Functional Requirements Document- Accounts Receivable

Prepared for

Technica International

Version: **2.0**

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1 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 Receivables requirements.

1.2 Acronyms

Abbreviation	Explanation
FRD	Functional Requirement Document
AR	Account Receivable
System	Dynamics 365

1.3 Current Setup for Technica ERP project

1.3.1 Customers

Technica's customer list will be imported into Dynamics 365 after collecting their data using Excel Sheet Templates. Technica's will follow an automatic number sequence for new customer creation.

- Customer status: On-hold or stopped for invoicing only or accounting entry only or forbidden for all. Such an option was adopted by Technica.
- Customer 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 customer 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 customer and for customer details what to be created in other companies. See below:

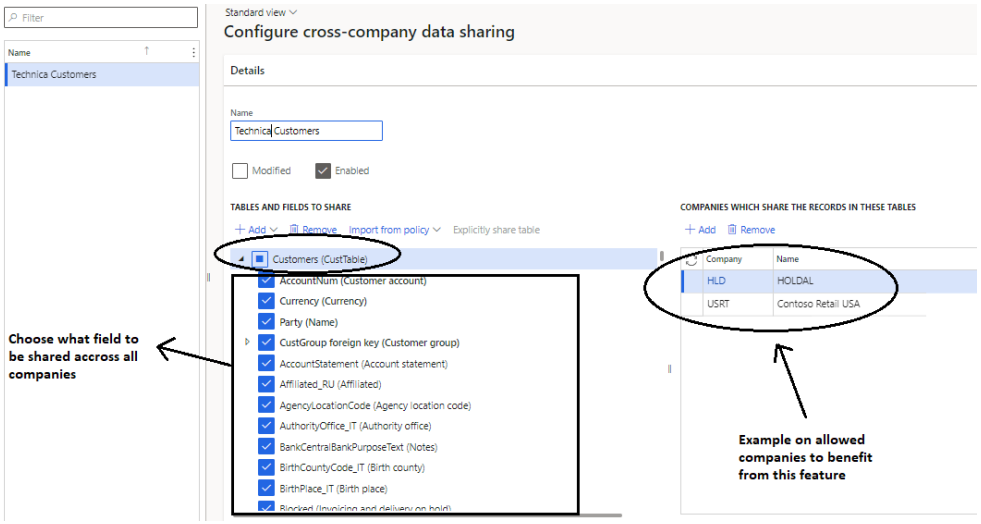


Figure 1 - Terms of payment

Technica Deals with different group of customers, some of them are considered distributors others end customers.

1.3.2 Customer groups

Below are the Customer Groups that will be used by Technica:

- Local: Local Customers
- Foreign: Foreign Customer

1.3.3 Customer Workflow

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

- Sales department creates the customer → Sales manager approved it.

As for the amendment on an existing customer, there is an out of the box solution with existing workflow called "Proposed changed workflow":

- The sales manager will be responsible for approving the amendment.
- Also, once this customer is on-hold and if anyone changed it, it should go to a workflow approval → To Add in the proposed change (field on-hold)
    - Below are suggested field that are subjected to proposed changed in the workflow:

Name
Credit limit
Sales tax group
Method of payment
Payment specification
Customer group
Tax exempt number
Bank account
Cash discount
Credit rating
Terms of payment
Invoice account

1.3.4 Trade Agreement Journal

The below procedure will be adopted by Technica that shows how to create a trade agreement where you register a new product sales price that you've agreed with a specific customer with specific conditions.
If these conditions are met, then the price will show on sales order line. If not, then the default price list on product will be taken into the sales order line.

- Technica have for certain customer unique price so not all the customers have same price (special cases)
- Customer outside Lebanon having higher margin (means different prices): based on customer group "Foreign" will have unique price.
- So as a result, if a customer met those condition a discounted price or update price for such conditions will be issued automatically.
- Technica will not use trade agreement for spare parts.

N.B: Technica will provide us during migration phase set of all the different conditions (optional).

A. Activate Price/Discount

- Go to Sales and marketing → setup → Prices and discounts → Activate price/discount.
- Activate/enable all the needed combination lines.

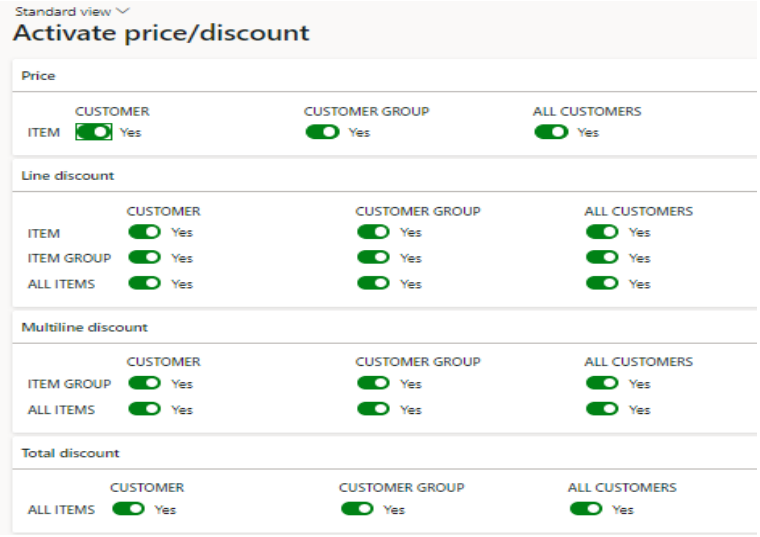


Figure 2 – Activate price/Discount screen.

- Above combination represents what the trade agreement journal offers if these conditions are met will show you the correct price.

B. Activate Trade Agreement

- Go to modules → Accounts receivables → Setup → Trade agreement journals.

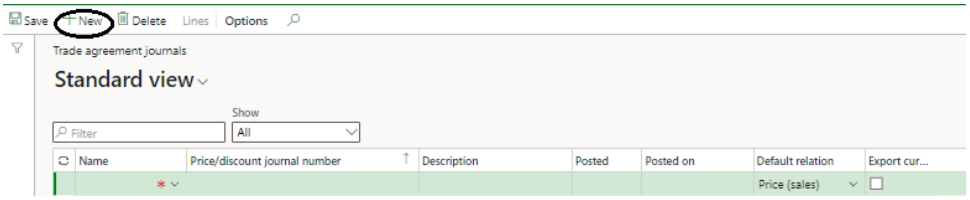


Figure 3 – Trade agreement Journal

- Click new.
- In the **Name** field, click the drop-down button to open the lookup.
- In the default relation choose the correct relation that you need to influence
- Click lines.

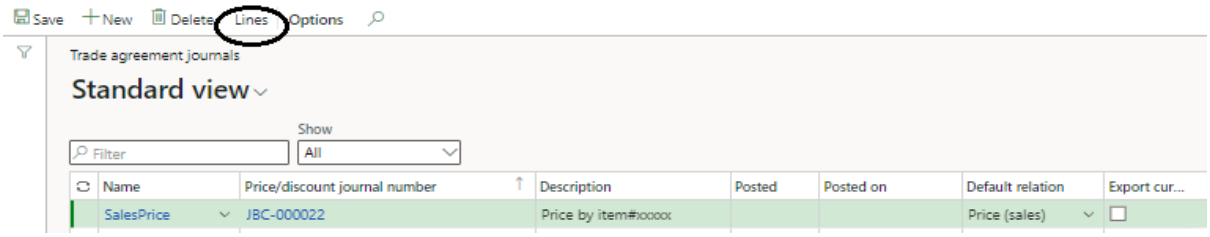


Figure 4 – Trade agreement Journal

- Then, below screen will appear:
  - **a. <u>Party code type:</u>**
    - If "Table" then you are updating price for specific customer
    - If "ALL" then the new prices are valid for all customers
    - If "Group", then you should have a set of customer price groups and that here the prices will be differentiated by customer segment.
      - Go to All customers → Sales order defaults tab → Price.

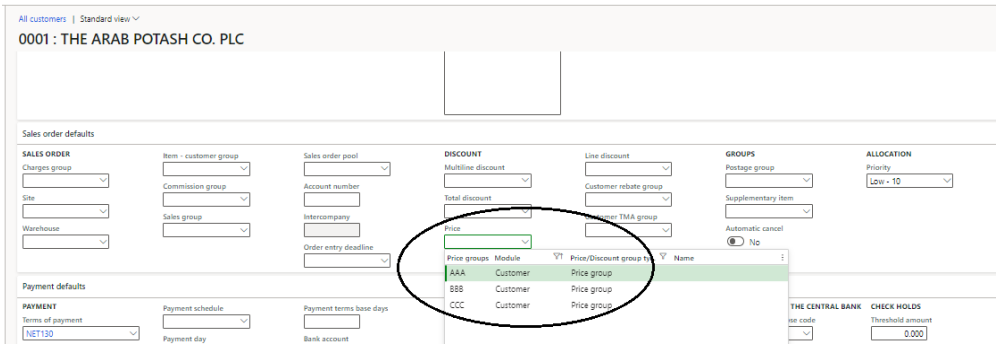


Figure 5 – Trade agreement Journal details

  - **b. <u>Product code type:</u>**
    - If "Table" you should select only a trade agreement of type "Price (Sales)" and specific items will be affected in the sales price.
    - If "ALL" then the new prices are valid for all product
    - If "Group", then you should have a set of price groups and that here the prices will be differentiated by product segment.
  - **c. <u>It can be defined by:</u>**
    - Product dimensions (Size, colour, style)
    - Storage dimensions (Site warehouse, location)
    - Tracking dimensions (Batch, serial, Owner)
  - **d.** Add a date range from and to
  - **e.** Add a quantity range from to for a minimum order and maximum order.
  - **f.** Add price and currency.
  - **g.** Then click on save → validate selected lines → POST.

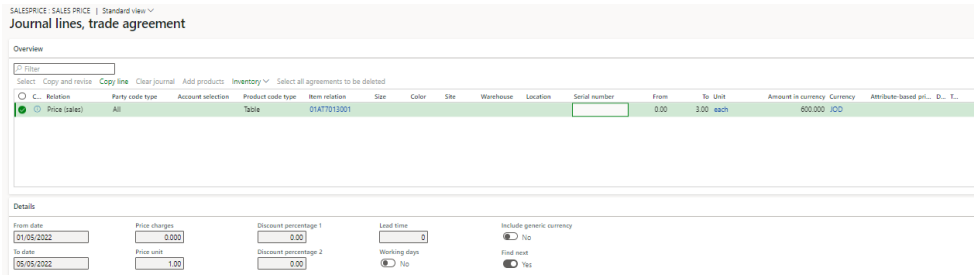


Figure 6 – Trade agreement Journal details

h. Having the below scenarios, we can pass a sales order and see the results.

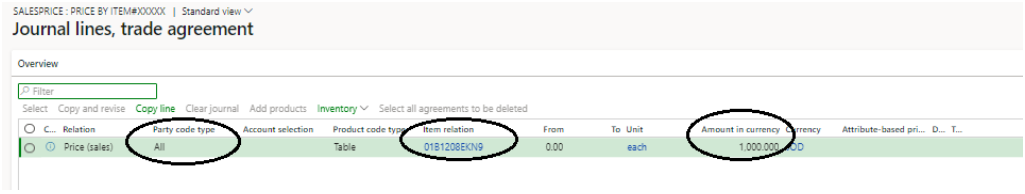


Figure 7 – Trade agreement Journal details

i. Price is sales order are automatically shown as per the setup done.

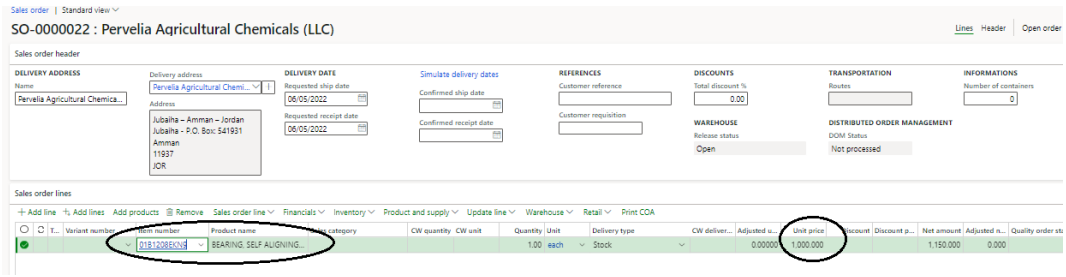


Figure 8 – Sales order header and detail

j. a 150 USD was added to the total amount because in the trade agreement journal, we have added 150 USD to the field "Price charges".

1.3.5 Customer Posting Profile

Technica will be using one Posting Profiles for different customer groups.

- Posting Profile name "ALL" or "General".
- Customer account will be brought automatically in the sales order from the posting profile (There is no manual interference here. It's not allowed)
- 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.

Templates will be shared later during the migration phase.

1.3.6 Payment methods

Technica will use Cash & Bank Transfer

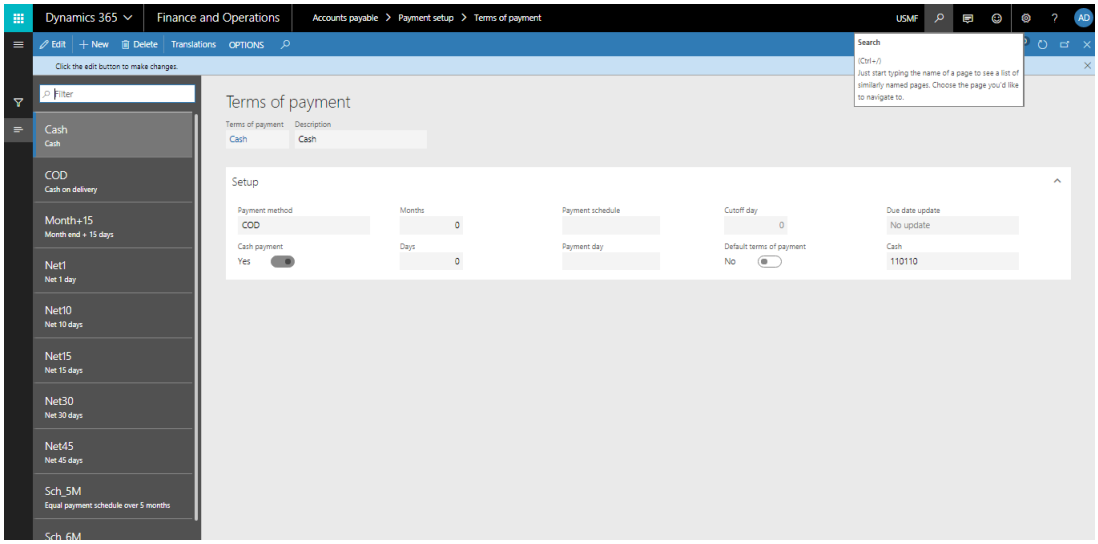


Figure 9 - Terms of payment

1.3.7 Payment terms

Will be waiting from Technica team list of payment terms to be applied in Dynamics 365 as they were working on updating their existing ones.

1.3.8 Aging Brackets

The following brackets: 30, 60, 90, 180, 1y, 1.5y, 2y, 3y and over will be applied in Dynamics 365. In case of any addition, will be updated during migration phase.

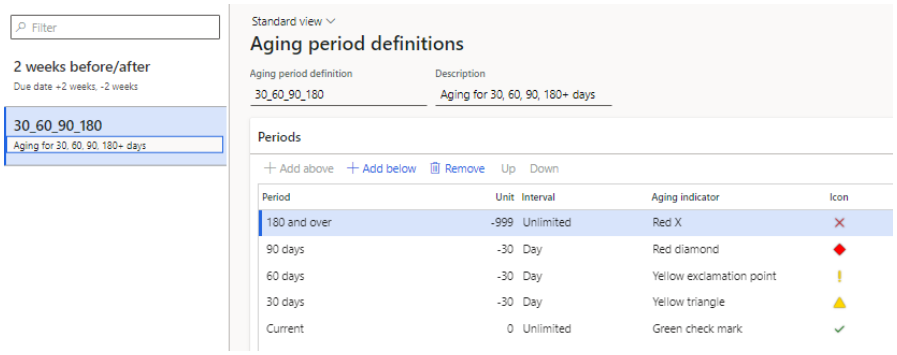


Figure 10 – Aging Bracket screen

1.3.9 Collection

In Dynamics 365, a collection agent can view and follow up Customer dues in one centralized screen.

Customers Dues can be ranged according to the Receivables Aging: Current, 30D, 60D, 90D, 120 and over.

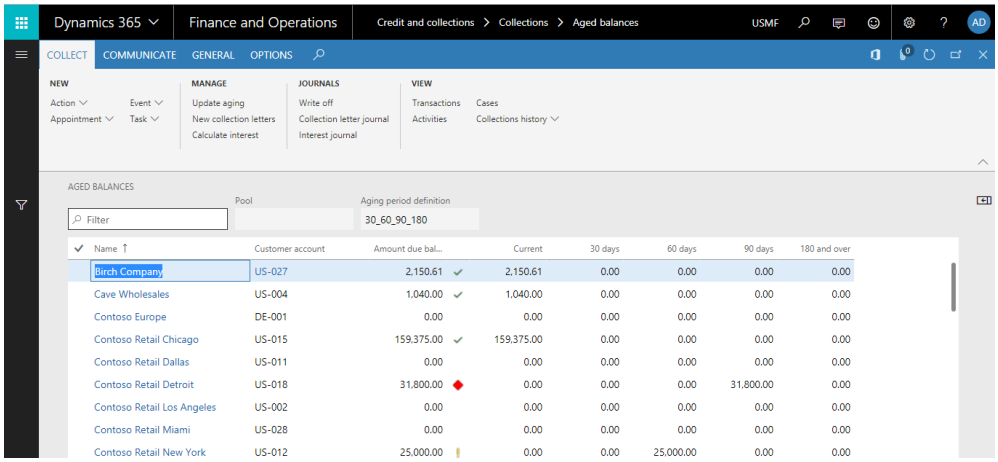
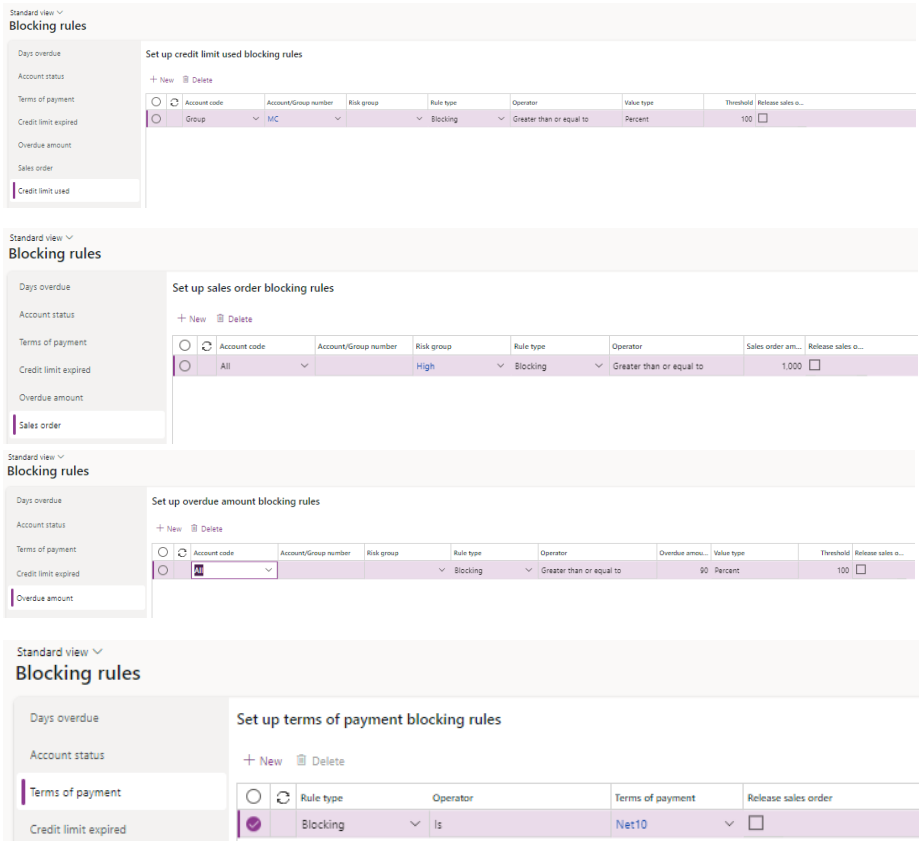


Figure 11 - Collection Screen

1.3.10 Credit Hold

This is to mention that on D365 F&O there will be control on customers via different blocking rules (will be taken from Technica team during migration phase):

- However, any blocked customer that is subjected to credit hold will be integrated back to CRM as "On hold" as well.
- Below are some of D365 FO examples on credit hold that might be adopted by Technica team.



1.3.11 Requirements

ID	Desc	Fit/GAP
001-001	Creation of Customers & Data sharing across all other entities for specific cases	FIT
001-002	Customer On-Hold: Stopped for invoicing	FIT
001-003	Define Customer Groups	FIT
001-004	Customer Workflow to be generated on the creation	GAP
001-005	Amend existing customer data and sent for workflow approval	FIT/GAP
001-006	Define Trade agreement Journal	FIT
001-007	Define Customer Posting Profile	FIT
001-008	Define multiple payment method	FIT
001-010	Define multiple payment terms	FIT
001-011	Define Aging Brackets	FIT
001-012	Follow up on collection	FIT
001-013	Credit customers on hold integrated back to CRM	GAP

2 Accounts Receivable Business Processes List

2.1. Processes List

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

Process ID	Name	Description
AR-001	Free text invoicing	Create and manage free text invoices
AR-002	Customer payments	Manage and process customer payments
AR-003	Sales Order Processing	Sales Order processing
AR-004	Account Receivable Foreign Currency Revaluation	Account Receivable Foreign Currency Revaluation
AR-005	AR Inquiries & Reports	AR Inquiries & Reports

3 Business Processes

3.1. AR-001 Free text invoicing for non-items sales or Fixed Assets Sales.

Process diagram

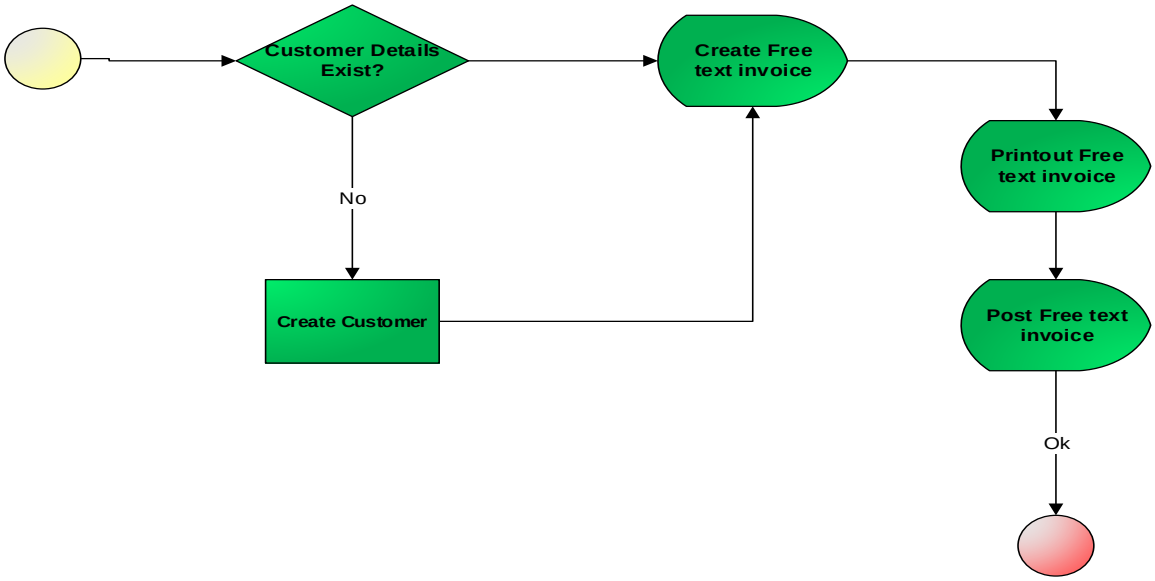


Figure 12 - Sales Invoice Process

TO-BE Process Overview

Analysis workshop details

Proposed process flow:

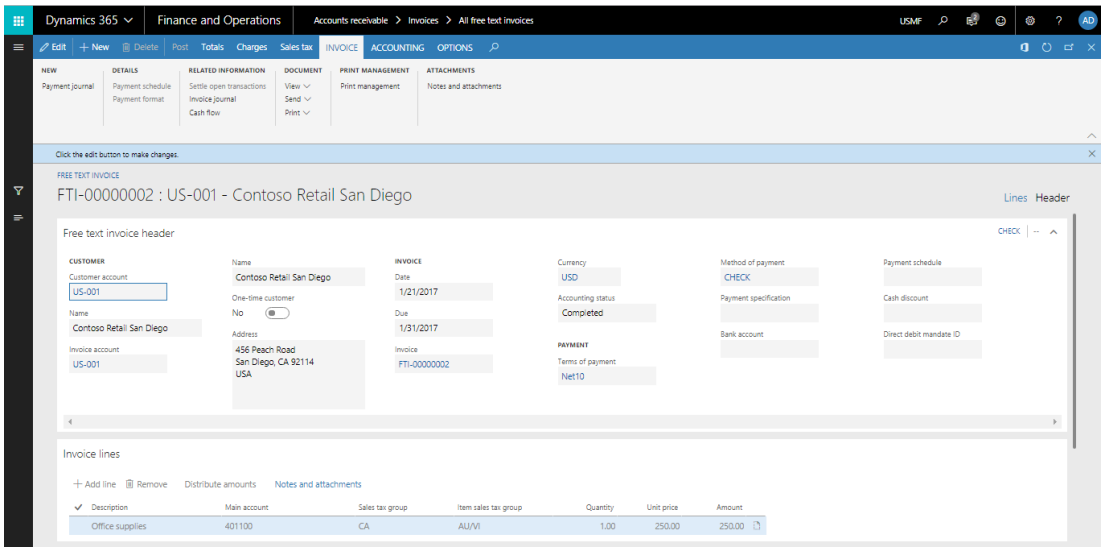


Figure 13 - Free Text Invoice

1. Check if customer details exist in the system.

a. If customer data is missing create customer information in the system

2. Enter free text invoice into System.
3. Print out free text invoice from System.
4. Post the invoice in System.

Free text invoice is used to create a sales invoice with order lines that include the following:

- Ledger accounts
- Free-text descriptions
- The entry of a sales amount
- And it could be used for Fixed Asset Disposal-Sale.

It is not possible to enter an item number on this kind of invoice.

Free text invoice:

- No item numbers are specified by the user.
- A ledger account for the sale is selected by the user and is displayed on each order line. The system posts the customer balance to the summary ledger account for the posting profile inherited from the customer unless the user specifies a different posting profile on the free text invoice.
- Free text invoice is an invoice issued and it's not based on Sales order. But you can allocate a project and project category in it. Every line in the invoice can be assigned to a project. But it is only limited to project type "Time & Material" and not fixed price projects.

Additional Details

For Fixed Asset Disposal-Sale, Technica can use it through free text invoice to dispose a fixed asset and sell it.

Non-Sales Invoice Free text invoice Report updated layout to be sent by Technica so that we modify D365 layout.

Free text invoice workflow to be shared by Technica during migration phase.

3.1.1 Requirements

ID	Desc	FIT/GAP
AR001-001	Register Free text Invoice for Non-Items Sales	FIT
AR001-002	Free text invoice report Print to be modified	GAP

3.2. AR-002 Customer payments

Process diagram

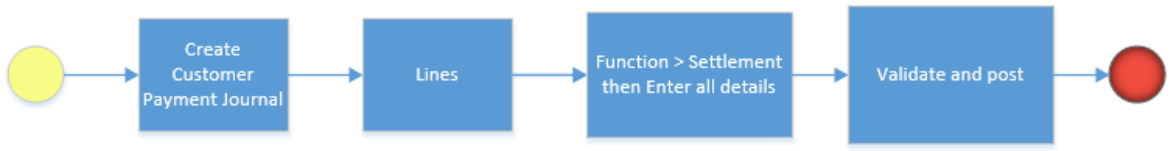


Figure 14 - To be process / Payment Process

Technica have advanced payment before doing the settlement. The settlement comes later once the invoice is issued. Only for credit customer, they do the settlement for the "ready generated invoices."

Process Overview

Proposed process flow:

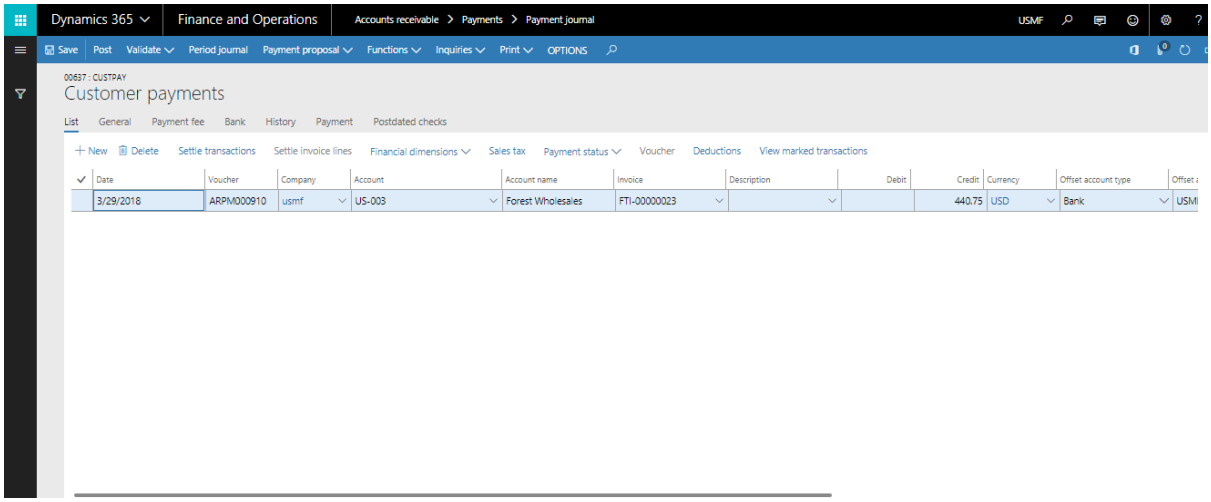


Figure 15 - Payment Journal

1. Create Customer Payment Journal
2. Go to lines.
3. Go to Function → Settlement "button" then enter all details needed in the line (payment ref., document date….)
4. Validate and Post payment journal in System.

Needs workflow approval. Technica to provide the workflow during migration phase.

N.B: One payment journal can includes different invoices coming from different project.

3.2.1. Requirements

ID	Desc	FIT/GAP
AR002-001	Register Payment Voucher (1 payment journal can includes different invoices coming from different project)	FIT
AR002-002	Customer payment journal workflow approval	FIT
AR002-003	Settle Customer Invoice	FIT

3.3. AR-003 Sales Order Processing

Process Diagram

Figure 16 - Sponsoring Contract Cycle

TO-BE Process Overview

Analysis workshop details

Please refer to Sales FRD for details of the process.

Sales invoices print out report to be sent by Technica to modify the layout to match their requirements.

Regarding a solution for black market rate having mix invoice with VAT at 15,000 rates, please refer to GL FRD in the VAT section, where we elaborated in details a solution for that. From sales order till payment processing

3.3.1. Requirements

ID	Desc	Fit/GAP
AR003-001	Generating Sales Invoice	Fit
AR003-002	Sales Invoice printout report to be modified according to Technica Layout	GAP
AR003-003	Black Market rate Invoicing from sales to payment for mixed invoices	GAP

3.4. AR-004 Account Receivable Foreign Currency Revaluation

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

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

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 receivable, **run the foreign currency revaluation process**.

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 receivable sub-ledgers are then updated to reflect the **unrealized gain or loss**, and an accounting entry is posted to General ledger.

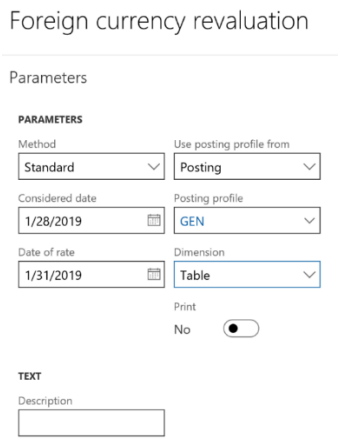


Figure 17 - Foreign Currency Revaluation

3.4.1. Requirements

ID	Desc	Fit/GAP
AR004-001	Exchange Rate is updated daily	Fit
AR004-002	"TECH" Exchange Rate to be adopted	Fit
AR004-003	Sales Invoices and Payments are issued most of the time in EUR ~~USD~~	Fit
AR004-004	Foreign Currency Revaluation to be executed Monthly	Fit

3.5. AR-005 Intercompany Trade Operation PO/SO

1. Before we go through or setup any intercompany trade, Technica team should decide which customers are intercompany customers and which vendors are intercompany vendors in different legal entity. Then, we can proceed with applying the trading relations.

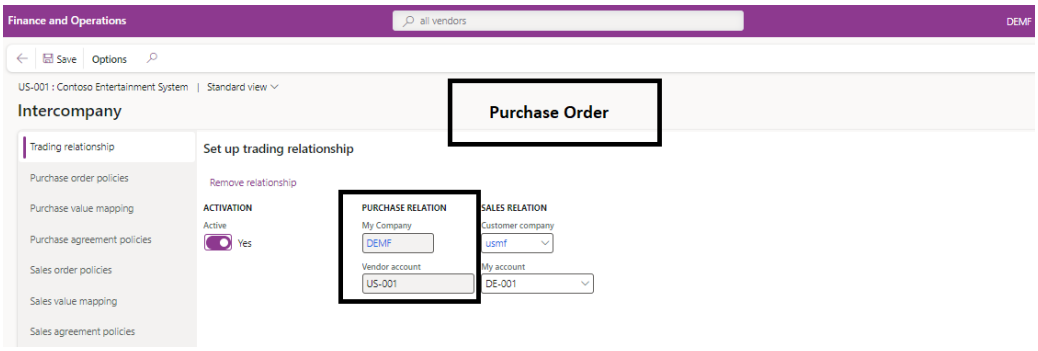


Figure 18 – Vendor intercompany trade setup for Purchase orders

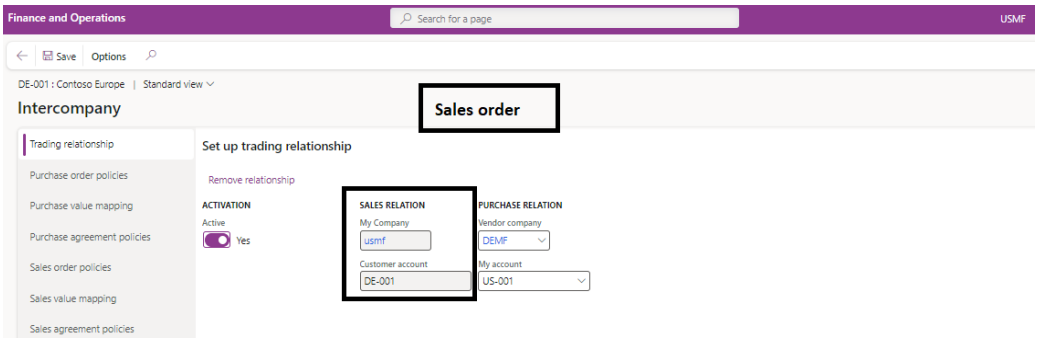


Figure 19 - Customer intercompany trade setup for Sales orders

2. Same shall be created in both entities (Buying and selling entity) as shown below (Within the product and information released product you can the intercompany inventory on hand related to stock available in different companies:

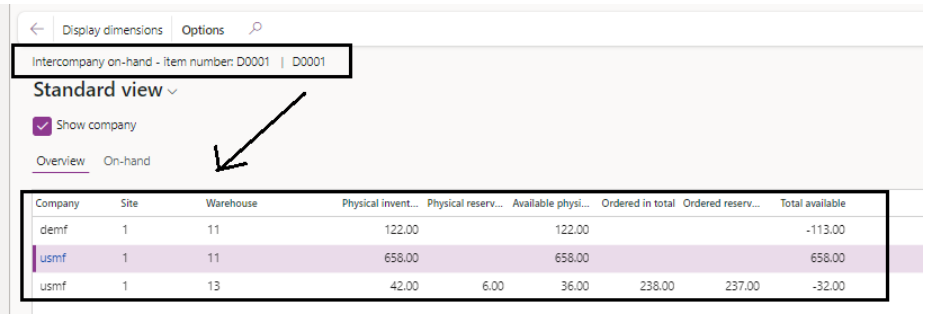


Figure 20 – Intercompany on Hand stock in selling and buying entities.

3. Purchase and sales price should be set up as mentioned in the AR FRD in section (trade agreement) for automatic applied prices. Or simply manually on item level.

4. All different tabs in the intercompany trade setup are related PO policies, SO policies, sales agreement and purchase agreement policies, sales values, and purchase value mapping:
    - Once you do the setup in 1 company (example purchasing), the setup in selling company will be done automatically, especially for all the different policies.
    - (**Setup details will be agreed on during migration phase**)

TO-BE Process Overview

As you remember, DEMF was basically my purchasing company. It starts by passing a PO for vendor number US-001

1. Pass a purchase order with vendor US-001 in company name "DEMF".
2. Site and warehouse and intercompany check box was coming automatically enabled due to the pre-defined setup with the corresponding selling company "USMF".
    - There is always an option to disable the intercompany transactions.

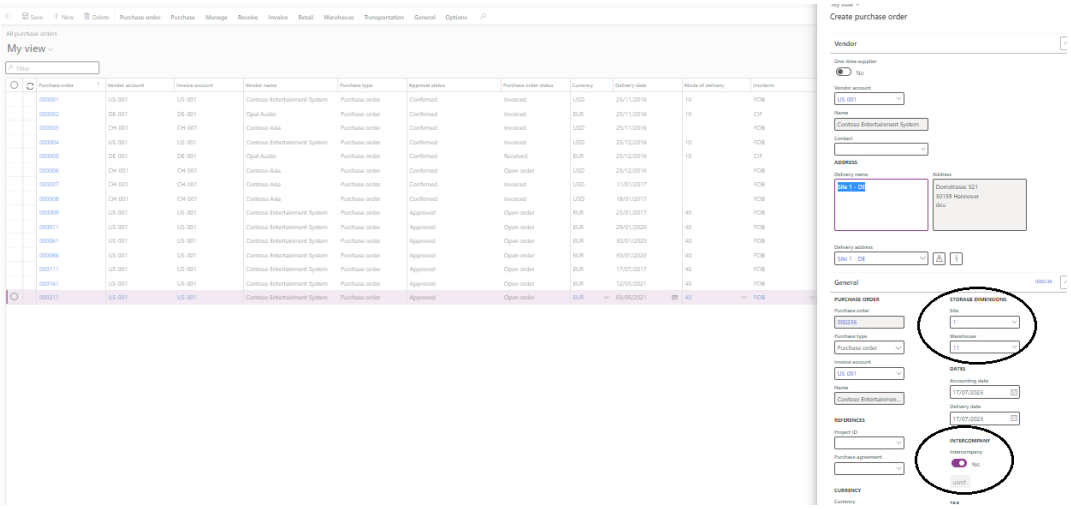


Figure 21 – Create intercompany purchase order in DEMF.

3. Common items must be selected in the purchase order line as shown below. We did a setup for automatic price 330$. Then confirm the purchase order.

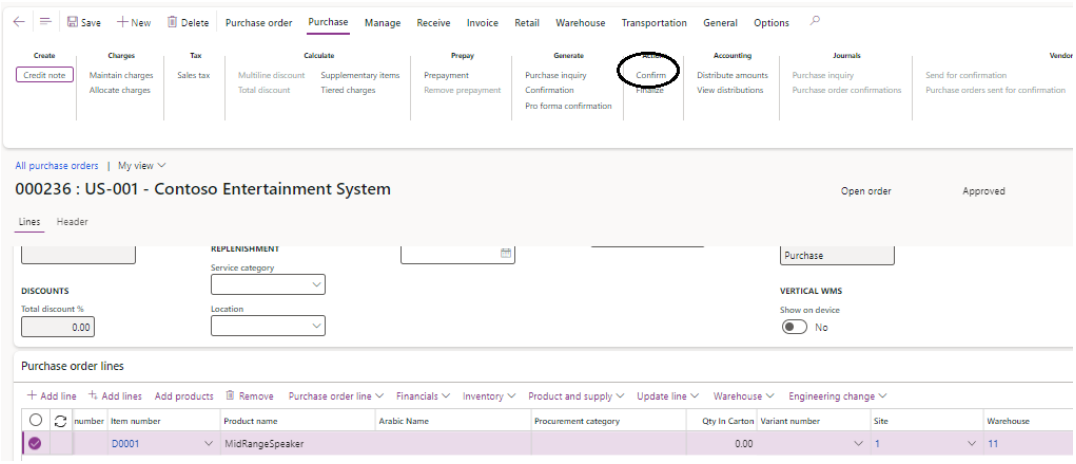


Figure 22 – Confirm intercompany purchase order in DEMF.

4. Once it's confirmed, within the same screen there is a link in General tab called "Related orders" in the related information, where it shows the related SO created.

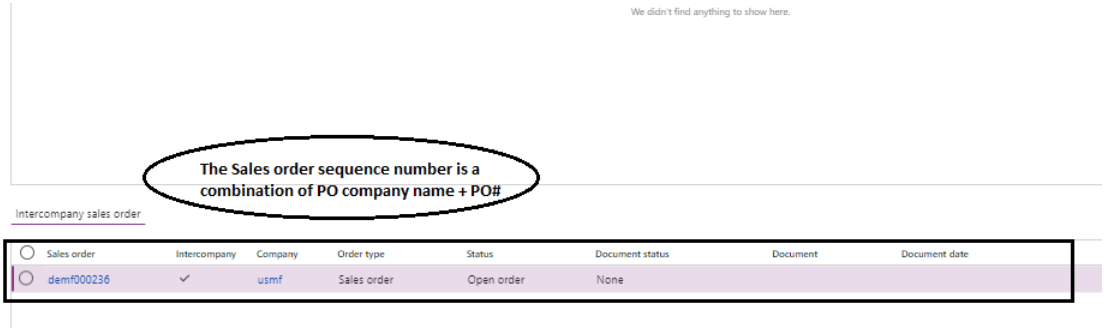


Figure 23 – Related sales orders created in Selling company from purchasing company.

- Below is the related setup that shows this number sequence combination (Either to choose the out of the box number sequence of the selling company or to choose this combination so that you can differentiate at any time this sales order coming from which company and PO#)

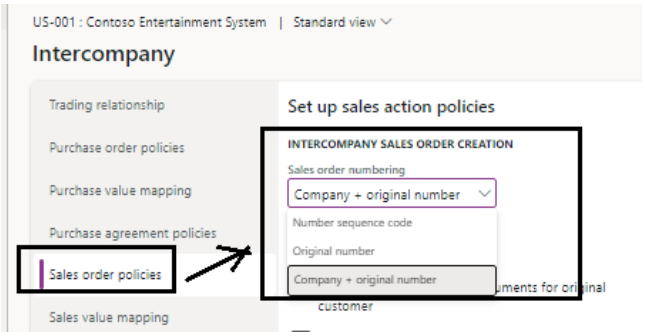


Figure 24 – Sales order intercompany number sequence setup

5. Once the sales order created, you can generate picking slip then post packing slip (quantity will be reduces and the order is delivered) → Please refer to sales & Marketing FRD to see the sales process for further details.
6. Create invoice → Sales order status now is "Invoiced".

7. Go back to the purchasing company and receive the goods.
    - In this case, you will notice that the product receipt number is brough automatically in the receipt field from the delivery or packing slip coming from the intercompany sales order.
    - You can change it manually if you want before posting the receipt or leave it.
    - Once the product is received, the quantity will be increased.
8. Generate purchase order invoice:
    - The invoice number and the invoice date will also be copied automatically from the intercompany sales order invoice which we did in the other company and posted it.

N.B:

Depends on the intercompany setup that we will do initially, you can automate the packing slip posting, picking slip, price to other companies, serial number & batch number copied from sales order to PO on the receiving, generate payment automatically and post transactions of sales order payment.

3.5.1. Requirements

ID	Desc	Fit/GAP
AR005-001	Intercompany customer, vendor setup	FIT
AR005-002	Generate PO / SO intercompany	FIT

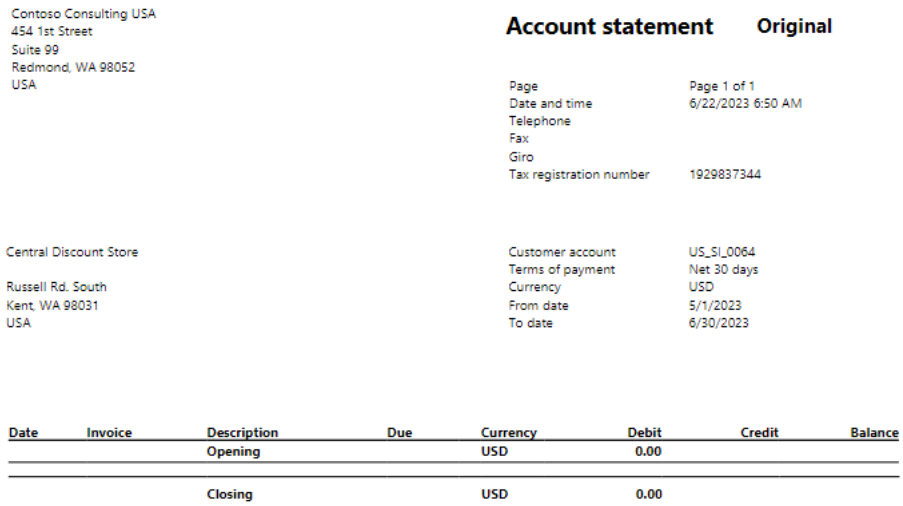
3.6. AR-006 Inquiries & Reports Required

Technica to provide us with the sales invoice template so that we adjust the D365 out of the box template.

Technica need to provide us with all the related receivable reports so that we advise with a parallel report found in D365.

<u>Below some of the current Report that D365 have for account receivable module:</u>

1. Customer Account statement:
    a. Having date interval
    b. Customer with credit limit with due date of invoices



Contoso Consulting USA
454 1st Street
Suite 99
Redmond, WA 98052
USA

Account statement **Original**

Page	Page 1 of 1
Date and time	6/22/2023 6:50 AM
Telephone	
Fax	
Giro	
Tax registration number	1929837344

Central Discount Store

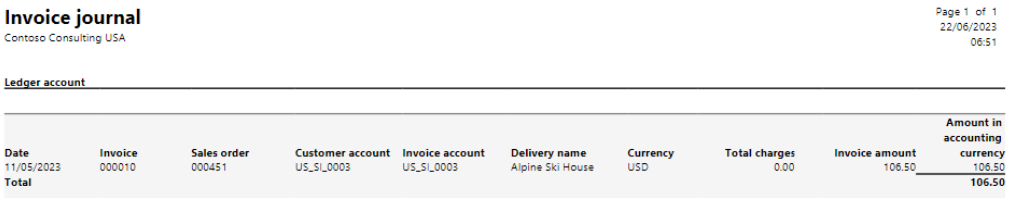
Russell Rd. South
Kent, WA 98031
USA

Customer account	US_SI_0064
Terms of payment	Net 30 days
Currency	USD
From date	5/1/2023
To date	6/30/2023

Date	Invoice	Description	Due	Currency	Debit	Credit	Balance
		Opening		**USD**	**0.00**		
		Closing		**USD**	**0.00**		

Figure 25 – Account statement

2. Customer invoice transaction report
    a. Having invoice open or paid or both.
    b. From and to date



Invoice journal
Contoso Consulting USA

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Ledger account

Date	Invoice	Sales order	Customer account	Invoice account	Delivery name	Currency	Total charges	Invoice amount	Amount in accounting currency
11/05/2023	000010	000451	US_SI_0003	US_SI_0003	Alpine Ski House	USD	0.00	106.50	106.50
Total									**106.50**

Figure 26 – Customer invoice transaction report

3. Customer transactions
    a. This is an inquiry that shows all customers detailed data:

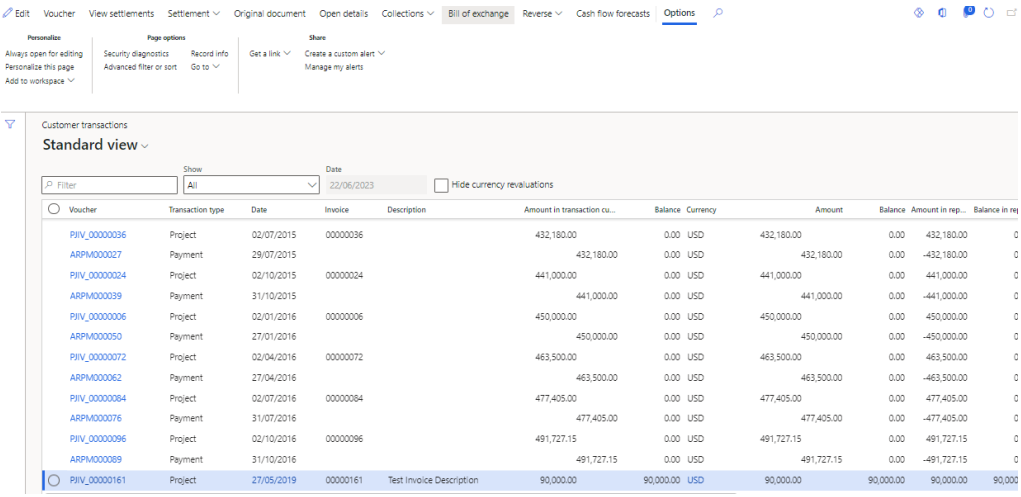
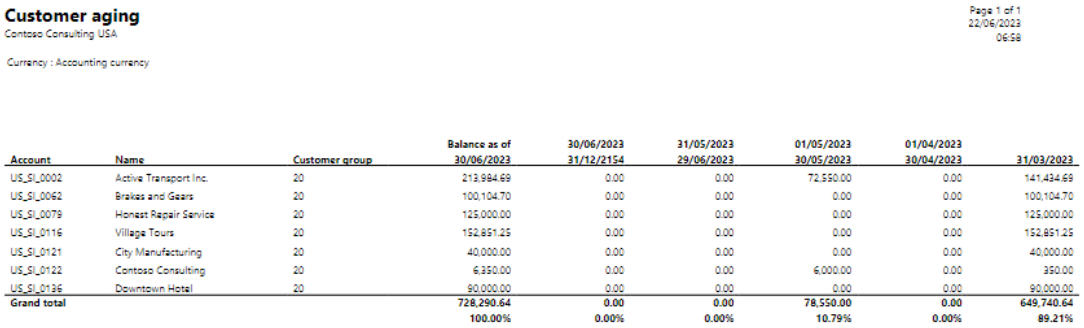


Figure 27 – Customer transactions inquiry

4. Customer aging report



Customer aging
Contoso Consulting USA

Currency : Accounting currency

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06:58

Account	Name	Customer group	Balance as of 30/06/2023	30/06/2023 31/12/2154	31/05/2023 29/06/2023	01/05/2023 30/05/2023	01/04/2023 30/04/2023	31/03/2023
US_SI_0002	Active Transport Inc.	20	213,984.69	0.00	0.00	72,550.00	0.00	141,434.69
US_SI_0062	Brakes and Gears	20	100,104.70	0.00	0.00	0.00	0.00	100,104.70
US_SI_0079	Honest Repair Service	20	125,000.00	0.00	0.00	0.00	0.00	125,000.00
US_SI_0116	Village Tours	20	152,851.25	0.00	0.00	0.00	0.00	152,851.25
US_SI_0121	City Manufacturing	20	40,000.00	0.00	0.00	0.00	0.00	40,000.00
US_SI_0122	Contoso Consulting	20	6,350.00	0.00	0.00	6,000.00	0.00	350.00
US_SI_0136	Downtown Hotel	20	90,000.00	0.00	0.00	0.00	0.00	90,000.00
Grand total			**728,290.64**	**0.00**	**0.00**	**78,550.00**	**0.00**	**649,740.64**
			100.00%	**0.00%**	**0.00%**	**10.79%**	**0.00%**	**89.21%**

Figure 28 – Customer Aging Report

3.6.1. Requirements

ID	Desc	Fit/GAP
AR006-001	Customer Account statement (Modify report to include Project ID if possible)	FIT/GAP
AR006-002	Customer invoice transaction report (Modify report to include Project ID if possible)	FIT/GAP
AR006-003	Customer Transactions inquiry (Modify report to include Project ID if possible)	FIT/GAP
AR006-004	Customer Aging Report (Modify report to include Project ID if possible)	FIT/GAP

DOCUMENT APPROVALS

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

Name	Department	Date	Signature

Comments:

What about the invoices issuing coming from the project milestone?

Project milestones (project contract) detailed in the project accounting FRD (Section PJ003 project milestone invoice proposal)

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: _____