Setting Up and Maintaining Finance Charges

Adding finance charges when an account is past due gives your customers an incentive to pay on time. Accounts Receivable automatically applies finance charges based on the parameters you choose, allowing you to stay on top of past-due accounts.

Objectives

- Setting Up Finance Options
- Customer Options
- Applying Finance Charges
- Maintaining Finance Charges

Setting Up Finance Charges

Let's take a look at the general options for how *Finance Charges* will be applied to accounts. Select the *File* tab at the top left corner.
Choose *Configure* and then select *Application Options.*

In the *Options* page, select *Change Lookup.* From the Options dropdown menu, select *MCT-A/R Control File.* When you add a new charge account, the options you select here will be the default. These configuration options are saved at the store level. If you have a multi-store system, you can set them for each store.

Now, let's look at how finance charges are calculated. In the *Options* page, select *ID.* The *Access Options by ID* pop-up displays. In the *Options ID* field, enter *225* to find out how the system determines the balance that is subject to a finance charge. Click *Ok.*

Click the *Adjusted balance for finance charge calculation* drop-down. As you can see, there are several options. If you choose *A* as the calculating method, the system will take the past due balance at the end of the billing cycle, and then subtract any payments and credits.

Select *I* as the calculation method. If you want to base your finance charges on the average daily balance, including any purchases made during the current billing cycle, including any purchases made during the current billing cycle.

Select *P* if you want the system to start with the previous balance.

Select *X*, to use the average daily balance without including purchases made within the current billing cycle,

Now that you have determined how to calculate the finance charge, you must specify the finance charge percentage rate. In the *Access Options by ID* pop-up, enter *190* in the *Options ID* and then click *Ok.* The table displays the default monthly percentage rate value the system applied to past due accounts.

For example, if you use a typical 18% annual finance charge rate, the monthly equivalent is a 1.5% percent rate per month that will be assessed on past due accounts.

You can configure additional options to charge different percentage rates depending upon the size of the past due amount. In the *Access Options by ID* pop-up, enter *227* in the *Options ID* and then click *Ok.*

Let's say that you want to charge a higher rate for any past due balances above $2000. Click the *Current Value* column and then select the arrow. Enter the cutoff level and click *OK.*

The system will automatically perform these calculations and list the combined finance charge value as a single finance charge amount on the customer's account.

Next, look at how to set up your defaults for the minimum Finance Charges and the threshold for applying the finance charges. Option ID *210* defines the minimum finance charge amount applied, if any.

If the system determines that a finance charge should be applied, it calculates the amount due using the guidelines you specified in the previous options.

If that amount is less than what you entered in the *Current Value,* the system applies the minimum charge. A typical minimum charge is around $.50 to $1.

If you do not want to apply a minimum finance charge, leave this field blank.

You can set the threshold at which the system starts calculating finance charges. For instance, if you do not want to apply finance charges to past due balances of $10 or less.

In *Option ID 230,* enter *10* in the current value column. The system will automatically not consider those accounts that fall below $10, and no finance charge will be applied.

Customer Options

Let's look at options for finance charges that can be controlled at the customer level. In the *Customer Maintenance* page, select the *Finance Charges* drop-down.

You can use this field to exclude a customer from any finance charge, regardless of how the Store options are configured. Or you can set the account so that finance charges are not applied until past due balances reach a certain age.

In the *Credit* tab, you can customize the *Finance Charge* percentage for your customers. Select the *Special Charges* hyperlink.

In the *Override Finance Charge* **%** field, enter a percentage value. This will override the store's default finance charge. Select *OK.*

Here you can view the total finance charges that have been applied for the current year.

The same information is available in the *Sales* tab, but you can compare it to the number of finance charges applied in the previous year.

Applying Finance Charges

Now that you know how to configure finance charge options for your store and how to refine them at the customer level, let's look at how finance charges are applied to customer accounts.

There are only two ways to apply a finance charge to a customer's account. The simplest and most common method is to run the *Accounts Receivable Aging Report*, or RAG.

From the *Main* menu, select *Reports* and then *Accounts Receivable Reports.* Choose *A/R Aging Reports.* The *A/R Aging Report* is displayed.

To run the report automatically at the end of your monthly billing cycle, select *Options.* In Update *Options,* enable the check boxes next to *C, F*, and *X.*

When you run the report, Eagle looks at all the options we discussed earlier, calculates a finance charge value, and applies it to past due customer accounts.

Finally, select *Save.*

To apply a finance charge to a customer's account manually, select *Accounts Receivable***.** Choose *Open Item Maintenance.* This method is used when a finance charge is deleted accidentally from an account, and you want to restore it.

To add a finance charge, select the customer's account from the *Cust Number* drop-down. From the *Document Type* drop-down, select *F* for finance charges.

Now, enter the Finance Charge amount in the Finance Charge field. In the *Balance Subject to Finance* field, enter the past due amount.

Set the *Document Date* field to the end of your billing cycle. Once you have all the fields populated, select *Add* to apply the finance charge document to the customer's account.

Maintaining Finance Charges

You can view a list of the finance charges that have been applied to customer accounts, along with the associated document numbers. Select *Reports* and then Accounts Receivable Reports. Choose *Daily Journal Report.*

Select *Options.* Enable the checkbox for *S,* Finance Charges Only. The system runs the report automatically after the aging report runs at the end of your monthly billing cycle.

There are two methods to delete finance charges. The first way is like the manual process of adding a finance charge to a customer's account.

Select *Accounts Receivable* and then choose *Open Item Maintenance.*

In the *Document* field, enter the document number of the finance charge that you want to delete. Click *Display.* Once the document displays, choose *Delete.*
In the confirmation pop-up, select *Yes* to delete the finance charge. The second method to delete finance charges is by using the aging report.

In the *Customer Maintenance* page, select the *Go To* menu. Select Finance Charge Deletion.

In the *Finance Charge Deletion* pop-up, enter the date and the document number range. Remember, the document number range can be found on the Daily Journal Report (RDJ) that was run after the Aging Report.

Finally, choose *Delete.*

Recap
With some initial setup, you can implement and maintain the finance charge structure for your business.

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