

Article # 1122

Technical Note: How to Adjust Finance Charges Applied to AR Invoices in AccountMate 7 for LAN and AccountMate 6.5 for SQL/MSDE/LAN

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 7 for LAN
AccountMate 6.5 for SQL and MSDE
AccountMate 6.5 for LAN

Module(s) Affected: Accounts Receivable

Posting Date: 05/20/2009

DESCRIPTION

Finance charges are additional fees you impose to your customers for nonpayment of their obligations within a specific period of time. You apply finance charges to past-due AR invoices using the Apply Finance Charge function in the Accounts Receivable module. In case you have applied finance charges to the wrong AR invoices/customers, have charged erroneous finance charge rate/amount, or have granted a customer's request for a lower finance charge; you must record an adjustment to the AR finance charge.

This Technical Note discusses how to adjust finance charges previously applied to AR invoices in AccountMate 7 for LAN and AccountMate 6.5 for SQL/MSDE/LAN. It also explains the relevant journal entries and enumerates the affected reports.

Note: *If you are using AccountMate 7 for SQL/Express, refer to the article, "How to Adjust Finance Charges Applied to AR Invoices in AccountMate 7 for SQL/Express" for details.*

SOLUTION

A. Procedures in adjusting AR finance charges

To adjust finance charges previously applied to AR invoices, follow these steps:

1. Access the Apply Payment function in the Accounts Receivable module.
2. Enter in the Customer # field the applicable customer number.
3. Highlight the applicable invoice number, and right-click on the italicized header in the Adjustment column to display the Adjustment window.
4. Perform these steps in the Adjustment window (see Figure 11):

- 4.1 Enter in the Adj Amt field the amount that you wish to deduct from the previously applied finance charges.
 - 4.2 Beside the Adj Amt field, specify the GL Account ID to which you want AccountMate to post the finance charge revenue adjustment. To correct the finance charge balance, be sure to specify in this field the Finance Charge Revenue GL Account ID that was credited upon finance charge application.
- Note: The default GL Account ID shown beside the Adj Amt field comes from AR Module Setup's Payment Adjustments field.*
- 4.3 Click the Close button to exit the Adjustment window and to return to the Apply Payment function window.
5. In the Apply Payment function's Adjustment column review the finance charge adjustment amount you have specified in the Adjustment window. See Figure 12. When you are ready to save the transaction, click the Save button.

The screenshot shows the 'Adjustment' window with the following data:

Invoice #	300077
Invoice Date	05/01/09
Disc Date	05/11/09
Due Date	05/31/09
Pay Code	2%10NET30
Invoice Amt	1,024.24
Finance Chg	10.24
Total Paid	0.00
Balance	1,034.48
Apply Amt	0.00
Discount Amt	0.00
Adj Amt	10.24
Write-off Amt	0.00
New Balance	1,024.24

	GL Account ID	GL Account Description
Discount Amt	408500-100-00	Cash Sales Discounts
Adj Amt	408500-100-00	Cash Sales Discounts
Write-off Amt	930100-100-00	Bad Debt Expense

Close

Figure 11 - Adjustment window

The screenshot shows the 'Apply Payment' window with the following data:

Customer #: ACC1
Company: Access Communications, Inc.
Address: 3398 Lincoln Ave., Bldg A, San Rafael, CA 94901, Phone: 415-258-0900

Payment Details:
Pay Code: CHECK, **Avg Pay Days:** 94
Deposit Bank #: BOFA, **Bank Currency:** USD, **Pay Currency:** USD
Paid Amount: 0.00
Receipt Date: 06/02/09
Chk/Card #: [Empty]
Reference: [Empty]

Summary:
Open Credit: 3,145.00, **Unapplied Amt:** 0.00

Invoice #	Pay Code	Disc Date	Due Date	Fin Charge	Balance	Apply Amount	Adjustment	Unapply Bal	
300062	2%10NET30	01/22/06	02/11/06	0.00	5,697.66	0.00	0.00	5,697.66	
300065	2%10NET30	02/14/06	03/06/06	0.00	5,711.51	0.00	0.00	5,711.51	
300076	2%10NET30	01/11/09	01/31/09	10.24	1,024.24	0.00	0.00	1,024.24	
300077	2%10NET30	05/11/09	05/31/09	10.24	1,034.48	0.00	10.24	1,024.24	
				Total	20.48	13,467.89	0.00	10.24	13,457.65

Figure 12 - Apply Payment function

B. Journal entries:

When you adjust the finance charges you previously applied to AR invoices, AccountMate generates the following accounting entries:

	DEBIT	CREDIT
Finance Charge Revenue	xxx	
Trade Accounts Receivable		xxx

Note: AccountMate records the decrease in both the finance charge revenue and customer receivable by debiting the Finance Charge GL Account ID specified beside the Adj Amt field in the Adjustment window and crediting the Trade Accounts Receivable GL Account ID specified in the customer record's GL Account tab.

C. Affected reports

When there is a need to verify finance charge adjustment transactions and their effect on GL Account ID balances, you may generate any of the following reports that provide pertinent information:

1. GL Transfer Report (in the Accounts Receivable module)

The AR Transfer to GL Report shows the system-generated journal entries when you adjust finance charges using the Apply Payment function. As explained earlier, AccountMate debits the Finance Charge Revenue GL Account ID specified in the

Adjustment window and credits the Accounts Receivable GL Account ID set up in the customer record. See Figure 13.

06/02/09 03:41:32 PM
Printed By: Emmy

National Office Supply, Inc.
AR Transfer to GL Report

Page 1

Date	GL Account ID	Account Description	Customer	Company	Invoice # Description	Transfer Amt	
Posting Period: Jun/09/06/01/09 to:06/02/09							
06/02/09	120100-000-00	Trade Accounts Receivable	ACCI	Access Communications, Inc.	300077 PAID Inv#300077	-10.24	
06/02/09	408500-100-00	Fin Chgs - Standard Product	ACCI	Access Communications, Inc.	300077 PAID Inv#300077	10.24	
<i>Jun 09: 2 Record(s)</i>						Total for Jun/09 :	0.00
						Total For This Report :	0.00

Figure 13 - AR Transfer to GL Report

2. Finance Charge Report

The Finance Charge Report shows the finance charges applied to AR invoices but not the subsequent finance charge adjustments entered in the Apply Payment function. See Figure 14. To verify the finance charge adjustments, generate the AR Status Report.

06/02/09 03:56:54 PM
Printed By: Emmy

National Office Supply, Inc.
Finance Charge Report

Page 1

Customer #	Company	Invoice #	Inv Date	Date Charged	Finance Chg Amt	
ACCI	Access Communications, Inc.	300077	05/01/09	06/01/09	10.24	
<i>ACCI: 1 Record(s)</i>					Total for ACCI :	10.24
<i>Report: 1 Record(s)</i>					Total For This Report :	10.24

Figure 14 - Finance Charge Report

3. AR Status Report

If you want to verify both the finance charge applied to an AR invoice and the subsequent finance charge adjustment(s), generate the AR Status Report. This report shows the applied finance charge in the FinChgAmt column and the finance charge adjustment in the Adj Appl'd column. See Figure 15.

Note: If you entered other types of adjustments in the Adj Amt field of the AR Apply Payment function's Adjustment window, the Adj Appl'd amount shown in the AR Status Report will be inclusive of amounts other than finance charge adjustments.

06/02/09 04:13:45 PM
Printed By: Emmy

National Office Supply, Inc.
AR Status Report

Page 1

Invoice#	Inv Date	Due Date	Subcontract	Inv Amt	FinChgAmt	Paid Amt	Disc.Amt/Df	Adj.Amt/Df	Bal.Debt	Cur. Coll/Less	Balance
Customer #: ACC1 (Access Communications, Inc.)											
300077	05/01/09	05/01/09	SABA	1,024.24	10.24	0.00	0.00	10.24	0.00	0.00	1,024.24
ACCI: 1 Record(s)			Total for ACC1:	1,024.24	10.24	0.00	0.00	10.24	0.00	0.00	1,024.24
Report: 1 Record(s)			Total For This Report:	1,024.24	10.24	0.00	0.00	10.24	0.00	0.00	1,024.24

Figure 15 - AR Status Report

4. Customer Transactions Summary Listing

The Customer Transactions Summary Listing allows a quick view of all transactions affecting the customer balance including applied finance charges and finance charge adjustments. Figure 16 shows the description "Finance Charge" for the applied finance charge and "Payment Adjustment" for the finance charge adjustment recorded in the Apply Payment function.

06/02/09 04:24:24 PM
Printed By: Emmy

National Office Supply, Inc.
Customer Transactions Summary Listing

Page 1

Invoice#	Inv Date	SO#	Transaction#	Description	Amount	
Customer #: ACC1 (Access Communications, Inc.)						
300077	05/01/09		Invoice #300077	Sales Invoice	1,024.24	
300077	06/01/09		FINANCE CHARGE	Finance Charge	10.24	
300077	06/02/09		Prnt Adjustment	Payment Adjustment	-10.24	
ACCI: 3 Record(s)					Total for ACC1:	1,024.24
Report: 3 Record(s)					Total For This Report:	1,024.24

Figure 16 - Customer Transactions Summary Listing

5. Customer Transactions Detail Listing

The Customer Transactions Detail Listing is similar to the Customer Transactions Summary Listing except that the former shows the items that comprise each invoice's balance. Similar to the Customer Transactions Summary Listing, this report displays the descriptions "Finance Charge" and "Payment Adjustment" for applied finance charges and finance charge adjustments recorded in the Apply Payment function, respectively. See Figure 17.

Customer Transactions Detail Listing

Invoice#	Trs Date	SO#	Item#	Description	U of M	Ship Qty	Unit Price	Net Price
Customer # : ACC1 (Access Communications, Inc.)								
300077	05/01/09		FREIGHT CHARGE	Freight Charge			5	5.00
300077	05/01/09		SALES TAX	Sales Tax			69	69.24
300077	05/01/09		CONFERENCE	8 Walnut Conference Table	EACH	1	1,000	950.00
300077	06/01/09		FINANCE CHARGE	Finance Charge			10	10.24
300077	06/02/09		Prnt Adjustment	Payment Adjustment			-10	-10.24
							Total for ACC1 :	1,024.24
Report: 5 Record(s)							Total For This Report :	1,024.24

Figure 17 - Customer Transactions Detail Listing

6. Customer Statement

The Finance Charge column in the Customer Statement shows the finance charges you applied against the customer's invoice or entire balance. The report's Payments section shows the finance charge adjustments recorded using the Apply Payment function.

Note: If you recorded other types of adjustments in the Adj Amt field of the AR Apply Payment function's Adjustment window, the Adjustment amount shown in the Customer Statement will include amounts other than finance charge adjustments.

National Office Supply, Inc.

PAST DUE

Customer Information

Access Communications, Inc.
 3398 Lincoln Ave.
 Bldg A
 San Rafael, CA 94901
 USA
 Contact : Mona Rice
 Telephone : 415-258-0900

Statement Date	06/02/09
Customer No.	ACC1
Date Paid	
Check No.	
Amt Remitted	

Statement

Please Detach and Return
 This portion with your payment

Statement	06/02/09
Customer No.	ACC1
Amt Remitted	

If Paying By Invoice - Check
 Individual Invoices Paid

Invoice No.	Invoice Date	Due Date	Amount	Finance Charge	Balance
300077	05/01/09	05/31/09	1,024.24	10.24	1,024.24
***** P A Y M E N T S *****					
Paid Date	Paid Reference		Paid Amount		
06/02/09	Adjustment on Inv #: 300077		10.24		

Invoice No.	Amount Due
300077	1,024.24

Figure 18 - Customer Statement

Finance charges are additional burden to your customers. Any changes to the finance charges previously applied to AR invoices have direct effect on your accounts receivable and

revenue; thus, you must exercise extreme care when you record adjustments to finance charges. Understanding how to properly record finance charge adjustments in AccountMate helps ensure accuracy of accounts receivable and finance charge revenue GL Account ID balances in the financial statements and reliability of reports for customers (e.g., Customer Statement) or for management's decision-making (e.g., AR Status Report, etc.).

This information is provided "AS IS" without warranty of any kind. AccountMate Software Corporation disclaims all warranties, either express or implied. In no event shall AccountMate Software Corporation be liable for any damages whatsoever including direct, indirect, incidental, consequential, loss of business profits, or special damages, even if AccountMate Software Corporation has been advised of the possibility of such damages.
