

# Accounts Payable Terms Code Maintenance

Whenever you decide to do business with a vendor or supplier, more than likely you will sign a contract that specifies the terms of engagement.

Normally this is a legal document that specifies the manner the two businesses will use to conduct business together in the future.

This document is usually a written contract, although by law this is not necessary.

Among other things, it specifies the credit extended to you, if any, whether there are any early payment discounts, and when the full payment for an order must be received.

These are normally known as the terms of the contract.

When you are using the Accounts Payable module to manage Vendor invoices and payments, you will need to specify the terms that have been agreed upon with each of your vendors or suppliers, so that payments are executed in a timely manner and any beneficial discounts are taken whenever they are available.

The discount and payment specifics are known as the Terms Code in Eagle for Windows.

The Terms Code is responsible for calculating the discount and/or due dates of an entered invoice based on the invoice date specified on the AP voucher created in Accounts Payable.

In this module, I'll explain the process of creating and maintaining the Terms Codes necessary to effectively allow your accounts payable staff to manage vendor invoices.

## Topics

- Terms Code Types
- Due Days and Discounts
- Managing Terms Codes

## Terms Code Types

You will use Terms Code Maintenance to create the Terms Codes for your vendors.

If you're in New AP Transactions, you can just click the Terms Code hyperlink [here](#).

Otherwise, go to Eagle Browser and open New AP Transactions from the Accounts Payable/Daily Procedures menu or by typing ATMU in the Launch Bar.

A Terms Code is a unique identifier that represents each of the Terms Code records you will create in the system.

A code can have up to three alpha-numeric characters.

When you begin setting up a Terms Code, enter the code you want to use in this field.

Next, you'll specify the Terms Code Type.

Clicking the drop-down arrow, you will find three options: Normal, Proximo, and End of Month.

Let's talk a little bit about the differences between them.

A Normal Terms Code represents terms in which the agreed discount and/or payment terms are based on a specific number of days from the date the invoice was issued.

A good example is the following scenario: you are eligible for a discount within 10 days of your purchase, else you must pay in full within 20 days.

Proximo is Latin for 'of next month'.

As the translation indicates, if you have Proximo-type terms with a vendor, the discounted and/or full payment is due on a specific day in the next month.

An example of such a Terms Code is discount due by the 10th of the next month, full payment by the 25th of the next month.

The final type of Terms Code is End of month.

Select this option when Discounts are due on a specific day of the next month, but Payment is due at the end of next month.

If you are eligible for a discount by the 10th of the month but you must pay in full by end of the next month, you have an End of Month Terms Code.

Keep in mind that the end of month can fluctuate based on the month, something that may grant you an extra day to full payment every other month.

In the Description field, enter a brief description of the Terms Code to make it easier for your Accounts Payable staff to understand how the Terms Code calculates the discount and due dates.

A good description for our last example would be 10th, net EOM.

## Due Days and Discounts

The Due Days field is directly connected to the Terms Code Type specified earlier.

If you selected Normal for the Terms Code type, then the due days must specify the number of days the payment is due After the invoice has been issued.

In the example we used earlier for the Normal Type, the full payment was due in 20 days.

To calculate the correct payment due date, enter 20 in this field.

If you selected Proximo as the Terms Code type, then in this field you must specify the date you need to complete payment so that you are not assessed a late fee.

To set up the Proximo example we mentioned earlier, you would enter 25 in this field.

This means that any invoice payment with this Terms Code will be due on the 25th of next month regardless of the date the invoice was issued in the current month.

In other words, an invoice issued on the 10th of the month would be due on the same date as an invoice issued on the 30th of the current month.

And finally, if you selected End of Month for the Terms Code type, then leave this field blank as the EOM Terms Code type inherently knows the payment is due the last day of the following month.

For instance, if an invoice is issued on the 3rd of April, then the payment will be due on May 31st.

Discount Days, just like the Due Days, are tightly tied to the Terms Code type used earlier.

If you selected Normal for the Terms Code type, then the Discount Days must specify the number of days you are eligible to get a discount after the invoice has been issued.

In the example we used earlier with the Normal Type, you would be eligible for a discount if you pay the invoice within 10 days of its issuance.

To calculate the correct discount date for this example, enter 10 in the Discount Days field.

If the invoice date is April 2nd then the discount date is April 12th.

You must pay this invoice by April 12th to be able to take the earned discount.

If you selected Proximo as the Terms Code type, then you must specify the Date when the payment must be completed to be eligible for a discount.

To set up the Proximo example we mentioned earlier, you will enter 10 in this field.

This means that you must complete payment by the 10th of the next month to get a discount.

The Discount Days field must be set up the same way for the End of Month Terms Code type as well.

The discount eligibility depends on whether the payment is issued by a specific date of the month.

In the Discount Percent field, you must specify the discount percent you are eligible to receive from this particular vendor.

The system will use this figure to calculate your discount if you pay by the discount date.

For example, if the payment terms are 10 % by the 15th, net end of month, then enter 10 in this field.

Once you have completed all the fields, click Add to create the Terms Code.

More than likely you will have multiple Terms Codes to create.

Vendors' payment terms can be quite prolific and varied, so it is advisable that you create the Terms Codes for each of your vendors to make invoice maintenance more efficient.

## Managing Terms Codes

Once you've set up the Terms Codes, managing them is a simple process.

To review any of your Terms Codes, select the one you are interested in from the Terms Code drop-down and click Display.

If you need to make any modifications or updates, change the necessary information and click Change to save the changes.

You can use the Next and Previous buttons to scroll through all the Terms Codes in the system.

To delete a Terms Code, simply display the code and click Delete.

When you are done adding and modifying all your codes, click Cancel to close this screen.

It can be very helpful to have a list of all the Terms Codes you've entered.

To print such a list, go to the Accounts Payable - Reports menu on the Eagle Browser and run the Print Terms Code List report.

Of course, you can open the report directly by typing RATC in the Launch bar as well.

Once you have created all your Terms Codes, add the appropriate code to each Vendor's record as the default Terms Code.

Then, whenever you create a purchase order or an AP voucher to pay a vendor, the system will automatically use the assigned Terms Code.

Setting up default Terms Codes doesn't lock you in to using them, however.

If you have secured different payment terms for a particular invoice, then you can change the Terms Code for that invoice when you create or review the AP voucher.

As we come to the end of the Terms Code Maintenance class, you should be able to add the Terms Codes for each of your vendors using Terms Code Maintenance.

This will streamline your invoice and payment management, increasing the efficiency of your business.

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