Accounts Receivable

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Accounts Receivable Overview

The Account Receivable module is probably the most frequently used module in SedonaOffice. It contains all the functionality necessary to operate the Accounts Receivable part of your business. The SedonaOffice Accounts Receivable employs the Open Item methodology; when payments are received from a customer they are applied to the customer invoices to reduce the customer accounts receivable balance.

This session is designed to communicate basic concepts and information pertaining to some of the most frequently used Accounts Receivable related options within the SedonaOffice application. The topics that will be covered in this document are:

- Aging & Aging Buckets
- Invoicing
- Credits
- Managing Unapplied Payment Queue
- Collection Queues

Aging Categories (Buckets) and Aging

When a company implements SedonaOffice, the Aging Categories (buckets) that will be used when aging customer invoices and credits is established.

Aging Categories (Buckets)

Aging Categories are used to group a company's accounts receivable by a determined number of days. The most typical aging categories are setup in periods of 30 days. In SedonaOffice, five Aging Categories are available. Most companies setup their aging categories as shown below.

Aging Buckets

Age Invoice By
- ● Invoice Date
- ○ Due Date

Aging Categories

	Over Days	Column Heading
1st Column	0	1-30 days
2nd Column	30	31-60 days
3rd Column	60	61-90 days
4th Column	90	91-120 days
5th Column	120	over 120

Aging Method

The method in which a customer invoice ages is based upon the Term Code type that is assigned to the invoice. There are two A/R Term Code Types from which to select when creating Term Codes:

- Age from the invoice date + the number of days assigned to the Term Code
- Age from the Invoice Aging Date (entered on the invoice)

Invoice Date + Term Days

In the below example, the Invoice Date is 12/01/2016 and the Term Code is Net 30 days. This invoice will appear in the Current Aging Bucket until December 31st, which is the calculated invoice due date.

Notes

Invoice Aging Date

In the below example, the Invoice Aging Date is 12/20/2016 and the Term Code is using the Invoice Aging Date method. This invoice will appear in the Current Aging Bucket until December 20th, which is the invoice due date.

Notes

Invoicing

Invoices created in SedonaOffice are posted to the general ledger in a "live" manner. This means that when the User presses the *Save* button on an Invoice form, it is immediately posted to the general ledger and the customer's accounts receivable is updated.

The only exceptions to the real-time posting is Cycle Invoices and Finance Charge Invoices. Cycle Invoices and Finance Charge Invoices are created in a batch and posted as a batch to the general ledger and the customer's accounts receivable.

There are four types of Invoices that may be generated for a customer:

- Cycle - created in batches and posted at one time as a batch.
- Finance Charges – created in batches and posted at one time as a batch.
- Service/Inspections - generated from the Ticket
- Job - generated from the Job Invoicing Queue
- Miscellaneous - used when you need to Invoice a customer for miscellaneous services, over the counter part sales, or other charges. These types of invoices may be created from the Accounts Receivable module selecting the Invoicing option or from a Customer Explorer record.

If sales tax applies, taxes are automatically calculated based on the Tax Group associated with the site and the items or parts selected on the Invoice. The Tax Group may be overridden on individual invoices.

Notes

Credits Overview

SedonaOffice provides two basic methods of creating customer credits:

- Manual Credits
- Credits generated from a Credit Request

Manual Credits may be created for any type of invoice for any amount if a User has been granted security permissions to create Credit Memos.

Credit Request Credits require an approval process and Users are limited to a maximum amount for which a single credit may be generated/approved. This method requires some planning and setup to be able to use this process. If a company opts to use Credit Requests, all Credits must go through the approval process – manual credits are not available when activating this feature.
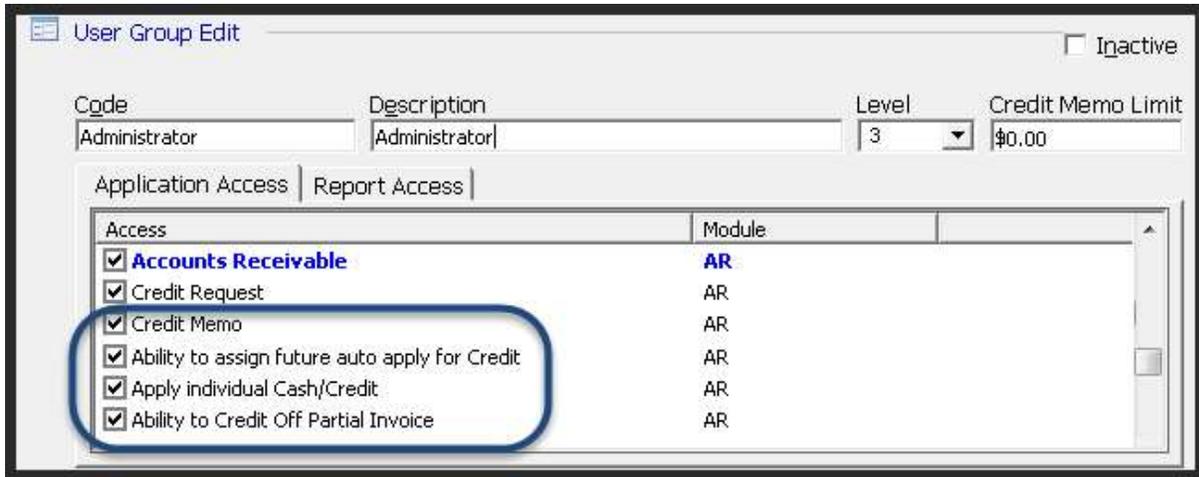
Notes

Manual Credits

Three possible options are available for creating Manual Customer Credits:

- (1) Credit off and entire Invoice
- (2) Credit off the balance of an Invoice (partially paid)
- (3) Create a Manual Credit Memo

User permissions are required to use any of these credit options.

Notes

Credit Off Invoice / Create Credit From

To credit off an entire or partially paid customer invoice, when right-clicking on an open invoice from the customer explorer, there are two possible options displayed depending on the User's security permissions:

- Credit Off Invoice
- Create Credit From (invoice)

Depending on each company's policies and procedures, you may use either option for unpaid invoices, if the User has been granted the appropriate security permissions. For invoices that have been partially paid, only the Credit Off Invoice option is available to the User.

Credit Off Invoice

When a User selects this option, the software will create a Credit Memo using the original Invoice Items and/or Parts (from the invoice being credited), post the Credit Memo and apply the Credit Memo to the Invoice to pay off the entire invoice. If no payments have been applied to the invoice, this process is completed in just a few seconds.

If any payments or credits have previously been applied to the invoice, a form will be displayed for the User to enter the G/L Account and Category to be used for creating the credit memo. User permissions are required to credit off partially paid invoices.
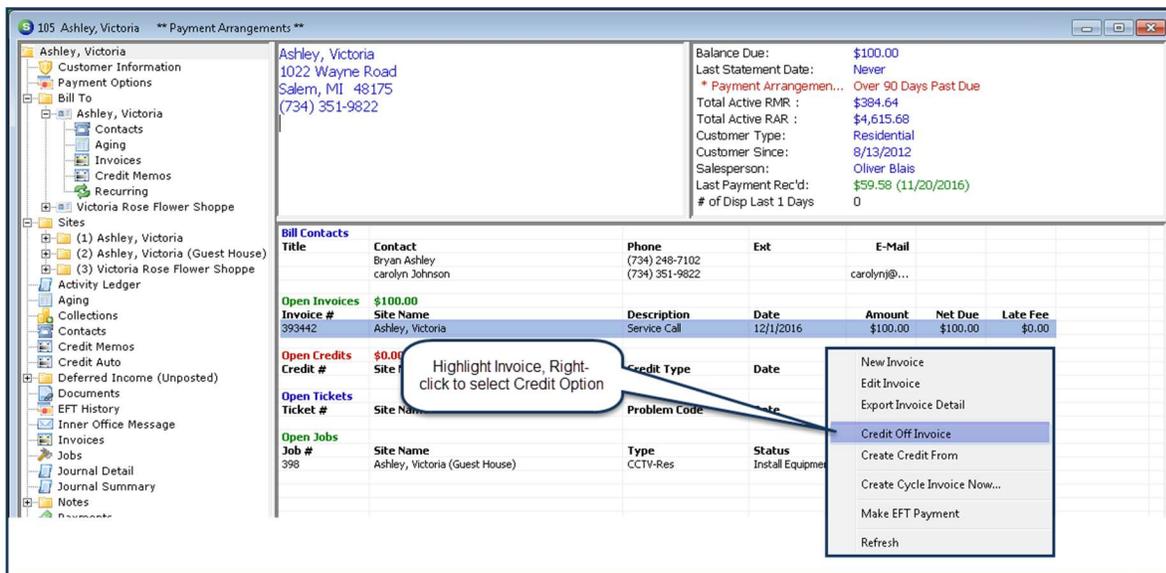
Notes

Create Credit From

When a User selects this option, the software will create a Credit Memo using the original Invoice Items and/or Parts (from the invoice being credited). Using this method, the Credit Memo will not automatically be posted and applied to the invoice. The Credit Memo form is displayed on the screen for the User to review, enter notes, select a credit reason, etc. and then saved by the User to post to the general ledger. The User would have to manually apply the Credit Memo to the invoice as the final step to the process.
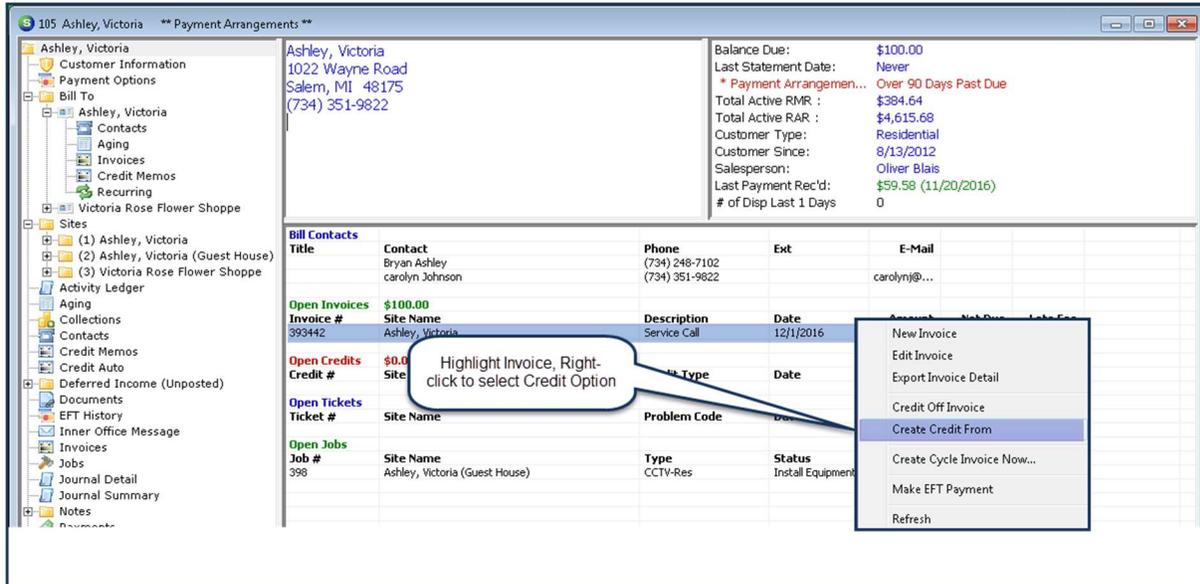
Notes

Manual Credit Memo

Manual Credit Memos are typically used when you want to provide the customer with a credit to be applied to future invoices or you want to credit off several invoices using the same invoice item(s).

Once a Credit Memo is created and saved, the User has the option to:

- Apply the Credit Memo to any invoice(s) with an open balance.
- Leave the Credit Memo as an Unapplied Credit on the customer's account.
- Leave the Credit Memo as an Unapplied Credit on the customer's account and flag the Credit Memo to be applied to invoices created in the future (by invoice type).

Credit Memos may be created using Invoice Items and/or Inventory Parts; the User makes the selections on the Credit Memo form. If your company is using Inventory Tracking, if Inventory Parts are selected for a Credit Memo, once saved, the selected Parts will be returned to the inventory of the Warehouse selected on the Credit Memo form. If you want to provide the customer a credit for parts but not affect your warehouse inventory, you would need to select an Invoice Item rather than an inventory part number.

Notes

Credit Requests

The *Credit Requests* function allows your company to control the process of when and what amount a Credit Memo is generated to a customer account. When this feature is enabled, your company will develop a sign-off process so that a senior member of your staff may review requests for credits and then have the option of approving the request and generating the Credit Memo, declining the request or modifying the requested amount and generating the Credit Memo. This functionality provides greater control over the number and amount of Credit Memos granted by your employees. A sign-off process is required to use Credit Requests.

Once the Credit Requests functionality is activated, Users will not be able to manually create a Credit Memo or use the right-click credit functions (on the invoice), to credit off the balance of an invoice or create a credit from an invoice. All Credit Memos *must* go through the Credit Request process.

Notes

Credit Request Features

When using Credit Requests, several crediting options are available that are not available when using the Manual Credit Memo method. Below is a list of options available when using Credit Requests.

1. **Credit Template** - The User creates a Credit Template selecting which Invoice Items and amounts are to be used for the Credit Memo.

2. **Credit for a specific Invoice** - Select an invoice on the customer's account for which the Credit Memo will be generated.

3. **Credit for a specific Invoice and create an Invoice for another Customer** - Select an invoice on the customer's account for which the Credit Memo will be generated *and* automatically create an invoice on another customer's account using the same Invoice Items that were used on the originating customer's Invoice being credited off. This feature would be used if the incorrect customer was invoiced.

4. **Sales Tax Correction** - Credit off a specific invoice and create a new invoice using a different tax group.

5. **Job Invoice Credits** - The process is almost identical to that of item number 2 above; the only difference is where the User begins the Credit Request. This method is used if a Job has not yet been closed. If the Job has been closed, use the Credit Template (#1) method.

⚠ **Note: If SedonaOffice staff converted any customer invoices as a part of migrating to SedonaOffice from a legacy software, if any of the "converted invoices" need to be credited off, you must use the Credit Template (#1) method above.**

Notes

Credit Request Planning

Before activating and using Credit Requests, each company must first determine:

- Which Users will be allowed to create Credit Requests
- Which Users will be able to approve Credit Requests and the maximum dollar amount the User Group is allowed to approve.

Each User is linked to one or more User Groups; make certain the User Groups that you assign a credit limit will apply to the Users you want to grant these new permissions. You may have to re-design your User Group Security to accommodate Credit Request processing. Your company may create new User Groups for the Credit Request Processing and assign the Users involved in the process to the appropriate User Group.

Before creating the employee setups for Credit Requests, it must first be determined how Credit Requests will flow within your organization. You need to ask yourself the questions, who will be the first, second and third person to sign-off on the requests. And further, will certain individuals be able to create the Credit Memo without moving to the next level of sign-off. Once company rules have been established, proceed to the setup steps. It is not required to use all three levels of sign-off; your company may have one or two sign-off levels only.

For complete instructions on setting up for Credit Requests, please refer to the SedonaOffice Help for detailed instructions. If your company requires more personalized assistance, web-based training time may be purchased.

Notes

Managing Unapplied Items

Within the Accounts Receivable menu is an option which displays a listing of all unapplied items associated with your customer accounts. Any of the items displayed in the list may be manually applied to your customer's open invoices directly from this list.

Each unapplied item is listed with one of the following credit types:

- Unap Cash (Unapplied Cash)
- Unap Credit (Unapplied Credit Memo)
- Adv Dep (Advance Deposit)

It is important to apply unapplied items to your customer invoices on a timely basis especially if your company is generating bulk customer statements each month. When statements are generated, a customer may be assessed a late fee when it may not be appropriate to do so. For example, a customer has an unapplied credit for $100.00 and an open invoice for $100.00 that will be considered past due at the time of Statement generation. A late fee would be assessed on the past due invoice regardless of the fact a credit exists on the account that could have been applied to the invoice.

Notes

Collection Queue Types

Even though collecting on past due customer accounts is typically considered a function of the Accounts Receivable department, in SedonaOffice, Collections is part of the Client Management module.

The Collections option within the Client Management module is used to set up new Collection Profiles (processing rules) as well as manage and track Collection activities performed by Collectors. A complete Collections history is displayed on the Customer Explorer record for customers who have ever entered into a Collection Queue. This is valuable information for spotting trends in chronically slow paying customers so that your company may plan for more proactive measures for these types of customers.

There are two types of Collection Queues; Sequenced queues and Non-sequenced queues. Each company may use Sequenced Queues only, Non-Sequenced Queues only or a combination of the two to manage collection activities.

A customer may be in only one Collection Queue at any given time.

Sequenced Queues

Sequenced Queues determine in which Collection Queue a past due Customer should be placed based a company's business rules for each Collection Profile. With Sequenced Queues, Customers are placed in the appropriate queue each time the Auto Refresh Process is run for the Collection Queues or when a payment or credit is applied to the Customer.

When creating Sequenced Queues the sequence number is very important, as this will determine the Collection Queue in which the customer will be placed. The lowest sequence number indicates the most delinquent rules and the highest sequence number indicates the least delinquent rules.

Non-Sequenced Queues

Non-Sequenced Queues are manual Collection Queues into which a customer may be moved from a Sequenced Queue. Once a Customer is placed in a Non-Sequenced Queue the Customer will remain there until it is manually removed from the queue. Non-Sequenced Queues are typically used to escalate a collection customer to a senior management staff member when normal procedural collection efforts have been exhausted. Non-Sequenced queues may also be used to hold collection customers while legal action is being pursued by your company.

Notes