

# Using Add-on Charges for Commission Items

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Enter the net cost of the product (initial product cost - commission) by using the Advance add-on charge functionality.

## Setting up the Add-on

1. Add an asset G/L account that represents the commission receivable.
2. Add a product classification for commission items, and assign the commission items to the classification. This can be done on the *Hub / Setup / Company Preferences / Product* tab.
3. Create an Add-on charge for the commission by navigating to *Accounting / Setup / Inventory / Purchase Add-on Charges*, tagging the commission classification, set it to an *Accrue* item, and set the G/L Account to the commission receivable account set up in Step 1.
4. Set the rate according to the terms of the commission agreement. It may be a *Percent* of total sales or a *Flat Rate*.
5. Set the *Vendor* for receiving the commission payment.

## Using the Add-on

1. At the Purchase Invoice, add the product being purchased, and set the purchase price equal to the sales price.
2. The commission add-on should automatically populate but may not reflect the correct amount.
3. Reset the amount on the Add-on as appropriate. This will be a negative amount equal to the expected commission.
4. At the *A/P / Pay Bills* window, the A/P bill may be paid from the Purchase Invoice for the amount of the payable due to the Vendor.
5. When the commission comes in:
  1. A negative (credit) A/P bill may be added to the same account used in the Add-on setup.
  2. The *Reconcile Freight/Additional Charges* screen may be used to manage and auto-create the credit A/P bill.
6. Take a negative Payment as a memo check at *A/P / Pay Bills*. Either leave the account set to the checking account if it is a direct deposit, or set the account to the undeposited cash account so that it may be deposited with customer Payments.

## What Happens from a G/L Standpoint?

1. The cost of the product is equal to the selling price minus the commission.
2. A commission receivable exists on the General Ledger between the time the Purchase Invoice is saved and the time the credit bill is entered (either manually or through the use of the *Reconcile Freight/Additional Charges* utility).
3. The commission receivable turns into a negative payable from the time the credit A/P bill is entered until it is paid.