the Trade Notes Receivable (tfcmg4525m000) is set to **Settled**.

9. **Remove Settled Trade Notes Receivable (tfcmg4225m001)**
   Select **Remove** to remove the selected range of trade notes. The trade notes with the **TNR Status** set to **Settled**, **Cancelled**, **Dishonored**, or **Void** are removed and also the documents linked to these trade notes are removed.

To endorse a trade note

Endorsing can be made with recourse and without recourse. When a trade note is endorsed with recourse and if the customer fails to pay, the company has a liability to pay the supplier. The company has no liability to pay to the supplier if the trade note is endorsed without recourse.

Important!

Before you execute the endorsement process, select the **Discount/Endorse with Recourse** check box in the Trade Note Types (tfcmg0516m000) session and the **Document Endorsed** step in the Payment/Receipt Method (tfcmg0140s000) session.

After you create a direct debit advice and generate the trade note receivable, you can review the trade note receivable and process the initial trade note steps.

To endorse a trade note, complete the following steps:

1. **Process Trade Notes Receivable (tfcmg4226m000)**
   Select the receipt method and set the **Old Step** (the step which is already processed) and **Next Step** fields. For example, you can select **Document Received** in the **Old Step** and **Document Endorsed** in the **Next Step** fields. Click **Process** button. The Selected Trade Notes Receivable for Processing (tfcmg4526m000) session opens.

2. **Selected Trade Notes Receivable for Processing (tfcmg4526m000)**
Select the **Update Status** check box and on the <u>appropriate</u> menu, click the **Endorse** option to endorse the trade note to a supplier. The Endorse to Invoice From Business Partner (tfcmg4528m000) starts.

3. **Endorse to Invoice From Business Partner (tfcmg4528m000)**
Select the Invoice from business partner. Click *OK* button, the Posting Data (tfcmg1258m000) session opens.

4. **Posting Data (tfcmg1258m000)**
Click **Post** to create ledger postings for the trade note step. The Purchase Invoices for Endorsing (tfcmg4529m000) session opens.

5. **Purchase Invoices for Endorsing (tfcmg4529m000)**
Review the purchase invoices that can be endorsed for the specified invoice-from business partner.
On the <u>appropriate</u> menu,

   ■ Click the **Assign Automatic** option to assign the trade note receipt amount to the selected invoices or

   ■ Click the **Process Assignments(s)** option to process the assigned amount.
   You must specify the payment method to continue the process. After the completion of process review the status in the Trade Notes Receivable (tfcmg4525m000) session.

6. **Trade Notes Receivable (tfcmg4525m000)**
Review the status of trade note set to **Endorsed**. If the trade notes are endorsed without recourse, that status will be updated as **Settled**. On the <u>appropriate</u> menu, select **Details of Payment Advice Lines Endorsed to TNR** option the Details of Payment Advice Lines Endorsed to TNR (tfcmg4525m200) session opens.

7. **Details of Payment Advice Lines Endorsed to TNR (tfcmg4525m200)**
Review the purchase invoices assigned to the trade note receivable.

The **Endorsement Details** can be viewed in the **Processing Details - 1** tab of the Trade Note Receivable (tfcmg4125s000) session.

Rules for trade notes receivable generation

If you create trade notes receivable from trade note receivable advice batches in the Generate Trade Notes Receivable (tfcmg4225m000) session, these rules apply.

Composing criteria

The documents in the advice lines are combined on one trade note receivable based on the following composing criteria:
   ■ Pay- by business partner.
   ■ Currency.
   ■ Receipt method.
   ■ Pay-by business partner's bank.

- Company.
- Planned debit date.

Trade notes generation

The following rules apply to the generation of trade notes receivable:

- Only those advice lines that have a **Trade Note** receipt method for which the **Document Received** step is selected are considered for generation. Other advice lines with **Trade Note** receipt methods can only be maintained manually.
- The minimum amount on trade notes, the stamp tax, the type of division and the maximum number of trade notes allowed for the business partner are considered.
- The number of trade note receivables to be generated is determined by the type of division. If this number exceeds the maximum number of trade notes allowed for the business partner, the last trade note receivables is generated for the remaining amount.
- If after the generation of the trade note receivables, a balance amount exists that is less than the minimum trade note amount, this amount is added to the previous trade note amount.
- The total trade note receivable amount is the sum of all advice line amounts linked to the trade note receivable. Sales credit notes and purchase invoices are considered as negative amounts and are therefore subtracted from the total amount. If the total amount becomes negative, no trade note receivable is created.

Prerequisites for trade notes financial postings

You can define the ledger accounts to which the financial transactions of each trade note step are posted:
- By customer group or supplier group.
- According to a predefined posting scheme generated by LN.
- Individually for each payment/receipt method.

The financial transactions of each step can be posted to specific ledger accounts. For some trade note steps, you can indicate whether the financial postings for the step must be made.

For each trade note type, you can indicate whether the notes transactions must be posted to ledger accounts that you specify for each business partner group, or to specific ledger accounts for the payment method or receipt method.

LN supplies a predefined posting scheme for trade notes. You can use this to generate a trade notes posting scheme by business partner group. **Note**: Separate posting schemes are supplied for trade notes that replace invoices and trade notes that does not replace invoices.

For each payment method or receipt method, you can generate the posting scheme according to a predefined trade notes structure supplied by LN, or you can manually define the ledger accounts and dimensions to which each trade note step must be posted.

For the trade note posting scheme, the ledger accounts that are available depend on whether the method is for a payment or for a receipt and on whether you define the posting scheme by business partner group or by payment/receipt method.

Trade notes division

The total payable amount can be divided into multiple trade notes of smaller denominations. Instead of issuing one trade note for the entire amount, companies issue multiple trade notes that together cover the amount.

Trade notes can be divided for two reasons:

- To create trade notes of smaller amounts that can be endorsed or discounted. The denomination of such trade notes depends on the agreement between the company and the business partner.
- To minimize the amount of stamp tax to be paid. Instead of issuing one trade note for the entire amount, multiple trade notes are issued that together cover the amount.

For each business partner, you can indicate the trade notes division data in the Pay-by Business Partner (tccom4114s000) session, for the following:

- **Predetermined values supplied by the business partner**
  To divide the trade notes amount, select the **Predetermined Values** option, in the **Trade Note Division Method** field.
- **Stamp tax tariffs**
  If you must pay stamp tax on trade notes, you can set up stamp tax as described in *Stamp tax (p. 60)*.

Division data on predetermined values

Some suppliers instruct your company's accountant about the maximum number of trade notes that they wish to receive for one transaction, as well as the denominations of the trade notes.

For example, the supplier does not wish to receive more than four trade notes to cover one invoice. If the invoice amount is up to 100,000 EUR, the amount can be split into trade notes of 25,000 EUR. Invoice amounts of up to 1,000,000 EUR can be split into trade notes of 100,000 EUR. And so on.

The following table shows the data of this agreement. All the values are in the local currency.

Up to Amount	Trade Note Denomination	Maximum number
100,000	25,000	4
1,000,000	100,000	4
10,000,000	1,000,000	4

Based on this data, an invoice of 85,000 EUR will result in:

- Three generated trade notes of 25,000 EUR each.
- One trade note for the remaining amount, which is 10,000 EUR.

If the maximum number of trade notes is three, an invoice of 85,000 EUR will result in:

- Two generated trade notes of 25,000 EUR each.
- One trade note for the remaining amount, which is 30,000 EUR.

Division data by stamp tax tariff

If the business partner does not supply predetermined values for the trade note division, you can set up the optimal trade note division to minimize the amount of stamp tax to be paid.

In some countries, the stamp tax on a trade note is determined based on a graduated calculation table, for example:

Up to Trade Note Amount	Stamp Tax Amount
10,000 EUR	2 EUR
100,000 EUR	20 EUR
1,000,000 EUR	200 EUR

Stamp tax amounts are expressed in the local currency.

Note

Stamp tax is usually either gradually decreasing or linear. In other words, as the trade note amount increases, the tax percentage is either fixed or decreasing. As a consequence, when trade notes are split, trade notes must always be generated for the highest possible trade note amount.

To save on the stamp tax to be paid, you can calculate the optimal structure of the number of trade notes and their denominations.

For example, if the amount to be paid is 40,000 EUR, you can do one of the following:

- Issue one trade note of 40,000 EUR and pay 20 EUR stamp tax.
- Issue 5 trade notes of 8,000 EUR and pay 5 *2 = 10 EUR stamp tax.

Chapter 8
Trade Notes Payable

8

Trade notes payable

Trade notes payable (TNPs) are documents that you send to a supplier with the commitment to pay the amount due after a certain period of time (a bill of exchange).

Trade note steps

A trade note payable can be issued to the supplier.

When you define a trade note payment method, you can select the steps to be performed on the trade note. Some steps are only available for trade notes payable, and some only for trade notes receivable. Of some steps, the availability depends on the selection of other steps. For some steps, you can indicate that the step is optional.

The trade note's status always indicates the last step performed on the trade note.

Trade notes payable can have the following statuses:

- **Open** (initial status)
- **Issued**
- **Sent to BP**
- **Accepted/Sent**
- **Paid** (**Settled**)
- **Void**
- **Cancelled**
- **Dishonored**
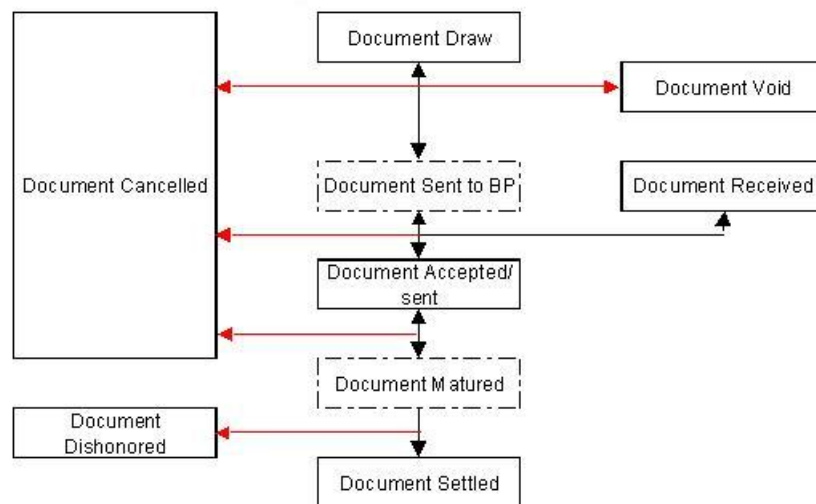
Refer *To set up and process trade notes payable (p. 56)* for details on how to select the steps for each type of trade note.

To set up and process trade notes payable

To set up the handling of trade notes payable, use the following sequence of sessions:

1. **CMG Parameters (tfcmg0100s000)**
   On the **Trade Notes** tab, enter the following data:
   - Select the **Trade Notes** check box.
   - Define the minimum amount for which trade notes can be generated, and the number groups to be used for generated and manually entered trade notes payable and trade notes receivable.
   - If you want to generate a report of the trade note balances by business partner by department, select the **Accounting Office for Trade Notes** check box.

2. **Pay-to Business Partner (tccom4124s000)**
   On the **Paying** tab, enter the data required for processing the trade notes. In the **Department** field you can enter the default <u>accounting department</u> for which the business partner's trade notes must be registered. If you also select the **Accounting Office for Trade Notes** check box in the CMG Parameters (tfcmg0100s000) session, you can generate a report of the trade note balances by business partner by department. **Note**: If you have not selected the **Trade Notes** check box in the CMG Parameters (tfcmg0100s000) session in Step 1, the **Trade Notes** information fields are not visible.

3. **Trade Note Division by Pay-to BP (tfcmg0518m000)**
   If you want to split trade notes payable into trade notes for smaller amounts, enter the division data. Refer to *Trade notes division (p. 51)* for details.

4.   Trade Note Parameters (tfcmg0512m000)
For each trade note step, define the trade note parameters.

5.   Trade Note Types (tfcmg0516m000)
Define the series and some further characteristics for the trade notes of a specific payment method. Additionally, in this session you must indicate whether the trade note posting scheme is defined by business partner group or by payment method.

In some countries, the trade note number must contain the company's tax number and the last two digits of the year. If the number of digits of the series number is not sufficient for the required information, you can manually enter the actual trade note number in the Trade Note Payable (tfcmg1125s000) session.

6.   Payment/Receipt Method (tfcmg0140s000)
Define the payment methods for trade notes payable.

   ▪   In the **Kind of Payment/Receipt** list box, select **Trade Note**.

   ▪   On the **Steps** tab, select the mandatory and optional steps for the trade notes of this payment method or receipt method.

   ▪   On the <u>appropriate</u> menu, click **Trade Note Posting Data** to start the Trade Note Posting Data by Payment/Receipt Method (tfcmg0514m000) session.

7.   Trade Note Posting Data by Payment/Receipt Method (tfcmg0514m000)
Define and generate the posting data for trade notes. If you cleared the **Posting Scheme by BP Group** check box for the trade note type in the Trade Note Types (tfcmg0516m000) session, you must enter the ledger accounts and dimensions for trade notes steps for which posting is mandatory. For each step, you must define posting data for the debit entry and for the credit entry.

8.   Payment/Receipt Method (tfcmg0140s000)
If you selected a trade note type for the payment/receipt method for which the **Posting Scheme by BP Group** check box is selected, on the <u>appropriate</u> menu of the Payment/Receipt Method (tfcmg0140s000) details session, you can click **Generate Trade Note Posting Scheme** to generate the posting scheme for the payment/receipt method according to the predefined scheme.

9.   Trade Note Reports by Payment/Receipt Method per step (tfcmg0515m000)
Define the reports and bank file layouts and output devices for each trade note step. For some steps, you can indicate that reports/files are mandatory.

10. Reasons (tcmcs0105m000)
You can define the reason codes to indicate why a trade note was canceled.

11. If you must pay <u>stamp tax</u> on trade notes, you can set up stamp tax as described in *Stamp tax (p. 60)*.

To process trade notes payable

To process trade notes payable, use the following sessions:

1. **Payment Advice (tfcmg1609m000)**
   Create a new payment advice batch. Set the **Type of Advice** field and specify the invoice number in the **Document** field, the amounts details are defaulted. In the Payment /Bank Details tab, select the Payment method.

2. **Generate Trade Notes Payable (tfcmg1225m000)**
   Specify the batch number created in the Payment Advice (tfcmg1609m000) session and select **Generate** to generate the trade note payable.

3. **Trade Notes Payable (tfcmg1525m000)**
   Review the trade note payable number generated in the **TNP Number** field and the **TNP Status** is set to Open. Select **Post TNP** on the appropriate menu, to create posting for the first trade note step. The Posting Data (tfcmg1258m000) session opens.

4. **Posting Data (tfcmg1258m000)**
   Select **Post** to create posting for the trade note step. In the Trade Notes Payable (tfcmg1525m000) session, the **TNP Status** is updated with the status Issued.

5. **Process Trade Notes Payable (tfcmg1226m000)**
   Select payment method and set the next trade note step in the **Next Step** field and select **Process** to process the trade notes.

6. **Selected Trade Notes Payable for Processing (tfcmg1526m000)**
   Use this session to view and select trade notes payable for processing. Select the **Update Status** check box and on the appropriate menu, select the **Process** to process the trade note payable selected.

7. **Posting Data (tfcmg1258m000)**
   If the postings are not generated earlier, select **Post** to create posting for the trade note step. In the Trade Notes Payable (tfcmg1525m000) session, the **TNP Status** is updated with the status Issued.

8. Repeat the above steps until the **TNP Status** in the Trade Notes Payable (tfcmg1525m000) is set to Paid.

9. **Remove Settled Trade Notes Payable (tfcmg1225m001)**
   Select **Remove** to remove the selected range of trade notes. The trade notes with the **TNP Status** set to Paid, Cancelled, Dishonored, or Void are removed and also the documents linked to these trade notes are removed.

Rules for trade notes payable generation

If you create trade notes payable from trade note payable advice batches in the Generate Trade Notes Payable (tfcmg1225m000) session, these rules apply.

Composing criteria

The documents in the advice lines are combined on one trade note payable based on the following composing criteria:

- Pay-to business partner.
- Currency.
- Payment method.
- Planned payment date.
- Reason code.
- Company.
- Pay-to business partner's bank.

Trade notes generation

The following rules apply to the generation of trade notes payable:

- Only those advice lines that have a **Trade Note** payment method for which the **Document Issued** step is selected are considered for generation. Other advice lines with **Trade Note** payment methods can only be maintained manually.

- The minimum amount on trade notes, the stamp tax, the type of division and the maximum number of trade notes allowed for the business partner are considered.

- The number of trade note payables to be generated is determined by the type of division. If this number exceeds the maximum number of trade notes allowed for the business partner, the last trade note payable is generated for the remaining amount.

- If after the generation of the trade note payables, a balance amount exists that is less than the minimum trade note amount, this amount is added to the previous trade note amount.

After a trade note payable is generated, the amount is assigned to the payment advice lines from which it is generated.

The assignment is made as follows:

- All documents with negative amounts (negative sales invoices and purchase credit notes) are assigned to the first created trade note payable. This increases the actual amount on the trade note payable that needs to be assigned to the remaining advice lines. Next, the remaining amount is assigned to advice lines that are grouped based on the **Type of Advice** until the balance amount to be assigned becomes zero.

- If an advice line amount exceeds the balance to be assigned, the advice line is split into lines. The new line gets the next sequence number in the order. Next, one line is assigned to the trade note payable and the other line is left open to be assigned to the next trade note payable.

Stamp tax

Stamp tax is a type of tax that is imposed on <u>trade notes</u>, and consists of a fixed amount instead of a percentage. Depending on the country of your company, if you issue trade notes you can be obliged to pay stamp tax on the trade note.

In some countries, such as Spain and Japan, to pay the stamp tax, you must stick a stamp on the trade note document. In other countries, to pay the stamp tax, you must buy an official form for the trade note.

To set up stamp tax:

1. **CMG Parameters (tfcmg0100s000)**
   On the Trade Notes tab, select the **Trade Notes** check box. Next, specify the other trade notes information required in this session.

2. **Tax Code by Country (tcmcs0136s000)**
   Specify a tax code for the stamp tax, and in the **Kind of Tax** field, select **Stamp Tax**.

3. **Posting Data for Tax Codes (tfgld0171s000)**
   For the stamp tax code, select the following ledger accounts:
   - **Accrued Stamp Tax Account**
   - **Purchase Tax**, which is renamed to **Stamp Tax** if the kind of tax is **Stamp Tax**.

4. **Revenue Stamp Tax (tcmcs1131m000)**
   Specify the stamp tax rates on trade notes applied in your financial company's home country. You can specify the stamp tax amount as an amount or as a percentage.

5. **Pay-by Business Partner (tccom4114s000) and Pay-to Business Partner (tccom4124s000)**
   If you wish to generate trade notes for the business partner based on the stamp tax rates, in the **Trade Note Division Method** field select **Revenue Stamp Tax Division**.

6. **Division for Revenue Stamp Tax (tcmcs1132m000)**
   If for some or all of your pay-to and pay-by business partners you have selected the **Revenue Stamp Tax Division** trade note division method described in Step 5, use this session to define the division data.

Note

In a multicompany structure with a number of financial companies in various countries, the table Division for Revenue Stamp Tax (tcmcs132), in which this data is stored, must not be shared.

Chapter 9
Check Master

9

To use checks

You can use check masters to register the checks that you use to make payments, and to keep track of the status of each check.

To register the checks, use the following sessions:

1. **Check Master (tfcmg2515m000)**
   Use this session to list the check master data. To register new checks, on the appropriate menu, click **Add New Range** to start the Add New Range of Checks (tfcmg2210s000) session.

2. **Add New Range of Checks (tfcmg2210s000)**
   Use this session to create a range of check numbers, used to make payments for a specific combination of bank relation and payment method.

3. **Check Master (tfcmg2115s000)**
   Use this session to maintain or display the check details. Select the **Check Status** that reflects the current situation, and enter further details of the check, such as the pay-to business partner and the payable amount.

4. **Payment/Receipt Method (tfcmg0140s000)**
   For payment methods for which you use checks, select the **Use Check Master** check box.

   For each bank/payment method the available checks and used checks are registered in the check master. However, there must be sufficient unused checks for the payments.

5. **Print Check Master (tfcmg2415m000)**
   You can use this session to print a report of a range of checks.

Chapter 10
Receipt Acknowledgements

<div style="text-align: right; color: red; font-size: large;">10</div>

Receipt acknowledgements - overview

In some countries, you are legally required to send your customers a printed receipt acknowledgement for each payment. In some cases, the receipt acknowledgements must have unique, sequential numbers.

Among others, a receipt acknowledgement must include the following data:

- The receipt number
- The receipt date
- The pay-by business partner's name, address, and tax number
- The numbers of the invoices for which the payments are made
- The total received amount, discount amount, and tax amounts

In LN, you can print receipt acknowledgement for the following types of receipts:

- **Normal Receipt**
- **Advance Receipt**
- **Unallocated Receipt**

Note

Before you can print a receipt acknowledgement, the related cash transaction must be finalized.

Multicompany aspects

In a multicompany structure, LN prints receipt acknowledgements in the financial company in which you register the payment. LN uses the Relation Intercompany Documents (tfgld112) table to find the related invoices in other financial companies of the company group.

To avoid performance problems, the financial companies of the company group can share the Receipt Acknowledgements (tfcmg200) table. If you run the Archive / Delete Fully Paid Sales Invoices (tfacr2260m000) session, LN also deletes all the receipt acknowledgements related to the deleted invoices. If the financial companies of the company group do not share the Receipt Acknowledgements (tfcmg200) table, LN must process the receipt acknowledgements in each individual company.

If the financial companies of the company group share the Receipt Acknowledgements (tfcmg200) table, you must create the number group and series for receipt acknowledgement in the group company. The financial companies must all use the same number group and each company must use its own, unique, series for the receipt acknowledgement.

LN prints receipt acknowledgements for business partners, for which you select the **Print Receipt Acknowledgement** check box in the Pay-by Business Partner (tccom4114s000) session. If you define the business partner details by department, LN checks the details defined for a business partner department that is equal to the accounting department of the financial company.

To set up receipt acknowledgements

To set up receipt acknowledgements, use the following sessions:

1. **Number Groups (tcmcs0151m000)**
   Create a number group for receipt acknowledgements. The **Dedicated for** field must be **Not Applicable**.

   In a multicompany structure, you must create a single number group in the group company, and you must create a series for each financial company.

2. **CMG Parameters (tfcmg0100s000)**
   In the **Receipt Acknowledgement** group box, enter the number group and series for receipt acknowledgements.

   In the financial companies other than the group company, LN displays the number group and you can only select a series.

3. **Pay-by Business Partner (tccom4114s000)**
   To generate receipt acknowledgements for the business partner, select the **Print Receipt Acknowledgement** check box. If you factor sales invoices, you must select the check box for the factor.

To process receipt acknowledgements

To view and print receipt acknowledgements, use the following sessions:

1. **Receipt Acknowledgements (tfcmg2520m000)**
   View the receipt acknowledgements LN generated for finalized payments from pay-by business partners.

   On the appropriate menu, click **Select Receipts** to start the Select Receipts For Acknowledgement (tfcmg2200m000) session

2. **Select Receipts For Acknowledgement (tfcmg2200m000)**
   Select a range of receipts for which you want to generate receipt acknowledgements. LN displays the number group and default series for receipt acknowledgements. You can change the series.

3. **Receipt Acknowledgements (tfcmg2520m000)**
   On the appropriate menu, click **Print Receipt Acknowledgements** to start the Print Receipt Acknowledgements (tfcmg2420m000) session.

4. **Print Receipt Acknowledgements (tfcmg2420m000)**
   Use this session to print or reprint a range of receipt acknowledgements.

You do not need to remove receipt acknowledgements because, if you run the Archive / Delete Fully Paid Sales Invoices (tfacr2260m000) session, LN also deletes all the receipt acknowledgements related to the deleted invoices.

Chapter 11
Payment Agreements

<div style="text-align: right">11</div>

Using payment agreements

Invoicing and payments in Japan

To set up paying your suppliers in accordance with Japanese business practice, you can set up Payment agreements.

Payment agreements are often used if you receive a monthly billing invoice from your supplier.

To setup up payment agreements

To set up payment agreements, use the following sequence of sessions:

- **Group Company Parameters (tfgld0101s000)**
  Select the **Payment Agreement** check box.

- **Payment Agreements (tcmcs2506m000)**
  Define the payment agreements. Because multiple financial companies can share the payment agreements, you must define the amounts in the reference currency.

- **Invoice-from Business Partner (tccom4122s000)**
  If you have a payment agreement with a supplier, select the payment agreement. LN adds the payment agreement by default to purchase order lines for the business partner.

- **Payment Agreement by Item and Invoice-from BP (tcmcs2108m000) (Optional)**
  If you prefer, you can select specific payment agreements for combinations of invoice-from business partner and item or item group, or financial business partner group and item or item group.

- **Priorities to Set Default Payment Agreement (tcmcs2109m000) (Optional)**
  If you used the Payment Agreement by Item and Invoice-from BP (tcmcs2108m000) session, you can use this session to define the order of priorities that LN uses to determine the default payment agreement for a purchase order line.

Note

LN searches for the most specific payment agreement. If no specific payment agreement is found for the invoice-from business partner or business partner group and item or item group combination, LN

uses the default payment agreement that you specified in the Invoice-from Business Partner (tccom4122s000) session.

Applying payment agreements

If the **Payment Agreement** check box is selected in the Group Company Parameters (tfgld0101s000) session and payment agreements exist for at least one of the payments in a payment batch, you must apply the payment agreement before you can process the payment batch or generate <u>trade notes payable (TNP)</u>.

To apply payment agreements to payments that you make, use the following sequence of sessions:

1. **Payment Advices (tfcmg1509m000) or Payment Advice (tfcmg1609m000)**
   From the **Actions** menu, select **Apply Payment Agreement**. The Apply Payment Agreement (tfcmg1230m000) session starts.

2. **Apply Payment Agreement (tfcmg1230m000)**
   Apply the payment agreements to the payments in the batch.

If you apply the payment agreement, LN performs the following actions:

1. **Calculate the total invoice amount.**
   The following details must be the same for all the invoices:
   - The invoice-from business partner
   - The invoice currency
   - The payment agreement

2. **Compare the total invoice amount with the payment agreement limit.**
   - If the total invoice amount is less than or equal to the payment agreement limit, use the payment agreement.
   - If the total invoice amount exceeds the payment agreement limit, use the next payment agreement.
   - Repeat this step as necessary to find the payment agreement to be used.

3. **Split the payable amount according to the payment agreement definition.**
   Generate the payment lines. Create separate batches for payment lines with different payment methods.

Because the payment agreements are defined in the reference currency, the payment agreements are applied to the invoice amounts in the reference currency.

Note

If you use the uninterrupted payment process, LN automatically applies the payment agreements. Payment advises that contain an invalid payment agreement are moved to the newly created exception batch.

If you use <u>self-billing</u>, in the Generate Self-Billing Purchase Invoices (tfacp2290m000) session the following rules apply:

- If all the selected lines have the same payment agreement, LN uses the payment agreement for the invoice.
- If the selected lines have various payment agreements, LN uses the payment agreement you defined for the business partner in the Invoice-from Business Partner (tccom4122s000) session.

Negotiated bank charges

This functionality is specific for Japan.

In Japan, the sender pays all the <u>bank charges</u> at the end of the month, based on the number of payments transferred. If the sender pays the bank charges, the full invoice amount is paid. If the receiver of the transfer, who is usually the supplier, pays the bank charges, the bank costs are charged for every payment made. Depending on the transfer method, the bank charges are then deducted from the transaction amount.

In addition to the standard bank charges, in Japan, you can have bank charges that result from negotiations with the bank about the charges to be paid for payment transactions. Having two bank charge amounts, standard and negotiated, the payer can decide what amount they charge the supplier. If the supplier pays the standard bank charge, an additional profit is realized: the difference between the standard and the negotiated bank charge amounts.

Based on the bank charge amount, tax is added to the bank charges. The sum of the bank charge amount and the tax amount is then subtracted from the amount to be paid.

Standard and negotiated bank charges - setup

This functionality is specific for Japan.

To set up LN for (negotiated) bank charges, use the following sequence of sessions:

Step 1:

CMG Parameters (tfcmg0100s000)

Under **Deducted Bank Charges**, enter the following fields:
- **Deducted Bank Charge Account**
- **Interim Deducted Bank Charge Account**
- **Interim Deducted Bank Charge Tax Account**

Note: The ledger account for <u>VAT</u> is determined by the <u>tax code</u> that is specified in the Bank Charges (tfcmg0120m000) session. The ledger account for **Purchase** is used for the amount deducted from the payment to the supplier.

Step 2:

Bank Branches (tfcmg0511m000)

1. For the bank branches that are used in the Bank Relations (tfcmg0510m000) and Bank Account by Pay-to Business Partner (tccom4125s000) sessions, enter the **Domestic Bank ID** field. The bank identifier required for Japan consists of seven characters:
   - The first four characters are the bank code.
   - The last three characters are the branch code.
2. Select the bank branch through which you transfer the payments and on the <u>appropriate</u> menu, click **Bank Charges**. The Bank Charges (tfcmg0120m000) session starts.

Step 3:

Bank Charges (tfcmg0120m000)

Define the (negotiated) bank charges for the transfer methods and transferred amounts as applicable.

Step 4:

Pay-to Business Partner (tccom4124s000)

For the business partner in Japan, on the **Paying** tab, ensure that **Bank Charge Borne by Supplier** is selected.

Step 5:

Bank Account by Pay-to Business Partner (tccom4125s000)

For the same business partner, set **Bank Costs** to **Costs Paid by Receiver** or **Negotiated Costs Paid by Receiver**.

(This value will be used as default in the Payment Advice (tfcmg1609m000) session.)

Payment schedules – overview

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

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

Receipt schedules

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

Note

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

Payment schedules

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

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

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

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

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

Note

LN also supports payment schedules for recurring invoices.

LN does not support payment schedules for subcontracting invoices.

Payment terms

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

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

Receipts against shipments

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

Chapter 12
Payment Slips

12

Payment slips - overview

LN supports the processing of <u>payment slips</u>.

You can attach payment slips to the following types of invoices:
- Sales invoices
- Service invoices
- Project invoices

If you use payment slips, the following procedures can be distinguished:

1. Print payment slips with the invoices that you send to your customers.

2. Receive a bank file from the bank and match the payments made through payment slips.

3. Receive payment slips together with purchase invoices from your suppliers.

4. Prepare and send a payment file based on payment slips to the bank.

These procedures are implemented in the following modules:
- Cash Management
- Accounts Receivable
- Invoicing- Invoicing

The payment slip setup details vary by country. You can set up and process payment slips if LN supports the requirements in your country.

For details about the requirements in Switserland, refer to Swiss payment slips.

The payment slip reference line in Invoicing

For electronic processing at the bank, the payment slips must contain a payment slip reference line, which contains the information LN requires to close the related open entry. In LN, the payment slip reference line contains the following components:
- The invoice amount
- Two checksum digits
- The invoice document's transaction type and document number

- The company ID
- The pay-by business partner code
- The bank account number or postal account number

> **Note**
>
> The payment slip reference line must be numeric. If you set up payment slip processing, ensure that the codes used to generate the payment slip reference line are all numeric, for example, the transaction type, and the business partner code.

To set up payment slips for sales invoices

To set up payment slips for sales invoices, use the following sequence of sessions:

- **Transaction Types (tfgld0511m000)**
  Create a transaction type with a numeric code for invoices with a payment slip is numeric. You must do this because the reference number on the payment slip, which includes the transaction type, must be numeric.

- **Bank Branches (tfcmg0511m000)**
  In the **Customer Code** field, enter your company's customer code with the bank that collects the receipts related to the payment slips.

  The payment slip reference line that LN generates includes the customer code.

- **Bank Relations (tfcmg0510m000)**
  Define the bank relation that processes the payment slips.

  In the **Bank Account** field, enter the bank's account number in the format required for the payment slip reference line.

  The payment slip reference line that LN generates includes the bank account number.

- **Pay-by Business Partner (tccom4114s000)**
  Ensure that the pay-by business partner code is numeric. The code must be numeric because the payment slip reference line, which includes the pay-by business partner code, must be numeric.

- Enter the following pay-by business partner details:
  - **Bank Relation**
    Your bank relation at which you receive payments from the business partner.
  - **Bank Account**
    The business partner's bank that makes payments to your bank relation.
  - **Bank account number**
    The business partner's bank account number.

- **Payment/Receipt Method (tfcmg0140s000)**
  Define the receipt method according to the requirements in your country.

- **Bank Reference Positions by Country (cisli1130m000)**
  Define the start positions and the lengths of the various fields required to generate the payment slip reference lines.

- **Additional Currency Features (tfgld0129m000)**
  Select the **Payment Slip** check box for the currency or currencies for which you want to generate payment slips. LN generates a payment slip reference line and prints a payment slip for invoices with this invoice currency.

- **CMG Parameters (tfcmg0100s000)**
  Select the **Create Unallocated Receipt** check box. As a result, by default the **Create Unallocated Receipt** is selected when you process the receipts in the Match Electronic Bank Statements (tfcmg5212m000) session.

To process payment slips for sales invoices

To generate payment slips for sales invoices

To generate payment slips for sales invoices, use one of the following procedures to process the sales invoices:

- Invoicing procedure to process the invoices manually
- Job processing of invoices to generate the invoices automatically

If you have set up payment slips for sales invoices correctly, LN attaches the payment slips to the invoices.

To process receipts based on payment slips

The receipts based on payment slips are collected in a bank file which you receive periodically. You can processed the bank file as an electronic bank statement. For details, refer to *Electronic bank statements (p. 39)*.

Note the following points:

- After conversion of the electronic bank statements in the Convert Electronic Bank Statements (tfcmg5202m000) session, the original file is moved to the archive directory. The current date and time must be added to the filename. In the Convert Electronic Bank Statements (tfcmg5202m000) session, append a tilde (~) character to the pathname in the **Pathname EBS File** field.

- To be able to match receipts based on payment slips with a blank **Amount** field, in the Match Electronic Bank Statements (tfcmg5212m000) session, select the **Create Unallocated Receipt** check box.

Chapter 13
Standing Orders and Repaying Advances

<div style="text-align:right">13</div>

Standing orders

You can create <u>standing orders</u> for payments not linked to a purchase invoice, such as cost transactions or advance payments. For example, you can use a standing order to pay rent or vehicle leasing costs every period, without receiving an invoice or if you receive the invoice after the payment due date.

You can create these types of standing orders:

- Standing orders for a single payment
- Standing orders for recurring payments. You can distribute the total standing order amount across a number of periods or you can define a standing order payment schedule.

Note

A standing order for a single payment is similar to a stand-alone payment, which you can create in the Payment Advice (tfcmg1609m000) session.

Standing orders are created and processed in Cash Management. If you want to create an open entry for the periodic payment in Accounts Payable, you must create a recurring purchase invoice rather than a standing order.

Posting data of standing orders

The posting method of a standing order can be **Advance Payment** or **Costs**. For advance payments, LN derives the ledger accounts and dimensions from the financial business partner group of the invoice-from business partner.

LN determines the ledger account from the financial business partner group based on the advance payment category. To allow advance payment category, you must select the **Allow Advance Payment Category** check box in the CMG Parameters (tfcmg0100s000) session. In Germany, you must legally make distinction between advance payments made under these categories. You can select the advance payment category in the Standing Orders (tfcmg1510m000) and Payment Advice Lines (tfcmg1101m000) sessions.

If you manually create a standing order for costs, you must supply the posting data such as the ledger account and dimensions, the cash flow reason, and the tax code and tax country.

For generated standing orders of the **Costs** type, for example, to pay tax, LN derives the ledger accounts and dimensions from the setup details.

Creating a standing order

To manually create a standing order:

1. **Create the standing order**
   In the Standing Orders (tfcmg1510m000) session, create a standing order for a specific invoice-from business partner.

   For a single-payment standing order, select the **Single Payment** check box. In the **Posting Method** field, select the type of transaction, which can be **Advance Payment** or **Costs**.

2. **Set up installments**
   If you do not select the **Single Payment** check box, you must define or generate a payment schedule for the payments. On the appropriate menu, click one of the following commands:
   - **Automatic Distribution Standing Orders**
     The Automatic Distribution of Standing Orders (tfcmg1112m000) session starts. Use this session to automatically distribute the total standing order amount over a number of periods.
   - **Standing Order Payment Schedule**
     The Standing Order Payment Schedule (tfcmg1511m000) session starts. Use this session to define a payment schedule for the standing order.

3. **Supply the posting data**
   For standing orders of the **Costs** type, you must use this session to supply the posting data in the Posting Data of Standing Orders/Stand-Alone Pmt (tfcmg1115s000) session.

   You can start this session as follows:
   - **For single-payment standing orders**
     Save the standing order details and in the Standing Orders (tfcmg1510m000) overview session, select the standing order. On the appropriate menu, click **Maintain Posting Data**.
   - **For standing orders with a payment schedule**
     In the Standing Order Payment Schedule (tfcmg1511m000) session, select a schedule line and on the appropriate menu, click **Posting data**.

Repay Advances

You can use the Repay Advances (tfcmg6201m000) session to repay advance payments that you receive from the business partner. You can repay advance payments to factors as well as to other types of pay-by business partners. For factored invoices, if the customer does not pay the invoice, the factor will request to be reimbursed. For more information, refer to *Factoring (p. 83)*. You must select, **Repay** button to generate credit notes for the business partner that cover the selected advance payments.

The credit note is composed, printed, and posted in Central Invoicing. You can view the credit note in the Invoices (cisli3105m000) session. After repaying an advance, you must unfactor an equal amount

in the Settle, Repay/Unfactor Factored Invoices (tfcmg6200m000) session. For more information, refer to *Factoring - receipts (p. 88)*.

You must select, **Specific Advances** button to list the selected advances in the Specified Advances (tfcmg6211m000) session. You can use this session to refine the selection.

Chapter 14
Manual Bank Transactions

14

Manual bank transactions

You can create bank transactions manually. The Bank Transactions (tfcmg2500m000) session allow you to process these bank transactions. To start this session, you must select the transaction type **Cash** in the Transaction Entry (tfgld1140m000) session.

- **Receipt Transaction**
  You must select **Receipt Transaction** option in the **Type of Transaction** field to process customer receipts, and payments for credit notes.

- **Payment Transaction**
  You must select **Payment Transaction** option in the **Type of Transaction** field to process supplier payments and receipts for credit notes.

- **Unallocated Payment**
  You must select **Unallocated Payment** option to process an unallocated payment amount not linked to an invoice number. You can assign these payments later to invoices using these sessions:
  - Assign Advance/Unallocated Payments to Invoices (tfcmg2131s000)
  - Assign Unallocated/Advance Payments to Invoices (tfcmg2106s000)

- **Unallocated Receipt**
  Select **Unallocated Receipt** option to process an unallocated receipt amount that is not linked to an invoice number. You can assign these receipts later to invoices using these sessions:
  - Assign Advance/Unallocated Receipts to Invoices (tfcmg2130s000)
  - Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)

- **Advance Payment**
  Select **Advance Payment** to process an advance payment for which you have not received an invoice. You can (partially) assign the advance payment to invoices in the Assign Unallocated/Advance Payments to Invoices (tfcmg2106s000) session.
  You can also assign these payments later to invoices using these sessions:
  - Assign Advance/Unallocated Payments to Invoices (tfcmg2131s000)
  - Assign Unallocated/Advance Payments to Invoices (tfcmg2106s000)

- If you selected the **Allow Advance Payment Category** check box in the CMG Parameters (tfcmg0100s000) session and the posting method is **Advance Payment**, you must select an advance payment category.

- **Advance Receipt**
  Select **Advance Receipt** option to process advance receipts. You can (partially) assign the advance receipt to invoices in the Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000) session.
  You can also assign these receipts later, by selecting a transaction type belonging to the **Cash** category, to which the following sessions are linked:
  - Assign Advance/Unallocated Receipts to Invoices (tfcmg2130s000)
  - Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)

- **Journal**
  Select **Journal** option to process intercompany transactions or to create contra-entries.

- **Receipt or payment Reconciliation**
  Select **Receipt Reconciliation** or **Payment Reconciliation** option to reconcile the receipts which are anticipated. You can select the receipts from the Reconciliation of Anticipated Payments/Receipts (tfcmg2102s000) session.

If you selected the **Allow Advance Payment Category** check box in the CMG Parameters (tfcmg0100s000) session and the posting method is **Advance Payment**, you must select an advance payment category.

Factoring

LN supports <u>factoring</u> of your outstanding receivables and payment of purchase invoices to <u>factors</u> used by your suppliers.

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

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

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

Factoring of accounts receivables

The <u>factor</u> is a business partner who buys your receivables and pays for it. The factor in turn will collect the amount from your customers (pay-by business partners). If the <u>original pay-by business partner</u> partner is notified to pay directly to the factor, the original pay-by business partner of the sales invoice is replaced by the factor.

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

Factoring can be:

- *With recourse*: The factor makes a loan against a receivable. Your company continues to assume the credit risk, and you must reimburse the factor if the customer does not pay. If the customer's credit check is not favorable, factoring with recourse can be used.

- *Without recourse*: The factor purchases the value of the receivable, and takes the risk that the customer will not pay the invoice. To avoid bad debts, the factor usually performs a credit check on the customer before deciding to purchase the receivable.

You can factor the receivables as and when they arise, or you can have a general agreement to factor receivables of specific customers for a given period of time and for a given credit limit. If you factor the receivables as and when they arise, your customer is notified to pay to the factor after the customer has received your invoice. If you have a general agreement to factor the receivables, your customer is notified to pay to the factor by printing the factor's address on the invoice as the pay-to address.

You can factor your receivables with more than one factor. Therefore, you can assign the receivables of one business partner to more than one factor.

If your customer fails to pay the invoice and if factoring with recourse applies, you must reimburse the amount due to the factor. In such a case, you will try to recover the amount due from the original pay-by business partner. As a result, the information about the original pay-by business partner must remain available in the system.

If you create a credit note for your customer, the amount receivable from the business partner decreases. As and when credit notes arise, they are sent to the factor so that he is informed of the actual outstanding amount receivable from the business partner.

In a multicompany structure, the factoring of accounts receivable is controlled per financial company. If you decide to factor your receivables, you can switch on the accounts receivable factoring for the financial company, and you can switch it off if this is required.

Generally, the factoring of accounts receivable consists fo the following steps:
- Assign a factor to an invoice.
- Send the receivables to the factor.
- Settle the factored invoice when your customer has paid the invoice.

For details, refer to *To process factored sales invoices (p. 86)*.

To set up factoring of accounts receivable

To set up factoring of your sales invoices, use this sequence of sessions:

1. **Company Parameters (tfgld0503m000)**
   To factor the accounts receivables that are processed through the current financial company, select the **Factor Invoices** check box. In a multicompany structure, you must do this for every financial company in which you want to use factoring.

2. **ACR Parameters (tfacr0500m000)**
   Define the transaction types for factoring without recourse and for factoring with recourse. The transaction types must be of these categories:
   - For **Send With Recourse**, use **Journal Vouchers**.
   - For **Send Without Recourse**, use **Sales Invoices**.

3. **Ledger Accounts by Business Partner Group (tfacr0111m000)**
   Select a ledger account and dimensions for the **Invoice Factored** type of transaction.

4. **CMG Parameters (tfcmg0100s000)**
   On the **Factoring** tab, enter this data:
   - **Commission
     Ledger Account**.
   - **Contingent Liability
     Ledger Account**.
   - **General
     Commission on Partial Payments**

     Create debit notes while repaying

   - **Transaction Types
     Re-open/Unfactor Invoices**

     Settle/Unfactor Recourse Invoices

5. **Business Partner (tccom4100s000)**
   Define each factor as a business partner and select the **Factor** check box. You must define the invoice-to and pay-by roles for the business partner.

6. **Pay-by Business Partners By Factor (tfacr0116m000)**
   Assign pay-by business partners to a factor. You can assign a pay-by business partner to more than one factor, and you can indicate one of the factors as the default factor for the business partner.

To set up factoring of accounts payables

To set up factoring of your purchase invoices, use the following sequence of sessions:

1. Business Partner (tccom4100s000) Define each factor as a business partner and select the **Factor** check box. You must define the invoice-from and pay-to roles for the business partner. Do not select a parent business partner for the factor, and do not select the factor as the parent of other business partners.

2. Pay-to Business Partners by Factor (tfacp1106m000) You can assign pay-to business partners that always factor their invoices, to a factor. You can assign a pay-to business partner to more than one factor, and you can indicate one of the factors as the default factor for the business partner.

3. Assign Factor to Documents (tfacp2247m000) If necessary, you can use this session to re-assign already registered invoices from a pay-to business partner to a factor, or from one factor to another factor.

To process factored sales invoices

Factor invoices without recourse

If you have an agreement to factor all your sales invoices and without <u>recourse</u>, use the following sequence of sessions:

1. Compose/Print/Post Invoices (cisli2200m000). Print the factor's address on the remit-to address of the sales invoice.
2. Send Documents to Factor (tfacr2212m000). Select a range of invoices or credit notes and send them to the factor.
3. Assign the receipts from the factor to the invoices in the regular way. For factoring without recourse, when the full payment is received from the factor the status of the factored document is automatically changed to **Settled**.

When you send invoices to the factor in the Send Documents to Factor (tfacr2212m000) session, for each selected document, LN checks the total amount fo the selected invoices against the business partner's credit limit. Only invoices/ credit notes within the credit limit that you defined in the Pay-by Business Partners By Factor (tfacr0116m000) session are automatically selected. To increase the number of documents that can be factored within the credit limit, LN first selects the credit notes and negative invoices from the specified range.

For details about the financial postings, refer to *Factoring without recourse (p. 117)*

Factor individual invoices without recourse

If you have an factor individual sales invoices after they have been invoiced and without <u>recourse</u>, use the following sequence of sessions:

1. Assign Factor to Documents (tfacr2210m000). Assign ranges of invoices or credit notes to a factor.
2. Assign Factor to Specific Documents (tfacr2211m000). You can optionally use this session to view the documents selected in the Assign Factor to Documents (tfacr2210m000) session, and to refine the selection.
3. Manually notify the customer that he must make the payment to the factor.
4. Send Documents to Factor (tfacr2212m000). Send a range of invoices to the factor.
5. Send Specific Documents (tfacr2215m000). You can optionally use this session to refine the selection of invoices that must be sent to the factor.
6. Assign the receipt from the factor to the invoices in the regular way. For factoring without recourse, when the full payment is received from the factor the status of the factored document is automatically changed to **Settled**.

For details about the financial postings, refer to *Factoring without recourse (p. 117)*

Factor sales invoices with recourse

If factoring is with <u>recourse</u>, use the following sequence of sessions:

1. Compose/Print/Post Invoices (cisli2200m000). Print the factor's address on the remit-to address of the sales invoice.

2. Send Documents to Factor (tfacr2212m000). Select a range of invoices or credit notes and send them to the factor.

3. Send Specific Documents (tfacr2215m000). You can optionally use this session to refine the selection of invoices that must be sent to the factor.

4. Wait for notification from the factor.

Depending on the situation, continue with one of the following actions:

- If the customer has paid, you can settle the invoice.
- If the customer fails to paid, you must repay the factor.

To settle the invoice:

1. Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000). Assign the <u>advance payments</u> to the invoices if this was not already done.

2. Settle, Repay/Unfactor Factored Invoices (tfcmg6200m000). Settle the factored invoice and reverse the entries that create a provision to repay the factor.

3. Settle,Repay/Unfactor Specific Invoices (tfcmg6100m000). You can optionally use this session to refine the selection of documents to be settled.

For details about the financial postings, refer to *Factoring with recourse (p. 116)*

To repay the factor:

1. Settle, Repay/Unfactor Factored Invoices (tfcmg6200m000). Create a credit note for the amount due to the factor. This amount is the amount paid by the factor on the unpaid invoices.

2. Settle,Repay/Unfactor Specific Invoices (tfcmg6100m000). You can optionally use this session to refine the selection of documents before they are processed. If you selected the **Create debit notes while repaying** check box in the CMG Parameters (tfcmg0100s000) session, LN creates a debit note for the <u>original pay-by business partner</u>. If this check box is cleared, LN reopens the original invoice.

3. Repay Advances (tfcmg6201m000). Repay the advance payments that you received from the factor and that are related to the unpaid invoices.

4. Specified Advances (tfcmg6211m000). You can optionally use this session to refine the selection of advances to be repaid that you generated in the Repay Advances (tfcmg6201m000) session

For details about the financial postings, refer to *Factoring with recourse (p. 116)*

Factoring - receipts

Receipts from the factor

For factoring with recourse and without recourse, the factor is the default pay-by business partner for all receipt transactions concerning factored invoices. If a factored invoice is selected for receipts, the received amount is the invoice amount minus the factoring commission minus the deductions that apply to the invoice.

You can select invoices for receipts in the following sessions:

- Select Invoices for Direct Debit (tfcmg4220m000)
- Direct Debit Advices (tfcmg4509m000)
- Anticipated Receipts (Details) (tfcmg2117s000)
- Bank Transactions (tfcmg2500m000)

These sessions also display the factoring commission so that you can see how the net invoiced amount was calculated. You can change the amount, the factoring commission, and the pay-by business partner.

The default factoring commission depends on the values entered for the **LPS/Discount for Partial Payments** and **Commission on Partial Payments** in the CMG Parameters (tfcmg0100s000) session. The **Factoring** account is specified in the CMG Parameters (tfcmg0100s000) session.

Note

When the receipt is posted, the factoring commission is treated as a deduction.

If the receipt is treated as a normal receipt, the journal entries are:

Debit/Credit	Ledger Account
Debit	Bank Account
Debit	Factoring Commission Account
Debit	Discount/ Other Deductions
Credit	Customer Control Account

If the receipt is treated as an advance, the journal entries are as follows, when the advance is created:

Debit/Credit	Ledger Account
Debit	Bank Account
Credit	Advance Receipt Account

When the advance is assigned to the invoices:

Debit/Credit	Ledger Account
Debit	Advance Receipt
Debit	Factoring Commission Account
Debit	Discount/ Other Deductions
Credit	Customer Control Account

Repay unassigned advances

For factoring with recourse and without recourse, you can repay the unassigned amount of an advance payment by means of a credit note for the factor.

When the credit note is created, LN creates the following entries:

Debit/Credit	Ledger Account
Debit	Advance Receipt Account
Debit	Factoring Commission Account
Credit	Factor Control Account

To reverse the entry for the Invoices Factored account and the **Contingent Liability** account, you must un-factor or reopen the invoices that were related to the advance that you repaid.

Factoring commission

The factoring commission is posted to the appropriate accounts when the factor makes payments to your company. If the invoice is linked to a payment schedule, the factoring commission must be proportionally assigned to each installment.

The net amount of the factoring commission is posted only once. The factoring commission is not posted per document. If an anticipated receipt is created for the payment document received from the factor, then the factoring commission is posted to the Actual Deductions account or the Interim Deductions account, as specified in the posting data. If the factoring commission is posted to the actual account on the anticipated receipt, it must not be posted again during reconciliation.

Posting the factoring commission is done in the following sessions:

- Reconciliation of Anticipated Payments/Receipts (tfcmg2102s000)
- Bank Transactions (tfcmg2500m000), for normal receipts or remittance advice
- Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)

Chapter 16
Cash Application

16

Cash application setup

To set up <u>cash application</u>:

1. **CMG Parameters (tfcmg0500m000)**
   On the **Cash Details** tab, in the **Cash Application Options** section, indicate whether overpayments and underpayments are allowed and select the actions to be taken if an overpayment or underpayment occurs.

2. **Invoicing Parameters (cisli0100m000)**
   Use this session to specify:

   - The transaction types and the series for debit and credit notes that are generated in Financials.

   - The invoicing batch template and invoicing options template that are used in the business request for the debit and credit note processing.

   - The device and the path to which the debit notes and the credit notes must be printed.

3. **Bank Relation (tfcmg0110s000)**
   In this session, specify the reversal transaction type for the posting of reversal transactions of the remittance. The transaction type must have the **Cash** category.

4. **Financial Business Partner Groups (tfacr0110m000)**
   If you have agreed to accept underpayments, enter the **Agreed Short Payment** transaction type and specify the ledger account for the short payment amounts in this session.

5. **Invoicing Options (cisli1120s000)**
   If you want to overwrite the default transaction type for credit notes, select the **Credit Note Overwrite Transaction Type** check box in this session.

6. **Invoicing Batch Templates (cisli1125m000)**
   In this session, specify whether or not debit notes and credit notes that are generated in Financials can be composed through invoicing batches.

Cash application procedure

To perform <u>cash application</u>, use the following sequence of sessions:

1. **Remittance Advices (tfcmg2150m000)**
    Use this session to enter the received remittance advice note.

    You must enter this data:
    - The remittance code that you use to identify the remittance advice note.
    - The pay-by business partner.
    - The remittance date.
    - The bank relation.
    - The remittance currency.
    - The remittance amount.
    - The credit analyst.

    The remaining fields in this session are optional.

2. **Remittance Advice Lines (tfcmg2151m000)**
    Use this session to:
    - Select the invoices to which the remittance must be applied. You can select the invoices manually or specify the criteria for automatic selection.
    - View the suggested cash application to the invoices.
    - Make changes to the application.
    - Apply the remittance to the invoices. The remittance advice status changes to **Applied**.
    - Reverse the application and post reversal transactions if this is required. You can only post reversal transactions for a remittance advice that has the **Applied** status. The status changes to **Draft**. If the total unapplied amount is equal to zero, the status changes to **Applied**.

3. **Transaction Entry (tfgld1140m000)**
    Use this session to create a batch for the advance or unallocated receipt. Select the transaction type for bank transactions to start the Bank Transactions (tfcmg2500m000) session.

4. **Bank Transactions (tfcmg2500m000)**
    In this session, you can enter the remittance to maintain receipts through the remittance advice. The remittance advice must have the **Applied** status. If you enter this code, LN reads the invoice numbers and the invoice details from the remittance advice details. You can only change the date or the remittance rate. If you finalize the batch, the remittance advice gets the **Posted** status.

    To assign an advance or unallocated receipt to a remittance advice:

    a. In the **Type of Transaction** field, select **Advance Receipt** or **Unallocated Receipt**, as required.

    b. On the <u>appropriate menu</u> menu, click **Assign Remittance Advice to Adv./Unall. Receipt**.

    c. In the Assign Remittance (tfcmg2250m000) session, select the appropriate remittance advice.

    d. On the toolbar, click **Assign**.

      e.   In the dialog box that appears, click **OK**.

      f.   To print and post the composed debit/credit notes manually, on the <u>appropriate menu</u> menu, click **Post to Invoicing**.

5.   Depending on whether you clicked the **Post to Invoicing** command, these sessions may apply:

If you clicked **Post to Invoicing**:

- **Invoices (cisli3105m000)**
  Use this session to view the details of debit notes and credit notes that result from processing the remittance advices. This includes the invoice number, the business partner against whom the debit/credit note is raised, and the debit/credit note amount.

- **Invoicing Batches (cisli2100m000)**
  LN runs this session automatically to compose the debit/credit notes. A new <u>invoicing batch</u> is created automatically, using the <u>invoicing batch template</u> specified in the Invoicing Parameters (cisli0100m000) session. The composed debit/credit notes are automatically printed and posted. The corresponding open entries and non-finalized transaction entries are created during the process.

- **Invoices (cisli2505m100)**
  In this session, if you double-click a line to display the invoice details, you can see whether a debit note or credit note is attached to an invoice.

If you did not click **Post to Invoicing**:

- **Print Notification of Underpayment (tfcmg2453m000)**
  Use this session to print debit notifications.

Chapter 17
Business Partner Statistics

17

Business Partner Statistics

The customer receipt performance details are imported from the Accounts Receivable module using the Update Pay-by Business Partner Statistics (tfcmg3200m000) session and the supplier payment details are imported from the Accounts Payable module using the Update Pay-to Business Partner Statistics (tfcmg3202m000) session.

The following statistics is updated for a business partner:

- **Outstanding amounts**
  The sum of all the unpaid amounts that refer to invoices and credit notes or debit notes.

- **Average days outstanding**
  The sum of the outstanding amounts each one multiplied by the number of days between the invoice date and the end date of a period, divided by the total outstanding amount.

- **Amount received or paid**
  The total amount actually received or paid during a certain period. The amount does not include any anticipated amounts.

- **Average receipt period**
  The sum of all the amounts received or paid, each one multiplied by the number of days between the invoice date and the receipt date or payment date, divided by the total amount received or paid in a certain period.

- **Average number of days overdue**
  The sum of all the amounts received or paid, each one multiplied by the number of days between the due date and the receipt date or payment date, divided by the total amount received or paid in a certain period.

- **Payment differences**
  A difference between the invoice amount and the payment amount. If the payment difference falls within the user-defined margins, it can be accepted and written off automatically.

- **Tolerated discount amount**
  The tolerated discount amount is determined for all outstanding amounts of a certain business partner. LN determines the first, the second, or the third cash discount that must be deducted according to the payment terms that apply to the transaction. This amount will be maintained per period, per business partner.

- **Actual discount amount**
  The sum of all the discounts actually deducted during a certain period.
- **Deductable late payment surcharges**
  The percentage that is charged over the goods amount or over rendered services that the recipient of the invoice must pay if the bill is not paid within a specified period.
- **Actual late payment surcharges**
  The actual late payment surcharges.

Chapter 18
Cash Forecast

Cash Forecasting

To determine the liquidity position of a company at any given moment is very important. Based on this position, a company can decide whether to borrow money to improve the short-term position. In addition, a company also must know if there is any cash surplus, so that funds can be invested with an interest rate higher than that offered by their normal bank account.

The forecast can be prepared on only known assets and liabilities, such as sales and purchase invoices, and also including future assets and liabilities such as purchase orders and sales quotations.

The forecast can be calculated using the Update Cash Forecast (tfcmg3210m000) session and based on the following data:

- **Manual invoices and interest invoices**
  LN determines the expected cash date by the payment schedule or by the one of the following option:
  - Due Date: The date is defined in Pay-by Business Partner (tccom4114s000) session > **Paying** tab > **Extra Days after Due Date** field .
  - Expected Cash Date: The date is specified manually in Sales Invoice Cash Dates (tfcmg3110m000) > **Extra Days** field.
  - Average Receipt Period:The average receipt period is added to the invoice date and calculated in the Update Pay-by Business Partner Statistics (tfcmg3200m000) session.
  If no payment schedule is available, you can select manual invoices and interest invoices based on the liquidity date.

- **Sales invoices**
  The forecast receipt dates for sales invoices can be one of the following dates.
  - Due Date: The date is defined in Pay-by Business Partner (tccom4114s000) session > **Paying** tab > **Extra Days after Due Date** field .
  - Expected Cash Date: The date is specified manually in Sales Invoice Cash Dates (tfcmg3110m000) > **Extra Days** field.
  - Average Receipt Period:The average receipt period is added to the invoice date and calculated in the Update Pay-by Business Partner Statistics (tfcmg3200m000) session.

- **Doubtful Sales Invoices**
  Invoices that are set to doubtful using the Doubtful Sales Invoices (tfacr2140m000) session can be excluded from the cash forecast calculation

- **Problem Sales Invoices**
  Invoices linked to the **Problem/Reason** code in the Problem/Reason (tfacr0120m000) session can be excluded from the cash forecast calculation.

- **Sales orders**
  The liquidity date for the cash forecast is calculated based on delivery date specified, else the **Planned Delivery Date** specified in the order is used. In addition, the period specified in the Pay-by Business Partner (tccom4114s000) session > **Paying** tab > **Extra Days after Due Date** field is also used.

- **Project orders**
  LN takes into account, the installments for projects that are not closed. The planned invoice date is used or the current date with the payment terms from the invoice (first choice) or from the business partner added. If these terms are not present, 30 days are added to the current date.

- **Sales quotations**
  The planned delivery date plus the payment terms, which is retrieved from the business partner data, are used as the liquidity date. Sales quotations have an individual success rate. If the quotation's success rate is equal to or greater than the entered success rate, the quotation is taken into account. Alternative quotations are never taken into account.

- **Purchase Invoices**
  - The cash date is calculated based on one of the following option:
    - Due Date: The date is defined in Pay-by Business Partner (tccom4114s000) session > **Paying** tab > **Extra Days after Due Date** field .
    - Expected Cash Date: The date is specified manually in Purchase Invoice Cash Dates (tfcmg3111m000) > **Extra Days** field.
    - Average Receipt Period:The average receipt period is added to the invoice date and calculated in the Update Pay-to Business Partner Statistics (tfcmg3202m000) session.
    - Discount Date: The date is specified in the payment terms.
    - **Blocked Purchase Invoices**
      Invoices that are linked to the **Hold Reason** in the Hold Reasons (tfacp0120m000) session can also be excluded from the cash forecast calculation.

- **Registered Invoices**
  - The cash date is calculated based on one of the following option:
    - Due Date: The date is defined in Pay-by Business Partner (tccom4114s000) session > **Paying** tab > **Extra Days after Due Date** field .
    - Expected Cash Date: The date is specified manually in Purchase Invoice Cash Dates (tfcmg3111m000) > **Extra Days** field.
    - Average Receipt Period:The average receipt period is added to the invoice date and calculated in the Update Pay-to Business Partner Statistics (tfcmg3202m000) session.
    - Discount Date: The date is specified in the payment terms.

- **Purchase orders**
  To calculate the liquidity date, the one of the below option is used.
  - Confirmed Delivery Date
  - Delivery Date
  - Current Planned Delivery Date
  - Planned Delivery Date: The **Payment Terms** defined in the order is added to the Planned Delivery Date, else the **Payment Terms** defined in the Invoice-from Business Partner (tccom4122s000) session is used.

- **Standing orders**
  The liquidity date is defined as follows:
  - Regular payment: the planned payment date from the standing order payment schedule.
  - Unique payment: the planned payment date from the standing order. **Note**: To both days, the extra days in the pay-to business partner data is added.

- **Purchase Requisitions**
  To define the liquidity date of a purchase requisition, the **Requested Date** is used. Also the **Payment Terms** defined in the Invoice-from Business Partner (tccom4122s000) session is used .

- **Budget**
  If you have to make future payments or receipts for other transactions which are not the mentioned above, then you can set up a specific budget and add the miscellaneous transactions to that budget. Example: Salary and Wages, Taxes to be paid or future investments.
  The transactions must be accounted as below:
  - The debit balance on the Balance Sheet account is calculated as receipts.
  - The credit balance on a Balance Sheet account is calculated as payments
  - The debit balance on a Profit and Loss account are calculated as payments
  - The credit balance on a Profit and Loss account are calculated as receipts.
  To assign the budget amounts to a liquidity date, LN automatically generates the budget cash-forecast periods by taking into account the **Cash Date** field. All budget data for a certain period are added to the liquidity periods generated by the LN.

The expected cash position at a future date. The current cash amount is increased by the amounts to be received and reduced by the amounts to be paid, in all periods in between.

Cash Forecast Reports and Inquiries

To produce the cash flow forecast the combined information from following are used:
- Customer and supplier accounts
- Open sales and purchase orders
- Purchase quotations
- Purchase requisitions
- Standing orders

- Projects
- Financial budgets

You can use the bank balances of the bank relations that are maintained in the Bank Relations (tfcmg0510m000) session, to generate the reports with details of cash inflows and outflows of the company for a specified period of time.

You can also manually specify the Opening Balance for the cash forecast. Use the below sessions to print and generate the reports:

- Cash Forecast Summary by Date Range/Currency (tfcmg3518s000)
- Print Cash Forecast Details by Date Range/Currency (tfcmg3412m000)
- Print Cash Forecast Summary by Period/Currency (tfcmg3410m000)
- Cash Forecast Summary by Date/Currency (tfcmg3519s000)
- Print Detailed Cash Forecast in Cash Forecast Currency (tfcmg3413m000)
- Cash Forecast Components by Date/Currency (tfcmg3520m000)
- Print Forecast Components by Date/Currency (tfcmg3420m000)

Due date calculation

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

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

- In the Payment Terms (tcmcs0113s000) session:

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

Additional days after due date

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

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

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

Due date calculation methods

Several methods exist to determine the due date of an invoice or payment schedule line.

In the Payment Terms (tcmcs0113s000) session, you can select one of the following due date calculation methods

- **Immediately**
- **End of Month**
- Only if the period type for the payments is **Days**:
  - **End of Fifteen Days**
  - **End of Ten Days**
  - **End of Week**

Immediately

The **Immediately** due-date calculation method simply adds the payment period to the document date.

Example

Purchase invoice PUR 20000123 has the following details:

- The document date is 2007-02-23.
- The payment period is 10 days.
- The period type for the payments is **Days**.
- The due-date calculation method is **Immediately**.
- No fixed payment days are specified.

The due date is calculated as follows: document date + payment period

The resulting due date is: 2007-03-05.

End of Month

For the **End of Month** method, you can select two additional factors for the due date calculation:

- - **The due-date calculation priority**
    If the due-date calculation priority is **End of Month**, the end of the month in which the invoice was created is taken. The payment period is added to that.
  - If the due-date calculation priority is **Payment Period**, the payment period is first added to the document date. Then, the end of the month in which the resulting date lies is taken as due date.
- **The due-date time fence**
  The fence defines a fixed day of the month before which the invoice must have been created. If the invoice's document date is higher than the due-date fence, a whole month is added to the calculation.

Example

Purchase invoice PUR 20000456 has the following details:

- The document date is 2007-02-23.
- The payment period is 10.
- The period type for the payments is **Days**.
- The due-date calculation method is **End of Month**.
- The due-date fence is 20 (day 20 of a month).
- The due-date calculation priority is **End of Month**.
- The fixed payment dates are the 5th, the15th, and the 25th of each month.

The resulting due date is 2007-04-15. This is calculated as follows:

- The due-date calculation priority **End of Month** determines that the last date of the month in which the invoice was created must be taken. In this case 2007-02-28.
- The due-date fence is the 20th of the month, which means the invoice's due date is only calculated starting from February if the document date falls before the 20th of February. As this is not the case, the end of the following month will serve as the basis of the calculation instead (2007-03-31).
- The due date is calculated by adding the payment period to the end date of this month; this results in: 2007-04-10.
- This date must be increased until the next fixed payment date. This means the due date is: 2007-04-15.

Example

In this example, the time fence and the due-date calculation priority have the following effect:

- **The time fence**
  If the document date is 2007-02-13, the time fence (2007-02-20) is not exceeded and the due date is: 2007-03-15.

- **The due-date calculation priority**

  If the due-date calculation priority is **Payment Period**, the resulting due date is 2007-03-31. This is calculated as follows:

  - The priority determines that first the payment period must be added to the document date. Then the end of the month in which the resulting date falls is taken.

  - If the result is later than the time fence (at the time of the transfer), the due date must fall in the following month.

  - The due date is calculated as follows: Document date + payment period = 2007-03-05. This date is earlier than the 20th of the month, which means the date can be moved to the end of the month. Therefore, the resulting due date is 2007-03-31.

If the period type is **Months**, the due-date calculation method must be **End of Month**. and the due-date calculation priority is **Not Applicable**.

Example

Purchase invoice PUR 2000789 has the following details:

- The invoice date is 2007-03-25.
- The payment period is 3.
- The period type is **Months**.
- The due-date calculation method **End of Month**
- The due-date fence is 20 (20th of the month).

The resulting due date, 2007-07-31, is calculated as follows:

- The calculation method is **End of Month**, which means that the due date must fall after the end of the month (as the priority does not apply).

- The time fence is 20: the conditions are only valid for the month of the document date, if this date is earlier than the 20th of the month (2007-03-20). As this is not the case, the end of the following month is taken (2007-04-30).

- The due date is determined by adding the payment period to the last date of this month, resulting in: 2007-07-31.

End of Fifteen Days

Fortnights start on the first, the 15th, and the 29th day of the month.

Example

Purchase invoice PUR 20000123 has the following details:

- The document date is 2007-02-23.
- The payment period is 10 days.
- The period type for the payments is **Days**.
- The due-date calculation method is **End of Fifteen Days**.
- No fixed payment days are specified.

The due date is calculated by adding the payment period to the first day of the next fortnight after the document date.

The first day of the next fortnight after 2007-02-23 is 2007-03-01.

The resulting due date is 2007-03-01 + 10 days = 2007-03-11.

End of Ten Days

For the **End of Ten Days** due-date calculation method, due date is calculated by adding the payment period to the first day of the next multiple of ten days after the document date. Multiple of ten day periods start on the first, the 11th, the 21st, and the 31st of each month.

Example

Purchase invoice PUR 20000123 has the following details:
- The document date is 2007-02-13.
- The payment period is 10 days.
- The period type for the payments is **Days**.
- The due-date calculation method is **End of Ten Days**.
- No fixed payment days are specified.

The due date is calculated by adding the payment period to the first day of the next fortnight after the document date.

The first day of the next multiple of ten days after 2007-02-13 is 2007-02-21.

The resulting due date is 2007-02-21 + 10 days = 2007-03-02.

End of Week

For the **End of Week** due-date calculation method, the due date is calculated by adding the payment period to the first day of the next week after the document date. LN retrieves the first day of the week from the Companies (ttaad1100m000) session of Tools.

Example

Purchase invoice PUR 20000123 has the following details:
- The document date is 2007-02-13.
- The payment period is 10 days.
- The period type for the payments is **Days**.
- The due-date calculation method is **End of Week**.
- The first day of the week in the Companies (ttaad1100m000) session is **Sunday**.
- No fixed payment days are specified.

The due date is calculated by adding the payment period to the first day of the next week after the document date.

The first day of the next week after 2007-02-13 is 2007-02-17.

The resulting due date is 2007-02-17 + 10 days = 2007-03-27.

1099-MISC reporting

This functionality is specific for the United States.

In the United States, the Internal Revenue Service (IRS) is the government agency responsible for enforcing the tax regulations. 1099-MISC income is one of the types of revenue included, and certain supplier payments are subject to reporting under these regulations.

Setting up 1099-MISC reporting

To set up 1099-MISC reporting, use the following sessions:

- **General Company Data (tccom0102s000)**
  On the appropriate menu, click **Payer's 1099...** to start the Payer's 1099 Details (tccom7137s000) session.
- **Payer's 1099 Details (tccom7137s000)**
  Enter your company's payers details.
- **Main Pay-to Business Partner for 1099 (tfcmg3106m000)**
  List the business partners for which you must report payments that are subject to 1099-MISC taxation. If the pay-to business partner differs from the business partner who reports the 1099-MISC income, you can use this session to link the pay-to business partner to the business partner who reports the 1099-MISC income.
- **Pay-to Business Partner (tccom4124s000)**
  On the appropriate menu, click **1099 Details** to start the Pay-to Business Partner 1099 Details (tccom4126s000) session.
- **Pay-to Business Partner 1099 Details (tccom4126s000)**
  Enter the business partner's 1099-MISC details.
- **1099 Box Numbers (tfcmg1115m000)**
  Define the box numbers of the 1099-MISC declaration. The box numbers are assigned by the IRS to categorize the various types of 1099-MISC income.
- **Reasons for Payment (tfcmg0130m000)**
  Define reason codes for the payments that must be reported. For each reason code, select the **Valid for1099-MISCFiling Purposes** check box.

- **Reasons for 1099 Box Numbers (tfcmg1116m000)**
  Link the reason codes to the box numbers.

Performing 1099-MISC reporting

To perform 1099-MISC reporting, use the following sessions:

- **Compose Payments Manually (tfcmg1246m000)**
  For payments that are subject to 1099-MISC taxation, in the **Reason for Payment** field, specify
  a reason code that is valid for 1099-MISC filing.

- **File 1099-MISC (tfcmg3204m000)**
  Use this session to generate output for filing 1099-MISC Income payment information to the
  IRS.

Chapter 20
Foreign Payment Bank Files

<div style="text-align:right">

20

</div>

Reason for payment

Note

The requirement to add the reason for payments in foreign currencies to the bank file can also apply in other countries than the Nordic countries.

To set up Nordic bank files

To set up Nordic bank file handling, use the following sequence of sessions:

1. **General Company Data (tccom0102s000)**
   In the **Fiscal Identification** field, enter your fiscal identification number.

2. **CMG Parameters (tfcmg0100s000)**
   In the **Bank File Settings** group box:
   - Select the **Use Transaction Sequence Number** check box.
   - Select the **Reason for Foreign Payment** check box.

3. **Bank Account by Pay-to Business Partner (tccom4125s000)**
   In the **Bank Costs** field, define the party that will pay the bank costs.

4. **Type of Payment (tfcmg0504m000)**
   Define a code for each type of payment.

5. **Payment/Receipt Method (tfcmg0140s000)**
   Define a payment method and enter a type of payment. In the **Report Group Payments/Receipts** field, enter the report group that provides the bank file format of the bank for which you define the payment method. If you use the payment method for payments in a foreign currency, select the **Add Reason to Foreign Payments** check box.

6. **Reasons for Payment (tfcmg0130m000)**
   Define the reason codes for payments in foreign currencies and select the **Use Additional Description** check box. Select the reason for payment and on the appropriate menu, click **Additional Description** to start the Additional Description by Reason (tfcmg0131m000) session.

7. **Additional Description by Reason (tfcmg0131m000)**
   Define the additional descriptions of the reasons for payment in foreign currencies.

8. **Bank Relation (tfcmg0110s000)**
   Enter your customer code extension at the bank, your bank branch's code, and the division code the bank uses for you department.

9. **Transaction Sequence Number Code (tfcmg0513m000)**
   If transaction sequence numbers are required, define the set of transaction sequence numbers to be used for the transactions with each bank.

10. **Bank Branches (tfcmg0511m000)**
    Define the bank details and supply your customer code at the bank, and the bank's SWIFT code. If transaction sequence numbers are required, in the **Sequence Number Code** field, select the set of transaction sequence numbers to be used for transactions with the bank.

11. **Payment Authorizations (tfcmg1100m000)**
    Enter your payer's ID for the bank files.

Appendix A

Default amounts for bank transactions

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

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

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

Related topics

- Payment/receipt schedule
- Discount/late payment surcharge
- Tolerated payment differences

Payment/receipt schedule

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

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

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

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

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

Example

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

Payment schedule:

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

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

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

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

Discount/late payment surcharge

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

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

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

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

Example 1

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

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

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

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

Default discount: 72 * 100/92 * 8/100 = USD 6.26

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

Example 2

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

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

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

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

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

Tolerated payment differences

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

LN determines the default tolerated payment difference for an invoice based on:
- The open amount.
- The invoice amount.
- The defined payment difference tolerances.

Example 1

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

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

The default payment difference is 50.

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

Example 2

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

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

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

Note

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

Advance Payment Categories

In some countries, businesses are legally required to make a distinction between advance payments made for these categories.

LN posts the transactions to the ledger accounts that you linked to the selected category in the corresponding Ledger Accounts by Business Partner Group (tfacp0111m000) session.

- **Tangible Fixed Assets**

  For example, supplies and stocks of:
  - Land
  - Properties
  - Machines
  - Equipment
  - Advance payments and buildings under construction

- **Intangible Assets**

  For example:
  - Concessions
  - Licences
  - Goodwill
  - Advanced payments

- **Inventories**

  For example:
  - Raw materials
  - Unfinished products
  - Finished products
  - Advance payments

- **Other Assets**

  For example:
  - Shares in associated companies
  - Claims and other properties
  - Claims on deliveries
  - Claims against associated companies

Cash and bank transactions

- - **Cash transactions and bank transactions:**
    Main session: Bank Transactions (tfcmg2500m000)
  - Next session: Transactions (tfgld1102m300)
  - **<u>Anticipated payments</u>:**
    Main session: Anticipated Payments (tfcmg2110s000)
  - Next session: Anticipated Payments (Details) (tfcmg2116s000)
  - **<u>Anticipated receipts</u>:**
    Main session: Anticipated Receipts (tfcmg2111s000)
  - Next session: Anticipated Receipts (Details) (tfcmg2117s000)
  - **To change the status of anticipated payments:**
    Main session: Anticipated Payment Status (tfcmg2512m000)
  - Next session: Anticipated Payments (Details) (tfcmg2116s000)

- **To change the status of anticipated receipts:**
  Main session: Anticipated Receipt Status (tfcmg2513m000)
- Next session: Anticipated Receipts (Details) (tfcmg2117s000)
- **To assign unallocated payments or advance payments to purchase invoices:**
  Main session: Assign Advance/Unallocated Payments to Invoices (tfcmg2131s000)
- Next session: Assign Unallocated/Advance Payments to Invoices (tfcmg2106s000)
- **To assign <u>unallocated receipts</u> or <u>advance receipts</u> to sales invoices:**
  Main session: Assign Advance/Unallocated Receipts to Invoices (tfcmg2130s000)
- Next session: Assign Unallocated/Advance Receipts to Invoices (tfcmg2105s000)

Factoring with recourse

For factoring with recourse, LN creates the financial posting described here.

Send invoices to factor

If the invoices are factored with recourse, when you send the invoices to the factor LN makes the following entry to create a provision to repay the factor if the customer should fail to pay:

- Debit: Invoices Factored
- Credit: Contingent Liability for Factored Invoices

The amount posted is the net amount factored with the factor. This amount is:

The invoice amount - deductions - credit note amount.

Settle the invoice

When the factor notifies you that the customer has paid, you must settle the factored invoice. LN makes the following entry:

- Debit: Contingent Liability for Factored Invoices
- Credit: Invoices Factored

Repay the factor

If the customer fails to pay, your company must reimburse the factor. You must create a credit note for the factor for the amount to be repaid.

If the **Create debit notes while repaying** check box in the CMG Parameters (tfcmg0100s000) session is selected, LN creates a debit note for the original pay-by business partner. If this check box is cleared, LN reopens the original invoice.

LN creates the following entries:

- For the credit note for the factor, for the amount to be repaid to the factor:
  - Debit: Contingent Liability for Factored Invoices
  - Credit: Customer Control Account of the Factor
- For the debit note for the original pay-by business partner:
  - Debit: Customer Control Account of the Invoice-to business partner.
  - Credit: Invoices Factored
  - Credit: Discounts and other deductions

The debit note is created in Invoicing and uses the transaction type defined for debit notes. The following applies to the debit note:

- You can enter the due date of the debit note.
- The terms of payment of the invoice-to business partner are used. No discounts apply to the debit note, as the invoice is already past its due date.
- Realized currency differences are calculated for the period between the date on which the invoices were factored and the debit note date and posted to the **Contingent Liability Account** and the **Invoice Factored** account.

For invoices that are reopened without any amount being repaid or settled, LN only creates a correction document and links it to the open entries. LN makes a entry to reverse the entries to the Contingent Liability account and the Invoices Factored account.

Factoring without recourse

Send invoices to factor

If invoices are factored without recourse, LN closes the original invoices and creates a new open entry for the factor when you send the invoices to the factor. The document type of the new open entry is **Sales Invoice**, as the factoring transaction involves a sale of receivables to the factor.

The amount posted is the net amount receivable from the factor, which is the invoice amount minus any deductions that apply to the invoice-to business partner minus any existing credit notes for the invoice-to business partner amount. For this entry, the factoring commission is not treated as a deduction.

LN creates the following entries:

- Debit: Factor Control Account
- Debit: Discount
- Debit: Late Payment Surcharges
- Credit: Customer Control Account

If tax applies to the payments of the original invoice, then the tax amounts are also posted when the original invoice is closed.

LN creates the following entries:

- Debit: Interim Tax on Payments Account
- Credit: Sales Tax Account

Unfactor the invoice

If the customer fails to pay, or for other reasons, you can decide to unfactor the invoice and to repay any received advances to the factor.

If the invoices were factored without recourse, the documents can be unfactored if no amount was received from the factor for them. In this case, the original invoices are reopened and the discounts and other deductions that were posted at the time of sending are reversed. The invoice created for the factor is closed.

The postings are:

- Debit: Customer control account
- Credit: Factor control account
- Credit: Discount/ Late Payment Surcharges

Report groups

In the **Report Group Payments/Receipts** and the **Additional Report** fields of the Payment/Receipt Method (tfcmg0140s000) session, you must enter the report group that defines the report or ASCII file generated for the payment or direct debit.

Payment report groups

For payments, the available report groups are:

- 1: Bank Orders
- 2: Bank File (Clieop)
- 3: Checks
- 4: Report & Remittance Bank File (Clieop)
- 6: Report & Remittance Bank File (Belgian Credit Bank)
- 10: Checks - German Layout
- 11: Trade Notes
- 12: BankGiroCentrale File
- 13: BACS layout as used in UK
- 14: ABN AMRO BTL91 format
- 15: Checks (US Layout)
- 16: Bank Orders (German Layout)
- 17: Canadian Checks
- 18: Spanish Check 'Carta Pagare'

- 19: ACH formatted File
- 22: Check Printout for France
- 30: Bank File (Clieop EUR/NLG)
- 37: Belgian Bank File for Payments in FC
- 44: DTA file (Swiss payment slips)
- 48: Belgian Bank File for Domestic Payments in BEF
- 55: ETEBAC local payment (France)
- 54: ZENGINKO Japanese bank file layout
- 56: ETEBAC foreign payment (France)
- 57: Electronic Payment File (Italy)
- 58: Bank Remittance Layout (Italy)
- 60: Norma File 34 (Spain)
- 62: Norma File 68 (Spain)
- 63: Norma File 34-1 (Spain)
- 65: PAYMUL Domestic (Austria)
- 66: PAYMUL Foreign (Austria)
- 70: SEPA-Begleitzettel
- 72: SWIFT Domestic (Bulgaria)
- 73: SWIFT Foreign (Bulgaria)
- 97: UK Checks
- 99: Checks

Receipt report groups

For receipts and direct debits, the available report groups are:
- 1: Direct Debit Forms
- 2: Direct Debits Bank File (Clieop)
- 3: Trade Note Form
- 4: Report & Remittance Bank File (Clieop)
- 5: Direct Debits (German Layout)
- 20: Remittance file Ricevuta Bancaria Elettronica (RI.BA)
- 21: Remittance file Rapporti Interbancaria Diretti (RID)
- 22: Bank Remittance file Ricevuta Bancaria Elettronica (RI.BA)
- 23: Bank Remittance file Rapporti Interbancaria Diretti (RID)
- 24: Remittance File by Non-Resident Customer (RI.BA)
- 30: Direct Debits Bank File (Clieop EUR/NLG)
- 32: Norma 32 (Spain)
- 70: SEPA-Begleitzettel (debit)

Nordic bank files report groups

For Nordic bank files, the available report groups are:

- 7: Postgiro File (Swedish Layout)
- 8: Bankgiro File (Swedish Layout)
- 9: Report Bank/Giro File (Nordic Layout)
- 23: ULMP '2499' (Finland)
- 24: LUM2 (Finland)
- 27: NorskeBank - Foreign (Norway)
- 28: NorskeBank - Domestic (Norway)
- 29: Sisu - Foreign (Sweden)
- 32: Danske Bank - Foreign (Denmark)
- 33: BG Bank - Domestic (Denmark)
- 34: BG Bank - Foreign (Denmark)
- 35: Danske Bank - Domestic (Denmark)
- 36: PostGiro - Domestic (Sweden)
- 38: LM2/Mertia Domestic (Finland)
- 39: LM02/Leonia/Domestic (Finland)
- 43: Bank Giro/Domestic (Sweden)
- 47: Uni Bank/UTF9/Domestic (Denmark)
- 49: Merita Bank File (Finland)
- 51: Uni Bank/UBT040/Foreign (Denmark)
- 67: Danske Bank - Domestic (Norway)
- 68: Danske Bank - Foreign (Norway)

Trade note report groups

Report groups for trade notes payable

For payments, the available report groups are:

- 1: Bank Orders
- 2: Bank File (Clieop)
- 3: Spanish Trade Note layout
- 4: Portuguese Trade Note layout
- 5: French Trade Note layout
- 6: Report & Remittance Bank File (Clieop)
- 7: Report & Remittance Bank File (Belgian Credit Bank)
- 8: Postgiro File (Swedish Layout)
- 9: Bankgiro File (Swedish Layout)
- 10: Report Bank/Giro File (Nordic Layout)
- 11: BankGiroCentrale File

- 54: Japan Bank Statement
- 60: Norma File 34 (Spain)

Report groups for trade notes receivable

For receipts, the available report groups are:
- 1: Remittance File (RI.BA)
- 2: Remittance File (RID)
- 3: Norma 58 (Spain)
- 4: Spain Trade Note Layout
- 5: Portugal Trade Note Layout
- 6: French Trade Note Layout
- 7: Bank Remittance (RI.BA)
- 8: Bank Remittance (RID)
- 9: Trade Note Form
- 10: French Receivables Remittance
- 19: Norma 19 (Spain)
- 32: Norma 32 (Spain)

Appendix B
Glossary

accounting office

A department that a financial company uses to group financial data on a more detailed level than by enterprise unit.

You can typically use accounting offices to group the following types of financial data:

- Manually entered sales invoices
- Trade notes
- Business partner financial data

You can link an accounting office to several business partner roles.

advance payment/receipt

A paid or received amount, which cannot be allocated to an invoice or any other document. After an invoice has been created, the advance payment or receipt can be allocated to it. Unlike an unallocated payment/receipt, you can calculate tax on a advance payment/receipt.

anticipated payment

A payment that is not entirely executed yet, or is on its way to be executed.

These anticipated payments can be created:

- Automatically, for example when a check is generated by the automatic payment procedure.
- Manually, for example, when a check is written.

Antonym: anticipated receipt

anticipated payment

See: *anticipated receipt (p. 124)*

anticipated receipt

See: *anticipated payment (p. 123)*

anticipated receipt

A receipt that is not completed yet.

Anticipated receipts can be created:

- Automatically, for example, in case of direct debit.
- Manually, for example, when a check is entered.

Antonym: anticipated payment

appropriate menu

Commands are distributed across the **Views**, **References**, and **Actions** menus, or displayed as buttons. In previous LN and Web UI releases, these commands are located in the *Specific* menu.

bank account

A record of debit and credit entries to cover transactions involving a particular item, person, or concern. The bank account is identified by a number.

LN can be set to check bank account numbers when you enter them. If the account number does not pass the check, LN displays a warning message.

bank charge

The costs a bank charges to process the transactions. The bank charges can depend on the type of transfer, for example, whether the transfer is between different banks or between branches of the same bank. In addition, the bank charges can vary for different ranges of transaction amounts.

bank relation

A bank account of your company. The bank relation definition includes details such as your bank account number, account type, the international bank account number, the bank's currency and whether other currencies are allowed, and whether the account is a blocked account.

batch

A group of financial transactions processed together. If you finalize a batch, all the transactions are processed, or if an error occurs, no transactions are processed.

cash application

The assignment of received payments to open entries.

cash forecast

The expected cash position at a future date. The current cash amount is increased by the amounts to be received and reduced by the amounts to be paid, in all periods in between.

check

A written order directing a bank to pay money as instructed.

check master

A function in which checks can be prenumbered. The prenumbered checks can be used later on in the payment process.

company ID

The identification number the bank assigns to your organization for the electronic processing of bank files.

currency exchange rate

The factor by which an amount in a different currency is multiplied to calculate the amount in the currency base.

Synonym: currency rate

currency rate

See: *currency exchange rate (p. 125)*

DAS 2

Déclaration annuelle des salaries (Annual declaration of the wages/fees). A report of all payments made to third parties during a fiscal year, which must be submitted annually to the French government.

dimension type

One of up to twelve available analysis account bases for ledger accounts.

due date

In LN, the date that a payment or receipt is required.

factor

The funding source for the company. The factor is usually a bank or a commercial finance company that purchases the accounts receivable (sales invoices) from the company.

factor's advance payment

The money the factor sends to the company in advance, after the verification process is complete, and before the factor receives payment from the company's customer.

factoring

A form of accounts receivable financing that consists of the sale of a company's accounts receivable to a third party (the factor), in order to obtain funding. The sale is made at a discount from the account's value.

Customers remit to the factor either directly or indirectly through the seller. Factoring can be with or without recourse. For factoring with recourse, the risk of customer non-payment remains with the company.

hold reason

A code attached to a purchase invoice to block the payment of that invoice.

International Bank ID

See: *SWIFT code (p. 129)*

invoice currency

The currency in which the invoice amount is expressed.

invoicing batch

Selects the order types and orders to be invoiced. If you process an invoicing batch, LN selects the invoicing data and generates the invoices for the order types and orders selected through the invoicing batch.

invoicing batch template

Defines the type and number of orders that you can select through the invoicing batch. For example, the types of orders can be Sales, Freight, Projects, or Service, and the number of orders of each type can be **None**, **One**, or **Several**.

late payment surcharge

The percentage that is charged over the goods amount or over rendered services that the recipient of the invoice must pay if the invoice is not paid within a specified period.

monthly billing invoice

A monthly statement of the open sales invoices that you send to an invoice-to business partner. The business partner generates self-billed invoices and uses the monthly billing invoice for reference.

original pay-by business partner

The pay-by business partner that is linked to the invoice-to business partner of the order.

pay-by business partner

The business partner from whom you receive payments. This usually represents a customer's accounts payable department. The definition includes the default currency and exchange rate, the customer's bank relation, the type of reminders you send to the business partner, and the frequency of sending reminders.

payment agreement

A way to define how invoice amounts must be paid. This includes the payment methods that apply to various parts of the invoice amount, and the payment currency.

For example, you can define a payment agreement to pay the first part of the invoice amount through the bank according to payment method PM1, 40 percent of the remaining amount, according to payment method PM2, and the other 60 percent according to payment method PM3, which can be a trade note payable.

payment difference

A difference between the invoice amount and the payment amount. If the payment difference falls within the user-defined margins, it can be accepted and written off automatically.

payment method

The method used to create a payment (purchase invoice) or a receipt (sales invoice).

The payment method defines details such as:
- The maximum amount
- The due date
- Allowance of foreign currencies and other details which must be printed on the report

These are default values that you can change on the order or on the invoice.

payment period

A number of days or months added to the invoice date. If no other due date calculations apply, the invoice must be paid within this period.

payment schedule

Agreements about the amounts that must be paid by payment period. You can link a payment schedule to the payment terms and, in this way, to sales invoices and purchase invoices.

Each line of the payment schedule defines a part of the invoice amount that must be paid within a specific period, the payment method used for the payment, and the discount conditions that apply to the payment.

Note

In many sessions, 'payment schedule' refers to a payment schedule *line*.

If you use receipts against shipments, 'payment schedule' refers to a shipment.

Synonym: receipt schedule

payment slip

Optically readable document attached to an invoice, which can be sent to the bank to make the payments for the invoice. The supplier's bank account number, the invoice amount, and an invoice reference number are preprinted on the payment slip. If a payment slip is attached to an invoice, the payment slip is created and printed together with the invoice.

payment terms

Agreements about the way in which invoices are paid.

The payment terms include:
- The period within which invoices must be paid.
- The discount granted if an invoice is paid within a given period

The payment terms allow you to calculate:
- The date on which the payment is due
- The date on which the discount periods expire
- The discount amount

pay-to business partner

The business partner to whom you pay invoices. This usually represents a supplier's accounts receivable department. The definition includes the default currency and exchange rate, the supplier's bank relation, the number of days within which you must pay the invoices, and if the business partner uses a factoring company.

receipts against shipments

A method to make payments or receipts separately for the approved quantity of each shipment rather than for the invoice that covers the complete order.

receipt schedule

See: *payment schedule (p. 128)*

recourse

A type of factoring or trade note discounting for which the risk of customer non-payment remains with the company. If the company's customer is financially unable to pay the amount due, the factor or bank has recourse against the company for that amount.

reference

Any informative description field used to refer to, for example:

- The person or department with authorization to perform a specific task.
- The business partner's contact.
- The original invoice number.

self-billing

The periodic creation, matching, and approval of invoices based on receipts or consumption of goods by an agreement between business partners. The sold-to business partner pays for the goods without having to wait for an invoice from the buy-from business partner.

stamp tax

A type of tax that is imposed on trade notes. Stamp tax consists of a fixed amount instead of a percentage. Depending on the country of your company, if you issue trade notes you can be obliged to pay stamp tax on the trade note.

In some countries, such as Spain and Japan, to pay the stamp tax, you must stick a stamp on the trade note document. In other countries, to pay the stamp tax, you must buy an official form for the trade note.

standing order

An order to which no invoices are linked, for example, recurring payments.

SWIFT code

The international code for the bank, according to the rules of the Society for Worldwide Interbank Financial Telecommunications (SWIFT).

Synonym: International Bank ID

tax code

A code that identifies the tax rate and which determines how LN calculates and registers tax amounts.

tax codes by country

Definition of the country-specific tax data, for example, the type of tax (single or multiple), the collection office, the tax rates, and any text that must be printed on invoices to which a specific kind of tax applies.

TNP

See: *trade note payable (TNP) (p. 130)*

TNR

See: *trade note receivable (TNR) (p. 131)*

to discount a trade note

A form of accounts receivable financing that consists of the sale of a company's trade notes receivable to a third party (usually a bank), in order to obtain funding. The purchase is made at a discount from the trade note's value and the net amount of discounting charges and commission is remitted to the company.

Customers remit to the discounter either directly or indirectly through the company. Discounting can be with or without recourse. For discounting with recourse, the risk of customer non-payment remains with the company.

to endorse a trade note

To transfer a trade note receivable to your supplier to settle purchase invoices. The transfer is achieved by putting the signature of the authorized signatory and the company stamp on the trade note.

trade note

Generic term for payment instruments such as bank drafts, checks, promissory notes, and bills of exchange. Trade notes can be used instead of cash payments if credit is extended to the customer. A trade note can replace the invoice. Because trade notes are negotiable, they can also be used as a credit instrument, for example, for discounting and endorsing.

Trade notes can exist on paper and on magnetic supports, according to local business practices and banking standards.

trade note payable (TNP)

A promissory note that you send to a supplier or a bill of exchange received from your supplier with the commitment to pay the amount due after a certain period.

Acronym: TNP

trade note receivable (TNR)

A promissory note received from a customer or a bill of exchange accepted by a customer with the commitment to pay the amount due after a certain period.

Acronym: TNR

transaction type

A user-defined three-position code used to identify documents. The series linked to the transaction type give documents the sequence number.

unallocated payment/receipt

A payment/receipt, appearing on a bank statement, which cannot be allocated to an invoice or other document. This payment can be registered as unallocated. An unallocated payment/receipt can be allocated to invoices later.

VAT

Acronym for value-added tax; the indirect percentage tax levied on products or services at various stages of production and distribution.