

Understanding Payment Terms and Discounts

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Payment terms are used on vendor and customer invoices to calculate due dates and early payment discounts. When an invoice is entered, the due date and early payment discount due date will automatically calculate based on the invoice date and payment terms used in the transaction. The due date will then be displayed on aging reports and can be used to select A/P invoices to be paid.

When early payment discounts are used, the discount will be calculated automatically when a payment is entered that meets the date criteria of the discount.

[Step 1: Create a Payment Term \(Option A and B\)](#)

[Option A: Create a Payment Term Due in a Number of Days \(Net Terms\)](#)

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[Step 2: Assign to Customers or Vendors \(optional step\)](#)

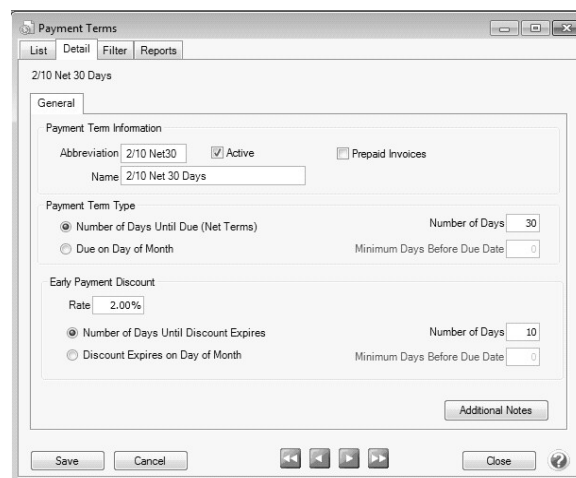
[Step 3: Using Payment Terms when Invoicing](#)

Step 1: Create Payment Terms

Payment terms can be set up to calculate the due date two different ways; by the number of days until due or due on a specific day of the month. If a payment term is set to Prepaid Invoices, a due date is not calculated; it will require the invoice be paid in full at the time it was entered. An unlimited number of payment terms can be created.

Option A: Create a Payment Term Due in a Number of Days (Net Terms)

1. On the **Setup** menu, point to **Names**, and then click **Payment Terms**.
2. Click **New**.



3. In the **Abbreviation** box, enter up to ten characters of optional information that you can easily identify the payment term by. For example, N30 for Net 30 or 10 for Net 10.
4. In the **Name** box, enter up to 30 characters of required information that describes the payment term.
5. Select **Number of Days Until Due (Net Terms)** to indicate that the due date will be a number of days past the invoice date.
6. In the **Number of Days** box, enter the number of days until an invoice is due.
7. In the **Rate** box, enter the percentage that should be used to calculate the discount if the invoice is paid within the days specified in the Number of Days or Day of Month box depending on the Early Payment Discount option you choose below. If discounts are not used, this field can be skipped.
8. If the early pay discount is offered for a specific number of days, select **Number of Days Until Discount Expires** and enter the **Number of Days**.
9. If the early pay discount is offered until a specific day of the month, select **Discount Expires on Day of Month**, enter the **Day of the Month**, and in the **Minimum Days Before Due Date** box, specify if the due date calculated is during the current month or the next month. Normally the same number entered in Day of Month will be entered in Minimum Days Before Due Date. This will force the system to always calculate a due date in the following month. Example: If the Day of Month is set to 27 and an invoice is entered with an invoice date of 2/15, the due date will be 2/27 UNLESS 27 has been entered in the Minimum Days Before Due Date. If 27 was entered in that field, then it will be due 3/27.
10. To add notes to this payment term, click **Additional Notes**, enter the notes, and then click **OK**.



Note: To add a time stamp to a note added or edited on the Additional Notes screen, click **Stamp**. If you are adding/editing a stamp in a database without security, the stamp will display "Edited on (current date and time)". If you are adding/editing a stamp in a database with security, the stamp will display "Edited by (username) on (current date and time)".

11. Click **Save** to save the payment term.

Option B: Create a Payment Term Due on a Certain Day

1. Follow steps 1-4 from Option A.

2. Select **Due on Day of Month** to indicate that the due date will be a number of days past the invoice date.
3. In the **Day of Month** box, enter the day of the month an invoice is due.
4. The **Minimum Days Before Due Date** allows you to specify if the due date calculated is during the current month or the next month. Normally the same number entered in Day of Month will be entered in Minimum Days Before Due Date. This will force the system to always calculate a due date in the following month. Example: If the Day of Month is set to 27 and an invoice is entered with an invoice date of 2/15, the due date

will be 2/27 UNLESS 27 has been entered in the Minimum Days Before Due Date. If 27 was entered in that field, then it will be due 3/27.

5. In the **Rate** box, enter the percentage that should be used to calculate the discount if the invoice is paid within the days specified in the Number of Days or Day of Month box depending on the Early Payment Discount option you choose below. If discounts are not used, this field can be skipped.
6. If the early pay discount is offered for a specific number of days, select **Number of Days Until Discount Expires** and enter the **Number of Days**.
7. If the early pay discount is offered until a specific day of the month, select **Discount Expires on Day of Month**, enter the **Day of the Month**, and in the **Minimum Days Before Due Date** box, specify if the due date calculated is during the current month or the next month. Normally the same number entered in Day of Month will be entered in Minimum Days Before Due Date. This will force the system to always calculate a due date in the following month. Example: If the Day of Month is set to 27 and an invoice is entered with an invoice date of 2/15, the due date will be 2/27 UNLESS 27 has been entered in the Minimum Days Before Due Date. If 27 was entered in that field, then it will be due 3/27.
8. Click **Save** to save the payment term.

Step 2: Assign Terms to Customers and Vendors

A default payment term can be assigned to each vendor and customer. Once assigned, each invoice entered for that vendor or customer will use the assigned terms code by default.

1. Select **Setup > Customers or Vendors**.
2. Select the customer or vendor and click **Edit**.

The screenshot shows the 'Customers' window with the 'General' tab selected. The customer name is 'Summit County Ski Club'. The 'Name Format' is set to 'Business'. The 'Miscellaneous' section shows 'Customer Since' as 06/30/2010 and a blank 'Salesperson' field. The 'Name Information' section includes 'Abbreviation' (SCSC), 'Company' (Summit County Ski Club), 'Address Line 1' and 'Address Line 2' (both blank), 'City, State, Zip' (Montezuma, CO, 80435), 'Shipping Method' (UPS Ground (Standard)), 'Contact' (blank), 'Phone' (blank), 'Fax' (blank), 'E-mail' (blank), and 'Sales Tax' (Summit County). The 'Sales Terms' section shows 'Payment Terms' (2/10 Net 30 Days), 'Price Level' (Sales Price 1), and 'Trade Discount %' (15.00%). The 'Credit Terms' section shows 'Credit Limit' (\$0.00) and a 'Credit Hold' checkbox. At the bottom, there are buttons for 'Save', 'Cancel', 'Active Status', 'Additional Notes', 'Options', and 'Close'.

The screenshot shows the 'Names' window with the 'Vendor Detail' dialog open for 'Johnson Auto Parts'. The 'Name Format' is set to 'Business'. The 'Name Type' section has checkboxes for 'Customer', 'Vendor', 'Employee', and 'Salesperson'. The 'Vendor Information' section includes a 'Vendor' field and a 'Default AP Account' field. There is a checkbox for 'Issue 1099 for this Vendor'. An 'OK' button is at the bottom of the dialog.

3. In the **Payment Terms** field, select the terms this customer or vendor will most commonly use.
4. Click **Save**. Repeat these steps for each vendor or customer that should have a default terms code assigned.

Step 3: Using Payment Terms when Invoicing

When entering invoices for vendors or customers you can supply payment terms that will automatically calculate a due date for the invoice. If default payment terms were assigned to the vendor or customer, their invoices will automatically default to using those terms. The default payment terms can be overwritten during invoicing. The terms and due dates can also be included on the printed A/R invoice.

The screenshot shows the 'Customer Invoices' window. The 'Select' tab is active, and 'Invoice' is chosen. The form is populated with the following data:

Field	Value
Company	Alpine Sports
Customer	Adams, Chuck
Invoice Number	000074
Date	11/30/2010
Customer PO #	
Salesperson	
Current Batch	No Batch
Shipping Method	
Terms	2/10 Net 30 Days
Due Date	12/30/2010
Discount Date	12/10/2010
Sales Tax	Mountain Lake
Billing Name	Business Address
Shipping Name	Business Address
Memo 1	
Memo 2	
AR Account	Accounts Receivable - Retail
Customer Balance	\$0.00

Buttons at the bottom: Save, Clear, Recall, Accounts, Options, Close.

If the payment terms assigned to an invoice includes discounts for early payments and a payment is entered that meets the requirements of an early payment discount; the discount will be calculated and deducted automatically.