

# Accounts Payable

## Accounts Payable

The Freedom Series/ec21 Accounts Payable System is designed to provide you the control you require while allowing you to maintain an efficient flow through the accounts payable process. You can, for example, enter vendor invoices in accounts payable before final approval. The invoices will appear on an open payables report, but they are not posted to general ledger until approval has been obtained. Many controls and defaults can be set by you to speed the entry of invoices in accounts payable and to ensure the accuracy of the information entered. Special features are available for the reporting, by employee, of travel and entertainment expenses. Also, the accounts payable system includes 1099 handling.

### A/P CONTROLS

The Accounts Payable System controls discussed below will allow you to speed the entry of A/P transactions while ensuring that these transactions are entered accurately. Each of these controls can be set system wide, for a particular user, for a particular location, or for a particular location/user combination.

#### Default Bank Account

When checks are issued in payment of accounts payable liabilities, the system requires that you indicate which bank account the checks will be issued against. The bank account information stored in Freedom Series/ec21 includes information identifying the bank and bank account number along with the general ledger account number to use for the cash side of the check transactions. This control allows you to set a default bank account to use when issuing checks. You can change the default during check processing if necessary.

#### Default Control Account

You can record the default general ledger control account for accounts payable (the liability account) that will be used during transaction entry. All invoices, credit memos, and debit memos will post to the default account unless it is changed during transaction entry.

#### Cash Discount Controls

There are two controls you can set that work in conjunction with the invoice payment terms to assist you in controlling cash discounts. These controls are available to ensure that discounts are taken when they are to your benefit, but are foregone when it is to your advantage to pay the gross amount at a later date.

##### Payment Terms

Freedom Series/ec21 provides a table in which you can build the payment terms offered by your various vendors. Payment terms instruct Freedom Series/ec21 how to calculate the discount date and invoice due date, as well as the discount amount. These payment terms can also handle split terms when the invoice can be paid in installments. When entering an invoice in accounts payable, it is only necessary to enter the payment terms code to have the Freedom Series/ec21 calculate the discount amount, discount date, and due date of the invoice.

##### Discount Threshold

Freedom Series/ec21 can determine if the cash discount terms on an invoice are of sufficient magnitude to warrant paying the invoice on the discount date, or if it is to your advantage to forego the discount and pay the invoice on its due date. Freedom Series/ec21 makes this decision by annualizing the discount percent offered and comparing it to a Discount Threshold that you set. The Discount Threshold would normally represent your cost of money or borrowing rate. If the annualized discount offered is greater than the Discount Threshold, Freedom Series/ec21 will set up the invoice to be paid on the discount date and take the discount. Otherwise, Freedom Series/ec21 sets up the invoice to be paid on the normal (net) due date for the gross amount of the invoice.

##### General Ledger Account for Cash Discounts

You can set a default general ledger account number to be used when posting cash discounts to be used company wide or for branches individually. The default can be changed during A/P entry for a particular invoice, but normally this is not necessary.

#### Cost Layer Variances

Freedom Series/ec21 gives you the option to post the value of inventory, based on the purchase order cost, when the merchandise is received. If you elect to allow Freedom Series/ec21 to post inventory to general ledger at time of receipt, there is a possibility that when the invoice arrives and is posted in accounts payable

that there will be a variance between the amount posted at receipt time (the P.O. amount) and the invoice amount from the vendor. Freedom Series/ec21 will calculate the amount of the variance and post it to two accounts that you set up as defaults for this purpose. One of these accounts will be in the inventory series of general ledger accounts, the other in the cost of goods sold series.

### **A/P Transaction Types and Invoice Approval**

Freedom Series/ec21 allows you to build a table of A/P Transaction Types. This table consists of a two character A/P Transaction Type code, a description of the transaction type, and a control switch that indicates if invoice approval is required for the transaction type. Typical transaction types that you might set up include invoices for merchandise purchased for resale, general expenses, employee expenses, and professional services.

If you require invoice approval for a particular transaction type and that type is associated with an invoice, that invoice is placed in a hold status after it is entered in Accounts Payable. An invoice requiring approval is not posted to general ledger, but will appear on the open aged payables report and any on-line inquiry of open payables. There is a special Freedom Series/ec21 function for the review and approval of these invoices.

Another use for A/P Transaction Types is available during A/P Check Processing. You are given the opportunity to select invoices for payment by A/P Transaction Type. You could, for example, create a separate check run for employee expense checks using this facility.

### **Invoice Approval**

If you use an A/P Transaction Type that requires invoice approval as described above, there is a second condition that has to be met before Freedom Series/ec21 requires formal approval of the invoice and the invoice is placed on hold. That second condition is associated with a threshold Suspense Amount that you set as a system control. Approval will only be required by Freedom Series/ec21 if the difference between the invoice total and the value of the merchandise, based on your P.O. cost, is greater than the Suspense Amount control.

If the difference is less than the Suspense Amount control, Freedom Series/ec21 will allow the invoice to be posted. The amount of the difference is posted to a default account you set up for that purpose. This default account would normally be in the cost of goods sold series of accounts in the chart of accounts.

### **Freight Account**

Freedom Series/ec21 allows you to set up a default account number to use for booking the freight amount associated with an invoice. If you land freight, this default would normally be the same account to which you book inventory. If, however, you expense in-bound freight, this default would be the in-bound freight expense account.

## **The Vendor File**

The Freedom Series/ec21 Vendor File is shared by the Inventory Management and Accounts Payable systems. This sharing eliminates the need to maintain duplicate sets of information about your vendors for use by the individual systems. However, Freedom Series/ec21 recognizes that the addresses and contact individuals may be different for Accounts Payable and for Inventory Management, so you can maintain separate Order From and Pay To information for the same vendor.

### **Pay To Vendor**

In addition to the separate Order From and Pay To information that can be maintained for a vendor, Freedom Series/ec21 allows you to maintain multiple Order From vendors that have a single Pay To.

### **1099 Processing**

Many of the vendors that you will set up in the Vendor File will be for expense processing only. You may indicate to Freedom Series/ec21 that a 1099 should be produced for a particular vendor. Additionally, you can record the Federal ID number or Social Security number of the individual that will receive the 1099 in the vendor record for that individual.

### **Payment Terms**

You can assign each vendor a pre-defined payment term code and have the code default to any Purchase Order issued to that vendor and to the A/P Invoice entry transaction. You retain the ability to change the payment terms on a P.O. or A/P Invoice.

## A/P Transactions

Entering A/P transactions can be as simple as indicating the vendor's invoice number, date, and amount plus your purchase order number. The rest of the information necessary to complete the transaction can be supplied by Freedom Series/ec21 from information available in the vendor file, the payment terms table, A/P controls, and the purchase order. Each of the A/P transactions discussed below is designed to improve the accuracy of the information entered, simplify the entry and processing of the transaction, and give you the tools to control and protect the quality of the A/P information.

### Making A/P Entries

All types of A/P documents (invoices, credit memos and debit memos) are entered into Freedom Series/ec21 using the same entry process. This single entry process also handles both invoices for merchandise and expense transactions.

#### The General Ledger Date

Each A/P transaction carries a General Ledger Date separate from the invoice date. The General Ledger Date on an A/P transaction is used by Freedom Series/ec21 to determine the accounting period to which the transaction will be posted. Freedom Series/ec21 initially sets this date to today's date, but you may change the date to cause the transaction to be posted to a prior or future period. This feature is particularly useful shortly after the first of the month, when entering invoices for merchandise that was received during the prior month.

#### Non-Discount Amount

The amount you enter as the Non-Discount Amount is deducted from the Invoice Amount before the cash discount is calculated by Freedom Series/ec21. This gives you the ability to exclude freight, taxes, or other charges included in the invoice total from the cash discount calculation.

#### Purchase Orders

You can associate one or more purchase orders with an A/P invoice transaction for merchandise. This association allows Freedom Series/ec21 to ensure that the value of merchandise as costed on the P.O. matches the amount invoiced by the vendor. Additionally, Freedom Series/ec21 retrieves the correct distribution accounts from the A/P transaction for the P.O. If the vendor does not identify your P.O. on their invoice, Freedom Series/ec21 provides you search capabilities from within A/P transaction entry to identify the P.O. based on the items being invoiced by the vendor.

#### Payment Terms

The payment terms associated with an A/P transaction are initially retrieved from the vendor file based on the vendor number you entered for the transaction. If, however, the terms on the P.O. you associated with the transaction are different, Freedom Series/ec21 substitutes the terms on the P.O. for the terms retrieved from the vendor file.

#### General Ledger Account Numbers

As discussed in the section above concerning A/P controls, you may set a number of defaults for the general ledger account numbers necessary to post an A/P transaction. The result of setting these defaults is that for an A/P invoice transaction for merchandise, the A/P control account number, the discount account number, the freight account number and the distribution account numbers will not normally be entered by you. And for expense invoices, you can define an allocation percentage across multiple accounts and have this ratio automatically applied as you post new invoices.

#### Employee Expenses

Freedom Series/ec21 allows for the entry of an employee number as part of the entry of an A/P invoice transaction. If you enter an employee number, the employee number becomes part of the permanent information retained about the transaction and is available for Employee Travel and Entertainment reports.

#### A/P Invoice Notes

Notes can be added to any A/P transaction. The note is associated with a note code. You define the meaning of the note codes you desire to use. Freedom Series/ec21 provides an option associated with note codes that you will find very useful. You can instruct Freedom Series/ec21 to print on the Aged Open Payables Report invoice notes identified with a particular note code that you designate in the A/P controls.

#### One Time Payments

Unlike many Accounts Payable systems, Freedom Series/ec21 is designed to handle payments to

individuals and companies for whom you have not established a vendor record in the vendor file. Instead of entering the vendor number to identify the payee, Freedom Series/ec21 prompts you to enter the name and address of the payee along with the 1099 information if required. Once the payee is identified in this manner, the invoice from the one time vendor can be entered just like any other A/P transaction.

#### A/P Debit Memo

If you have been overcharged by the vendor and wish to pay the invoice while deducting the amount in error you can use Debit Memo Processing. Debit letters can be predefined and include variables to automatically pull supporting information into the text. The check mailed to the vendor references the deduction being taken and the Debit Memo is included to detail the reason for withholding payment.

#### Invoice Approval

After the entry of an A/P transaction, approval may be required before further processing by Freedom Series/ec21. (See the discussion of Invoice Approval in the section on A/P Controls above.) Freedom Series/ec21 provides special displays used to review the invoices requiring approval and the associated purchase orders. During this approval process, you may change the value of the merchandise received or the A/P invoice amount to bring the two into balance. If you make changes to either, Freedom Series/ec21 produces the appropriate transactions to ensure that inventory records, sales history and general ledger reflect the changes.

#### Recurring Entries

Freedom Series/ec21 provides you with the ability to set up recurring A/P transactions. This facility speeds the entry of such routine expense invoices as utility bills, rents, lease payments and recurring expenses. This facility is a two step process. First you build a template that lists the standard distribution(s) and, optionally, amount(s) for the expense, and you assign the template an identification number. Then each time you receive the invoice for the recurring expense, you use a special Freedom Series/ec21 A/P transaction entry function. This function prompts you for the identification number of the template to use and then displays the template. You may make any changes necessary to the distribution accounts and amounts before posting the transaction.

#### Edit & Post

Posting A/P transactions is a two step process in Freedom Series/ec21. The first step, the Edit, ensures that a batch of transactions is in balance and prints a listing of all transactions in the batch for your review. The second step, the Post, adds the transactions to the Accounts Payable database of open transactions and produces the general ledger journal entries that the General Ledger System will use to update the ledger.

## A/P Check Processing

Issuing checks in Freedom Series/ec21 is a quick and easy process, but a process with the controls necessary to ensure that all checks are issued correctly. With Freedom Series/ec21, you are able to issue checks against multiple bank accounts, handle wire transfers, select the invoices to be paid, and control the check date.

#### Selecting Invoices for Payment

Freedom Series/ec21 check processing begins with the selection of the invoices to be paid. To select invoices, Freedom Series/ec21 prompts you to identify the vendor(s) to be paid or you may indicate that all vendors are eligible to be paid. You also enter a pay through date. Freedom Series/ec21 selects an invoice for payment if the invoice due date is on or prior to the pay through date. You may also limit the invoices selected by the type of invoice, i.e. expense invoices only, employee expenses only, etc.

After entering your selection criteria, Freedom Series/ec21 presents you with a list of the open invoices, credit memos, and debit memos that meet your selection criteria. You can exclude specific items from the check process. To end the selection process, you assign the invoices selected to a check batch.

#### Printing Checks

To initiate check printing, you indicate to Freedom Series/ec21 the check batch to process, the check date to use, and the starting check number. In response, Freedom Series/ec21 produces the checks. If the first few check forms become unusable during the physical mounting and aligning of the checks, you can tell Freedom Series/ec21 which checks were not used, and Freedom Series/ec21 will adjust the check numbers assigned to each transaction appropriately. These checks are retained in the database as voided checks.

#### Remittance Overflow

You are provided two basic check formatting programs with Freedom Series/ec21. Both of these programs

allow for fourteen vouchers to be listed on the check stub. If more than fourteen vouchers are associated with the check, one of the programs voids the next check and continues to print vouchers on the next check stub. The other check formatting program will print no vouchers on the check stub when the number of vouchers exceeds fourteen. This program produces a separate listing of the vouchers associated with the check that can be used as the remittance advice.

### **Voiding Checks**

Freedom Series/ec21 allows you to void a check that has been issued. When you void a check, Freedom Series/ec21 reverses all the journal entries created by the check run and reinstates all the items paid to an open status.

### **Manual Checks**

If you hand write a check, Freedom Series/ec21 allows you to enter all the information about the check at the same time you enter the invoice transaction in A/P. If the invoice has been previously entered, you may simply append the check information. Freedom Series/ec21 treats A/P transactions with manual check information appended to them as closed, paid transactions.

### **Check Inquiry**

Freedom Series/ec21 provides an inquiry that is initiated by check number. This inquiry lists all vouchers paid by the check. Conversely, when inquiry is made on a paid A/P transaction, the check number and date are always displayed.

## **A/P Reporting**

A full range of reports are available as part of the Freedom Series/ec21 Accounts Payable System, some of which are discussed below. These reports, along with the others available, put the information you need about Accounts Payable within easy reach.

### **Aged Open Payables**

The Aged Open Payables Report presents each open transaction sorted by due date within vendor. For each transaction the report lists the due date, transaction number, G/L date, and the Gross, Discount, and Net Amount. When the report is requested, you may indicate an As Of Date. Only transactions with a G/L date on or prior to the As Of Date will be listed on the report.

### **Cash Requirements**

You specify an Ending Date when requesting the Cash Requirements Report. On this report, Freedom Series/ec21 will list every A/P transaction, in due date order, with a due date on or prior to the Ending Date specified. For each A/P transaction, the transaction date, and the Gross, Discount and Net amounts are presented. A cumulative total is presented so that you can quickly identify the cash requirements for any given period of time.

### **Travel and Entertainment**

The Travel and Entertainment Report presents the dollar totals incurred for travel and entertainment by employee for a time period you specify when requesting the report. The expenses may be broken down into user defined categories such as Transportation, Meals and Lodging and Customer Entertainment.

### **1099 Reporting**

The 1099 Report prepares either Miscellaneous 1099 or Dividend 1099 formatted reports.