Defining terms

Terms is a percentage reduction of the total amount of receivable that is granted to a customer by a vendor for having mad an earlier payment.

List of terms types

The list of terms types is available from the level of the menu *Configuration → Finances → Types of Terms* It is composed of the following elements

***Types of Terms* window**

- **Name**
- **Active** — parameter conditioning whether it is possible to use terms in the system

***Items window* — presents information regarding selected terms**

- **[%]** — percentage value of granted terms
- **Number of Days** — period in which the terms is valid, counted from the date of document issue

Types of Terms

Defining types of terms

In order to define terms types, it is necessary to select the button [**Add**], which is placed in the *Types* group of buttons and, next, insert a unique terms name. The parameter *Active* is checked by default, with a possibility to change it at any

moment.

To define a terms type item, it is necessary to click on the button [**Add**], which is placed in the *Terms* group of buttons and, next, define the percentage value of granted terms and its period. In the system, it is possible to add one than more terms type with the same items.

[Alert] A terms type which has been already used in the system, cannot be deleted. [/alert]

[Alert] Modification of a terms type will not change terms values in payments for which it has been already used. [/alert]

Assigning terms to a document payment

Methods of assigning terms to a document payment

- selecting terms type defined in the configuration in the column *Terms,* in the tab *Amounts* of a document
- adding new terms type in the tab *Terms* of a document payment

Selecting terms type in the tab *Terms* of a document

To assign terms to a payment, from the level of document details it is necessary to open the tab *Amounts* and then, in the column *Terms,* select an appropriate terms type.

Selecting type of terms in the tab Amounts of a document

Adding terms from the level of the tab *Terms* of a document payment

To add terms, from the level of a document payment is necessary to open the tab *Terms* and them, from the *Terms* group of buttons, select the [**Add**] button. The following fields must be filled in for an item:

- **Terms [%]** — percentage value of terms (number from the 0-100 range)
- **Number of Days** — number of days within which payment must be made for terms to be granted. The number of days is counted from the date of issue. After selecting the terms expiration date, the number of days is completed automatically.
- **Terms Expiration Date** — the date by which payment must be made to be able to grant terms. This date cannot be later than the due date. After specifying the number of days, terms expiration date is completed automatically.

- **Terms Base** — payment amount calculated on the basis of document items determined as subject to terms. Detailed description of including/non including an item in terms can be found in article <<>>>
- **Value Not Subject To Terms** — difference between payment amount and terms base
- **Terms Value** — value of granted terms. This is a product of terms percentage value and payment value.
- **Amount to Be Paid** — remaining amount after the payment is corrected by the terms value.
- **Currency** — symbol of terms transaction currency
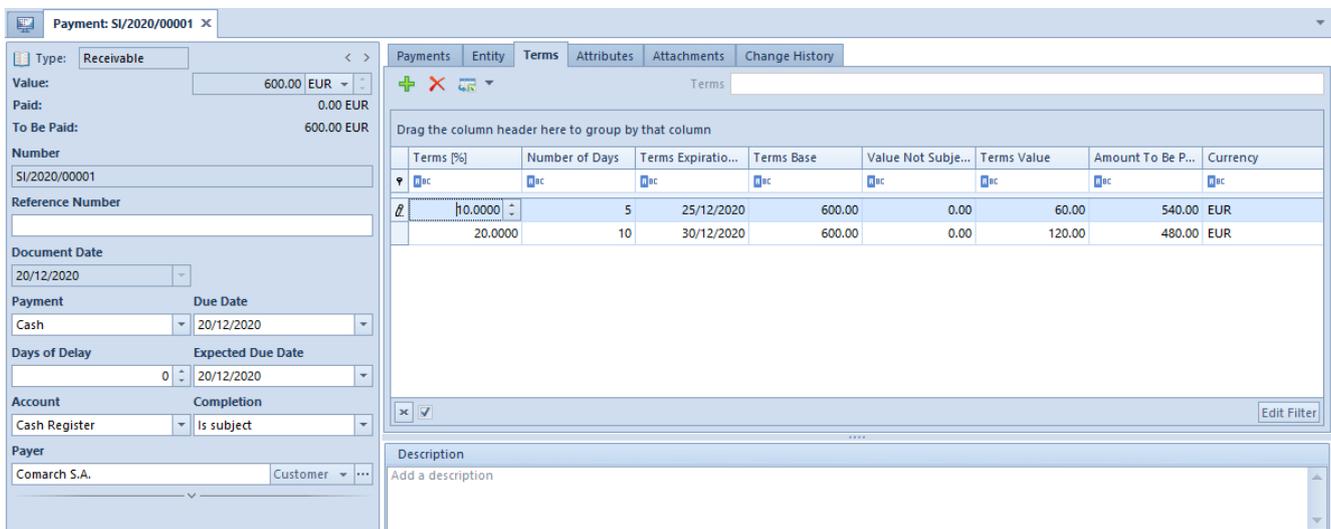
Tab Terms in document payment

Note
Terms can be granted only to open payments and payments not subject to completion which are not included in a statement of remittance orders.

Note
Terms discounts defined in an order are transferred onto payment of an invoice generated from that order.

Assigning terms to customer

A <<type of terms>> defined in the configuration can be assigned to a given customer. To do so, in the customer form, in the tab *Trade,* in *Terms* field, it is necessary to select an appropriate type of terms

Assigning default type of terms to a customer

If a customer with assigned terms is selected in a document, then, the same type of terms is assigned to the payment of this document, by default.

Cash/bank account of terms transaction

In the system, it is possible to indicate cash/bank account to which a terms transaction will be registered. Such an account is selected from a drop-down list, in the definition of *Terms* document type in a given center. The list contains all accounts available in a given center of the structure and the

option *<None>.* After completing a payment with terms assigned, a transaction of terms type will be created in the selected account — in the report specified on the basis of the date of of the payment transaction.

Note
If the option *<None>* is selected and the parameter *By received payment* is unchecked, then, when trying to complete a payment for which a terms transaction should be generated, the system displays the following message: *There is no account defined for terms. It must be specified in terms document definition.* It will not be possible to complete the payment until a register is selected.
Additionally, next to the cash/bank account, the parameter *By received payment* is available. By selecting it, a cash-bank transaction of terms type will be added to the same account in which a received payment is registered.

Note
A cash/bank account can be changed at any time.

Cash/bank account in Terms document definition

Excluding items from terms

In order to calculate terms value in a document, while simultaneously ignoring particular items, it is necessary to uncheck the parameter *Include in terms* on forms of these items.
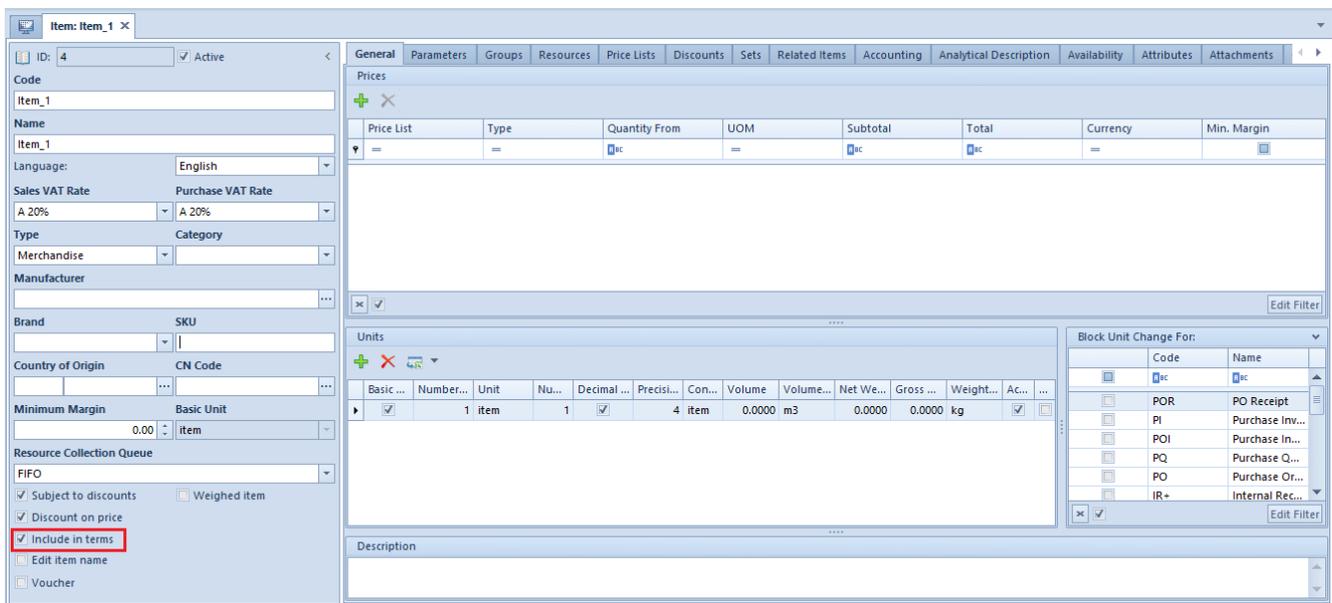
Parameter Include in terms on item form

Note
The parameter *Include in terms* is unchecked and deactivated if an item is associated with a voucher (parameter *Voucher* is checked).

Example
In the system, there are defined:

- Terms1 with conditions: 10% and 15 days
- **Item_1 with checked parameter *Include in terms***
- **Item_2 with unchecked parameter *Include in terms***
- **Customer_1 for whom due date is set to 30 days**

A sales invoice with two items has been added:

- Item_1 – subject to terms, 10 items, price 1.00 EUR/item
- Item_2 – not subject to terms, 20 items, price: 2.00/item

Terms1 has been assigned to the invoice payment. As a result, in the tab *Terms,* the following values are displayed:

- **Terms [%]**: 10,0000
- **Number of Days**: 15
- **Terms Expiration Date**: 6.12.2019 – invoice date of issue plus the number of days determined in terms conditions (11+15)
- **Terms Base:** 30 EUR – total value of item Item_1 (subtotal value + VAT)
- **Value Not Subject To Terms**: 49.20 EUR – total value of Item_2 (subtotal value + VAT)
- **Terms Value**: 1.23 EUR (10% of 12.30 EUR)
- **Amounts To Be Paid**: 60.27 EUR – total value of the whole invoice reduced by terms value
- **Currency**: EUR

If the payment for the invoice is made until 6.12.2019, the terms will be granted.

[/exmaple]

Granting terms

A granted terms is registered in the system as terms transaction. The form of this kind of transaction is the same as the form of a cash/bank transaction. Terms transactions can be previewed only and it is not possible to modify them.

Terms transaction form

Characteristics of terms transaction:

- it is created as a result of a payment completion (cannot be added manually) and it is associated with it
- depending on the settings of the *Parameter* payment in the definition of *Terms* document, it can have status *Paid* ord *Not subject*
- it is subject to posting, which allows for a proper balancing of the tax and revenue values which are subject to taxation on bookkeeping accounts
- it is automatically deleted along with deletion of a completed payment

[Alert] If payment is made with the use of the [**Pay**} button, then the value of the payment reduced by the value of granted terms is suggested as an amount to be paid.

As part of the creation of a terms transaction, the system creates an association between documents related to that transaction.

Example
On 08/19/2019 a sales invoice amounting to 350.00 USD and with due date 09/18/2019 was issued.

A terms with conditions: 10% and 15 days was assigned to the invoice payment. Terms expiration date: 09/03/2019.

The invoice was paid on 08/25/2019 — terms condition fulfilled

The following documents are generated during the payment completion:

- terms transaction amounting to 35.00 USD (350.00 USD * 10%)
- SIVC amounting to -35.00 USD
- KFSV na kwotę -35,00 PLN (dokument techniczny na potrzeby podatku VAT)
- VSIC amounting to -35.00 USD (technical document for tax purposes)

Example
Terms_3 with conditions: 30%, 2 days was added. The value of the parameter *Payment* on the terms document definition is set to *Is not subject.* On the form of the customer ABC, the due date is set to 30 days and Terms_3 is assigned.

A purchase invoice is issued for the customer ABC:

- date of issue: 5.27.2019
- amount 100.00 EUR, exchange rate: 1 EUR = 4 PLN
- due date: 6.26.2019

On the PI payment, in the tab *Terms,* the values which will be calculated once terms conditions are fulfilled, are presented:

Terms on the payment form of purchase invoice in EUR

The payment is completed with a CW transaction with exchange rate 1 EUR = 4.50 PLN on 5.28.2019. The conditions of the terms are fulfilled. During the completion the following documents are automatically generated:

- PIVC amounting to -30.00 EUR
- discount transaction amounting to 30.00 EUR
- exchange rate difference document amounting to 35 PLN [(4,50 − 4,00) * 70,00 EUR]

Completed PI payment