Managing Purchase and AP Discounts

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There are three places to set up the default discount G/L accounts that are used by Purchase Invoices and/or the *Pay Bills* utility.

Edit the Location at Accounting / Setup / Locations, and, on the G/L Posting tab, select the A/P Discount account that should be used for this particular Location. This account will be used as the Location default A/P Discount account for managing discounts coming from purchase invoicing or from A/P Bills provided there is not a Default Expense Account ID assigned to the Vendor. The Location's default A/P Discount G/L account can be manually overridden from the Terms window in Add/Edit Bills. If the discounts are taken on the A/P / Pay Bills window, any differences will remain in the A/P Discount account.

Note: This account should be assigned appropriately based on whether the company is set to transactional posting and whether discounts are included in Cost of Goods Sold on Purchase Invoices.

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The Vendor has a *Default Expense Account ID* that can optionally be set on the 1099 / Payment Info tab of the Vendor file. If there is a default entered here, this G/L account is what defaults in *Add/Edit Bills* when a term is selected instead of the Location's default A/P Discount G/L account. The Vendor's *Default Expense Account ID* overrides the Location's default A/P Discount G/L account. The G/L account can be manually overridden from the *Terms* window in *Add/Edit Bills*.

🖳 Edit A Vendor - Dukesf Dukes Farm Supply		
Profile Balance 1099 / Payment Info Activity		
1099 Type Misc V	Method of Payment	Electronic PO Vendor
<default account="" expense="" id=""></default>	ACH Payment Electronic Funds Transfers	
1099 Paid YTD 4546.50	Hold Payment	
Total Paid YTD 5142.50	Pay to ACH Account Information	
<pre>cmail addresses to receive the ACH remittance stud</pre>	ACH Routing#	Notify eMail
	Bank Account# Account Type Checking	✓ ACH Type CTX ✓
Company Name to Print on Form 1099 (Leave blank to print the Vendor name from Profile)		
		Save Cancel

At A/P / Add/Edit Bills window, select the **Terms** button, where they can override the Discount G/L account from this window.

Terms Options						
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Description	2/10 net 30	2/10 net 30				
Discount O	ptions					
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Total \$ 8	3000.00		Inv Date	10/09/20xx		
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4100000-0	ו		Apply	ОК		

Edit an Inventory Department at Accounting / Setup / Inventory Departments, and, on the G/L Posting tab, select a Purchase Discount G/L account.

Note: This account should be assigned appropriately based on whether the company is set to transactional posting and whether discounts are included in Cost of Goods Sold on Purchase Invoices.

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Com	Sales Cla pute Invoice Cr	ss ost Estimat	∼ red Average ∨				
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Select to use transactional posting on the General tab at Accounting / Setup / Preferences.

Preferences	- • ×								
General Inventory Inventory Purchase A/R A/P G/L Payroll									
First fiscal month of Year January V									
Transactional Posting to Inventory Asset Accounts	Transactional Posting to Inventory Asset Accounts								
Accrue Estimated Payables for Purchase Receipts									
Include consignment products from unprocessed purchase receipts when posting inventory value	Include consignment products from unprocessed purchase receipts when posting inventory value to GL								
Include consignment products in current inventory value when posting inventory value to GL									
Print "See Terms on reverse side" on all "Received by" lines									
Display JDF Multi-use Numbers									
Counters POS Warnings	Save Cancel								

Scenario 1

On the *Add/Edit Bills* window, an A/P Bill is entered and posted to an expense account with a term that includes a discount (non-inventory).

On the *Pay Bills* window, an A/P Bill is paid and a discount is taken. The discount may be taken with the full amount of the discount, taken with a partial amount of the discount, or taken with none of the discount.

Result

If the Vendor record has a *Default Expense Account ID* and a default term or if a payment term is added to the A/P Bill while in *Add/Edit Bills*, the *Discount G/L* account on the A/P Bill defaults to the *Default Expense Account ID* from the Vendor record.

If the Vendor record does not have a *Default Expense Account ID* set but a default term is set up on the record or if a payment term has been added to the A/P Bill while in *Add/Edit Bills*, the *Discount G/L* account on the A/P Bill defaults to the A/P Discount G/L account from *Setup / Locations*.

Note: Any default Discount G/L account can be overridden from within the Terms window at Add/Edit Bill.

The posting from *Pay Bills* updates the *Discount G/L* account with the amount of the discount taken while the amount posted to the *Cash in Bank G/L* account is reduced by the amount of that discount.

Scenario 2

On the *Add/Edit Bills* window, an A/P Bill is entered and posted to an expense account without a discounted term (non-inventory).

On the *Pay Bills* window, an A/P Bill is paid and a discount is added even though there was not a discounted term on the A/P Bill itself.

Result

There is no posting to the Discount G/L account from the A/P Bill.

The posting from *Pay Bills* updates the *Discount G/L* account with the amount of the discount taken while the amount posted to the *Cash in Bank G/L* account is reduced by the amount of that discount.

If the Vendor has a *Default Expense Account ID* set on the Vendor record, that account is used as the *Discount G/L* account for the discount amount entered in *Pay Bills*.

If the Vendor does not have a *Default Expense Account ID* set on the vendor record, the *Location A/P Discount G/L* account is used as the *Discount G/L* account for the discount amount entered in *Pay Bills*.

Scenario 3

On the Pay Bills window, an A/P Bill was entered via purchase invoicing with a discount that was fully used.

Result

Regardless of whether a *Default Expense Account ID* is set on the Vendor record, when a payment term is added or one already exists from the Vendor record, the *Discount G/L* account on the resulting A/P Bill defaults to the A/P *Discount G/L* account from *Setup / Locations*.

In addition to updating the Accounts Payable G/L account for the payment amount plus the discount amount taken, the posting from purchase invoicing updates the A/P Discount G/L account with the offset to the Purchase Discount G/L account from the Inventory Department for the total amount of the discount. When the company is set to use transactional posting, the Purchase Discount G/L account should generally be set to the same G/L account as the Inventory G/L account already set up on the Inventory Department, particularly when the preference to Include Discount in Cost of Inventory is selected on the Inventory Department Information window. To use transactional posting, navigate to the General tab at Accounting / Preferences, and select the Transactional Posting to Inventory Asset Accounts option.

The posting from *Pay Bills* updates the A/P *Discount* G/L account for the full discount amount while the amount posted to the *Cash in Bank* G/L account is reduced by the amount of that discount.

Scenario 4

On the Pay Bills window, a Bill was entered via purchase invoicing with a discount that was partially used.

Result

Regardless of whether a *Default Expense Account ID* is set on the Vendor record, when a payment term is added or one already exists from the Vendor record, the *Discount G/L* account on the resulting A/P Bill defaults to the A/P *Discount G/L* account from *Setup / Locations*.

The posting from purchase invoicing updates the A/P Discount G/L account with the offset to the Purchase Discount G/L account from the Inventory Department for the total amount of the discount. When the company is set to transactional posting, the Purchase Discount G/L account should generally be set to the same G/L account as the Inventory G/L account already set up on the Inventory Department, particularly when the preference to Include Discount in Cost of Inventory is selected on the Inventory Department Information window. To use transactional posting, navigate to the General tab at Accounting / Preferences, and select the Transactional Posting to Inventory Asset Accounts option.

In addition to updating the *Accounts Payable* G/L account for the payment amount plus the discount amount taken, the posting from *Pay Bills* updates the *A/P Discount* G/L account for the amount of the discount taken. The amount posted to the *Cash in Bank* G/L account is reduced by the amount of that discount.

Note: While the full amount of the discount has already been updated to the *Purchase Discount* G/L account from the Inventory Department for the total amount from purchase invoicing, this *Pay Bills* posting leaves any remaining discount amount sitting in the Location's *A/P Discount* G/L account.

Scenario 5

On the Pay Bills window, a Bill was entered via purchase invoicing with a discount that was not used.

Result

Regardless of whether a *Default Expense Account ID* is set on the Vendor record, when a payment term is added or one already exists from the Vendor record, the *Discount G/L* account on the resulting A/P Bill defaults to the A/P *Discount G/L* account from *Setup / Locations*.

The posting from purchase invoicing updates the A/P Discount G/L account with the offset to the Purchase Discount G/L account from the Inventory Department for the total amount of the discount. When the company is set to transactional posting, the Purchase Discount G/L account should generally be set to the same G/L account as the Inventory G/L account already set up on the Inventory Department, particularly when the preference to Include Discount in Cost of Inventory is checked on the Inventory Department Information window. To use transactional posting, navigate to the General tab at Accounting / Preferences, and select the Transactional Posting to Inventory Asset Accounts option.

In addition to updating the Accounts Payable G/L account for the payment amount, the posting from Pay Bills updates the Cash in Bank G/L account for the amount paid on the A/P Bill. It makes no update to the A/P Discount G/L account nor to the Purchase Discount G/L account.

Note: While the full amount of the discount has already been updated to the *Purchase Discount* G/L account from the Inventory Department for the total amount from purchase invoicing, this *Pay Bills* posting leaves any remaining discount amount sitting in the Location's *A/P Discount* G/L account.

Scenario 6

On the Pay Bills window, a Bill was entered via purchase invoicing without a discount that was then taken.

Result

Regardless of whether a *Default Expense Account ID* is set on the Vendor record, when a payment term is added or one already exists from the Vendor record, the *Discount G/L* account on the resulting A/P Bill, defaults to the A/P *Discount G/L* account from *Setup / Locations*.

The posting from purchase invoicing has no update to the A/P Discount G/L account nor to the Purchase Discount G/L account from the Inventory.

In addition to updating the *Accounts Payable* G/L account for the payment amount plus the discount amount taken, the posting from *Pay Bills* updates the *A/P Discount* G/L account for the amount of the discount taken. The amount posted to the *Cash in Bank* G/L account is reduced by the amount of that discount.

Note: While not normally advisable, because the Location and Inventory Department G/L accounts should already be set accurately, any default Discount *G/L* account can be overridden from within the *Terms* window on a Purchase Order, Purchase Invoice, or at *Add/Edit Bills*.