

# Functional Requirements Document- Accounts Payable

Prepared for  
**Technica International**

**Version: 2.0**

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# Introduction

## 1.1 Purpose

The Functional Requirements Document (FRD) describes in common terms:

- An overview of the processes comprising each Work stream
- An overview of each sub-process comprising the Work stream
- Major gaps between the business requirements and the functionality supported by the standard Microsoft Dynamics 365 solution.
- The problem summary including current business/environment issues.

The FRD is the starting point of the solution and system development and is a collaborative effort between all business and technology stakeholders. The purpose of the Functional Requirements Document (FRD) is to document requirements for the requested system solution.

The objective of the Functional Requirements Document is to provide enhanced documentation for requirements that are a gap or will require a workaround or process change to fit the system solution of the client. The need for any modifications is clarified through the FRD. The FRD forms the basis of the subsequent task concerning the system design.

This document focuses on Accounts Payable requirements.

## 1.2 Acronyms

Abbreviation	Explanation
FRD	Functional Requirement Document
AP	Account Payable
System	Dynamics 365
TI	Technica International

## 1.3 Current Setup for Technica ERP Project

### 1.3.1 AP001 - Vendors

The Vendors are maintained in the Account Payable module. Technica's vendors list will be imported into Dynamics 365 after collecting their data using Excel Sheet Templates that will be shared later by Info-sys.

Technica have a customization create/edit of any vendor, the vendor has to be submitted through workflow before it can be considered active; any time a active vendor is edited, the hold status will be set to ALL so no invoice, PO, Receiving nor any other action would be allowed; once the vendor workflow is completed then the vendor status hold will be set to NO and only then the vendor can be used again (**GAP**)

Vendor bank details field is found in the vendor template?

- Vendor Bank account details to be provided by Technica. While doing their payment, the bank details like IBAN, Swift, message to bank, currency, address might be changed.
- Technica will create a Vendor that will be shared across all the other entities (Optional). Created in an entity that might show in the other.
- So, we will use D365 out of the box feature called "Cross-Company Data Sharing" where it allows us to specify for Vendor and for vendor details what to be created in other companies. See below:

Is cross company configured?

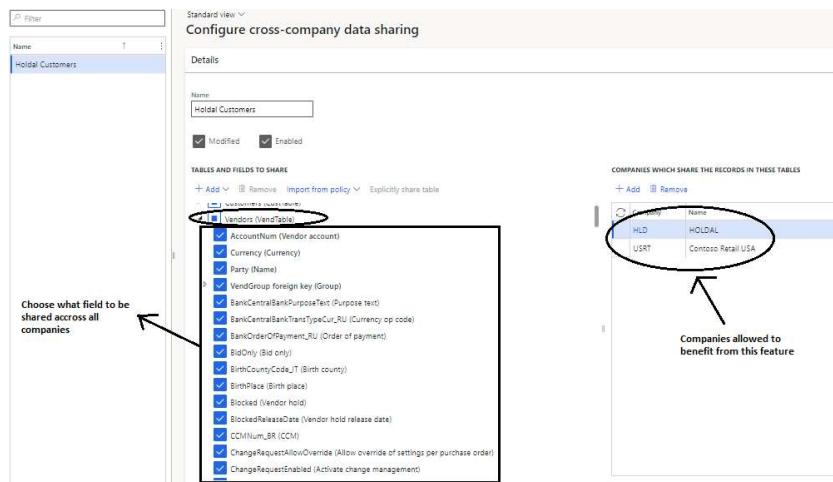


Figure 1 – Configure cross-company data sharing for vendors.

#### 1.3.1.1 Requirements

ID	Description	Fit/Gap
AP001-001	Maintain Vendors	FIT
AP001-002	Create/Edit Vendor block in draft and submit for approval	GAP

### 1.3.2 AP002 - Vendor groups

The Vendor group allows Technica to track their Vendors through a smart grouping, it also serves the purpose of linking the Account payable module to the General Ledger; Each vendor group can be linked to a separate GL Account.

The Vendor groups that Technica will use are:

- Local: Local Vendors
- Foreign: Foreign Vendors
- Partners: Partners Vendors

#### 1.3.2.1 Requirements

ID	Description	Fit/Gap
AP002-001	Maintain Vendor Groups	FIT
AP002-001	Link Vendor Group to GL	FIT

### 1.3.3 AP003 - Vendor Workflow

As out of the box, there is no workflow in D365 for vendor creation workflow approval so this need to be customized and includes the below workflow advised by Technica team:

- The procurement department are creating the vendor → Purchasing manager approved it.
- As for the amendment to an existing vendor, we will also have the same workflow (Purchasing manager approval) to get it approved for the changes to be effective.
- Also, once this vendor is on-hold and if anyone changes it, it should go to workflow approval (same as above) → To Add in the proposed change (field on-hold)
  - Below are suggested field that are subjected to proposed changed in the workflow → **If any other fields to be added, Technica team should advise.**

*Organization name  
Credit limit  
Method of payment  
Payment specification  
Vendor group  
Tax exempt number  
Bank account  
Cash discount  
Credit rating*

- Vendor invoice journal → Workflow start by Accountant and approved by Chief accounting (Out of the box).

### 1.3.3.1 Requirements

ID	Description	Fit/Gap
AP003-001	Customized workflow for vendor creation/Edit approval (block in draft then submit for approval)	GAP
AP003-002	Vendor Invoice journal workflow	FIT

### 1.3.4 AP004 - Vendor Posting Profile

Technica will use different vendor posting profiles: "FA", "Services" & "Items" to have different General Ledger posting account for same vendor group.

- So, user will have the option to define which posting profile to choose while doing the entry.
- Within the same posting profile, you can do by item, by group, or all. There is a hierarchy that start by item and end by ALL.

Are the mapping fields in the template prepared?

Templates that include mapping of posting profile vs vendor group or by vendors will be shared later during the migration phase.

#### 1.3.4.1 Requirements

ID	Description	Fit/Gap
AP004-001	Maintain Vendor Posting Profiles	FIT

### 1.3.5 AP005 – Vendors Setup (Payment Method, MOD, TOD)

are these methods of payment created? including checks?

- In D365, Technica will use 2 Methods of payment: **Cash, Bank Card, Bank Transfer** only because they are not dealing with checks anymore. However, Technica team requested to keep the **checks** option because suppliers are now starting to accept checks from fresh accounts.
  - Will be needed to generate EFT files from the bank transfer (**Waiting format template from Technica**)

[Take a note to ask about EFT format from banks Technica deal with](#)

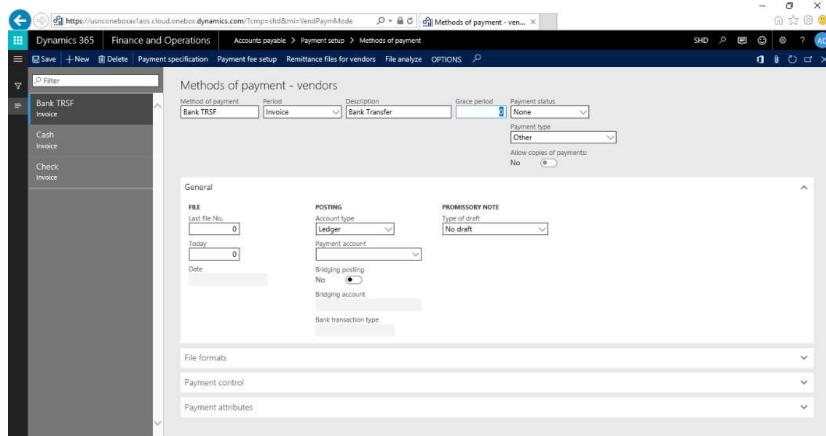


Figure 2 – Method of Payments

**2. Below are some of the Terms of Delivery adopted by Technica:**

- a. CIF: Cost, Insurance, Freight
- b. FOB: Free on Board
- c. Others will be sent during the migration phase.

are terms of delivery created and is a note taken to ask about other terms of delivery?

Figure 3 – Terms of Delivery

**3. Mode of Delivery:**

- a. Truck
- b. Air
- c. Customer Pickup
- d. Intercompany
- e. Sea

#### 1.3.5.1 Requirements

ID	Description	Fit/Gap
AP005-001	Create Method of Payment	FIT
AP005-002	Create Terms of Delivery	FIT
AP005-003	Create Mode of Delivery	FIT

## 1.3.6 AP006 - Payment terms & Payment Schedule

### A. Payment Terms

are responsible for the Vendor aging; whenever a new vendor is created, the purchasing agent should select the respective payment terms. Note that these predefined payment terms can be amended in the PO.

The terms of payments provided by Technica are the following:

Payment Terms	Description
Cash	Cash
COD	Cash on Delivery
Net10	Net 10 days
Net30	Net 30 days
Net60	Net 60 days

are these configured?

### B. Payment Schedule

Technica adopted the payment schedule since this process will help to define when, how, and in what form payments are due for a specific purchase/sale.

did u ask  
about  
payment  
schedules  
required  
by technica

Standard View ▾

### Payment schedules

Payment schedule Description

5 Months Pay equally over 5 months

Used for call center order

PAYMENT SCHEDULE	Number of payments	INSTALLMENTS	Flexible plan
Allocation 1	5	Charge allocation	No
Fixed quantity	Amount in transaction currency	Proportionally	Minimum number of installments for ...
Payment per 2	0.00	5	0
Months	Minimum	Maximum amount	Maximum number of installments for ...
Change 3	0.00	0.00	2
1	Sales tax allocation	Proportionally	
	6		

Payment lines

+ Add Remove

Number of periods after due date Percent or amount Percent or am... Shipping

Figure 4 – Payment Schedule

1. Define the "Allocation basis". There are four methods:
  - a. Total - On the total amount
  - b. Fixed amount - The amount due is divided by a specified fixed amount.
  - c. Fixed quantity - The amount due is divided by the number of installments.

The screenshot shows the SAP Fiori interface for 'Payment schedules'. A specific schedule named 'Decline\_6M' is selected. The details pane on the left provides an example for a due amount of \$10,000 at 1/1/2022, showing six payments starting at -\$2,000 on 1/2/2022 and decreasing by 20% each subsequent day up to 1/6/2022. The main configuration area shows the following settings:

- PAYMENT SCHEDULE:** Allocation: Fixed quantity, Number of payments: 5, Payment per: Months, Change: 1.
- INSTALLMENTS:** Charge allocation: Proportionally, Maximum amount: 0.00, Minimum amount: 0.00.
- Flexible plan:** No.

Figure 5 – Payment Schedule

d. Specified - Unproportionate amount in unproportionate # of intervals.

The screenshot shows the SAP Fiori interface for 'Payment schedules'. A specific schedule named 'Decline\_6M' is selected. The details pane on the left provides an example for a due amount of \$10,000 at 1/1/2022, showing six payments starting at -\$10,000 on 1/1/2022 and decreasing by 10% each subsequent day up to 1/6/2022. The main configuration area shows the following settings:

- PAYMENT SCHEDULE:** Allocation: Specified, Number of payments: 0, Payment per: Months, Change: 0.
- INSTALLMENTS:** Charge allocation: Proportionally, Maximum amount: 0.00, Minimum amount: 0.00.
- Flexible plan:** No.

The 'Payment lines' section shows four entries:

Number of periods after due date	Percent or amount	Percent or am...	Shipping
1 Percent	40.00	<input type="checkbox"/>	
2 Percent	20.00	<input type="checkbox"/>	
3 Percent	10.00	<input type="checkbox"/>	
4 Percent	10.00	<input type="checkbox"/>	

Figure 6 – Payment Schedule

2. Payments per: is selected to define the timeline of the installments for the due amounts. There are three options (days, months, and years).
3. Change: is used to set the frequency of the installments e.g. to create installments after each month (1), after 6 months (6), etc.
4. Number of payments is used to define the number of installments for a due amount.
5. The amount in transaction currency is used if the allocation basis is set to "Fixed".
6. Sales tax allocation is used to define the tax allocation basis. There are three options available to select (Proportional, the first installment, and the last installment).
7. Installment and Flexible plan are used for call center orders. The reference link is attached at the end of the blog.

**Apply payment method Automatically:**

1. Map the payment schedule on the terms of payment and map the terms of payment on the customer/vendor master.

Terms of payment		Description
Net30		Net 30 days
<b>Setup</b>		
Payment method	Months	Payment day
Net	0	
Cash payment	Days	Cutoff day
<input checked="" type="checkbox"/> No	30	0
Payment schedule		
<u>5_Months</u>		
<b>Default terms of payment</b>		
<input checked="" type="checkbox"/> No		

## Figure 7 – Terms of Payment

2. Map the payment schedule to the customer/vendor master directly.

All vendors	Standard view
1001 : Acme Office Supplies	
<div style="border: 2px solid red; padding: 5px;">Payment</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <b>PAYMENT</b>            Terms of payment  <input type="text" value="Net30"/>             Method of payment  <input type="text"/>             Payment type  <input type="text"/> </div> <div style="width: 45%;">           Payment specification  <div style="border: 2px solid red; padding: 5px; margin-bottom: 10px;">Payment schedule <u>5_Months</u></div>           Cash discount  <input type="text"/> </div> </div>	

Figure 8 – Vendors screen

#### **Apply payment method Manually:**

1. Before creating the invoice, there's an option to select the payment schedule on the Purchase/Sale order (Before generating the invoice - Add on the header), Invoice Journal, and Free text invoice.
  2. After posting the invoice, a payment schedule can be created from the settle transactions tab.

Standard view ▾

Settle transactions for Acme Office Supplies

Overview	General	Payment	Settlement	Remittance	Cash discount	Financial dimensions	Withholding tax																																							
<a href="#">Mark selected</a>	<a href="#">Unmark all</a>	<a href="#">Show marked</a> ▾	<a href="#">Apply payment schedule</a>	<a href="#">Inquiry</a> ▾	<b>Mark the invoice and click on apply payment schedule.</b>																																									
	Mark	Fully settle	Invoice	Due date	Cash discount date	Amount	Currency	Amount to set...	Amount to set...	Cross rate	Consolidation																																			
	<input type="checkbox"/>	<input type="checkbox"/>	7959	1/1/2023		400.00	USD	-400.00	-400.00																																					
	<input type="checkbox"/>	<input type="checkbox"/>	7959	2/1/2023		400.00	USD	-400.00	-400.00																																					
	<input type="checkbox"/>	<input type="checkbox"/>	7959	3/1/2023		400.00	USD	-400.00	-400.00																																					
	<input type="checkbox"/>	<input type="checkbox"/>	7959	4/1/2023		400.00	USD	-400.00	-400.00																																					
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TEST	11/19/2022		50,000.00	USD	-50,000.00	-50,000.00																																					
<b>LINE DETAILS</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4"><b>CASH DISCOUNT</b></td> <td colspan="4"><b>INVOICE</b></td> </tr> <tr> <td>TRANSACTION CURRENCY: USD</td> <td>AMOUNT</td> <td>TAKEN</td> <td>TO TAKE</td> <td>FULL SETTLEMENT</td> <td>DATE</td> <td>COMPANY</td> <td>VOUCHER</td> <td>DESCRIPTION</td> </tr> <tr> <td></td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>11/1/2022</td> <td>usmf</td> <td>APIN000054</td> <td>TEST</td> </tr> <tr> <td>PAYOUT CURRENCY: USD</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>												<b>CASH DISCOUNT</b>				<b>INVOICE</b>				TRANSACTION CURRENCY: USD	AMOUNT	TAKEN	TO TAKE	FULL SETTLEMENT	DATE	COMPANY	VOUCHER	DESCRIPTION		0.00	0.00	0.00	0.00	11/1/2022	usmf	APIN000054	TEST	PAYOUT CURRENCY: USD	0.00	0.00	0.00	0.00				
<b>CASH DISCOUNT</b>				<b>INVOICE</b>																																										
TRANSACTION CURRENCY: USD	AMOUNT	TAKEN	TO TAKE	FULL SETTLEMENT	DATE	COMPANY	VOUCHER	DESCRIPTION																																						
	0.00	0.00	0.00	0.00	11/1/2022	usmf	APIN000054	TEST																																						
PAYOUT CURRENCY: USD	0.00	0.00	0.00	0.00																																										
<b>TOTALS</b>																																														

Figure 9 – Vendors transactions settlement

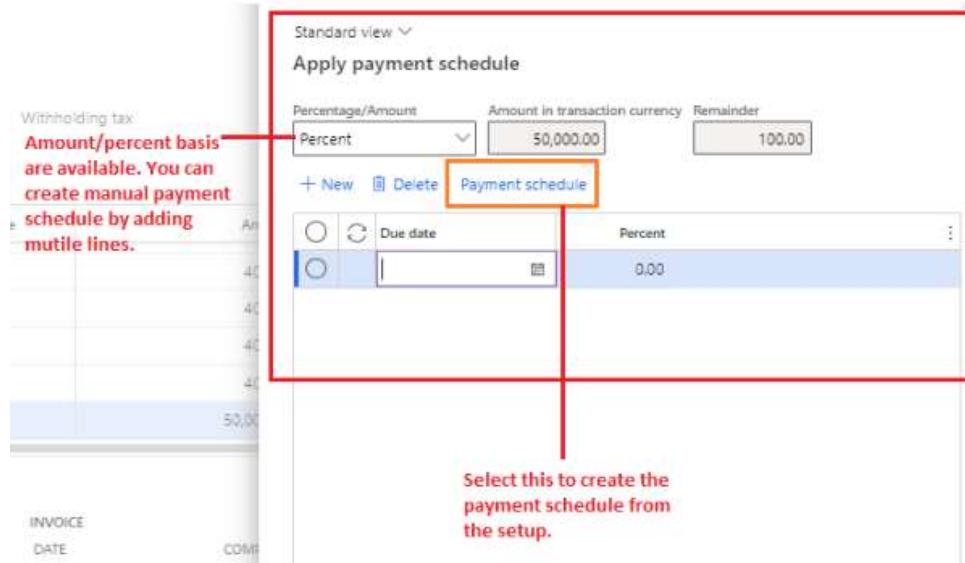


Figure 10 – Apply payment schedule.

Payment schedule

Parameters

Payment schedule	Starting point
5_Months	12/1/2022

Figure 11 – Payment schedule.

Standard view ▾

Settle transactions for Acme Office Supplies

Mark	Fully settle	Invoice	Due date	Cash discount date	Amount/Currency	Amount to set...	Amount to set...	Cross rate	Consolidation
<input type="checkbox"/>	<input type="checkbox"/>	TEST	1/1/2023		10,000.00 USD	-10,000.00	-10,000.00		
<input type="checkbox"/>	<input type="checkbox"/>	TEST	2/1/2023		10,000.00 USD	-10,000.00	-10,000.00		
<input type="checkbox"/>	<input type="checkbox"/>	TEST	3/1/2023		10,000.00 USD	-10,000.00	-10,000.00		
<input type="checkbox"/>	<input type="checkbox"/>	TEST	4/1/2023		10,000.00 USD	-10,000.00	-10,000.00		
<input type="checkbox"/>	<input type="checkbox"/>	TEST	5/1/2023		10,000.00 USD	-10,000.00	-10,000.00		

LINE DETAILS

TRANSACTION CURRENCY: USD	AMOUNT	TAKEN	TO TAKE	FULL SETTLEMENT	DATE	COMPANY	VOUCHER	DESCRIPTION
TRANSACTION CURRENCY: USD	0.00	0.00	0.00	0.00	6/12/2017	usmf	APPM001203	
PAYMENT CURRENCY: USD	0.00	0.00	0.00	0.00				

TOTALS

ACCOUNTING CURRENCY: USD	PAYMENT AMOUNT	SETTLEMENT BALANCE	ESTIMATED CASH DISCOUNT	VENDOR BALANCE
ACCOUNTING CURRENCY: USD	0.00	0.00	0.00	-105,674.19
PAYMENT CURRENCY: USD	0.00	0.00	0.00	

Figure 12 – Vendor settle transaction with payment schedule

After illustrating both ways, Technica adopted both scenarios and will start using them in their business. However, we will be waiting for them to give us the related payment schedule and the one's attached to the payment term during migration phase.

### 1.3.6.1 Requirements

ID	Description	Fit/Gap
AP006-001	Definition of Payment Terms	FIT
AP006-002	Link Payment Terms to Vendors	FIT
AP006-003	Define Payment Schedule	FIT

### 1.3.7 AP007 - Aging Brackets

ask  
about  
aging  
brackets?

The aging brackets are a design for the Vendor aging report and determines what kind of period interval brackets will be displayed.

Technica will use the 0, 30, 60, 90, +120 aging brackets. More brackets can be done. Technica need to provide them to Info-sys for setup and migration purposes.

Vendor aging								Page 1 of 4 22/06/2023 16:56
Account	Name	Vendor group						
US_SI_000007	Countryside Company	20						
Transaction date	Voucher/Invoice		Balance as of 31/12/2154	30/06/2023 29/06/2023	31/05/2023 30/05/2023	01/05/2023 30/04/2023	01/04/2023 31/03/2023	
17/05/2017	APIN000002/CC09100		-13,097.99	0.00	0.00	0.00	0.00	-13,097.99
13/06/2017	APIN000017/61320709		-5.88	0.00	0.00	0.00	0.00	-5.88
14/06/2017	APIN000007/B09930		-6,590.28	0.00	0.00	0.00	0.00	-6,590.28
07/07/2017	APIN000011/B09901		-1,240.20	0.00	0.00	0.00	0.00	-1,240.20
10/07/2017	APIN000014/B09910		-354.88	0.00	0.00	0.00	0.00	-354.88
14/07/2017	APIN000004/CC09400		-48,288.90	0.00	0.00	0.00	0.00	-48,288.90
Total			-69,578.13	0.00	0.00	0.00	0.00	-69,578.13
			100.00%	0.00%	0.00%	0.00%	0.00%	100.00%

Figure 13 – Vendor Aging Report

### 1.3.7.1 Requirements

ID	Description	Fit/Gap
AP007-001	Definition of Aging Brackets	FIT

# Business Processes List

## 1.4 Processes List

To elaborate and define the functionality, the following processes have been presented in the subsequent sections:

Process ID	Name	Description
AP008	Invoice Journal Registration	Payable Invoice process
AP009	Vendor Invoice Register/Pool (Purchase GIT)	Vendor Invoice Register/Pool (Purchase GIT)
AP010	Prepayment/Purchase invoice cycle	Prepayment/Purchase invoice cycle
AP011	Supplier Payments	Supplier different payments process
AP012	Payment invoice settlement	Invoice Payment Settlement
AP013	Invoice Matching	Invoice Matching
AP014	Foreign Currency Revaluation	Foreign currency revaluation process

to  
simulate  
these

# Business Processes

## 1.5 AP008 - Invoice Journal Registration

### 1.5.1 Process Diagram



Figure 14 – Process diagram of invoice journal registration

#### 1.5.1.1 Additional Details

To create vendor invoice journal in Dynamics 365, the below steps would be used by the Purchasing Agent:

- 1) Create a new vendor invoice Journal.
- 2) Create Lines (details).
- 3) Validate the invoice journal.
- 4) Submit for Approval; Technica will provide the proper workflow for approval on these invoices.
- 5) Approve

ask about  
the workflow

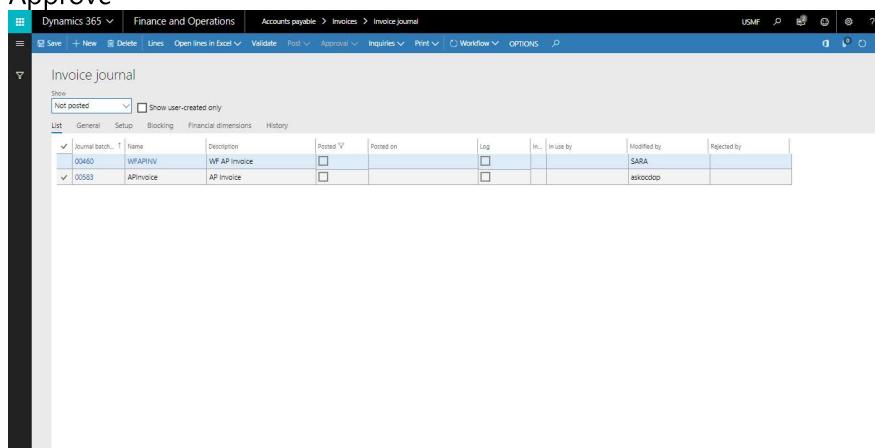


Figure 15 - Invoice Journal

#### Segregation of Duties

The accounts payable department will handle these Transactions.

## 1.5.2 Requirements

ID	Desc	Fit/GAP
AP008-001	Create Invoice Journal	FIT
AP008-002	Submit Invoice Journal to workflow	FIT
AP008-003	Payable invoice should be subject to approval workflow before being posted	FIT

## 1.6 AP009 – Vendor Invoice Register/Pool (Purchase GIT)

### 1.6.1 Process Overview

Technica purchased a product, they paid for it so now it is on their liability (Owned by Technica) but not received yet. So, is there any tool to put as received in transit?

- The solution is to issue the invoice without receiving it.
- It will be debited to an account invoiced not received (Called Goods in Transit). But how?

this will be replaced by using the landed cost module

In D365 we have a tool named “Invoice Register” Journal that fulfills the requirement of Technica. See below different option:

#### **Invoice register PO based:**

Out of the box functionality. Go to the invoice register, pass the transaction, add the PO#, invoice number, description, amount, vendor code.

Figure 16 - Vendor invoice register

- Submit invoice to a workflow that should be provided by Technica during migration phase.
- Then after you post the transaction, the system will take the main account of arrival and offset from the posting profile, and it will credit vendor (This transaction will be reversed once the original invoice is issued (see next step)

021905 - 7/7/2022 Transaction origin									
Overview		Financial dimensions							
✓ Account type	Voucher	Date	Account	Name	Description	Currency	Amount in tran.	Amount	Amt
Ledger	APIR000046	7/7/2022	200125-001-	Accounts Payable - Offset Invoice Pending Approval	test	USD	2,000.00	2,000.00	
Ledger	APIR000046	7/7/2022	200130-001-	Invoice Pending Approval	test	USD	-2,000.00	-2,000.00	
Vendor	APIR000046	7/7/2022	1001	Dynatech Systems	test	USD	-2,000.00	-2,000.00	

Figure 17 - Vendor invoice register transaction origin

**Then go to invoice pool screen → This is another screen that shows posted invoice registered by the accountant:**

Once the invoice register is posted, the related transaction will show in the invoice pool so that you issue and match the invoice with the PO received.



✓ Date	Voucher	Vendor account	Description	Currency	Debit	Credit	Invoice	Pending vendor invoice	Due date	Cash discount
7/7/2022	APIR000046	1001	test	USD		2,000.00	223232	<input type="checkbox"/>	8/6/2022	

Figure 18 – Invoice Pool

- Select the voucher and click on purchase order → it will redirect you to the invoice screen for invoicing and matching purposes.
  - Click match product receipt.
  - Then update match status → this will validate the 3-way match policy.
  - Then after the match being processed you may post the transaction.



✓	Invoice number	Invoice account	Account name	Purchase order	Purchase agreement	Date	Product receipt	On hold	Status	Match status
✓	223232	1001	Dynatech Systems	00002775		7/7/2022	dn343434	<input type="checkbox"/>	New	<input checked="" type="checkbox"/> Passed

Figure 19 – Vendor invoice

- Once posted, the transaction will disappear from the screen, and it will show the below accounting entry and on vendor level 1 transaction will show:

APIR000046 : 7/7/2022								
Voucher transactions								
Overview		General						
✓	Journal number	Voucher	Date	Year closed	Ledger account	Account name	Description	Currency
021905	APIR000046	7/7/2022		200130-001-	Invoice Pending Approval	test	USD	-2,000.00
021905	APIR000046	7/7/2022		200125-001-	Accounts Payable - Offset Invoice Pending Approval	test	USD	2,000.00
021906	APIR000046	7/7/2022		200130-001-	Invoice Pending Approval	Vendor invoice	USD	2,000.00
021906	APIR000046	7/7/2022		200125-001-	Accounts Payable - Offset Invoice Pending Approval	Vendor invoice	USD	-2,000.00
021906	APIR000046	7/7/2022		606300-001----	Office Supplies Expense	Vendor invoice	USD	2,000.00
021906	APIR000046	7/7/2022		588888-001----	cash and bank	Vendor invoice	USD	-2,000.00
021906	APIR000046	7/7/2022		228900-001-	Miscellaneous Expense	Vendor invoice	USD	0.00
021906	APIR000046	7/7/2022		200140-001-	Accrued Purchases - Received Not Invoiced	Vendor invoice	USD	2,000.00
021906	APIR000046	7/7/2022		180100-001-	Tangible Fixed Assets	Vendor invoice	USD	-2,000.00

Figure 20 – Vendor voucher transaction

- Once the PO is received from that invoice pool, the original invoice registered will be reversed and the actual accounting related to the PO invoice will be issued as shown above.

## 1.6.2 Requirements

ID	Desc	Fit/GAP
AP009-001	Create Invoice Register with PO based	FIT
AP009-002	Post transactions	FIT
AP009-003	Submit Invoice Register to workflow	FIT
AP009-004	Create Invoice Pool	FIT
AP009-005	Issue invoice from invoice pool and do invoice matching	FIT
AP009-006	Post transaction from invoice Pool	FIT
AP009-007	Print Invoice journal	FIT

## 1.7 AP010 – Prepayment/Purchase invoice cycle

### 1.7.1 Process diagram

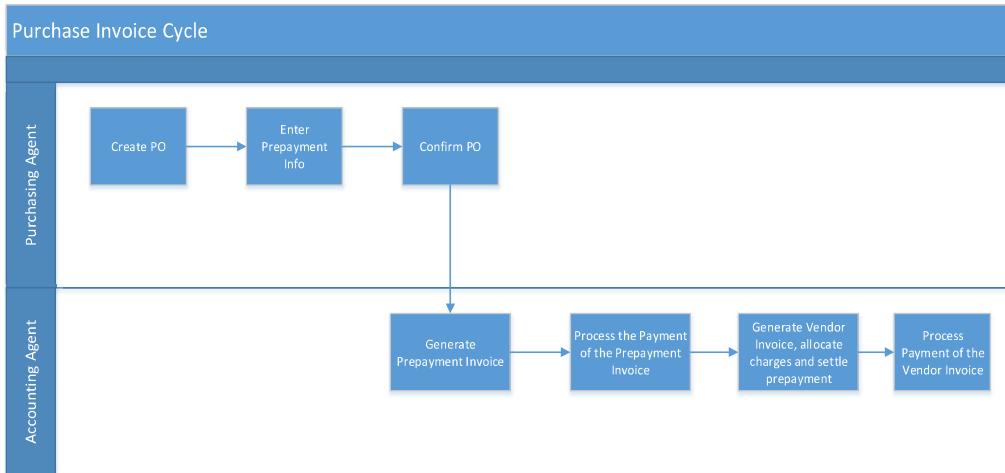


Figure 21 – Purchase Invoice Cycle

#### 1.7.1.1 Additional Details

All purchases will originate from a purchase Requisition (PR) but will be detailed in the procurement user manual document. Below are steps to reach a successfully prepayment invoice then issuing final invoice to reach settlement:

##### A. Prepayment Setup

1. Define prepayment account:
  - a. Go to Inventory management → Setup → Posting → Posting → Purchase order tab → Prepayment.
  - b. Above missing account will result in not activating the prepayment.
2. Define prepayment invoice in the account payable parameter.
  - a. Go to Accounts payable → Accounts payable parameters → Ledger and sales tax → Prepayment invoice → Posting profile with prepayment vendor invoice → Fill prepayment.
  - b. Above missing account will result in not activating the prepayment.

ask about  
prepayment  
account

##### B. Purchase order Cycle

Go to Procurement and sourcing → Purchase orders → All purchase orders.

1. Click on New.
2. Fill vendor, site, warehouse, location (If requested) and click ok to create the PO.
3. Fill the line with the desired product number.
4. Fill the financial dimension by line (if any)
5. Go to purchase pane → Actions → Confirm.

## C. Purchase order with prepayment / Payment

- Then click on prepayment after the PO being confirmed.

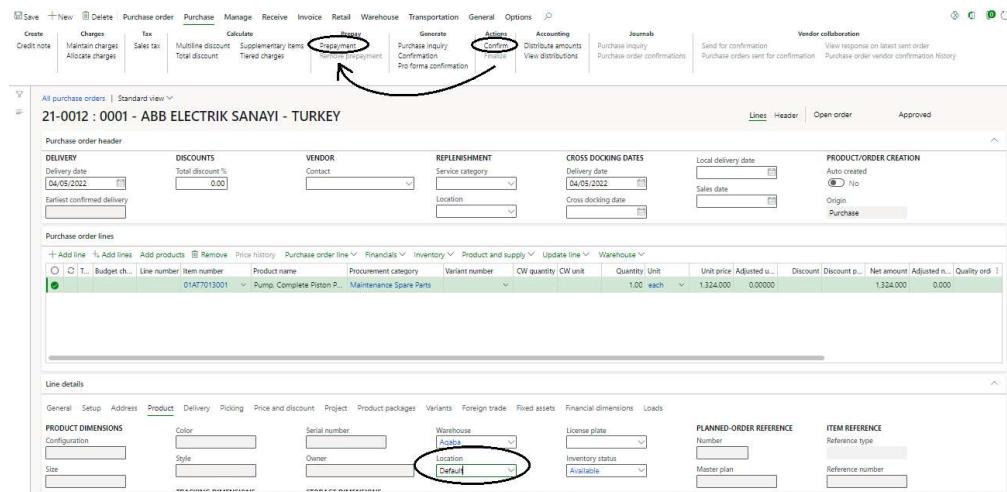


Figure 22 – Purchase order

- Enter the prepayment details by specifying the description and the value of prepayment as fixed amount or percentage from the total PO.
  - Prepayment category ID: will show only prepayments category.
  - Other fields are hidden in this screen.

This is a dialog box titled 'Create or edit a prepayment'. It contains the following fields:
 

- Description: Purchasing a Pump
- Type: Percent (radio button selected)
- Value: 100.00
- Limit: 1.324.000
- Prepayment remaining: 1.324.000
- Prepayment application remaining: 0.000
- Currency: EUR
- Prepayment category ID: PrePayments

Figure 23 – Prepayment info

- Click on save. Then the user will have to generate prepayment invoice

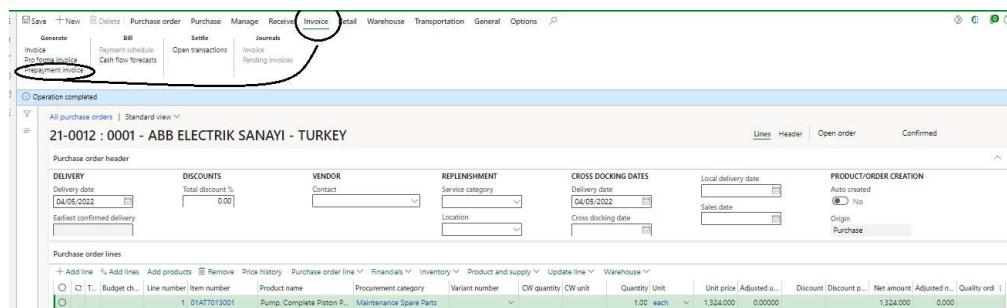


Figure 24 – Issue Prepayment invoice

- After Generating the Prepayment Invoice, user should enter invoice number and click Post → Post button to post the prepayment invoice.

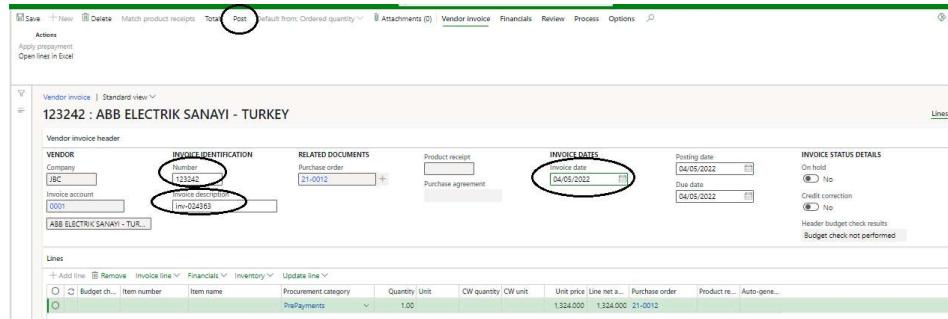


Figure 25 – Post Prepayment invoice

- Process the payment for the prepayment which was requested for the PO.
  - Go to Accounts payable → Payment → Vendor payment journal.
  - Create journal → Click on New → Select the name → Lines.
  - Select the account number.
  - Then click on **Settle transactions**.

Settle transactions for ABB ELECTRIK SANAYI - TURKEY									
Overview		General		Payment		Settlement		Remittance	
Mark selected	Unmark all	Show marked	▼	Apply payment schedule	Inquiry	▼			
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	123242	04/05/2022	Cash discount date	Amount   Currency	Amount to...   Amount to...
								1.324,000   EUR	-1.324,000   -1.324,000

Figure 26 – Settle Transaction

Is workflow created?

- Select the prepayment transaction and click ok.
- Then submit the payment for approval before posting.
- Workflow will be submitted to Accountants → Accounting supervisor → Finance Manager.
- Once approved by the finance manager, payment will be ready for posting.
- Generate & post the payment.
- Receive the product.

#### D. Final Invoice Generation

- Generate final invoice from vendor and settle the prepayment with it:
  - Navigate to Purchase order screen > Invoice tab and generate an invoice for the received quantities.



Figure 27 – Purchase orders

- Click the Apply prepayment button.

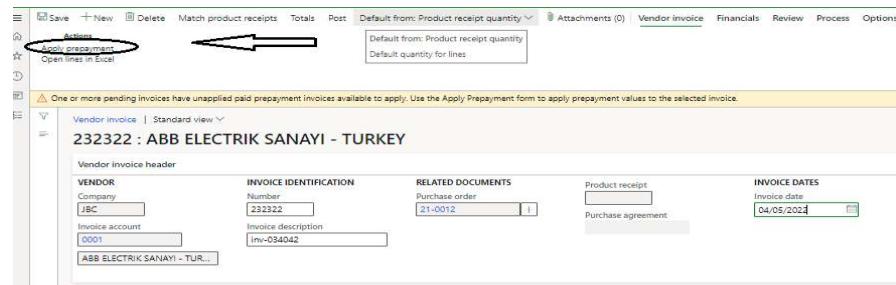


Figure 28 – Purchase orders

- Select the prepayment and click Apply prepayment button.

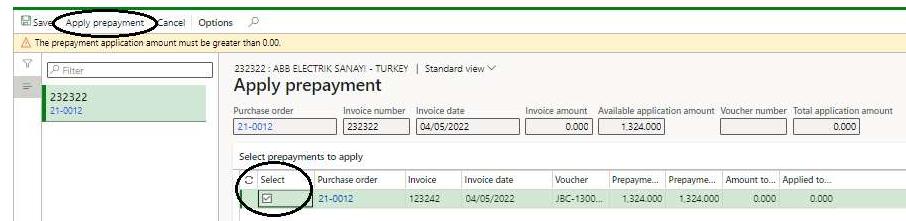


Figure 29– Apply prepayment with final invoice PO.

- In case of discrepancy between the Received and Invoiced Quantities then the user must decide between 2 options:
  - Either to consider the difference as Expenses and then he allocates this difference as Charge/Discount on the Purchase Invoice
  - Or this difference could affect the Item Cost, so the user changes the Price of each item in each line where the discrepancy is recognized.
- Post the purchase order invoice by clicking Post on the Invoice Form.

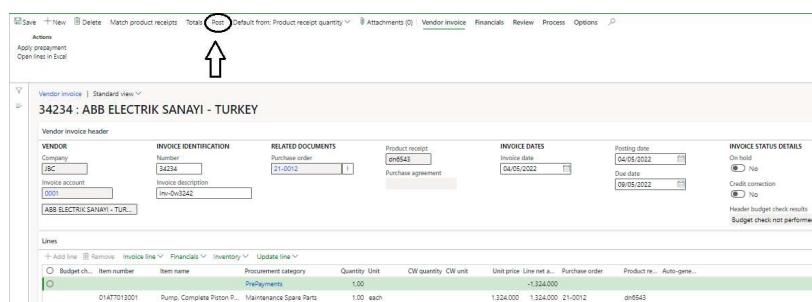


Figure 30 – Post purchase order invoice

4. In case the advance payment wasn't equal to the invoice amount → Process the Payment of the Vendor Invoice By:
  - a. Creating a Payment Journal
  - b. Settling the Vendor Invoice
  - c. Generate & Post the Payment
5. Below transactions will show after final payment initiation

The four screenshots show the 'Voucher transactions' screen for different document types:

- JBC-13000000 : 04/05/2022 | Standard view**: Shows a vendor invoice for Advances to Suppliers.
- JBC-15000000 : 04/05/2022 | Standard view**: Shows a vendor invoice for Trade Account Payable.
- APV-00000005 : 04/05/2022 | Standard view**: Shows a payment journal entry for Trade Account Payable.
- JBC-11000000 : 04/05/2022 | Standard view**: Shows a vendor invoice for Trade Account Payable.

Each screen displays a table with columns: Journal no., Voucher, Date, Year closed, Ledger account, Account name, Description, Currency, Amount in..., Amount, and Posting type.

Figure 31/32/33/34 – Voucher Transactions

6. Books are settled for vendor invoices vs payments.
7. Any discrepancy will result in an open balance that will show on vendor unsettled transactions.

Also, we introduce an inquiry called open prepayment where Technica team will see all the **open prepayment** issued on PO's that are not yet settled:

- This inquiry will show open prepayment with the transaction currency amount.
- Once the prepayment is posted → The inquiry will show its value in local currency
- Once the prepayment is settled (means it is linked to a final invoice, it will disappear from the inquiry means there is no pending prepayment)

The 'Open prepayments' inquiry screen shows the following data:

Vendor account	Vendor name	Purchase order	Description	Currency	Prepayment amount	Remaining amount ...	Unpaid prepayment amount	Unposted paid amount
104	Best Supplier - Europe	000036	Prepayment	EUR	80.00	80.00	0.00	0.00
T0003	Italy Production Limited	00003726	Prepayment	EUR	10.00	0.00	10.00	0.00

Figure 35 – Open Prepayment inquiry

## 1.7.2 Requirements

ID	Desc	Fit/GAP
AP010-001	Create PO	FIT
AP010-002	Settle Prepayment Info	FIT
AP010-003	Confirm PO	FIT
AP010-004	Generate Prepayment Invoice	FIT
<b>simulate</b>	AP010-005 Process Payment of prepayment Invoice	FIT
AP010-006	Post Transactions	FIT
AP010-007	Issue final vendor invoice and settle transaction	FIT
AP010-008	Process payment of final purchase order invoice	FIT
AP010-009	Open Prepayment inquiry	FIT

## 1.8 AP011 - Supplier payments

### 1.8.1 Process diagram



Figure 36 – Process Diagram supplier payments

#### 1.8.1.1 Additional Details

After the invoice is posted, it is time to pay the invoice. Payment journals have the following characteristics:

- You can create payments through the payment journal.
- Make payments and enter them according to the terms of payment established with the vendors. In the payment journal there are several ways to create payment lines:
  - o Click Payment proposal.
  - o Click Functions and select Settlement.
  - o Create a journal line and enter the payment details manually.

There are two methods for selecting the invoices to pay through the payment journal.

- The Payment proposal option searches for invoice lines that meet selected search criteria. When using the payment proposal to automatically select the bank details based on the currency that the user selects.
- Use the Settlements option to select the specific invoice lines to pay.

Any payment needs to go through the same approval process. Technica will provide the vendor payment workflow during the setup and migration phase.

## 1.8.2 Requirements

ID	Desc	Fit/GAP
AP011-001	Create Vendor Payment	FIT
AP011-002	Create Payment Proposal	FIT
AP011-003	Settle transactions with existing Payment manually	FIT
AP011-004	Post payment	FIT

## 1.9 AP012 - Payment Invoice Settlement

### 1.9.1 Process Overview

The settlement functionality links a Payment to an Invoice; this not only serves for Invoice Payment reporting but also for updating open and closed invoices in the AP aging report.

Settlement can be done during the payment journal creation or later periodically (daily, weekly, monthly...etc.)

To settle a payment against a posted invoice:

1. Go to Account Payable → All Vendors
2. Select the vendor ID needed.
3. Go to the top menu and click on the Invoice Tab
4. Click on Settle Transactions

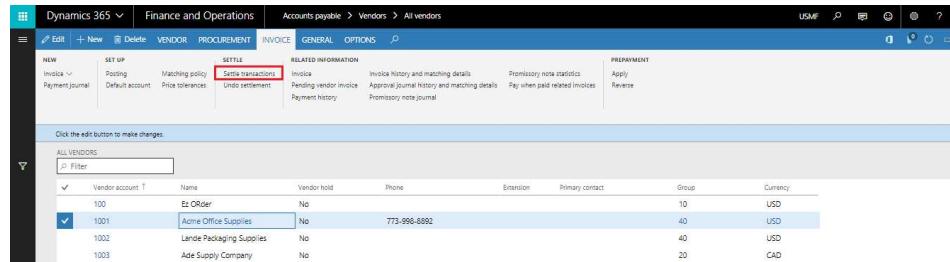


Figure 37 - Settle Transactions Button

Once you press the “settle transactions”, all open vendor invoices.

Invoice	Due date	Cash discount date	Amount	Currency	Amount to settle	Cross rate
	6/1/2017		892.57	USD	892.57	
10017	7/30/2017	7/30/2017	578.09	USD	-578.09	
10012	7/28/2017	7/28/2017	23,109.90	USD	-23,109.90	
10018	7/23/2017	7/23/2017	7,209.98	USD	-7,209.98	
7093	7/21/2017	7/21/2017	5,603.00	USD	-5,603.00	
309	7/19/2017	7/19/2017	309.03	USD	-309.03	
80193	7/4/2017	7/4/2017	4,589.10	USD	-4,589.10	
09310	7/7/2017	7/7/2017	782.09	USD	-782.09	
678911	8/9/2017	8/9/2017	3,400.11	USD	-3,400.11	
			14.00	USD	14.00	

**CASH DISCOUNT**

TRANSACTION CURRENCY: USD	AMOUNT	TAKEN	TO TAKE	FULL SETTLEMENT DATE	COMPANY	VOUCHER	DESCRIPTION
0.00	0.00	0.00	0.00	6/12/2017	usmf	APPMD01203	
USE CASH DISCOUNT	Normal						

**TOTALS**

SETTLEMENT BALANCE	ESTIMATED CASH DISCOUNT	VENDOR BALANCE	
ACCOUNTING CURRENCY: USD	0.00	0.00	-48,674.19
VENDOR CURRENCY: USD	0.00	0.00	

Figure 38 - Open Invoices List

5. Select invoice and press ok.

- ➊ Segregation of Duties:
  - o This process should be performed by the **Account payable clerk**.

## 1.9.2 Requirements

ID	Desc	Fit/GAP
AP012-001	Settle open Invoice after payment being posted	FIT
AP012-002	Unsettle closed invoice	FIT

## 1.10 AP013 - Invoice Matching

### 1.10.1 Process Overview

Dynamics 365 provides an out of the box invoice matching policies: two-way matching, three-way matching, or none. The **three-way matching** ensures that the purchase order, product receipt and the invoice are matching, while the **two-way matching** matches the price information on the Purchase order with the Invoice.

Technica will be using the three-way matching for their main items, while they will use two-way matching for their service items. Such requirement will be covered using "Category Policy Rule".

**Technica team to send related data for confirmation.**

#### Category policy rule

##### Policy rule data

Effective date  
11/12/2021 09:03:29 PM

Expiration date  
Never

##### Category policy data

+ Add Remove

O	C	Category	Vendor selection	Show ques...	Category matching policy	Receiving r...	Deduction ...	Accrue pur...
<input checked="" type="checkbox"/>		Leather	Allow all vendors	<input type="checkbox"/>	Three-way matching	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		Services	Allow all vendors	<input type="checkbox"/>	Two-way matching	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 39 – Category Policy Rule

#### Partial Invoice matching

- a. When you create a PO with Q=10, you can always receive 7 for example (click receive invoice, on posting product receipt line put 7)

Lines								
	Purchase order line	Line number	Item number	Procurement category	Text	Site	Warehouse	CW update
<input checked="" type="checkbox"/>	Purchase order							
<input checked="" type="checkbox"/>	000002762	1	1000	OFFICE MACHINES	Surface Pro 128 GB	S	31	7.00

Figure 40 – Purchase order line

- b. Now 7 is received in case of partial receiving. Click generate invoice, the system will open for you the below screen so that you can click on "Match Product Receipt".



Figure 41 – Purchase order match product receipt

- c. If you want to invoice 5 out of 7 received, you can by changing the below value to 5



Figure 42 – Purchase order match product receipt

- Click ok and below popup message will appear and click yes.

Matched quantity does not balance with  
Invoice quantity. Do you want to update  
the invoice quantity and delete any invoice  
lines that no longer have matched  
quantities for all imbalanced lines?

Figure 43 – Purchase order match product receipt

- Then click update match status → the system will validate that yes you have already those quantity received, and you invoice 5 out 7 quantities received. And click Post.
- You also go to General in the control pane and click on “Line quantity” just for you to make sure the controlled logic is correct. See below:

00002762 - DYNATECH SYSTEMS									
Line quantity									
Quantity									
	Product name	Procurement category	Quantity	Warehouse	Invoice	Pending invoice	Received	Deliver remainder	Registered
	Surface Pro 128 GB	OFFICE MACHINES	10.00	S1	5.00	2.00	7.00	3.00	3.00

Figure 44 – Purchase line quantity received.

### 1.10.1 Requirements

ID	Desc	Fit/GAP
AP013-001	Apply Two-Way matching for procured Service items	FIT
AP013-002	Apply Three-Way matching for procured Stock items	FIT
AP013-003	Partial Invoice matching with full quantity received	FIT
AP013-004	Partial Invoice matching with partial quantity received	FIT
AP013-005	Full Invoice matching with Full quantity received	FIT

## 1.11 AP014 - Account Payable Foreign Currency Revaluation

Fluctuations in exchange rates cause the theoretical value (book value) of open transactions in foreign currencies to vary over time.

to  
simulate

This section provides information about the foreign currency revaluation process that you run to update the value of open transactions in Accounts Payable.

The theoretical value, or book value, of open transactions in foreign currencies varies over time because of fluctuations in exchange rates. To update the value of open transactions in Accounts Payable, **run the foreign currency revaluation process**.

Foreign currency revaluation can be run for both Accounts payable and Accounts Payable.

The process uses a new exchange rate to revalue the open amounts, or not settled amounts, on a specified date. The differences between the original posted amounts and the revalued amounts will cause an unrealized gain or loss for each open transaction. The Accounts payable and Accounts Payable sub-ledgers are then updated to reflect the unrealized gain or loss, and an accounting entry is posted to General ledger.

### 1.11.1 Requirements

ID	Desc	Fit/GAP
AP014-001	Accounts Payable Foreign Currency Revaluation	FIT

## DOCUMENT APPROVALS

I have reviewed the information contained in this document and approved it through sign off below:

Name	Department	Date	Signature

Comments:

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The specifications and conditions are hereby accepted. Info-Sys is authorized to execute the project as outlined in this document. This document is not valid until signed by the customer representative and returned to Info-Sys.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_