

Using Finance Companies to Pay Invoices

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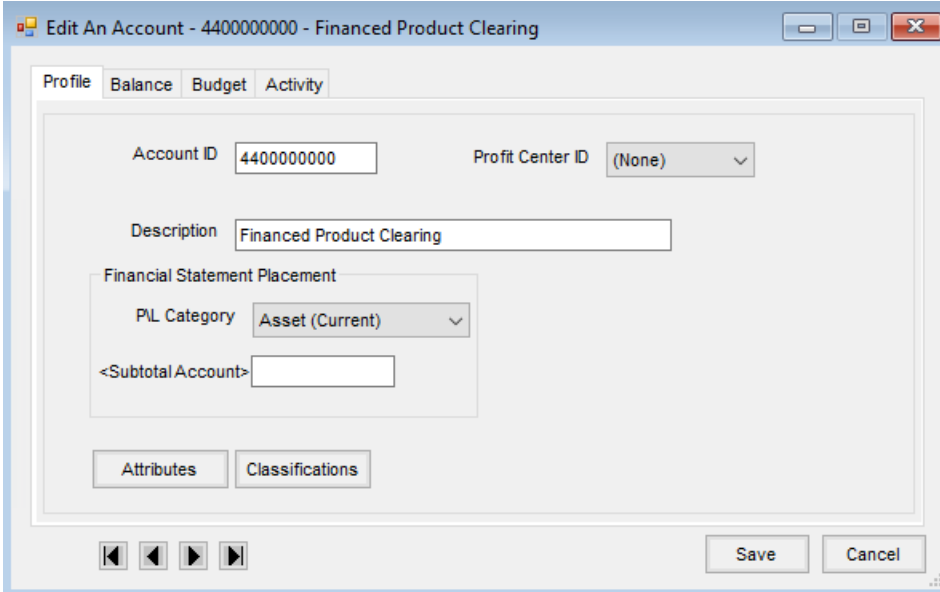
Sometimes the following Accounts Receivable situation can occur.

A Customer orders Product which will be paid for by an outside finance company, but the payments will not be processed directly through an interface such as JDF Multi-Use. The finance company may pay directly or instead pay the vendor from whom product will be received. In the first case, a prepay check could be issued to the vendor and product ordered as orders (Bookings) are received from customers, or order product and pay for it as normal.

In the second case, the vendor who will be supplying the product receives payment from the finance company and then issues a credit. In either case, the customer then pays the finance company according to the terms of their agreement. Some finance companies who might use this scenario are Farm Flex (a division of JDF Multi-Use, working with Monsanto), and PHI (working with Pioneer).

Setup

Set up a new G/L account (Current Asset) called *Financed Product Clearing*.



The screenshot shows a software window titled "Edit An Account - 4400000000 - Financed Product Clearing". The window has a tabbed interface with "Profile" selected. The "Profile" tab contains the following fields:

- Account ID: 4400000000
- Profit Center ID: (None)
- Description: Financed Product Clearing
- Financial Statement Placement:
 - P/L Category: Asset (Current)
 - <Subtotal Account>: (empty)

At the bottom of the window, there are buttons for "Attributes", "Classifications", "Save", and "Cancel".

Add a new Payment Method in *Accounting / Setup / A/R / Pay Methods* called *Financed Prod*, to indicate this payment is being made on behalf of the Customer by the finance company, and choose the *Financed Product Clearing* account as the posting account.

Take a payment at the *Payment on Account* screen using the *Financed Prod* Payment Method. This payment can be taken on direct Invoices or on Bookings entered for the Customer. If Bookings are entered, the Customer can pick up the Product throughout the season, whereas with an Invoice, they take possession of the Product immediately.

If Payment is Received Directly from Finance Company

If the payment is wired, add a Bank Deposit at *Accounting / G/L / Bank Deposit* and change the Cash Account to the

Financed Product Clearing account. Choose the line items the wire payment is for and save the deposit to move the amount out of the *Financed Product Clearing* account and into the selected checking account.

The screenshot shows the 'Make a Deposit' window with the following details:

- Date: 05/15/20...
- Description: [Empty]
- Checking Account ID: 1010000-00 (Checking Account - 1st National) | Current Balance: 8444.34 | New Balance: 13622.79
- Cash Account ID: 4400000000 (Financed Product Clearing) | Current Balance: 5178.45

	Post	Date	Location	Method	Check #	Cust ID	Last Name	<G/L Acct>	Amount
1	<input checked="" type="checkbox"/>	05/15/20...	Main	Financed...		AndBa	Anderson		4968.45
2	<input checked="" type="checkbox"/>	05/15/20...	Main	Financed...		AndBa	Anderson		210.00

Summary fields at the bottom:

- Cash: 0.00
- Checks and Other: 5178.45
- Less Cash Back: 0.00
- Deposit Total: 5178.45

Some finance companies will send unpaid Invoices back with a fee attached. Follow the steps below to handle this situation:

1. Set up two new Products in a *Miscellaneous Inventory* department: *Finance Company Chargeback* and *Finance Company Chargeback Fees*. Point the Sales Account for these Products to the *Financed Product Clearing* account.
2. Re-invoice the Customer with these Products, using the *Finance Company Chargeback* Product for the amount of the sale and the *Finance Company Chargeback Fees* Product for the amount of the fee (this Invoice will then be subject to the company's Finance Charges as normal).

Use the *Checkbook Reconciliation* function under the *G/L* menu for the *Financed Product Clearing* account if interested in tracking where the company stands with the financing company.

At this point there are two choices:

1. Send the amount received to the Vendor to pay for Product that will be purchased to fill Customer orders. This can be done through a prepay Quick Check or a prepaid Purchase Order depending on normal practice. Use the prepay dollars to pay those A/P Invoices. The Customer Invoices will be paid for by the Customer's prepaid Bookings.

2. Order Product as usual from the Vendor and pay the bills as they come in.

Note: It is easier to track the money coming in and going out for the financed Product using option number 1.

If Credit is Received from Vendor

If the finance company compensates the Product Vendor and the Vendor then issues a credit, add a credit (negative) A/P Bill to that Vendor at *Accounting / A/P / Add/Edit Bills*. Select the Financed Product Clearing account as the Expense G/L Account. Optionally use the *Description* field to indicate the Customer whose Product is being financed.

The screenshot shows the 'Add a Bill' window with the following details:

- Vendor:** Golden (Golden Prairie Supply)
- Regular:** 850.00
- Prepay:** 850.00
- Bill Date:** 05/15/20...
- Due Date:** 06/14/20...
- Invoice #:** 588964
- Description:** Smith
- PO #:** [Empty]
- Notes:** [Empty text area]
- 1099 Amount:** [Empty]
- 1099 Pay:**
- Options:** Use Prepay , On Hold , Post to Prior Month
- Discount:** Terms [Empty], Pay by date [Empty], Disc Amt [Empty]
- Predefined Split:** Split ID [Empty], Amount [Empty], Acct ID [Empty], Apply [Button]
- Expense Breakdown Table:**

	<G/L Account>	Description	\$ Amount	Comment	Quantity	<Vehicle I
1	▶ 4400000000	Financed Product Clearing	-4900.00			

Summary values at the bottom right:

- Gross \$: -4900.00
- Discount: 0.00
- Net \$: -4900.00

Buttons: Import File, Import PO, Save, Cancel.

At the end of the season, the *Financed Product Clearing* account balance should be 0. If it is not, check the account detail of the account and find which Customer payments were not offset by Vendor credits. Please contact SSI Customer Support for assistance.

Note: John Deere Financial Multi-Use Account Integration (JDF Multi-use) was formerly known as Farm Plan.