# Setting Up and Using Terms Codes

We all want our customers to pay their invoices on time.

One way to encourage this is to offer a discount if they pay their balance early or add a finance charge if it's paid late.

The system bases the calculations for these discounts and finance charges on Terms Codes which are codes that represent the payment terms you offer your customers.

You attach terms codes to a customer's record where they act like a system calendar that dates the age of Point-of-Sale transactions, particularly charge transactions.

Terms Codes also allow you to determine when a customer's invoices are due.

When calculating a customer's balance, the system looks at the terms code assigned to that account.

Then it uses the guidelines set by the code to determine if it should apply a discount or whether the account is past due in which case it imposes a finance charge.

In this course, we show how to setup terms codes in the system, how to assign them to customers, and share some tips and tricks to make working with terms codes effective for your business.

## Objectives

- Setup
- Assign Codes
- Tips and Tricks

## Setup

You set up terms in Terms Maintenance.

You can open Terms Maintenance, from the Accounts Receivable menu by selecting Terms Maintenance, or if you're working in Customer Maintenance, simply clicking the Terms Codes hyperlink provides quick access to Terms Maintenance.

On the Terms Maintenance page, enter a single-character code, then type a description of the payment terms.

If you are offering a discount for prompt payment, complete the appropriate fields in this area.

You have two choices when setting up discounts: either all customers can receive the same discount, or you can base the amount of the discount on the value of the customer's purchases.

While offering one set discount is more traditional, a graduated discount encourages customers to buy more and pay on time to get the larger discount.

If you are offering just one discount, leave the From field blank and enter 9999999 in the To field.

Then type the discount percent.

To set up a variable discount, enter the sales volume range and the related discount using a different line for each range.

You can leave the fields blank if you aren't offering prompt payment discounts.

Fill in the Terms fields based on the payment terms you have set up for this code.

Note the distinction between Days and Date.

For instance, entering 10 for Discount Days and 30 for Due Days tells the system to offer the specified discount if the customer pays the balance within 10 days, and that the net is 30 days.

Entering a Discount Date or Due Date means that the customer must make their payment by a particular date rather than within a period of time.

You can also enter EM in a date field for End of Month rather than a specific date.

This prevents problems with months of different length if you close your billing at the end of the month.

Press Add to save the new terms code to the system.

When this code is attached to a customer's account, the system follows the rules entered here to calculate when the invoices are due and if a discount should be given.

## Assign Codes

Your system administrator typically sets up default terms codes during installation. These are the codes that you'll use for most of your customers most of the time.

You can change the default terms code if you need to.

Open the File tab of the ribbon menu and look in Application Options for Option 105.

Remember, you can always change the terms code for individual customers if the default doesn't work for their situation.

Let's look at the process.

Open any customer record in Customer Maintenance and you'll find the Terms Code associated with it on the main tab.

When a new record is added, the Terms Code field defaults to the code that was selected in the Application Options.

If this customer should receive special terms, click the down arrow and select the code.

If you want to review the details for a particular code before assigning it, just open Terms Maintenance using the hyperlink.

Let's take a look at the terms code C before we leave this screen.

This indicates the customer must pay cash.

All asterisk-type customers would normally have this terms code attached to their account.

## Tips and Tricks

Here's a few tips about using terms codes.

Clerks with the proper security can change terms codes on a specific invoice during a point of sale transaction. Look for the terms code field on the header screen along with the customer's information.

It's important to remember that when you change the terms code at point of sale, the change only applies to that transaction, not the customer record.

Consider discounts for prompt payment as a means to have a positive impact on your bottom line

Prompt-pay discounts cost your business less than an up-front discount, since a customer may not pay for that purchase for 30, 60 or more days.

With terms discounts, you have a better return on your debt.

And, if the customer doesn't pay within the terms, they do not get a discount at all.

Finally, if a customer has a terms code that gives a discount, you will want to review these system options to eliminate potential double-dip discounts in certain areas.

These options control whether or not the system applies a terms discount to other discounts already applied at the item level during the original POS transaction, and whether an account with any past due balances will receive a terms discount.

## Recap

As you can see, using terms codes is easy.

Once you've set and assigned them to customers, you're free to focus on other areas of the business.

Using terms codes also helps when customers question their bill, asking why they aren't receiving a discount or why their bill includes a finance charge.

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## About Epicor

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