# Managing Purchase and AP Discounts

Last Modified on 02/23/2026 10:59 am CST

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.
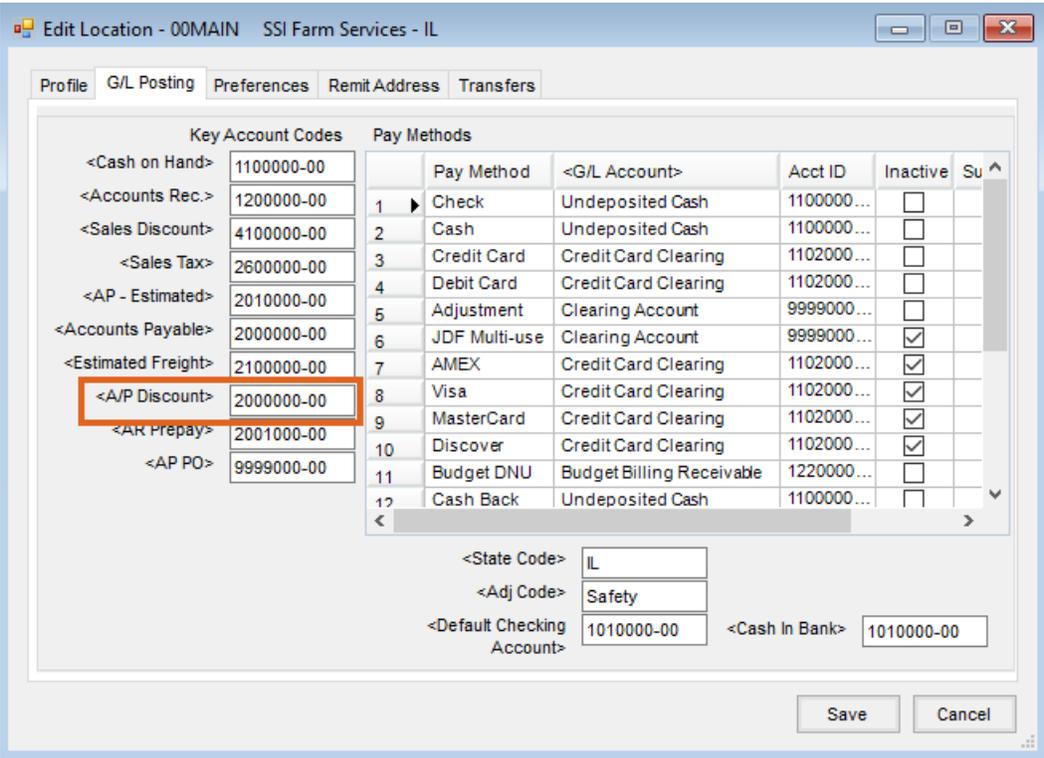

The Vendor has a *Default Expense Account ID* that can optionally be set on the *1099 / Payment Info* tab of the Vendor file. If there is a default entered here, this G/L account is what defaults in *Add/Edit Bills* when a term is selected instead of the Location's default *A/P Discount* G/L account.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

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


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.
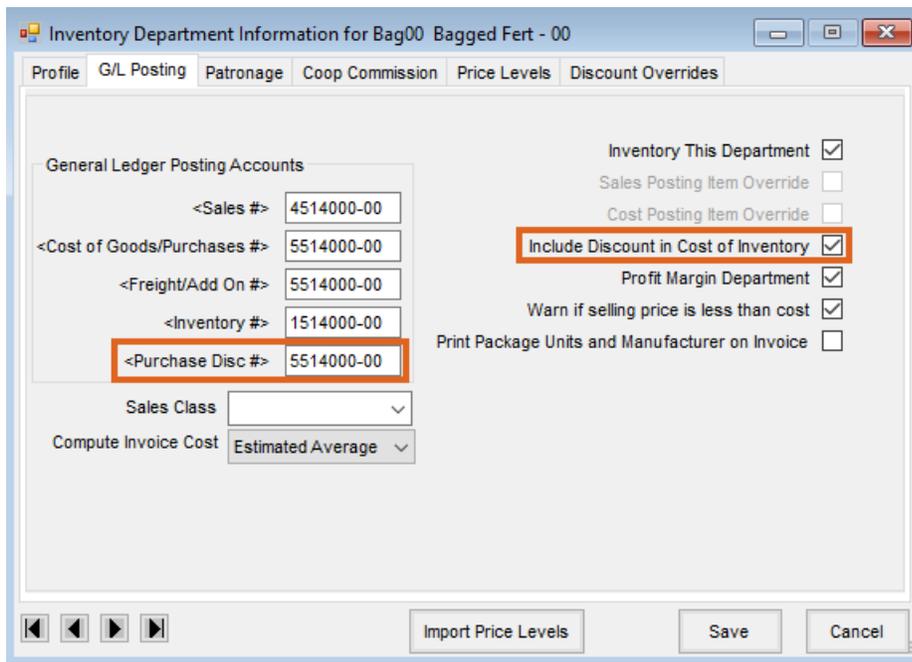
Select to use transactional posting on the *General* tab at *Accounting / Setup / Preferences*.
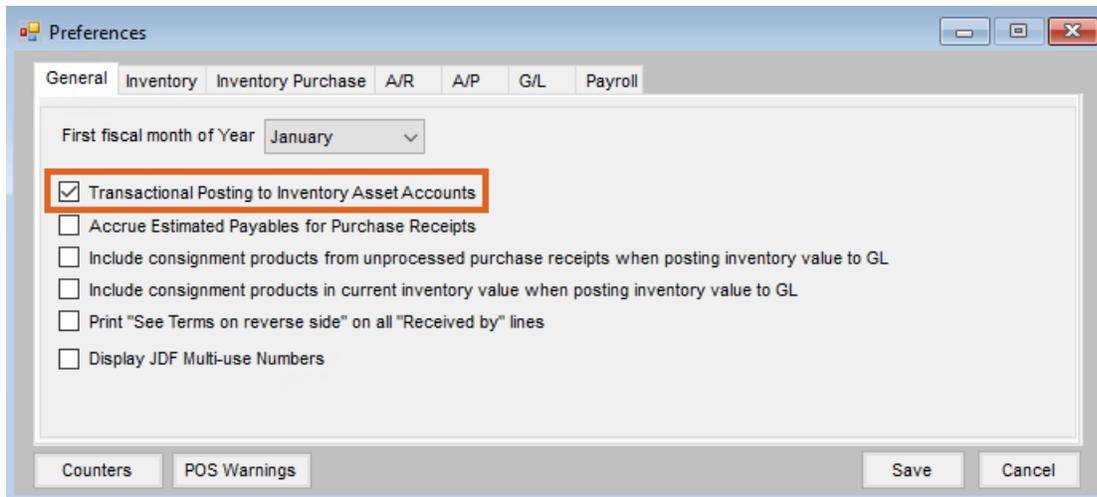
Scenario 1

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*.