

Setup and Processing Finance Charges

Document #:	3148	Product:	CenterPoint® Accounting
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Use this optional feature to set up and process finance charges on past due customer balances. If a customer's balance is not paid when due, the finance charge information is used to calculate their finance charge amount which is then added to their balance. This occurs when you select Processes > Sales > Calculate Finance Charges. You can easily set up multiple finance charge codes for use with different customers.

[Step A: Create a Finance Charge Rule](#)

[Step B: Assign Finance Charge to the Customer](#)

[Step C: Calculate Finance Charges](#)

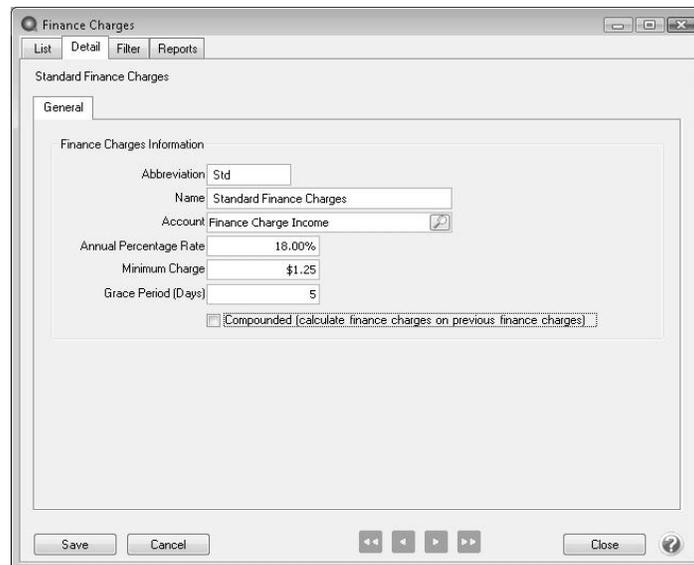
[Step D: Reverse a Previously Calculated Finance Charge](#)

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Step A: Create a Finance Charge:

1. Select **Setup > Sales > Finance Charges**. Click **New** to create a new finance charge rule.



2. In the **Abbreviation** box, enter up to ten characters of optional information that you can easily identify the finance charge by.
3. In the **Name** box, enter up to 30 characters of required information that describes the finance charge.
4. In the **Account** box, enter the default income account to which you want the finance charges applied when they are calculated and posted to the general ledger (generally, to a Revenue or Other Revenue account). Finance charges will be credited to this account.

5. In the **Annual Percentage** rate box, enter the annual finance charge rate to use for this code. Enter any percentage from zero (0) to 99.99. For example, enter 18 for 18%.
6. In the **Minimum Charge** box, enter the minimum amount you charge on past due accounts. When finance charges are calculated, the minimum charge is used if it is larger than the calculated finance charge. For example, if the calculated finance charge is \$4.20 and the minimum charge is \$5.00, the finance charge on the past due account will be the \$5.00 minimum charge not the \$4.20 calculated finance charge. If you do not use a minimum charge, leave this box blank (any calculated finance charge will be added to the balance even if it is only a penny).
7. In the **Grace Period** box, enter the number of days after the due date before you charge finance charges. For example, if your due date is October 15th, you might set up a grace period of 5 days to allow for customers who are just getting their payments in the mail on the 15th. If it's paid within the grace period it will not be charged finance charges.
8. Select the **Compounded (calculate finance charges on previous finance charges)** check box to calculate finance chargers on previous finance charges once they become past due. Laws vary by state on whether this is allowed or not, so be sure to check with your accountant or an authority in state government.

Step B: Assign Finance Charge to Customers

1. Select **Setup > Customers**.
2. Select a **customer** that should be charged finance charges in the event of past due invoices and click **Edit**.
3. Click on the **Accounting** tab. At the bottom of the screen, specify the appropriate **Finance Charge** for this customer.

The screenshot shows the 'Customers' window with the 'Accounting' tab selected. The customer name is 'Sherman Village Fishing Club'. Under the 'Balances' section, the following values are displayed: Y-T-D Sales: \$9,000.00; Open Invoices: \$425.00; Deposits: \$0.00; Unposted Invoices: \$0.00. The 'Last Payment Date' is 07/03/10 with an amount of \$425.00. In the 'Finance Charges' section, 'Standard Finance Charges' is selected. The 'Sales Tax Exemption Information' section has 'Not Subject to Tax' checked and an empty 'Exemption Id' field. The 'Billing Statement Information' section has 'Statement Type' set to 'Balance Forward'. At the bottom, there are 'Save', 'Cancel', and 'Close' buttons.

4. Click **Save**. Repeat these steps for each customer that should be charged finance charges in the event their invoices become past due.

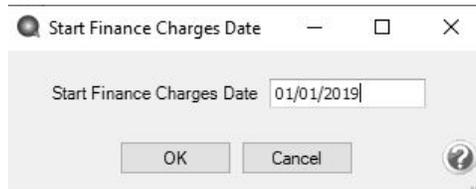
Note: If you have multiple customers that you'd like to update with the same Finance Charge, highlight all of them and click **Mass Update** instead of Edit. The Mass Update wizard will walk you through updating all customers to the same finance charge.

Step C: Calculate Finance Charges

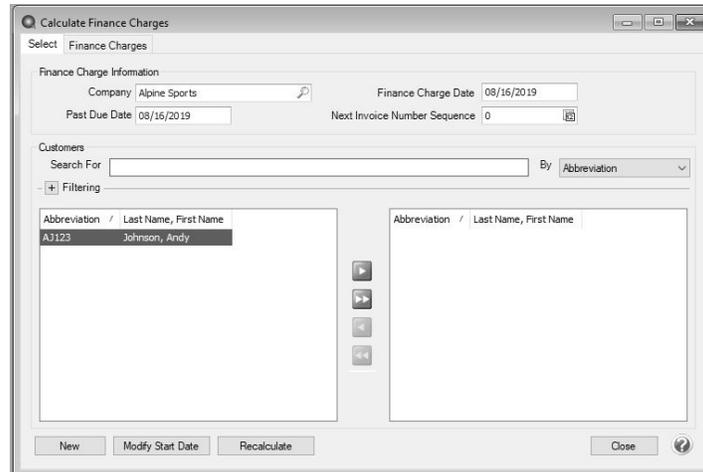
Finance charges are calculated only for those customers set up as subject to finance charges on the Setup > Customers > Accounting tab. The calculation uses the code in the Finance Charge box on the Accounting tab and takes the minimum charge, annual rate, grace period, etc. from the specified finance charge code.

The calculation formula for finance charges is: $\text{Past Due Amount} * (((\text{Annual Rate}/100/365) * \text{Days Past Due}))$. (The Past Due Amount includes the Net Due for each invoice. If the Net Due is less than or equal to zero the calculation is not performed on the invoice and if it is greater than zero the invoice is included in the invoices to calculate finance charges on).

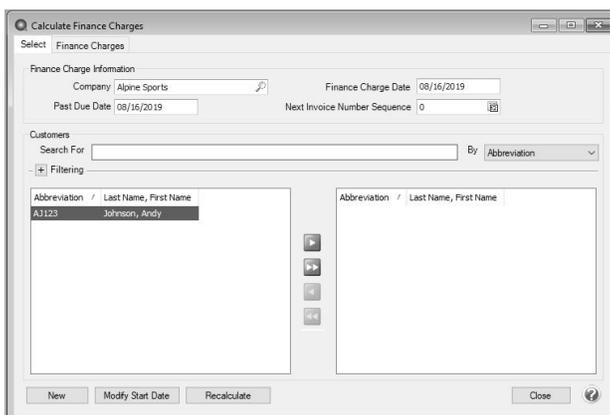
1. Select **Processes > Sales > Calculate Finance Charges**.
2. Click the **Modify Start Date** button to set the initial starting date you want to begin calculating finance charges. Enter the date and then click **OK**.



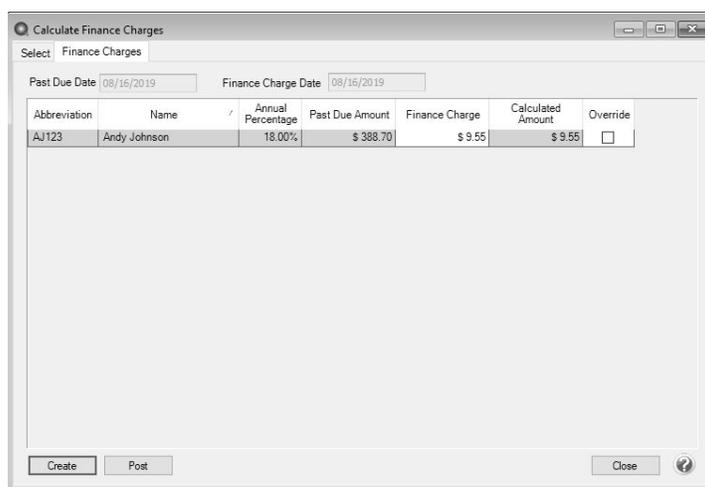
 Note: This date can be set once and if a company/fund has posted transactions created from this Finance Charge entry screen, then the finance charge date may not be changed.



3. In the **Company/Fund** box, select the company/fund that you want to calculate finance charges for. If there is only one company/fund in your database, the company will already be selected by default.
4. In the **Past Due** box, specify the date that charges are past due and subject to the finance charge calculation rules. This is normally the last day of the month that you are calculating finance charges for. This date is compared to the due date to determine if a charge is past due (subject to finance charges) or not.
5. In the **Finance Charge Date** box, specify the date that the finance charge invoices created by this process should be dated. This is normally the same date specified in the Past Due box.
6. In the **Next Invoice Number Sequence** box, the next available sequence number in the Calculate Finance Charges sequence will display. This will be the first transaction number assigned. If you need to change the sequence number, enter the new number. If you need to change the next available sequence number, right-click, select Edit, select the Detail tab, and then enter the next available sequence number, for example you may want to identify the finance charge sequence number with FC in front of the number. For more information about numbering sequences, see the Maintaining Check and Invoice Numbers topic.
7. Move the customers you want to calculate finance charges for from the left list to the right list. If you click the double-right arrow, all customers will be selected for calculation. Normally one will move all customers to the right. Those customers that don't have past due invoices or not setup to calculate finance charges, will be ignored in the calculation process.
8. Click **New**.



9. Click **Create**.



10. Verify the calculated **Finance Charge** in the Calculated Finance Charges grid. If you want to change the amount, enter the amount that should be charged in the **Finance Charge** field. The **Override** check box will automatically be selected.

 If a calculated finance charge is overridden and changed to 0.00, a finance charge transaction will not be created when finance charges are posted.

11. Once all calculated finance charges are accurate, click **Post** to complete the process and update the customers balances with the additional finance charges.

Step D: Reverse a Previously Calculated Finance Charge

Option 1: Reverse Individual Finance Charge Invoices through Transaction Search

When finance charges are posted, an invoice is created for each customer that was charged finance charges. The invoice will be dated as the Past Due Date you set in Step C-4. As with all other transactions in the system, if needed, the finance charge invoices can easily be removed or modified.

1. Select **Reporting Tools > Transaction Search**.
2. Search for the finance charge invoice to be reversed (deleted). The last finance charge created for a customer is the only one that can be deleted (a message will display if you attempt to delete and it isn't the last created finance charge).
3. Optionally, recalculate finance charges by repeating Step C: Calculate Finance Charges.

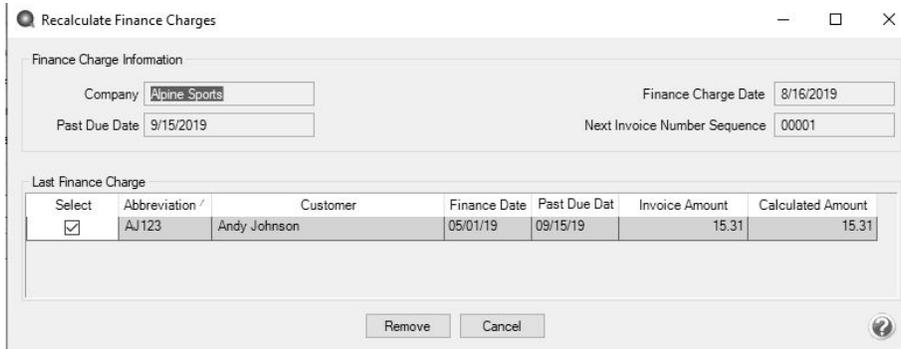
 If you need to delete a finance charge that is not the last created finance charge, search for and delete all finance charges before the finance charge you want to delete, then repeat Step C: Calculate Finance Charges to calculate finance charges again for each month afterward to put the deleted finance charges back into CenterPoint.

Option 2 - Reverse Multiple Finance Charges at Once

This procedure allows you to remove the last posted finance charge and recalculate finance charges.

 Note: Finance charges calculated and posted prior to CenterPoint version 14.8 cannot be recalculated.

1. Select **Processes > Sales > Calculate Finance Charges**.
2. Click **Recalculate**.



Select	Abbreviation	Customer	Finance Date	Past Due Date	Invoice Amount	Calculated Amount
<input checked="" type="checkbox"/>	AJ123	Andy Johnson	05/01/19	09/15/19	15.31	15.31

3. Verify that all of the customers you want to remove the last posted finance charge for are selected. If you do not want to recalculate a posted finance charge for a customer, clear the Select check box.
4. Click **Remove**.
5. At the **WARNING! This process will delete the last finance charge transaction for each row selected. Do you want to continue?** message, click **Yes** if you are ready to remove and recalculate all posted finance charges.
6. Optionally, recalculate finance charges by repeating Step C: Calculate Finance Charges.