CHAPTER 7: PREPAYMENTS

Objectives

The objectives are:

- Explain the requirements for setting up prepayments.
- Set up and assign prepayment General Ledger accounts.
- Set up prepayment numbering for sales and purchases.
- Set up default prepayment percentages on customers and vendors.
- Set up default prepayment percentages for Customer-Item and Vendor-Item combinations.
- Set up prepayment posting verification for sales and purchases.
- Explain the prepayment processing flows for sales and purchase orders.
- Describe the prepayment-specific fields on sales and purchase orders.
- Create sales and purchase orders with prepayment percents and amounts.
- Create prepayment invoices from sales and purchase orders.
- Explain the processes available to correct posted prepayment invoices.

Introduction

Prepayments are payments that are invoiced and posted to a sales or purchase prepayment invoice before final invoicing.

Prepayment requirements can be defined on customers and vendors for all items or selected items. After completing the required setup, prepayment invoices can be generated from sales and purchase orders for the calculated prepayment amount. Prepayment invoices can be corrected as needed.

In this section, prepayments are set up and then the processing of prepayments is described.
Prepayments Set-up Overview

Prepayments are available for both sales and purchases in Microsoft Dynamics NAV 5.0.

- On the sales side, prepayments are used to require customers to pay a part of the total amount of their order, specified as an amount or a percentage, in advance of the final invoice.
- On the purchases side, prepayments are used to document and process prepayments that are required by vendors.

Microsoft Dynamics NAV 5.0 can be set up to:

- Require selected customers to prepay a specific percentage for all items.
- Require specified prepayment percentages for particular combinations of customers or customer price groups and items.
- Require all customers to prepay a specific percentage for selected items.
- Require specified prepayment percentages to selected vendors for all items.
- Require specified prepayment percentages for selected combinations of vendors and items.
- Require verification that the prepayment has been made before shipping or receiving items.

To use prepayments, the following must be set up:

- General Ledger accounts and Posting Groups for prepayments
- Number Series for prepayment documents
- Prepayment percentages for selected vendors and customers
- Prepayment percentages for combinations of:
  - Customers, customer groups, or all customers and items
  - Vendors and items
- Check boxes to require before the posting of sales shipments or purchase receipts:
  - The receipt of prepayment amounts from customers for sales
  - The issue of prepayment amounts from vendors for purchases

In the following sections, prepayments are set up as specified above.
Set up Prepayment General Ledger Accounts

Because the prepayment amount belongs to the buyer until the buyer has received the goods or services, General Ledger accounts must be set up to post the prepayment amounts until the final invoice is posted. To recognize ownership, Microsoft Dynamics NAV 5.0 must be set up to:

- Record sales prepayments in a liability account until the items are shipped.
- Record purchase prepayments in an asset account until the items are received.

**NOTE**: A separate General Ledger account is required for each VAT identifier.

Set up Prepayment General Ledger Accounts

To set up General Ledger accounts for prepayments, follow these steps:

2. Create the new accounts for sales prepayments and purchase prepayments by filling in the following fields:

   - **No.**
   - **Name**
   - **Income/Balance**
   - **Account Type**
   - **Gen. Bus. Posting Group**
   - **Gen. Prod. Posting Group**
   - **VAT Bus. Posting Group**
   - **VAT Prod. Posting Group**

3. Close the **Chart of Accounts** window.
Assign Prepayment General Ledger Accounts

After the prepayment accounts are created, they are assigned to the relevant posting setup combinations in the General Posting Setup window. To complete this set up, follow these steps:

1. On the Financial Management menu, click setup > posting groups > general > posting setup.
2. On the View menu, click Show Column.
4. Click OK to close the Show Column window.
5. For every line that contains a combination of business group and product group that requires sales or purchase prepayments, enter the following:

   - In the Sales Prepayments Account field, enter the number of the General Ledger account to use for posting sales prepayment amounts.
   - In the Purch. Prepayments Account field, enter the number of the General Ledger account to use for posting purchase prepayment amounts.

6. Close the General Posting Setup window.

Set up Number Series for Prepayment Documents

A number series must be set up for every type of prepayment document that is used. The prepayment documents are as follows:

- Sales prepayment invoices
- Sales prepayment credit memos
- Purchase prepayment invoice
- Purchase prepayment credit memos

The same number series can be used for:

- Prepayment invoices and credit memos.
- Regular invoices and credit memos.

Alternatively, different number series can be used. When using different number series, each number series must be unique in order to navigate effectively on posted transactions.
Set up Prepayment Numbering for Sales

To set up prepayment number series for sales, follow these steps:

1. On the Navigation Pane, click sales & marketing > setup > sales & receivables setup.
2. Click the Numbering tab.
3. In the Posted Prepmt. Inv. Nos. field, click the AssistButton and select the number series to use to assign numbers to sales prepayment invoices when they are posted.
4. In the Posted Prepmt. Cr. Memo Nos. field, click the AssistButton and select the number series to use to assign numbers to sales prepayment credit memos when they are posted.
5. Close the Sales & Receivables Setup window.

Set up Prepayment Numbering for Purchases

To set up prepayment number series for purchases, follow these steps:

1. On the Navigation Pane, click purchase > setup > purchases & payables setup.
2. Click the Numbering tab.
3. In the Posted Prepmt. Inv. Nos. field, click the AssistButton and select the number series to use to assign numbers to purchase prepayment invoices when they are posted.
4. In the Posted Prepmt. Cr. Memo Nos. field, click the AssistButton and select the number series to use to assign numbers to sales prepayment credit memos when they are posted.
5. Close the Purchases & Payables Setup window.
Set up Prepayment Percentages for Customers and Vendors

For customers and vendors, a default percentage for prepayments can be specified to use for all items. Once specified, the percentage is automatically populated on the Prepayment tab of sales or purchase orders.

To set up a default prepayment percentage for all items, follow these steps:

1. On the Navigation Pane, click either Financial Management > Receivables > Customers, or Financial Management > Payables > Vendors
2. Locate and select the customer or vendor that requires a default prepayment percentage.
3. Click the Invoicing tab.
4. In the Prepayment % field, enter the default percentage.
5. Close the Customer Card or Vendor Card window.

**NOTE:** Prepayment percentages specified on customers and vendors apply to all lines entered on sales and purchase orders, not only items.

Set up Prepayment Percentages for Customer-Item and Vendor-Item Combinations

For an item being sold, a default prepayment percentage can be set up for all customers, a specific customer, or a customer price group.

- The various combinations of items and customers can be set up from the Customer Card or from the Item Card.
- The same Sales Prepayment Percentages window is used from both locations, but the preset filters differ depending on whether the window is opened from the Customer Card or the Item Card.

For an item being purchased, a default prepayment percentage may be set up for a specific vendor.

- The various combinations of items and vendors can be set up from the Vendor Card or from the Item Card.
- The same Purchase Prepm. Percentages window is used from both locations, but the preset filters differ depending on whether the window is opened from the Vendor Card or from the Item Card.

In this section, prepayment percentages are set up on customer, vendor, and item cards.
Set up Prepayment Defaults for an Item–Customer Combination

To set up prepayment defaults for an item-customer combination, follow these steps:

1. On the Navigation Pane, click warehouse > planning & execution > items.
2. Locate and select the item that requires a prepayment.
3. Click SALES > PREPAYMENT PERCENTAGES.

1. In the Sales Type field, click the AssistButton and select either Customer, Customer Price Group, or All Customers.
2. In the Sales Code field, click the AssistButton and select the particular Customer or Customer Price Group for whom this prepayment percentage applies. If the Sales Type is set to All Customers, leave the Sales Code field blank.
3. In the Item No. field, click the AssistButton and select the item for which the prepayment percentage applies.
4. In the Starting Date field, enter the date to start charging the prepayment percentage.

- The Starting Date can be set to the current date by leaving the field blank.
- If a future date is entered, the rule starts automatically on that date.
5. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.

- If the **Ending Date** field is left blank, the rule does not expire until it is edited or removed.
- If a future date is entered, the rule expires automatically on that date.

6. In the **Prepayment %** field, enter the percentage of the item cost to charge as a prepayment. For example, if a prepayment of 10% is charged on this item, enter 10 in this field.

7. Close the **Sales Prepayment Percentages** and **Item Card** windows.

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**NOTE**: The rules for Starting Dates, Ending Dates, and Prepayment % are the same for each combination.

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**Set up Prepayment Defaults for a Customer-Item Combination**

To set up prepayment defaults for a customer-item combination, follow these steps:

1. On the Navigation Pane, click financial management > receivables > customers.
2. Locate and select the customer from whom a prepayment is required.
3. Click sales > prepayment percentages.
4. In the **Sales Type** field, click the AssistButton and select either Customer, Customer Price Group, or All Customers.
5. In the **Sales Code** field, click the AssistButton and select the particular Customer or Customer Price Group for whom this prepayment percentage applies. If the **Sales Type** is set to All Customers, leave the **Sales Code** field blank.
6. In the **Item No.** field, click the AssistButton and select the item for which the prepayment percentage applies.
7. In the **Starting Date** field, enter the date to start charging the prepayment percentage.
8. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.
9. In the **Prepayment %** field, enter the percent of the item cost to charge as a prepayment.
10. Close the **Sales Prepayment Percentages** and **Customer Card** windows.
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Set up Prepayment Defaults for a Vendor-Item Combination

To set up prepayment defaults for vendor-item combinations, follow these steps:

1. On the Navigation Pane, click financial management > payables > vendors.
2. Locate and select the vendor that requires a prepayment.
3. Click purchases > prepayment percentages.

4. In the Vendor No. field, click the AssistButton and select the particular vendor for whom this prepayment percentage applies.
5. In the Item No. field, click the AssistButton and select the item for which the prepayment percentage applies.
6. In the Starting Date field, enter the date to start charging the prepayment percentage.
7. In the Ending Date field, enter the date to stop charging the prepayment percentage.
8. In the Prepayment % field, enter the percentage of the item cost to charge as a prepayment.
Set up Prepayment Defaults for an Item-Vendor Combination
To set up prepayment defaults for an item-vendor combination, follow these steps:

1. On the Navigation Pane, click warehouse > planning & execution > items.
2. Locate and select the item that requires a prepayment.
3. Click PURCHASES > PREPAYMENT PERCENTAGES.
4. In the Vendor No. field, click the AssistButton and select the particular vendor for whom this prepayment percentage applies.
5. In the Item No. field, click the AssistButton and select the item for which the prepayment percentage applies.
6. In the Starting Date field, enter the date to start charging the prepayment percentage.
7. In the Ending Date field, enter the date to stop charging the prepayment percentage.
8. In the Prepayment % field, enter the percent of the item cost to charge as a prepayment.

Set up Check Prepayment When Posting
When posting a prepayment invoice to a customer or vendor, Microsoft Dynamics NAV 5.0 can be set up to verify that:

- Prepayments due from a customer have been received.
- Prepayments due to a vendor have been issued.

This feature ensures that inventory is not shipped to a customer before the receipt of the prepayment amount.

Set up Prepayments Verification for Sales
To set up the prepayments verification when posting sales, follow these steps:

1. On the Navigation Pane, click sales & marketing > setup > sales & receivables setup.
2. On the General tab, place a check mark in the Check Prepmt. When Posting check box to prevent posting invoices before receipt of the prepayment amount.
3. Close the Sales & Receivables Setup window.
Set up Prepayments Verification for Purchases

To set up the prepayments verification when posting purchases, follow these steps:

1. On the Navigation Pane, click purchase > setup > purchases & payables setup.
2. On the General tab, place a check mark in the Check Prepmt. When Posting check box to prevent posting invoices before issuing the prepayment amount.
3. Close the Purchases & Payables Setup window.
Lab 7.1: – Set up Prepayments for Sales

Scenario
As the accounts receivable administrator for CRONUS International Ltd., you are responsible for setting up prepayments for particular items and customers. You need to charge a prepayment of 10% on all orders for Item 1896-S. You also need to charge Customer 10000 a prepayment of 20% on all orders.

Challenge Yourself!

1. Enter the prepayment requirement for the item as specified in the scenario.
2. Enter the prepayment requirement for the customer as specified in the scenario.
Lab 7.1: – Set up Prepayments for Sales

Scenario
As the accounts receivable administrator for CRONUS International Ltd., you are responsible for setting up prepayments for particular items and customers. You need to charge a prepayment of 10% on all orders for Item 1896-S. You also need to charge Customer 10000 a prepayment of 20% on all orders.

Need a Little Help?
1. Open the Prepayment Percentages window from the Item card window.
2. Enter the prepayment requirement for the item as specified in the scenario.
3. Open the Customer Card window for customer 10000.
4. Enter the Prepayment % for the customer as specified in the scenario.
Prepayments Processing Flows

Prepayment invoices are created from a sales or purchase order, using the prepayment invoice option. The prepayment amount on the order is calculated based on the prepayment percentage specified on items, customers, or vendors. This prepayment percentage or amount can be edited on the individual sales or purchase order.

For prepayment sales orders, the following steps list the typical process flow:

1. Create a sales order with a prepayment requirement.
2. Send a prepayment invoice for the prepayment amount to the customer.
3. The customer pays the prepayment amount.
4. Apply the prepayment amount to the sales order.
5. Ship the order to the customer.
6. Create a sales invoice for the total amount of the sales order minus the prepayment amount.
7. Receive payment from the customer and post the payment to the sales order.

For prepayment purchase orders, the following steps list the typical process flow:

1. Create a purchase order with a prepayment requirement.
2. Post a prepayment invoice for the prepayment amount.
3. Send the prepayment amount to the vendor.
4. Apply the prepayment amount to the purchase order.
5. The vendor ships the order.
6. Create a purchase invoice for the total amount of the purchase order minus the prepayment amount.
7. Send the payment to the vendor and post the payment to the purchase order.
Prepayment Sales and Purchase Orders Overview

In this section, the fields specific to prepayments on the sales and purchase order header and lines are defined. In addition, the prepayment percentage priority is explained.

Sales and Purchase Order Header Overview

The sales and purchase order header both contain the following fields on the Prepayment tab, related to prepayments:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayment %</td>
<td>The percentage to be applied to all lines on the order. If there is a default prepayment percentage specified on the customer or vendor, this field is automatically populated with that amount. However, the prepayment percentage specified on the customer or vendor only applies to lines that do not have a default prepayment percentage set up for the customer-item or vendor-item combination.</td>
</tr>
<tr>
<td>Compress Prepayment</td>
<td>If selected, prepayment lines on the invoice are combined when: They have the same General Ledger account for prepayments (as defined in the General Posting Setup window). They have the same dimensions. If not selected, an invoice is created by using a separate line for each prepayment amount.</td>
</tr>
<tr>
<td>Prepmt. Payment Terms Code</td>
<td>The payment terms for prepayment invoices. As a default, this code is retrieved from the Payment Terms Code field on the Invoicing tab of the order. The prepayment payment terms are used to calculate the due date, payment discount date, and payment discount percentages for prepayment amounts.</td>
</tr>
<tr>
<td>Prepayment Due Date</td>
<td>The date the prepayment invoice for this order is due. The date is calculated using the date formula in the Due Date Calculation field related to the payment term, and the Document Date on the order.</td>
</tr>
<tr>
<td>Field</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Prepmt. Payment Discount %</strong></td>
<td>The payment discount percentage that is given on the prepayment if the order is paid on or before the date entered in the <strong>Prepmt. Pmt. Discount Date</strong> field.</td>
</tr>
<tr>
<td><strong>Prepmt. Pmt. Discount Date</strong></td>
<td>The last date the prepayment invoice can be paid and still receive a payment discount on the prepayment amount. The <strong>Prepmt. Payment Terms Code</strong> and <strong>Document Date</strong> fields are used to calculate the date.</td>
</tr>
</tbody>
</table>

**Prepayment Status**

The **Status** field on order headers includes an option of **Pending Prepayment**. This status is used when the order has one or more lines with a prepayment amount, but the prepayment invoice has not yet been posted.

The **Status** field is set to:

- Open when an order is created.
- Pending Prepayment when:
  - The order is released by clicking **FUNCTIONS > RELEASE**.
  - The order is approved, if document approvals are used.
- Released when the Prepayment invoice is posted.
Sales and Purchase Order Lines Overview

The sales and purchase order lines both contain the following fields, related to prepayments. Note that these fields must be shown using the Show Column function.

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayment %</td>
<td>The contents of this field are determined as follows: If a default prepayment percentage is set up for the item on the line, it is automatically copied into the Prepayment % field. If no default prepayment percentage is set up for the item, the prepayment percentage from the customer or vendor card is copied from the order header. The Prepayment % field can be entered or changed manually on a line-by-line basis.</td>
</tr>
<tr>
<td>Prepmt. Line Amount Excl. VAT</td>
<td>The prepayment amount of the line, if a Prepayment % is specified for the sales line.</td>
</tr>
<tr>
<td>Prepmt. Amt. Inv. Excl. VAT</td>
<td>The prepayment amount that has already been invoiced to the customer for this sales line. The contents of this field cannot be changed. To void the prepayment, a Prepayment Credit Memo must be posted for the sales line.</td>
</tr>
<tr>
<td>Prepmt Amt to Deduct Excl. VAT</td>
<td>The prepayment amount that will be deducted from the next ordinary invoice for this line. When an invoice is created for the order, an amount proportional to the amount of the order that is being invoiced is suggested. The amount to deduct can be changed before posting the invoice.</td>
</tr>
<tr>
<td>Prepmt Amt Deducted Excl. VAT</td>
<td>The prepayment amount that has already been deducted from ordinary invoices posted for this order line. The contents of this field cannot be changed.</td>
</tr>
</tbody>
</table>

**NOTE:** The fields described do not include VAT. If the Prices Including VAT check box contains a check mark in the header of the order, before the order is posted, each field with Excl. VAT in the name appears with Incl. VAT, and each amount includes VAT.
Prepayment Percentage Priority for Order Lines

A sales or purchase order can have a prepayment percent on the header and a different percentage for the items on the lines. For each sales or purchase order line, Microsoft Dynamics NAV 5.0 searches for the prepayment percentage in the following order, and applies the first default that it finds:

1. A prepayment percentage for the item on the line and the customer or vendor on the order header.
2. A prepayment percentage for the item on the line and the customer price group for the customer.
3. A prepayment percentage for the item on the line for all customers.
4. The prepayment percentage on the sales or purchase header.
5. A prepayment percentage for the customer or vendor on the order header.

**NOTE:** The priority order followed by Microsoft Dynamics NAV 5.0 means that the prepayment percentage specified on the customer or vendor only applies if there is no prepayment percentage set up for the selected item.

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Short Answer Question: Payment Percentage Priority

Microsoft Dynamics NAV 5.0 searches items, customers, vendors, and price groups for default prepayment percentages when an order is created. What default prepayment percentage is searched for first?

Process Prepayment Sales and Purchase Orders

When an order is created for an item, customer, or vendor that has a prepayment rule defined, Microsoft Dynamics NAV 5.0 retrieves the prepayment requirement from the item, customer, or vendor card and enters it into the order.

In this section, prepayment sales and purchase orders are created using percentages and amounts.
Create Prepayment Orders Using Percentages

Creating prepayment orders is similar to creating other sales and purchase orders. To create a prepayment sales order, follow these steps:

1. On the Navigation Pane, click Sales & Marketing > Order Processing > Orders.
2. Press F3 and ENTER to create a new sales order.
3. In the Sell-to Customer No. field, click the AssistButton and select the relevant customer.
4. Click OK to close the Customer List window.
5. Press TAB or ENTER. The remaining fields in the header are populated.
6. Click the Prepayment tab. Review the settings, and update the fields as needed.
7. In the sales lines, in the Type field, click the AssistButton.
8. Select the relevant line type to add to the order.
9. In the No. field, click the AssistButton and select the relevant number of the type selected in the Type field.
10. In the Quantity field, enter the number of items to be sold.
11. Review the Prepayment fields to verify the settings.
12. Press F3 to insert another line.
13. Repeat steps 7-11 for the new line.

The same steps are used to create a purchase order, except:

- The purchase order is accessed by clicking Purchase > Order Processing > Orders.
- The Buy-from Vendor No. is selected from the Vendor List.

Assign Prepayment Percentage to All Order Lines

Although there can be different prepayment percentages for each of the order lines, a single prepayment percentage can be applied to the whole order. This is done after all the order lines are completed.

To enter a single prepayment percentage that applies to all the order lines, follow these steps:

1. Complete the sales or purchase order header and lines.
2. Click the Prepayment tab.
3. In the Prepayment % field, enter the prepayment percentage to be applied to all the lines of the order.
4. Click Yes to the message regarding updating the lines.
The **Prepayment %** is updated on all the lines to match the header.

**NOTE:** As soon as a number is entered into the Prepayment % field on the header and the lines are updated, you cannot revert to the individual prepayment percentages that existed for each line.

To return to the individual prepayment percentages, either delete and re-enter the lines, or manually enter the Prepayment % on each line.

### Specify Prepayment Amounts

Instead of using prepayment percentages, a prepayment amount can be defined for the whole sales or purchase order. Prepayment amounts are set in the **Sales Order Statistics** and the **Purchase Order Statistics** windows.

To apply a total prepayment amount to the order, follow these steps:

1. On the completed order, click **Order > Statistics**.
2. Click the **Prepayment** tab.
3. In the **Prepm. Amount Excl. VAT** field, enter the prepayment amount to be charged for the whole order.

The amount in the **Prepayment Amount Excl. VAT** field is distributed proportionately between all lines in the order, except those that have zero in the **Prepayment %** field.

**NOTE:** If the Prices Including VAT check box does not contain a check mark, the Prepayment Amount Excl. VAT field is editable.

If the Prices Including VAT check box on the sales header contains a check mark, the Prepayment Amount Incl. VAT field is editable.
Lab 7.2: – Create a Prepayment Sales Order

Scenario
In Lab 7.1, you set up prepayment requirements for customer 10000 and Item 1896-S. It is now time to create a sales order for customer 10000 for 10 units of Item 1896-S and 10 units of Item 1900-S. Ensure that the prepayment charge is 20% of the entire order.

Challenge Yourself!

1. Create the prepayment sales order as specified in the scenario.
2. Charge a prepayment of 20% on the entire order.
Lab 7.2: – Create a Prepayment Sales Order

Scenario
In Lab 7.1, you set up prepayment requirements for customer 10000 and Item 1896-S. It is now time to create a sales order for customer 10000 for 10 units of Item 1896-S and 10 units of Item 1900-S. Ensure that the prepayment charge is 20% of the entire order.

Need a Little Help?

1. Open the Sales Order window.
2. Insert a new order for customer 10000.
3. Add the line for item 1896-S as specified in the scenario.
4. Add the line for item 11900-S as specified in the scenario.
5. Review the Prepayment % field on each line.
6. Change the Prepayment % field in the header as specified in the scenario.
7. Review the Prepayment % field on each line.
Process Prepayment Sales and Purchase Invoices

After a sales or purchase order is entered, a prepayment invoice can be created. The default percentages for each sales or purchase line can be used, or the amounts can be adjusted as necessary.

When the final invoice is posted, Microsoft Dynamics NAV 5.0:

- Verifies receipt or issue of the Prepayment amount based on setup.
- Deducts the prepayment amount from the amount due.
- Reverses prepayment amounts previously posted to the balance sheet as assets or liabilities.

In this section, the process of creating prepayment invoices is provided.

Create Prepayment Invoices

To create a prepayment invoice, follow these steps:

1. On the order, click Posting > Prepayment.
2. Select from the following prepayment options:

   - To print a test report before posting the prepayment invoice, click Prepayment Test Report.
   - To post the prepayment invoice, click Post Prepayment Invoice.
   - To post and print the prepayment invoice, click Post and Print Prepmt. Invoice.

3. Complete the process as indicated by the selected prepayment option.

Create Additional Prepayment Invoices

To create additional prepayment invoices for an order, follow these steps:

1. Increase the prepayment amount on one or more lines.
2. Adjust the document date if it is required.
3. Click Posting > Prepayment > Post Prepayment Invoice.

A new invoice is created for the difference between the invoiced prepayment amount invoiced and the new prepayment amount.
Lab 7.3: – Invoice a Prepayment Sales Order

Scenario
In Lab 7.2, you created the sales order for customer 10000. It is now time to post the prepayment invoice. You do not need to print the prepayment invoice. However, you want to review the test report after posting the invoice.

Challenge Yourself!

1. Post the Prepayment Invoice for the sales order created in Lab 7.2.
2. Run the Test Report to review the prepayment amount.
Lab 7.3: – Invoice a Prepayment Sales Order

Scenario
In Lab 7.2, you created the sales order for customer 10000. It is now time to post the prepayment invoice. You do not need to print the prepayment invoice. However, you want to review the test report after posting the invoice.

Need a Little Help?

1. Open the sales order created in Lab 7.2.
2. Post the Prepayment Invoice.
3. Run the Test Report to review the prepayment amount.
Correct Prepayments

After a prepayment invoice is posted, corrections or updates can be processed by adding new lines to the order and posting another prepayment invoice. Lines cannot be deleted from an order when a prepayment has been invoiced for the line.

Correcting a prepayment can be performed using any of following options:

- Refund all invoiced prepayments for an order.
- Reduce the quantity on sales or purchase lines.
- Add new lines to an order after issuing a prepayment.
- Increase the prepayment amount.

In this section, the steps to perform the above correction options are provided.

Refund all Invoiced Prepayments for an Order
To refund all invoiced prepayments for an order, follow these steps:

1. On the order, click Posting > Prepayment > Post Prepayment Credit Memo.
2. If it is required, re-create the correct entries.

Reduce the Quantity on Sales or Purchase Lines
To reduce the quantity on a sales or purchase line, follow these steps:

1. Increase the Prepayment % on the line so that the Prepmt. Line Amount is not decreased below the amount in the Prepmt. Amt. Inv. field.
2. Reduce the amount in the Line Amount field.
Add New Lines to an Order After Issuing a Prepayment
To add new lines to an order after issuing a prepayment, follow these steps:

1. Add the additional lines to the order.
2. Click Posting > Prepayment > Post Prepayment Invoice.

A prepayment invoice is created for the new line.

Increase the Prepayment Amount
To increase the prepayment amount, follow these steps:

1. Increase the Prepayment % on one or more lines.
2. Click Posting > Prepayment > Post Prepayment Invoice.

A new invoice is created for the difference between the prepayment amount invoiced to this point and the new prepayment amount.
Summary

Prepayments provide the ability to charge either a percentage of the total order or a specific amount before shipping items to customers. Prepayments are also used to record prepayments to vendors.

In this section, prepayments were set up in Microsoft Dynamics NAV 5.0 for use in sales and purchases. The processing of prepayments were explained and then the options of correcting posted prepayment invoices were provided.

The Prepayments functionality in Microsoft Dynamics™ NAV 5.0 assists in:

- Invoicing and collecting deposits required from customers or remitting deposits to vendors.
- Posting and tracking prepayment amounts to specific accounts.
- Accurately creating invoices that reflect the total order amount minus any prepayments.
Test Your Knowledge – Prepayments

1. What status is used when an order has one or more lines with a prepayment amount, but a prepayment invoice has not yet been posted?
   a. Prepayment Issued
   b. Pending Prepayment
   c. Prepayment Pending
   d. Issued Prepayment

2. Which of the following methods can be used to correct prepayment invoices?
   a. Delete invoiced prepayment lines from the order.
   b. Increase the prepayment amount.
   c. Reduce the quantity on sales and purchase lines.
   d. Add new lines to an order after issuing a prepayment.

3. To recognize prepayment ownership, Microsoft Dynamics NAV 5.0 must be set up to:
   a. Record purchase prepayments in a liability account until the items are received.
   b. Record purchase prepayments in an asset account until the items are received.
   c. Record sales prepayments in an asset account until the items are shipped.
   d. Record sales prepayments in a liability account until the items are shipped.

Reusable Short Answer Question

How do you enter a default prepayment percentage on an Item Card?

Reusable Short Answer Question

Explain how to apply a single prepayment percentage to an entire order.

Fill in the Blanks

Instruction: Fill in the blanks to test your knowledge of this section.

1. On a sales or purchase order, you can enter a prepayment percent on the __________ tab.

2. To charge a prepayment amount instead of a prepayment percent to an order, open the __________ window.
Lab 7.1 – Solution: Set up Prepayments for Sales

Scenario
As the accounts receivable administrator for CRONUS International Ltd., you are responsible for setting up prepayments for particular items and customers. You need to charge a prepayment of 10% on all orders for Item 1896-S. You also need to charge Customer 10000 a prepayment of 20% on all orders.

Step by Step
1. On the Navigation Pane, click Warehouse > Planning & Execution > Items.
2. Locate and select item 1896-S.
3. Click Sales > Prepayment Percentages.
4. In the Sales Type field, click the AssistButton and select All Customers.
5. In the Prepayment % field, enter 10.
6. Close the Sales Prepayment Percentages window.
7. Close the Item Card window.
9. Locate and select customer 10000.
10. Click the Invoicing tab.
11. In the Prepayment % field, enter 20.
Lab 7.2 – Solution: Create a Prepayment Sales Order

Scenario
In Lab 7.1, you set up prepayments requirements for customer 10000 and Item 1896-S. It is now time to create a sales order for customer 10000 for 10 units of Item 1896-S and 10 units of Item 1900-S. Ensure that the prepayment charge is 20% of the entire order.

Step by Step

1. On the Navigation Pane, click Sales & Marketing > Order Processing > Orders.
2. Press F3 and ENTER.
3. In the Sell-to Customer No. field, enter 10000.
4. Press TAB or ENTER.
5. Click the Prepayment tab.
6. Ensure that the Prepayment % is set to 20.
7. In the lines, in the Type field, click the AssistButton and select Item.
8. In the No. field, enter 1896-S.
9. In the Quantity field, enter 10.
10. On the next line, in the No. field, enter 1900-S.
11. In the Quantity field, enter 10.
12. Review the Prepayment % field on both lines; if the field is not visible, add it using the Show Column function. It displays 10% for Item 1896-S and 20% for Item 1900-S.
13. On the Prepayment tab, delete the value in the Prepayment % field and re-enter 20.
14. Press TAB or ENTER.
15. Click Yes to update the lines.
16. Review the lines again. Note that the Prepayment % field contains 20 for both items.
Lab 7.3 – Solution: Invoice a Prepayment Sales Order

Scenario
In Lab 7.2, you created the sales order for customer 10000. It is now time to post the prepayment invoice. You do not need to print the prepayment invoice. However, you want to review the test report after posting the invoice.

Step by Step

1. On the order created in Lab 7.2, click Posting > Prepayment > Post Prepayment Invoice.
2. Click Yes to post the prepayments.
3. Click Posting > Prepayment > Prepayment Test Report to view the invoice for the remaining amount.
4. Click Preview.
5. Review and then close the Print Preview window.
Quick Interaction: Lessons Learned

Take a moment and write down three Key Points you have learned from this chapter:

1. ______________________________________________________
2. ______________________________________________________
3. ______________________________________________________
Solutions

Prepayment Sales and Purchase Orders Overview

Short Answer Question: Payment Percentage Priority
MODEL ANSWER - A prepayment percentage for the item on the line and the customer or vendor on the order header.

Test Your Knowledge

1. What status is used when an order has one or more lines with a prepayment amount, but a prepayment invoice has not yet been posted?
   a. Prepayment Issued
   b. Pending Prepayment
   c. Prepayment Pending
   d. Issued Prepayment

2. Which of the following methods can be used to correct prepayment invoices?
   a. Delete invoiced prepayment lines from the order.
   b. Increase the prepayment amount.
   c. Reduce the quantity on sales and purchase lines.
   d. Add new lines to an order after issuing a prepayment.

3. To recognize prepayment ownership, Microsoft Dynamics NAV 5.0 must be set up to:
   a. Record purchase prepayments in a liability account until the items are received.
   b. Record purchase prepayments in an asset account until the items are received.
   c. Record sales prepayments in an asset account until the items are shipped.
   d. Record sales prepayments in a liability account until the items are shipped.
Chapter 7: Prepayments

Reusable Short Answer Question
MODEL ANSWER - Click Sales > Prepayment Percentages and enter the default prepayment percentage in the Prepayment Percentages window.

Reusable Short Answer Question
MODEL ANSWER - After the order lines are complete, click the Prepayment tab. In the Prepayment % field, type the prepayment percentage for the entire order. When you exit the Prepayment % field, the order lines are updated with the prepayment percentage in the header.

Fill in the Blanks
Instruction: Fill in the blanks to test your knowledge of this section.

1. On a sales or purchase order, you can enter a prepayment percent on the __________ tab. [Answer: Prepayment]

2. To charge a prepayment amount instead of a prepayment percent to an order, open the __________ window. [Answer: Statistics ]